



Karl A. Racine
D.C. Attorney General

Office of the Attorney General

Consumer Alert — Home Warranties

You are receiving mailings or phone calls offering you a home warranty that will “eliminate all of your worries” about maintaining your home. Are they worth it? Every year, one of the most frequent complaints consumers make is about home warranty companies. These companies often promise a lot, but deliver very little. How can you tell whether it makes sense to purchase a home warranty? Below are tips you can follow to determine whether it really makes sense for you to purchase a warranty for your home.

What is a Home Warranty?

A home warranty is a one-year service agreement that covers the repair or replacement of some home system and appliances.

- ◆ Home warranties are not insurance policies, they are service contracts. These are agreements for the company to pay for the repair, and possibly replacement, of specified items in your home.
- ◆ A basic home warranty can be expensive, costing \$500 per year or more.

What items does a Home Warranty cover?

Home warranties probably do not cover as much as you may think they do.

- ◆ Home warranties can have limited coverage, and might exclude kitchen appliances, water heaters, plumbing, furnaces, and other major appliances. Often consumers must make additional payments for coverage of such big-ticket items. Most home warranties do not cover structural defects, well pumps, septic tanks, or other home systems.
- ◆ Warranties generally do not cover more expensive repairs, such as roofs, leaky windows, or chimney repairs.

What kinds of repairs and replacements does a Home Warranty's cover?

The repairs that a home warranty excludes from coverage are often more detailed than what they actually cover.

- ◆ It may only repair, rather than replace, broken items.
- ◆ Many contracts limit replacements to a specific brand and do not allow you to use the contractor of your choice.
- ◆ Home warranties can also contain numerous other exclusions, such as repairs to problems caused by wear and tear, natural disasters, manufacturer defects, or failing to perform manufacturers’



Connect with the Office of the Attorney General

441 4th Street, NW, Washington, DC 20001

Phone: (202) 727-3400 Fax: (202) 347-8922 TTY: (202) 727-3400

Email: dc.oag@dc.gov

CONSUMER HOTLINE — (202) 442-9828

STAY CONNECTED:



www.oag.dc.gov

recommendations for maintenance.

- ◆ Warranty companies often require you to take multiple steps before they agree to make a repair.

What are the downsides of obtaining repairs under Home Warranties?

Home warranties often do not deliver everything that those selling them may promise.

- ◆ They have claim caps. For example, you may only get \$1,600 to replace a \$12,000 boiler. There also may be a deductible (an amount you must first pay before the home warranty company will pay your claim).
- ◆ You may have trouble connecting with the company and getting a contractor out to your home. This time delay could cost you money or hardship. The delay also may lead you to find your own contractor and pay out of pocket. Other companies may charge you a service fee, typically \$75 or more, each time you need a repair.
- ◆ You do not get to choose your own contractor. Homeowners often complain about the quality of service from warranty companies or attempts by contractors selected by warranty companies to upcharge the homeowners.
- ◆ The warranty company may not guarantee all of the work performed by its contractors. For instance, if a contractor messes up the venting of your dryer while fixing a gas leak in the dryer, the warranty company may not pay to fix the venting.
- ◆ Many of the repairs covered are not expensive and may cost less than the amount you pay for the home warranty.
- ◆ Home warranty contracts often force customers to go to arbitration rather than court when the homeowner has a dispute with the company. Arbitration may not be the best forum for resolving your complaint.

How do you avoid being scammed by a Home Warranty Company?

Companies sell home warranties because they know that, more often than not, they will make more on the warranty than they will have to pay out. Before purchasing any home warranty, you should do the following:

- ◆ Read contracts carefully to make sure you know what is covered and -- more importantly -- what is not covered. Don't rely solely on what a salesperson tells you about the warranty.
- ◆ Beware of exaggerated claims, such as the claim that your warranty is "comprehensive" or claims that warranties are like insurance.
- ◆ Check with friends and neighbors to see if they have had any experience with the company.
- ◆ Check with the D.C. Office of the Attorney General (202-442-9828) or the Better Business Bureau to see if the home warranty company has had complaints lodged against it.
- ◆ Ask yourself: is the cost of coverage really worth it?



Connect with the Office of the Attorney General

441 4th Street, NW., Washington, DC 20001

Phone: (202) 727-3400 Fax: (202) 347-8922 TTY: (202) 727-3400

Email: dc.oag@dc.gov

CONSUMER HOTLINE — (202) 442-9828

STAY CONNECTED:



www.oag.dc.gov

Still considering purchasing a Home Warranty?

- ◆ Check to see if your appliances are already covered under a manufacturer's warranty, builder's warranty, or by your credit card, which may offer extended protection.
- ◆ When considering whether a home warranty is a good financial fit, compare the age of each item covered by a home warranty with the item's average life span. The International Association of Certified Home Inspectors offers a helpful chart: <https://www.nachi.org/life-expectancy.htm>
- ◆ If you are considering purchasing a home warranty, research the company using sources such as:
 - ◆ The District of Columbia Attorney General's Office of Consumer protection: call (202) 442-9828, email consumer.protection@dc.gov, submit a Consumer Complaint Form at <https://oag.dc.gov/service/submit-consumer-complaint>, or write to the Office of Consumer Protection at the Office of the Attorney General. You can also check with the Better Business Bureau at bbb.org.



Connect with the Office of the Attorney General

441 4th Street, NW., Washington, DC 20001
Phone: (202) 727-3400 Fax: (202) 347-8922 TTY: (202) 727-3400
Email: dc.oag@dc.gov

CONSUMER HOTLINE — (202) 442-9828

STAY CONNECTED:



www.oag.dc.gov