



ADOPTED RULE ACTION FROM THE MAY 4, 2015, MEETING OF THE COMMISSION
Chapter 535 General Provisions
Subchapter R. Real Estate Inspectors
22 TAC §535.223, Standard Inspection Report Form.

The Texas Real Estate Commission (TREC) adopts amendments to §535.223, concerning Standard Inspection Report Form, as published in the February 27, 2015, issue of the *Texas Register* (40 TexReg 883), with a clarifying change to the language to be included on the standard form, Property Inspection Report Form REI 7-5, as adopted by reference.

The amendments are recommended by the Texas Real Estate Inspector Advisory Committee (TREIC) to notify consumers about potential hazards regarding lack of bonding on gas piping, including corrugated stainless steel tubing (CSST), by adding language to the "Consumer Notice Concerning Hazards or Deficiencies" section, and to adopt by reference changes to the standard form, Property Inspection Report Form REI 7-5, approved by the Commission for use in reporting inspection results.

The additional language originally proposed by TREIC was:

"lack of bonding on corrugated stainless steel tubing (CSST) or other metal gas tubing or piping where required."

TREIC received comments on the proposed language from nine discrete commenters, including comments from two inspector trade associations and one non-industry trade association. While many commenters agreed that providing notice to consumers regarding potential hazards with improper bonding of CSST or other metal gas tubing was helpful, commenters differed on the appropriate language to be included on the standard inspection form. One commenter suggested that the proposed language would be confusing for inspectors. Another commenter

suggested inserting the phrase "yellow jacketed" before "corrugated stainless steel tubing (CSST)." Another commenter suggested revising the language to "lack of additional bonding on corrugated stainless steel tubing (CSST) for gas piping." Another commenter questioned the addition of language regarding potential hazards with CSST, but not other potential safety hazards. Two commenters suggested contacting the Electrical Division of the Texas Department of Licensing and Regulation for their input. One commenter suggested contacting the Texas State Board of Plumbing Examiners for their input.

Four commenters suggested that inspectors should give notice recommending consumers to have additional professional inspections if CSST is identified in an inspection report. One commenter recommended adding a disclaimer regarding the inspection of CSST that would automatically suggest further evaluation by a licensed electrician. A second commenter suggested having inspectors recommend consumers contact a manufacturer-approved installer or licensed electrician to ensure that CSST is properly installed and bonded. A third commenter asked inspectors to encourage homeowners to seek out a licensed electrician to evaluate CSST. And a fourth commenter suggested inspectors should notify consumers to have both a licensed electrician and a licensed plumber evaluate CSST for proper installation and bonding.

TREIC considered these comments at its meeting on April 13, 2015, and recommends the Commission adopt the rule as published with a clarifying change to the language to be included on the standard form, Property Inspection Report Form REI 7-5, as follows:

“lack of bonding on gas piping, including corrugated stainless steel (CSST).”

In addition to the comments received by TREIC, the Commission received comments from nine discrete commenters at its meeting on May 4, 2015. Five of these commenters re-emphasized their original comments that were previously submitted to the TREIC. Of the four remaining commenters, three were opposed to the additional language being added to the standard inspection report form, and one was neutral.

After considering all of the comments presented to the TREIC and the Commission, the Commission adopts the rule, including the clarifying change to the language to be included on the standard form, Property Inspection Report Form REI 7-5, as recommended by the TREIC.

The revision to the proposed language to be included on the standard form does not change the nature or scope so much that the rule as adopted could be deemed a different rule. The rule as adopted does not affect individuals other than those contemplated by the rule as proposed. The rule as adopted does not impose more onerous requirements than the proposed rule.

The amendments are adopted under Texas Occupations Code, §1101.151, which authorizes the Texas Real Estate Commission to adopt and enforce rules necessary to administer Chapters 1101 and 1102; and to establish standards of conduct and ethics for its license holders to fulfill the purposes of chapters 1101 and 1102 and ensure compliance with Chapters 1101 and 1102.

The statutes affected by the amendments are Texas Occupations Code, Chapter 1102. No other statute, code or article is affected by the amendments.

These amendments are effective September 1, 2015.

§535.223. Standard Inspection Report Form. The Commission adopts by reference Property Inspection Report Form REI [7-5](#) ~~[7-4]~~, approved by the Commission for use in reporting inspections results. This document is published by and available from the Commission website: www.trec.texas.gov, or by writing to the

Commission at Texas Real Estate Commission, P.O. Box 12188, Austin, Texas 78711-2188.

