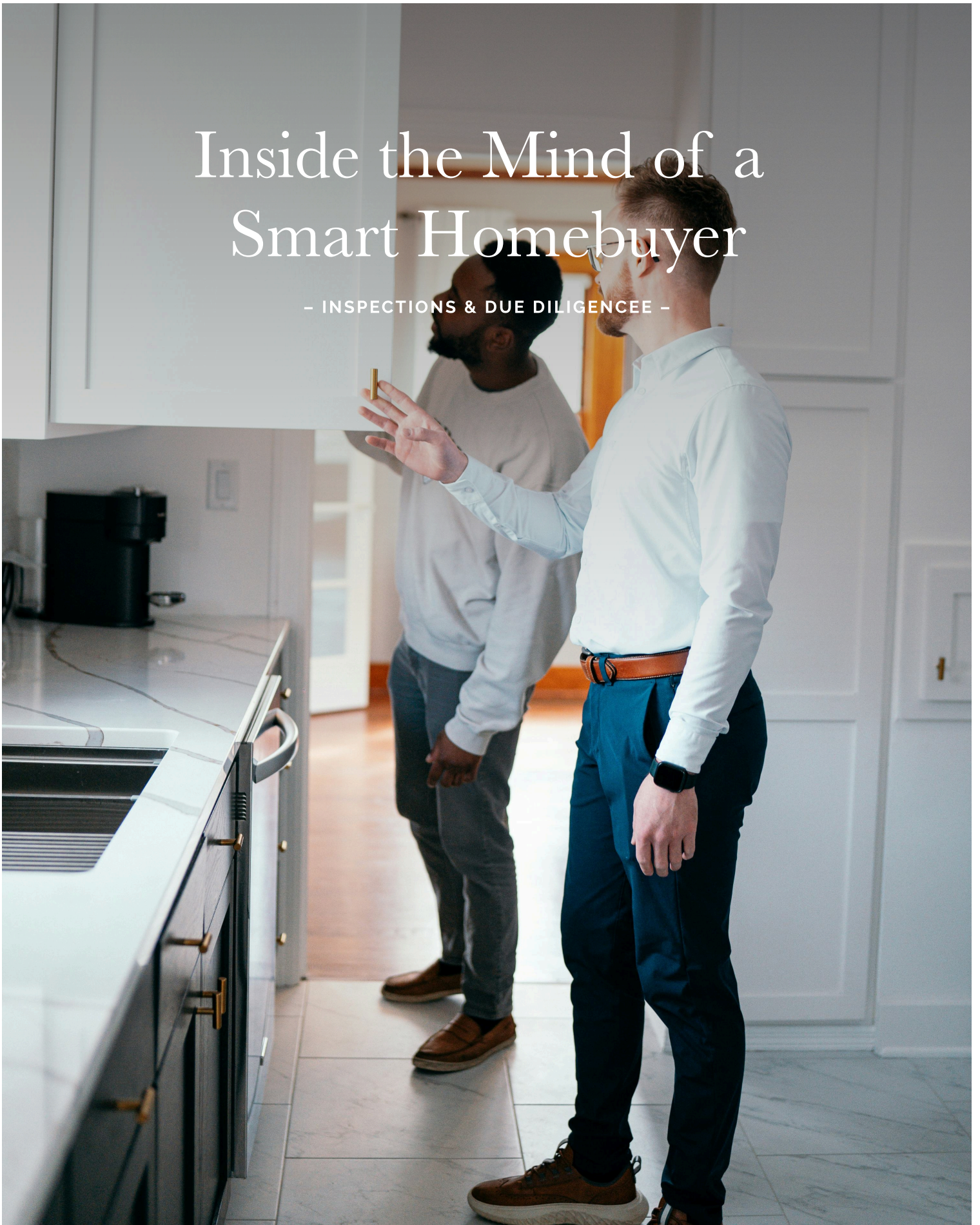


Inside the Mind of a Smart Homebuyer

- INSPECTIONS & DUE DILIGENCEE -





The Questions That Matter

Buying a home is a major life decision. Home buying may take 6 months or more, so you need to make sure this decision fits in with your personal plans and goals.

