

Home warranties don't always provide peace of mind

Jun. 17, 2013 at 10:12 AM
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TODAY



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When you buy a house, you know things are going to break. Is it worth paying hundreds of dollars a year to repair or replace your furnace, washing machine, refrigerator or other major appliance when it breaks? Only you can decide.

Major home appliances are costly to repair and expensive to replace. That's why some homeowners spend hundreds of dollars a year to buy a home warranty, sometimes called a service contract.

Home warranties are supposed to provide peace of mind. But in many cases, people who try to use them when something breaks down experience disappointment and frustration.

Online bulletin boards are filled with complaints:

- *"I'm highly disappointed and angry!"* – Kathy of Cordova, Tenn.
- *"They don't do anything they said. All they want is your money."* – Mary of Lancaster, Texas
- *"They made me wait a week, only to tell me my broken washer is not covered under my plan!!! So far, this is the second item they claim is not fixable under my plan!!! Save your money, and get your own repairs done!!!"* – Rozelia of Oakland, Calif.

Home warranty companies have been the worst-graded category on Angie's List for eight years in a row. Nearly half of the member ratings were unfavorable.

Cheryl Reed, the website's director of communications, told me some of the complaints deal with poor service, but most result from unrealistic expectations about how a service contract works.

"People were disappointed because they just assumed the home warranty covered everything in their house in the way they wanted it covered," Reed said. "They never really took the time to read the warranty and understand what the process was."

For instance, you may think you need a new water heater, but the warranty company may decide it only needs to be repaired. Under the terms of the contract it's their choice – not yours. Even worse, they may say the repair isn't covered at all.

Angie's List member Steve Donahue, who lives near Houston, complained after his home's air conditioning system broke. The service technician diagnosed a number of problems, but the warranty company denied the claim. They said the *humidifier* hadn't been properly maintained.

Donahue told me his system didn't have a humidifier. You don't need one in that part of the country. He called the warranty company to complain, but could never speak to anyone in charge.

"I paid a lot of money and I never did get much of a return out of it," he said.

Stephen McDaniel, assistant executive director of the Service Contract Industry Council, told me he is concerned to hear about the complaints, but he doesn't feel the industry has a problem. If people would read their contracts before they need service, he said, they would know what to expect.

McDaniel believes most people are happy they bought their home warranty. The ability to call for help 24/7, and have someone show up at your house within a set period of time – even after hours and on weekends if it's an emergency – "is a valuable service" that's worth the price, he said.

A perk for homebuyers

When you put your home on the market, you want a competitive edge. An increasing number of sellers believe a home warranty can do that – a little something extra for the potential buyer.

Nearly 80 percent of the homes in California are being sold with a warranty right now, according to real estate expert Ilyce Glink, who runs the website ThinkGlink.

"Buyers view them as a sort of insurance policy should something go wrong," Glink said. "Buyers may assume everything is covered, but typically it only includes appliances that are working properly on the closing date."

So, an ongoing leak would probably not be covered. A swimming pool or sprinkler system typically requires separate coverage.

(Note: A home warranty is not insurance, even though it may be backed by an insurance policy.)

Service contracts that come with the home are typically for one year. Then you get inundated with offers to extend the coverage.

Glink's advice: Don't do it.

She believes they are overpriced for the value they deliver. The problem may not be covered. The company may decide to repair rather than replace. Plus, you have to pay \$50 to \$100 every time the service technician comes to your house.

"Remember, their goal is to do everything they can to avoid paying for that repair or replacement," Glink said.

The Service Contract Industry Council points out that anyone who has second thoughts about buying a home warranty can cancel at any time with a pro-rated refund.

Is this for you?

When you buy a house, you know things are going to break. Is it worth paying hundreds of dollars a year to repair or replace your furnace, washing machine, refrigerator or other major appliance when it breaks? Only you can decide.

The editors at Consumer Reports say the peace of mind isn't worth the price. "For most people, it makes more sense to put money in a home-maintenance fund," they write.

One more important factor to consider: The warranty company decides which repair company comes to your house. You don't have any say in that. If you have a trusted plumber, electrician or appliance service, a home warranty may not be for you.

The Service Contract Industry Council strongly believes in the value of a home warranty and says it has the happy customers to prove it. The trade group promises to help anyone who has a problem with a member company.

My advice: If you didn't get what you paid for, file complaints with the state agency that regulates these services and the Better Business Bureau. If you think you're right, don't back down.