

What Is a Home Warranty?

How It Works, What It Covers and If You Need One

When buying or selling a home, you might hear about home warranties — service contracts that can offer peace of mind after closing day. But not everyone needs one, and they're not a substitute for insurance.

Understanding what a home warranty includes, what it doesn't and who typically pays for it can help you decide whether it's worth adding to your homeownership plan.

WHAT A HOME WARRANTY COVERS

A home warranty typically covers repairs and replacements for major systems and appliances that fail due to normal use. This can include:

- Heating and cooling systems
- Plumbing and electrical systems
- Water heaters
- Kitchen appliances like ovens, dishwashers and garbage disposals
- Laundry machines, depending on the plan

When something breaks down, you contact the warranty company, pay a service fee (usually \$75–\$125), and they send out a technician. If the item is covered and can't be repaired, it may be replaced —

often with a model of similar value.

However, coverage varies. Most plans don't include:

- Roof repairs
- Windows or structural issues
- Pre-existing problems
- Items that haven't been maintained properly

It's important to read the fine print. Some contracts have coverage caps or may deny claims if the item was already in poor condition.

Home warranties usually last one year, with the option to renew. The cost ranges

from \$300 to \$600 annually, plus any service fees for individual calls.

WHO BUYS IT — AND WHEN IT MAKES SENSE

Home warranties are often part of real estate transactions. In some cases, sellers offer them to make their home more attractive, signaling that buyers will have help if something breaks shortly after moving in.

Buyers can also purchase a warranty on their own, either at closing or anytime after.

Some people like the peace of mind — especially first-time homeowners who aren't used to maintaining systems themselves.

A home warranty might be a good idea if:

- You're buying an older home with aging systems
- You don't have savings set aside for unexpected repairs
- You're moving into a home without service history

You want to avoid researching contractors for every issue

On the other hand, if you're handy, have newer appliances

or prefer to choose your own repair professionals, a warranty might not be necessary.

Unlike homeowners insurance, warranties are optional. They're also not regulated in the same way, so quality can vary between companies. If you decide to buy one, compare providers, check reviews and understand what's covered before signing.

A home warranty won't prevent breakdowns — but in the right situation, it can help manage the cost and hassle of unexpected repairs.



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REAL ESTATE 101



HOMEWISE GLOSSARY

A Home Warranty Isn’t Insurance

Homeowners insurance covers damage from events like fire or storms. A home warranty covers wear and tear on things like plumbing, heating and appliances.

Home Warranty: A home warranty is a service contract that covers the repair or replacement of certain major systems and appliances in a home for a set period, usually one year.

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