(1) Except as provided by this section, inspections performed for a prospective buyer or prospective seller of substantially complete one-to-four family residential property shall be reported on Form REI [7-5](#) ~~[7-4]~~ adopted by the Commission ("the standard form").

(2) Inspectors may reproduce the standard form by computer or from printed copies obtained from the Commission. Except as specifically permitted by this section, the inspector shall reproduce the text of the standard form verbatim and the spacing, borders and placement of text on the page must appear to be identical to that in the printed version of the standard form.

(3) An inspector may make the following changes to the standard form:

(A) delete the line for name and license number, of the sponsoring inspector, if the inspection was performed solely by a professional inspector;

(B) change the typeface; provided that it is no smaller than a 10 point font;

(C) change the color of the typeface and checkboxes;

(D) use legal sized (8-1/2" by 14") paper;

(E) add a cover page to the report form;

(F) add footers to each page of the report except the first page and may add headers to each page of the report;

(G) place the property identification and page number at either the top or bottom of the page;

(H) add subheadings under items, provided that the numbering of the standard items remains consistent with the standard form;

(I) list other items in the corresponding appropriate section of the report form and additional captions, letters, and check boxes for those items;

(J) delete inapplicable subsections of Section VI., Optional Systems, and re-letter any remaining subsections;

(K) delete Subsection L., Other, of Section I., Structural Systems; Subsection E., Other of Section IV., Plumbing Supply, Distribution Systems and Fixtures and Subsection I., Other of Section V., Appliances;

(L) as the inspector deems necessary:

(i) allocate such space for comments in:

(I) the "Additional Information Provided by the Inspector" section; and

(II)each section provided for comments for each inspected item;

- (ii)attach additional pages of comments; or
- (iii)both;

(M)include a service agreement/inspection contract or contractual terms between the inspector and a client with the standard form under the "Additional Information Provided by the Inspector" section or as an attachment to the standard form; and

(N)attach additional pages to the form if:

(i)it is necessary to report the inspection of a component, or system not contained in the standard form; or

(ii)the space provided on the form is inadequate for a complete reporting of the Inspection.

(4)The inspector shall renumber the pages of the standard form to correspond with any changes made necessary due to adjusting the space for comments or adding additional items and shall number all pages of the report, including any addenda.

(5)The inspector shall indicate, by checking the appropriate boxes on the form, whether each item was inspected, not inspected, not present, or deficient and explain the findings in the corresponding section in the body of the report form.

(6)This section does not apply to the following:

(A)re-inspections of a property performed for the same client;

(B)inspections performed for or required by a lender or governmental agency;

(C)inspections for which federal or state law requires use of a different report;

(D)quality control construction inspections of new homes performed for builders, including phased construction inspections, inspections performed solely to determine compliance with building codes, warranty or underwriting requirements, or inspections required by a municipality and the builder or other entity requires use of a different report, and the first page of the report contains a notice either in bold or underlined reading substantially similar to the following: "This report was prepared for a builder or other entity in accordance with the builder's requirements. The report is not intended as a substitute for an inspection of the property by an inspector of the buyer's choice. Standard inspections performed by a license holder and reported on Commission promulgated report forms may contain additional information a buyer should consider in

making a decision to purchase." If a report form required for use by the builder or builder's employee does not contain the notice, the inspector may attach the notice to the first page of the report at the time the report is prepared by the inspector;

(E)an inspection of a building or addition that is not substantially complete; or

(F)inspections of a single system or component as outlined in clause (ii) of this subparagraph, provided that the first page of the report contains a notice either in bold or underlined reading substantially similar to the following: "This report was prepared for a buyer or seller in accordance with the client's requirements. The report addresses a single system or component and is not intended as a substitute for a complete standard inspection of the property. Standard inspections performed by a license holder and reported on a Commission promulgated report form may contain additional information a buyer should consider in making a decision to purchase."

(i)If the client requires the use of a report form that does not contain the notice, the inspector may attach the notice to the first page of the report at the time the report is prepared by the inspector.

(ii)An inspection is considered to be of a single system or component if the inspection only addresses one of the following or a portion thereof:

(I)foundation;

(II)framing/structure, as outlined in §535.213(e)(2) of this title;

(III)building enclosure;

(IV)roof system;

(V)plumbing system;

(VI)electrical system;

(VII)HVAC system;

(VIII)a single appliance; or

(IX)a single optional system as stated in the Standards of Practice.

The Commission certifies that the amendment has been reviewed by legal counsel and found to be within the Commission's legal authority to adopt.

Filed with the Office of the Secretary of State on **May , 2015**.

Kristen Worman

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Texas Real Estate Commission
Effective date: