Understanding Home Warranties

A Closer Look at Coverage Limits, Exclusions and Everyday Use

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A home warranty is a service contract that can help cover the repair or replacement of certain household systems and appliances when they break down from normal wear and tear. For many homeowners, it is a way to budget for common repair calls.

Unlike homeowners insurance, a home warranty is not designed for fire, storm damage, theft or liability claims. Insurance generally covers sudden covered losses, while a home warranty focuses on items such as heating, air conditioning, plumbing, electrical systems and some kitchen appliances, depending on the plan.

WHAT PLANS COVER

Most home warranty companies offer plans built around major systems, major appliances or a mix of both. Covered items often include water heaters, ductwork, ovens, dishwashers and garage door openers, but coverage varies by contract.

Companies usually require a service fee each time a homeowner requests a repair visit. If the item is covered, the company sends a technician from its network and pays according to the contract terms, including any stated dollar limits.

WHAT PLANS EXCLUDE

Home warranties typically do not cover problems tied to neglect, improper installation, code violations or pre-existing conditions. Many contracts also exclude cosmetic defects, routine maintenance and damage caused by pests, rust, corrosion or sediment in some situations.

The Federal Trade Commission advises consumers to read the contract carefully before signing. Coverage details, exclusions, claim procedures and payout caps can differ widely, which means two plans with similar prices may not offer the same value.

WHEN THEY MAKE SENSE

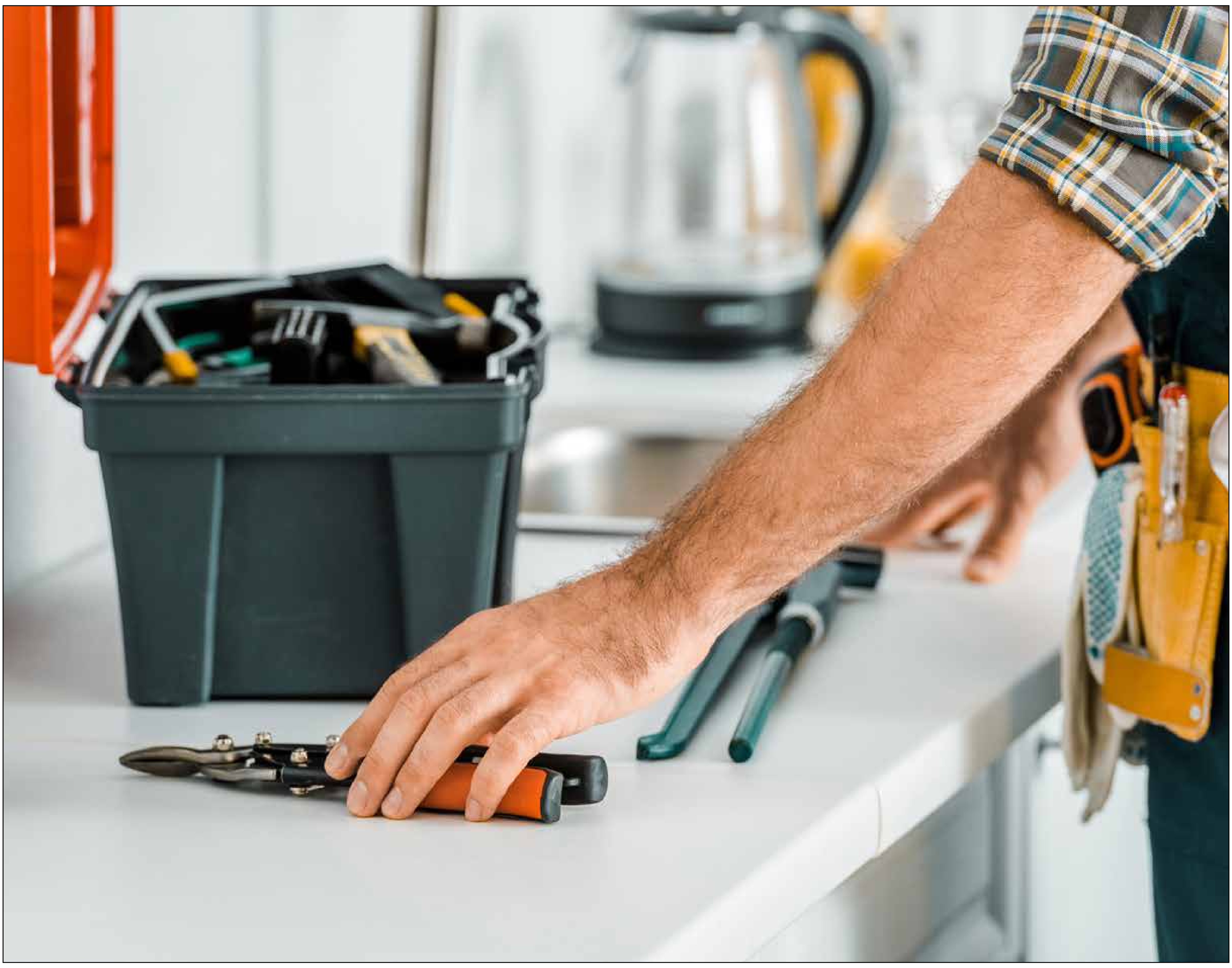
A home warranty may make sense for a buyer purchasing an older home with aging systems or appliances and limited repair savings. It can also appeal to first-time homeowners who want a predictable process for handling common breakdowns during their first year in a house.

In some real estate transactions, sellers pay for a one-year home warranty as part of the sale. That can offer added peace of mind after closing and may help a buyer feel more comfortable about taking on an existing home.

Still, a warranty is not a cure-all. If a home has newer equipment still protected by manufacturer warranties, or if an owner has enough savings to handle repairs directly, the added contract may be less useful.

Homeowners should also review how claims are handled. Response times, technician availability and repair-versus-replacement rules can shape the experience just as much as the monthly or annual price.

A home warranty works best when buyers understand exactly what they are purchasing. Reading the fine print, checking item limits and comparing service fees can help homeowners decide whether the contract fits the age, condition and needs of the home.



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REAL ESTATE 101

Read the Contract
Before you buy, check the service fee, claim steps, item caps and exclusions. The monthly price matters, but the real test is what happens when your air conditioner stops working.

HOMEWISE GLOSSARY

Normal Wear and Tear: Refers to the expected decline of equipment or appliances from ordinary use over time, not damage caused by accidents, misuse, lack of maintenance or outside events such as storms.