

The fix is in: How to navigate the maze of home warranty service contracts

by [Yvonne R. Hunter](#) | Aug 29, 2017



Oh, the joys of home ownership. The lists of “pros and cons” have numerous authors, but there are ways to manage some of the cons, such as dreaded home repair responsibilities.

If you graduated from the role of tenant to homeowner, you have experienced the dreaded home repair burdens. All homeowners are bombarded with information on the “benefits” of a home warranty service contract to manage the list of home repairs common to home ownership.

This group of contracts is regulated in different ways by each state insurance department or commissioner. The National Association of Insurance Commissioners has a [link](#) to help you identify whether your state regulates these contracts and how to ask for help.

Whether you should invest in a home warranty contract is a personal choice and definitely not an easy decision. Here’s some background information.

A home warranty agreement is not a homeowner insurance policy, which is to manage the risk of loss for sudden and unexpected property damage. Companies selling home warranty services promote their service as similar to the advantage of having a landlord that handles the repairs for a rental property. Unfortunately, the reality of a home warranty agreement falls short of this experience and will test your patience and wallet. Some of the anecdotal stories for poor consumer experience with home warranty services include:

- Sample contracts in marketing materials that are substantially different from the contracts consumers are asked to sign.
- Sample contracts on a web page that are impossible to read without magnification.
- Contracts that limit coverage on appliances based on their “manufacturer’s life” expectancy.
- Home warranty services with limited qualified licensed technicians available to address repairs causing the consumer to experience long delays in service calls, or inexperienced technicians sent to complete “repairs” that require multiple visits.
- In addition to the cost of the home warranty contract, charging multiple service fees for each technician’s visit.
- Difficult or impossible to cancel a contract.
- The home warranty company requires maintenance history on appliances/systems/structures that were on previously accepted for coverage
- Subjective and arbitrary standards used to determine what portion of an appliance/system/structure is covered for service

In addition to contacting your state insurance department/commissioner to confirm whether the company is licensed and in good standing in your state, here are a few other things to do when considering a home warranty service contract:

1. Read your contract before committing/signing any documents and don’t deal with a company that wants to rush a contract. Any “urgency” should trigger warning alarms.
2. Check with the Better Business Bureau or other consumer protection networks to see if the company is in good standing.
3. Even if you have a home warranty contract, continue to conduct regular maintenance on your appliances/systems/structures.

4. Set aside emergency funds to cover those repair/replace expenses not covered by the home warranty service to manage the costs of the repairs not covered under the home warranty contract.
5. Most home warranty agreements require a minimal service fee, in addition to the contract costs. If the work requires multiple visits, you may be charged for each visit.
6. Build your own contact list of licensed and reputable repair technicians based on your list of reliable referrals through family, friends, and networks to help with maintenance and to perform repairs not covered by the home warranty agreement, or if you need immediate help for emergency repairs.
7. Confirm that the home warranty contract covers any unique appliance/fixture/construction that requires special treatment.
8. Consider whether you have limited resources available to help with repairs or are new to an area and have limited contacts for licensed and reliable technicians.

Some consumer groups openly discourage consumers from buying a home warranty agreement and encourage paying into your own home repair savings plan. You have more discretion on how to use the money and what technician performs repairs to manage costs.

Finally, if things go wrong with the home warranty company, where do you go for help? Always review the contract as a first step. If there is a mediation or arbitration provision, you may want to pursue that option as the fastest way to get help. Also, check with your Better Business Bureau (“BBB”), department of insurance or commissioner, or state attorney general’s office for assistance.

In researching information about home warranty agreements, you may find the information too overwhelming to make a knowing decision. I recommend the following websites as a humble start for your research to determine whether a home warranty fits your needs. After you do your homework you may decide a different repair strategy provides you peace of mind when managing home repairs.

http://www.naic.org/documents/consumer_alert_moving.htm

<http://www.reviews.com/home-warranty/>

https://household-tips.thefuntimesguide.com/home_warranties/

<https://www.consumerreports.org/cro/news/2014/09/why-you-should-avoid-home-warranties/index.htm>

<https://www.angieslist.com/articles/why-home-warranties-are-no-guarantee.htm>