

**BUSINESS OPERATIONS AND PROFESSIONAL RESPONSIBILITIES MODULE
TREC Course #39924**

**Chapter 4
Business Plan**

Business Model



OBJECTIVE: At the completion of this chapter, the Inspector candidate will:

- 1. Understand the basics of setting up a home inspection business.**

CREATE A BUSINESS PLAN

A clear plan is essential for success as an entrepreneur. It will help you map out the specifics of your business and discover some unknowns. A business plan is a written document that helps you define the goals of your inspection business, how you intend to reach them, and how long it will take. While you might think a business plan's purpose is to attract investors, it's actually an exercise in being realistic with yourself about what you want to achieve and how you'll do it.

A good business plan includes an executive summary, overview of your services and pricing, market analysis with competitive research, and marketing and sales strategy. Walking through these sections forces you to think about your business model and your strategy for competing with similar businesses

A few important topics to consider are:

What are the costs involved in opening a home inspection business?

Obtaining training and [certification](#) is one of the initial costs, and obtaining a business license is another. Home Inspection insurance is also a crucial startup cost, since customers will be advised to hire inspectors who carry it for the protection of both parties. Other startup costs include a dependable vehicle and some basic office and inspection equipment. Essential office equipment includes a computer capable of running [home inspection software](#), telephone, fax, color copier, and a quality digital camera. You will also need a desk, chairs, and shelving as well as report binders and business cards. Basic inspection tools include ladders (\$200-\$500) and testing equipment such as gas and moisture detectors, circuit tester and a voltage "sniffer", and an infrared thermometer. You'll also need some basic tools such as

screwdrivers and pliers. Depending on whether your equipment is new or used, startup costs can range from \$10,000 to \$30,000.

What are the ongoing expenses for a home inspection business?

Ongoing expenses for a home inspection business include:

- Maintaining a business license and professional liability insurance
- Office supplies
- Vehicle and equipment maintenance
- Continuing education

Who is the target market?

Preferred customers are homebuyers, real estate agents, and mortgage lenders.

How does a home inspection business make money?

A home inspection business makes money by charging clients for their time, experience and expertise in discovering potentially costly damage as well as any safety hazards in homes for sale, thereby saving homebuyers money.

How much can you charge customers?

The [cost of a home inspection](#) depends on the size and complexity of the structure or structures to be inspected. Fees range from \$200 to \$470, with an average of approximately \$325. A separate termite inspection typically costs \$300, while an inspection for the presence of radon gas averages \$750. The more training and equipment your home inspection business has, the more earning opportunities it will have also.

How much profit can a home inspection business make?

Annual [income](#) for home inspectors, depending upon education and experience, ranges between \$26,000 and \$66,000, with an average of \$45,000. Unlike other types of businesses, people own their homes for an average of eight years, which means that any repeat business is unlikely to come from clients, though it may come through recommendations from real estate agents or mortgage lenders.

How can you make your business more profitable?

One way to make your business more profitable is by advertising how much money your services are saving your clients. Home inspections are routinely used as a contingency in purchase offers, which means that your services can result in your clients being able to back out of a contract with no financial penalty. A home inspection is a money- saving investment. By acquiring vital information about the condition of a home, your clients can save thousands of dollars by making a counter-offer that takes needed repairs into consideration.

CHOOSE YOUR LEGAL BUSINESS STRUCTURE AND A NAME

What will you name your business?

Before you can register your business with the state or apply for licenses and permits, you'll need to choose your [legal business structure](#).