Recently, we have provided you with a list of key areas for you to think about as you start your homebuying journey, and some answers.

A few weeks ago, we tackled affordability through the lens of HOA fees, taxes, and insurance. We shared key questions buyers should consider before making home buying final decisions. Feel free to check it out!

This week, we will explore key questions surrounding inspections and due diligence.

What issues are deal-breakers for me?

Every home will have flaws. The goal is not finding a perfect house, but understanding which issues introduce unacceptable financial risk, safety concerns, or long-term instability. Deal-breakers typically fall into **structural, system, or legal** categories rather than cosmetic ones.

Common Deal-Breakers:

- Structural problems (foundation movement, framing damage)
- Active water intrusion or severe drainage issues
- Major mold or environmental hazards
- Unsafe electrical systems
- Sewer line failure
- Unpermitted structural work
- Extensive termite or rot damage
- Unclear title or disputed ownership

These issues matter because they can:

- Be expensive and unpredictable to repair
- Affect financing or insurance approval
- Reduce resale value or buyer demand later

Many other problems are negotiable depending on price and your budget. For example, aging HVAC systems or roofs nearing replacement may be acceptable if the purchase price reflects the cost of repairs. Cosmetic concerns rarely justify walking away unless they mask deeper issues. A helpful mindset is to ask whether the problem creates uncertainty rather than inconvenience. Buyers should be cautious of issues where the scope of repair is unclear or potentially escalating.

Should I hire my own inspector?

In most cases, yes! Hiring your own independent home inspector is one of the most important steps in protecting your interests during the homebuying process.

A seller-provided inspection can be useful as a starting point, but it may not reflect the level of scrutiny or follow-up questions you would want as the buyer. Conditions can change over time, and attending your own inspection gives you the opportunity to understand the home beyond what is written in a report.

Hiring your own inspector will allow you to:

- Have access to an independent and unbiased evaluation
- Attend and ask questions in real time
- Request closer attention to specific concerns
- Better prepare for repair negotiations or budgeting
- Have a clear understanding of maintenance priorities after purchase

There are situations where the answer may be less straightforward:

- **Pre-inspected homes:** In competitive markets, sellers sometimes provide detailed inspections upfront. Buyers may rely on these reports if they are recent, thorough, and performed by reputable inspectors
- **Waiving contingencies:** Some buyers waive inspection contingencies to stay competitive. Even then, many conduct a “walk-and-talk” inspection before submitting an offer to reduce unknown risks.
- **New construction:** Even new homes benefit from independent inspections. Inspections can focus on code compliance, not necessarily workmanship quality or long-term durability.
- **Highly competitive markets:** Buyers sometimes skip inspections due to pressure, but this increases financial risk. Alternative strategies include informational inspections or shorter contingency periods.

Ultimately, a home inspection is less about finding reasons to walk away and more about understanding risk. Hiring your own inspector gives you clearer information, stronger negotiating leverage, and greater confidence in one of the largest financial decisions you will make.

What does a standard home inspection cover?

A standard inspection is a visual, non-invasive evaluation designed to identify visible defects and system concerns. Inspectors assess the property's overall condition but **do not guarantee** future performance or uncover hidden issues.

Typical Coverage:

- Roof condition (visible areas)
- Exterior structure and drainage
- Interior walls, ceilings, and signs of moisture
- Electrical panel and outlets
- HVAC system
- Plumbing fixtures and water heater
- Basic appliance function

Common Add-On Inspections (Often Recommended):

- Sewer scope
- Termite / pest inspection
- Roof specialist inspection
- Mold or environmental testing if concerns exist

Understanding the limits of a general inspection helps buyers decide when specialist evaluations are worth the additional cost.

Can I negotiate repairs or credits?

