



Residential Warranties

Contractor's Obligations Under
Oregon Law Effective July 1, 2008

Requirements for Residential Contractors

- Effective July 1, 2008, contractors entering into contracts to build new homes (regardless of how licensed or endorsed) must make a written offer to the owner or purchaser to provide a warranty against defects in materials and workmanship.
- The owner or purchaser may accept or refuse the warranty offer.






Requirements for Offer of Warranty

The law requiring contractors to make a written offer of a new home warranty takes effect July 1, 2008.

The law applies to all contracts to build new homes entered into on or after July 1, 2008.



The Law Requires a Written Contract

- For any construction over \$2,000, there must be a written contract
- The contractor must include statements in the written contract that the contractor, in writing, offered a warranty and that the homeowner or purchaser either accepted or rejected the offer

Warranty Not Required

The Homeowner is Not
Required to Purchase a
Warranty or to Accept a
Warranty Offered by the
Contractor



Offering the New Home Warranty

A Contractor Must Offer a Warranty by the Time the Contract to Construct the Home is Signed





What is a Warranty?

- A warranty is an obligation that the new home is free from defective materials or workmanship.
- A warranty contains a promise to repair or replace the defective items or faulty work.
- A warranty is not a guarantee. The work must be done to building industry standards, not complete customer satisfaction.
- A warranty may not cover items caused by homeowner neglect.



New Home Warranty

A New Home
Warranty Typically
Covers:

- Structural Defects
- Major Home System Failure
- Workmanship

Structural Defects

Home warranties provide protection against failure of structural components, like foundation, studs, beams and joists that support the house.



Major Home System Failures



Home warranties provide protection against failure of plumbing, electrical, heating and air-conditioning systems. May protect against failure of appliances and other systems.

Workmanship

Home warranties promise to repair defects in work performed, such as installation work.



Warranties in Addition to New Home Warranties

- Many items in a new house are under warranty by the product manufacturer. These warranties may cover:
 - Dishwashers
 - Water Heaters
 - Air conditioners
 - Furnaces
 - Siding
 - Roofing
- These are distinct from the new home warranty covered under this topic.



New Home Warranty is a Contract

A new home warranty is a contract. Each new home warranty will have unique terms and protections. A new home warranty contract may have limitations on what items it will cover, or for how long certain items will be covered after construction.

How Long does a Home Warranty Offer Protection?

- Typically, companies that sell new home warranties provide protection for structural defects for 5 – 10 years.
- Similarly, a typical new home warranty provides protection for major home system failure for 1 – 2 years.
- These typical protections are not required. Contractors may select the length of coverage they choose for the warranty that they will offer.



How Much does a Home Warranty Cost?

- A company that sells new home warranties typically charges a monthly or annual fee or premium.
- A new home warranty may also require the homeowner to pay a "service fee," similar to a deductible, when requesting service.





Contractor Supplied Warranty

The contractor may supply the warranty directly, without purchasing it through a company that sells warranties.

The contractor may determine the terms and the cost of the warranty.

This form of warranty satisfies the law requiring a warranty for newly constructed homes.

Sources for Warranty Products

- At present, the Construction Contractors Board does not maintain a list of companies that provide new home warranties for builders.
- Builders may consult their **trade organizations** for recommendations.
- Builders may do independent research, such as on the **Internet**.