



Home-Buying Process

Warranties: Types Available

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Constance Kratzer, Ph.D. and David P. O'Brien, Ph.D.

At some time during the home-purchasing process you may be asked to purchase some kind of extended home warranty. In some states these may be called home protection insurance, home service agreement or home warranty. However this product is marketed in your state, you should consider all your options.

When you purchase a warranty you are actually purchasing insurance that will cover the replacement costs for certain items in the house you are about to purchase. Warranties can vary. Some may include plumbing, appliances and heating and cooling systems. Some may cover the roofs and septic systems for an additional cost. Some may cover less than others and there is no standard policy. Depending on your needs it may not be an essential purchase. As with any product you purchase, shop around if you are interested in optional insurance. Talk to your real estate professional and ask him or her for suggestions. Go online and search for other warranty options.

Other things to keep in mind before you purchase are the cost of the insurance, the deductible, the warranty period and the age of the house. Just as home warranties vary in coverage, they also vary in price. Home warranties can range from \$300 to \$500. The cost is not the only financial factor. You also should consider the deductible involved.

For example:

If you purchase a \$400 warranty with a \$300 deductible, you would have a total cost of \$700 before you receive any benefit from the

product. If the \$350 water heater is the only thing you need to replace you may not benefit from the warranty. But if you have things that need repair or replacement with a total cost of \$1,000, you would come out ahead by \$300.

When buying a warranty, consider the age of the house. If the house is fairly new, a warranty may be less desirable. If the house is 15 years old or older, a warranty may be a good choice. The age of the appliances in the house you are about to purchase also is a good determining factor. If you are buying a house that has all new appliances that are still under manufacturers' warranties, you may not benefit from the home warranty. If you are purchasing a house that has not been maintained or the appliances are older, then a home warranty may benefit you.

It is your choice to purchase this optional home warranty product. Always ask questions and take the time to research and find out for yourself if this product will meet your current and future needs.

This resource is one in a series on the Home-Buying Process which include:

Financial Readiness

What Creditors Look For
Finding Mortgage Money
Types of Financial Institutions
Mortgage Options
Down Payment and Closing Costs
Pre-Qualification or Pre-Approval

Factors to Consider in Housing Selection

Personal Needs and Wants
Location
Type and Style of House
Type of Construction
Interior and Exterior Space
Special Needs
Building as an Option

Locating a House

Finding the House
Using Real Estate Professionals
Buying Direct From Owner

The Sales Contract

Components
Acceptance

Home Inspections

Reasons for Home Inspections
Locating an Inspector
What Inspections Include
Limits of Liability

The Mortgage Process

Loan Application Process
Approval or Rejection
The Mortgage Payment

Purchasing Homeowners Insurance

Before You Start Looking for a Home
Stability of the Insurance Company
Costs and Coverage
Customer Service

Warranties

The Closing

Preparation for Closing
Final Walk Through
Closing Day Procedures

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