Yes, the inspection period may create an opportunity to renegotiate the terms of your purchase if new information about the home's condition emerges. The goal of negotiation is not to eliminate every imperfection, but to address **material defects, safety concerns, or unexpected costs** that were not fully understood when you submitted your offer.

In practice, negotiations typically focus on aligning the price and terms of the transaction with the true condition of the property. Your leverage will depend on factors such as market conditions, how competitive the offer environment is, and whether the issues were already disclosed.

Buyers generally have several negotiation paths, including requesting repairs, asking for a credit toward closing costs or future repairs, or negotiating a price adjustment. Many buyers prefer credits because they allow greater control over contractor selection and repair quality after closing, while sellers sometimes prefer credits because they avoid coordinating repairs during escrow.

What you should know about inspection negotiations:

- Focus on significant issues such as structural concerns, safety hazards, major system failures (roof, HVAC, electrical, plumbing), water intrusion, or sewer problems.
- Cosmetic items or normal wear and tear are usually harder to negotiate unless they indicate deeper underlying problems.
- Seller credits are often preferred because they provide flexibility and allow you to manage repairs on your own timeline.
- Seller-performed repairs may be necessary when lenders require specific fixes before closing, but quality and documentation should be carefully reviewed.
- In competitive markets, strategic, concise requests are more effective than long repair lists.

Negotiation outcomes depend heavily on timing — requests must be made within your inspection contingency period.

Can I back out without losing my deposit?

Yes, in many cases you can back out without losing your deposit, but it depends entirely on your contingencies and timing.

Contingencies are **contractual conditions** built into your purchase agreement that allow you to cancel the transaction under specific circumstances without forfeiting your earnest money deposit. They function as a window of time to investigate the property, secure financing, and confirm that the deal makes financial sense before you are fully committed.

The most common contingencies include:

- Inspection contingency, which allows you to evaluate the home's condition and cancel if material defects are discovered.
- Appraisal contingency to protect if the property appraises below the agreed purchase price.
- Loan or financing contingency to withdraw if you cannot secure financing on acceptable terms.
- Disclosure review contingency to give you time to review seller-provided reports and documents.

Your deposit may be at risk if you remove contingencies in writing and later change your mind, miss a contingency deadline without formally cancelling, waive contingencies in your original offer, or default without contractual justification. In competitive markets, buyers sometimes shorten or waive contingencies to make their offers more attractive, but doing so significantly increases deposit risk.

It is also worth noting that some contracts require affirmative removal of contingencies, while others may automatically remove them after a certain date if no action is taken. Understanding how your specific agreement works is critical.

What disclosures is the seller required to provide?

In most real estate transactions, sellers are legally required to disclose information that could affect the home's value, safety, or a buyer's decision to purchase. While exact requirements vary by state, the purpose of disclosures is generally the same: **to ensure buyers understand the condition and risks associated with the property before closing.**

Sellers are typically required to disclose issues they are aware of, but they are usually **not required to investigate or uncover unknown problems.** Because disclosure laws differ by location, buyers should always review both state-specific requirements and contract terms.

Some common seller disclosures across many markets include:

- **Property Condition Disclosure (or Seller Disclosure Statement):** A form where the seller identifies known defects or issues, such as roof leaks, foundation concerns, plumbing or electrical problems, past water damage, or major repairs.
- **Environmental Hazard Disclosures:** These may include lead-based paint (required federally for homes built before 1978), flood risks, radon, asbestos, or other known environmental concerns depending on location.
- **Material Defects and Safety Issues:** Any known problems that could impact habitability or safety, such as structural damage, mold, pest infestations, or faulty systems.
- **Past Repairs or Insurance Claims:** Some jurisdictions require disclosure of significant repairs, insurance claims, or recurring problems.
- **Legal or Title Issues:** Easements, boundary disputes, liens, shared driveways, or zoning issues that affect property use.
- **HOA or Condominium Documents (if applicable):** Rules, fees, financial statements, meeting minutes, and any upcoming assessments or litigation.

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