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Study seeks to put a value on home warranties: zero

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WASHINGTON — What is a home warranty worth? Not much, according to a study published in a recent edition of trade magazine *The Appraisal Journal*.

The study found that buyers don't pay extra for a house that comes with insurance covering the cost of fixing or replacing major systems for up to a year after they move in.

Home warranties, which are actually one-year service policies, are often touted by real estate agents as marketing tools that help set a house apart from the competition and relieve whatever concerns a potential buyer might have about the property's condition. They typically cover electrical problems, plumbing issues and appliance breakdowns or failures.

Nevertheless, the study of 1,500 residential transactions in Montgomery, Ala., found that houses with warranties did not sell any faster or for higher prices than those without.

The study also tested for a second hypothesis, that the presence of a warranty sends a negative signal that increases rather than appeases buyer uncertainty. But here, too, researchers found that a property's price or time on the market was not influenced one way or the other.

The researchers concluded that since there is no difference between houses with or without warranties, warranties are "without value."

That's the theory, anyway. In reality, though, these service policies have become so commonplace in many markets that not offering one is what distinguishes one property from the rest. If the seller does not provide a warranty, buyers tend to worry about what they are going to have to repair soon after they take occupancy.

Consequently, sellers are well-advised to shell out the extra \$300 to \$400 for one, especially because they, too, are often covered should something break down while the house is listed.

If you are a seller on a tight budget, consider asking your listing agent to kick in the commission he receives from the warranty company for selling you the policy. That might save a few dollars.