Your legal business structure will impact operations, taxes, and even your personal liability. U.S. companies have several options for a business structure, each with its own benefits and risks. A few common structures are:

- **Sole proprietorship.** If you are the only person in your business, or your inspectors will operate as contractors and not employees, this is a simple structure to form. But sole proprietorships aren't considered separate business entities, so your business assets and liabilities aren't separate from your personal assets and liabilities.
- **Partnership.** If you want to start a home inspection company with a partner, you could consider a limited partnership or a limited liability partnership. With a limited partnership, one partner would have unlimited liability and other partners would have limited liability. In a limited liability partnership, all partners have limited liability and won't be held responsible for the actions of other partners.
- **Limited liability company (LLC).** An LLC is a sort of hybrid of a partnership and a corporation. LLCs will protect you from personal liability, and your personal assets won't be at risk if your business faces bankruptcy or a lawsuit. You'll also avoid paying corporate tax rates, but you'll be considered self-employed and will need to pay self-employment taxes.
- **Corporation.** A corporation, also called a C corp, is considered completely separate from its owners. Corporations provide the strongest protections from personal liability, but they cost more to form and require more extensive record keeping.

Consult with an attorney and accountant to help you choose the best business structure.

OBTAIN NECESSARY TRAINING AND LICENSING

After you have a solid business plan and a legal structure in place, it's time to obtain the necessary training and licensing you'll need to operate your new business. Each state determines whether home inspectors need to be licensed and how much training is required to earn and maintain that license.

The [American Society of Home Inspectors](#) (ASHI) has a comprehensive listing of state regulations, as well as training programs to help you meet requirements. For instance, to get your [associate home inspection license](#) in Massachusetts, you need to have a high school diploma, train in the field under the direct supervision of a licensed home inspector, and pass the National Home Inspector Examination. A few states, [like Colorado](#), don't regulate home inspectors. You don't need a license or certifications to operate in the state.

If you plan to offer your services in more than one state, be sure that you meet each state's requirements

OPEN A BUSINESS BANK ACCOUNT & CREDIT CARD

Using dedicated business banking and credit accounts is essential for personal asset protection.

When your personal and business accounts are mixed, your personal assets (your home, car, and other valuables) are at risk in the event your business is sued. In business law, this is referred to as [piercing your corporate veil](#).

Additionally, learning [how to build business credit](#) can help you get [credit cards](#) and other financing in your business's name (instead of yours), better interest rates, higher lines of credit, and more.

Open a business bank account

Besides being a requirement when applying for business loans, opening a business bank account:

- Separates your personal assets from your company's assets, which is necessary for personal asset protection.
- Makes accounting and tax filing easier.

Get a business credit card

Getting a [business credit card](#) helps you:

- Separate personal and business expenses by putting your business' expenses all in one place.
- Build your company's credit history, which can be useful to raise money later on.

PURCHASE LIABILITY AND ERRORS AND OMISSIONS INSURANCE

Home inspectors ensure the safety of a property before a family moves in, and that comes with a lot of responsibility. Dan Bowers says the reason many home inspection businesses fail is because they [didn't get liability insurance](#) early on. He said inspectors "get started on a shoe-string and don't buy insurance, then six months in they miss a foundation issue, bad roof, etc. and have a \$10,000 debt they need to pay off." This can put them out of business overnight.

The [International Association of Certified Home Inspectors](#) (InterNACHI) recommends both general liability and errors and omissions insurance. Don't forget to check your state's home inspection business regulations on insurance.

Some [states, like Alabama](#), require licensed home inspectors to have liability insurance and errors and omissions coverage.

Just as with licenses and permits, your business needs insurance in order to operate safely and lawfully. [Business Insurance](#) protects your company's financial wellbeing in the event of a covered loss.

There are several types of insurance policies created for different types of businesses with different risks. If you're unsure of the types of risks that your business may face, **begin with General Liability Insurance**. This is the most common coverage that small businesses need, so it's a great place to start for your business.

Learn more about [General Liability Insurance](#).

Another notable insurance policy that many businesses need is [Workers' Compensation Insurance](#). If your business will have employees, it's a good chance that your state will require you to carry Workers' Compensation Coverage.

GET YOUR TOOLS

Name them

BUILD YOUR BRAND TO DIFFERENTIATE YOUR BUSINESS

What's the difference between you and another home inspector? To a first-time home buyer, the answer may be "not much." By building your business brand, you'll tell your potential customer about the values of your business, the type and level of services you offer, and why they should choose you to conduct their home inspection.

Part of building your brand includes creating branded materials to support your marketing efforts. To get started, you'll need a website to help give your business legitimacy, business cards, and brochures and flyers to give to prospects.

InterNACHI offers members [design services](#) for logos, business cards, flyers, and brochures. For your website, you can reach out to a local design company, contact a freelancer, or [build it on your own with Wix](#).

Create your business website

After defining your brand and creating your logo the next step is to [create a website for your business](#).

While creating a website is an essential step, some may fear that it's out of their reach because they don't have any website-building experience. While this may have been a reasonable fear back in 2015, web technology has seen huge advancements in the past few years that makes the lives of small business owners much simpler.

Here are the main reasons why you shouldn't delay building your website:

- **All legitimate businesses have websites** - full stop. The size or industry of your business does not matter when it comes to getting your business online.
- Social media accounts like **Facebook pages or LinkedIn business profiles are not a replacement for a business website** that you own.
- Website builder tools like the [GoDaddy Website Builder](#) have made creating a basic website extremely simple. **You don't need to hire a web developer** or designer to create a website that you can be proud of.

Using our [website building guides](#), the process will be simple and painless and shouldn't take you any longer than 2-3 hours to complete.

DEFINE YOUR BRAND

Your brand is what your company stands for, as well as how your business is perceived by the public. A strong brand will help your business stand out from competitors.

How to promote & market a home inspection business

One of the best ways to promote your business is by attending events such as open houses where you can network with realtors and potential home buyers. Leaving your business card with local residential construction companies is also an effective way to gain an edge over the competition.

How to keep customers coming back

In this business, licensing requirements vary from state to state. That fact, coupled with the high level of personal trust required, is one reason that word of mouth is the most important element of any advertising campaign. Satisfied customers who have saved money and have been able to increase the level of safety for themselves and their families as a result of your services speak louder than words on a flyer.

NETWORK WITH REAL ESTATE AGENTS TO BUILD YOUR BUSINESS

To grow your inspection business, you need a steady stream of customers. How can you find customers just when they need your service? Real estate agents share their list of preferred home inspectors with their clients to help move sales along.

AHIT product manager Chris Chirafisi [advises](#) spending a lot of time getting to know local real estate professionals. He says you should "meet with as many Realtors as possible," hand out up to 10 business cards a day, join Realtor associations, give breakfasts or lunches to real estate offices, and drop by five to 10 open houses each week.

You can also target attorneys who work in real estate and mortgage companies, [advises Entrepreneur](#). Connect with them through social media, send them your company brochure, and offer to give talks about home inspections and your services.

GET SOFTWARE TO HELP YOU SCALE

Now that you've taken care of the basics to help build your home inspection business, it's time to invest in software solutions that will save time, boost efficiency, and help grow your business.

There are two key software solutions your inspection business needs to scale: home-inspection software and route-optimization software.

Home Inspector Licensing is generally regulated by having pre-license learning requirements that vary state to state. While some states do not require prerequisites for receiving a Home Inspector License, it is a process that many states are trying to legislate due to requests from realtors and homebuyers. Additionally, becoming AHIT certified will increase the competitiveness of a home inspector where there is still no state requirement. Here is [a state-by-state map of Home Inspection Licensing requirements](#).

Service Contract

Home Inspection Businesses should require clients to sign a service agreement before starting a new project. This agreement should clarify client expectations and minimize risk of legal disputes by setting out payment terms, conditions and service level expectations. [Here is an example service agreement](#).

Recommended: Rocket Lawyer makes it easy to [create a professional service agreement](#) for your home inspection business when you sign up for their premium membership. For \$39.95 per month, members receive access to hundreds of legal agreements and on call attorneys to get complimentary legal advice.

As a licensed inspector in the State of Texas, am I supposed to charge a sales tax on the amount of my inspection fee?

TREC only handles the licensing and discipline of real estate inspectors, you would need to contact the state agency in charge of collecting state sales tax which is the Texas Comptroller of Public Accounts. The website for that agency is www.comptroller.texas.gov and their toll-free number is 800.252.5555.

THE TEXAS REAL ESTATE COMMISSION (TREC) REGULATES
REAL ESTATE BROKERS AND SALES AGENTS, REAL ESTATE INSPECTORS,
HOME WARRANTY COMPANIES, EASEMENT AND RIGHT-OF-WAY AGENTS,
AND TIMESHARE INTEREST PROVIDERS

YOU CAN FIND MORE INFORMATION AND
CHECK THE STATUS OF A LICENSE HOLDER AT

WWW.TREC.TEXAS.GOV

YOU CAN SEND A COMPLAINT AGAINST A LICENSE HOLDER TO TREC
A COMPLAINT FORM IS AVAILABLE ON THE TREC WEBSITE

TREC ADMINISTERS TWO RECOVERY FUNDS WHICH MAY BE USED TO SATISFY A CIVIL
COURT JUDGMENT AGAINST A BROKER, SALES AGENT, REAL ESTATE INSPECTOR, OR
EASEMENT OR RIGHT-OF-WAY AGENT, IF CERTAIN REQUIREMENTS ARE MET.

REAL ESTATE INSPECTORS ARE REQUIRED TO MAINTAIN ERRORS AND OMISSIONS
INSURANCE TO COVER LOSSES ARISING FROM THE PERFORMANCE OF A REAL ESTATE
INSPECTION IN A NEGLIGENT OR INCOMPETENT MANNER.

PLEASE NOTE: INSPECTORS MAY LIMIT LIABILITY THROUGH PROVISIONS IN THE CONTRACT
OR INSPECTION AGREEMENT BETWEEN THE INSPECTOR AND THEIR CLIENTS. PLEASE BE
SURE TO READ ANY CONTRACT OR AGREEMENT CAREFULLY. IF YOU DO NOT UNDERSTAND
ANY TERMS OR PROVISIONS, CONSULT AN ATTORNEY.

IF YOU HAVE QUESTIONS OR ISSUES ABOUT THE ACTIVITIES OF
A LICENSE HOLDER, THE COMPLAINT PROCESS, OR THE
RECOVERY FUNDS, PLEASE VISIT THE WEBSITE OR CONTACT TREC AT



TEXAS REAL ESTATE COMMISSION

P.O. BOX 12188

AUSTIN, TEXAS 78711-2188

(512) 936-3000

"Inspector on Premises" Sign

Attention!!!

**Home Inspection in
Progress**

**A licensed TREC real estate
inspector is on the property.**

My name is _____

**Unauthorized persons are not allowed on the
property.**

**If you need assistance, please call my office
at**

_____ - _____ - _____

Inspection should be complete by _____ :

Advertisements

For the purposes of this section, advertisements are all communications created or caused to be created by a licensed inspector for the purpose of inducing or attempting to induce a member of the public to use the services of the inspector, including but not limited to the following types of communications when disseminated for this purpose: inspection reports, business cards, invoices, signs, brochures, email, the Internet, electronic transmissions, text messages, and purchased telephone directory displays and advertising by newspaper, radio and television.

Advertisements by a person licensed as an inspector must contain the name or assumed business name of the license holder. The advertisements must also contain the license number of the person. If the person is licensed as a real estate inspector or as an apprentice inspector, the advertisements must also contain the following:

1. the name or assumed name of the person's sponsoring professional inspector; and
2. a statement indicating that the person is sponsored by that professional inspector.

A licensed professional inspector, real estate inspector or apprentice inspector shall notify the Commission in writing within 30 days after the inspector starts or stops using a name in business other than the name in which the inspector is licensed.

For the purposes of social networking websites, including websites through which license holders may transmit electronic messages to other members of the same site, it is sufficient for license number(s) to appear on the inspector's main or profile page.

Inspection Reports

For each inspection, the inspector shall:

prepare a written inspection report noting observed deficiencies and other items required to be reported; and

deliver the report to the client within two days of receipt of payment for the inspection, unless otherwise agreed in writing by the client.