



DOUGLAS E. OLDMIXON, ADMINISTRATOR

**ADOPTED RULE ACTION FROM  
MAY 6, 2013 MEETING OF THE COMMISSION  
Chapter 535 General Provisions  
Subchapter R. Real Estate Inspectors  
§535.223. Standard Inspection Report Form**

The Texas Real Estate Commission adopts amendments to §535.223, concerning Standard Inspection Report Form, with non-substantive changes to the proposed text as published in the March 1, 2013, issue of the *Texas Register* (38 TexReg 1334) and with one non-substantive change to the new Property Inspection Form (REI 7-3) adopted by reference in the rule. The differences between the rule as published and as adopted are the deletion of the word "and" in the first sentence, changing "they are" to "it is" in paragraph (3)(B) and deleting "s" from the word "forms" in the last sentence of paragraph (6)(F). The difference between the REI 7-3 as published and as adopted was that the reference to carbon monoxide alarms in the section on Texas Real Estate Consumer Notice Concerning Hazards or Deficiencies was made a separate bullet point for malfunctioning of that alarm. This change was made in response to a comment received to make REI 7-3 consistent with the inspector standards of practice as re-proposed under separate rule (Standards). The adoption takes effect January 1, 2014.

The amendments were previously proposed and published in the November 23, 2012, issue of the *Texas Register* (37 TexReg 9278) but were withdrawn on February 12, 2013, for re-proposal. The amendments are adopted to track revisions to the Standards. The amendments also clarify how the form is to be used by an inspector and in what ways an inspector is authorized to modify the form. The amendments provide an additional exemption for inspectors conducting inspections on single component systems, which are defined by the rule. The amendments adopt by reference a new Property Inspection Form (REI 7-3) and remove the requirements for the two current forms, REI 7A1 and REI 7-2.

The amendments have been recommended by the Texas Real Estate Inspector Committee, an advisory committee of six professional inspectors and three public members appointed by TREC, to correspond to proposed revisions to the

Standards that are also adopted and explained in this issue of the Texas Register.

The revisions to the rule and to Form REI 7-3 as adopted do not change the nature or scope so much that the rule or form could be deemed a different rule or form. The rule and form as adopted do not affect individuals other than those contemplated by the form as proposed. The rule and form as adopted do not impose more onerous requirements than the proposed rule and form.

The reasoned justification for the rule will be increased clarity for inspectors and consumers alike regarding the use of a standard inspection report form that tracks the newly adopted revised Standards.

Comments on the amendments or Form REI 7-3 adopted by reference in the amendments were received from two licensed inspectors.

One commenter thought that the Texas Real Estate Consumer Notice concerning Hazards or Deficiencies (form OP-I) should remain as a stand-alone form and not be incorporated into Form REI 7-3. Another commenter approved the addition of this notice in Form REI 7-3. The Texas Real Estate Inspector Committee reviewed these comments and recommended that the notice remain in Form REI 7-3 to ensure that consumers receive the notice from inspectors but that the optional OP-I form also remain available for use by inspectors who want to give it for special emphasis or for use by other real estate licensees. The Commission agrees.

One commenter thought that there was a discrepancy with the definition of general deficiency and specificity regarding the location of GFCI devices in the Standards and Form REI 7-3, stating they were more clearly defined in Form REI 7-3. The commenter also thought that there was discrepancy between the Standards and Form REI 7-3 with the form stating inspectors will report the lack of that device while the Standards do not require the inspector

to report the lack of that device, only to report to report a defect with an existing device. The Commission agrees that the carbon monoxide alarm item in Form REI 7-3 could be read to require reporting the lack of such an alarm and clarified the form to indicate that only the malfunctioning of the alarm is a deficiency in order to be consistent with the Standards.

The amendments are adopted under Texas Occupations Code, §1101.151, which authorizes the Texas Real Estate Commission to make and enforce all rules and regulations necessary for the performance of its duties and to establish standards of conduct and ethics for its licensees in keeping with the purpose and intent of the Act to ensure compliance with the provisions of the Act.

The statutes affected by this adoption are Texas Occupations Code, Chapters 1101 and 1102. No other statute, code or article is affected by the amendments.

**§535.223. Standard Inspection Report Form.** The Texas Real Estate Commission adopts by reference Property Inspection Report Form REI 7-3, approved by the Commission for use in reporting inspections results. This document is published by and available from the Texas Real Estate Commission website: [www.trec.texas.gov](http://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 7-3 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) allocate such space in the "Additional Information Provided by the Inspector" section and in each of the spaces provided for comments for each inspected item as the inspector deems necessary, attach additional pages of comments to the report, or both; and

(M) 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 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 Texas Real Estate Commission licensee and reported on Texas Real Estate 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 Texas Real Estate Commission licensee and reported on a Texas Real Estate 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 (relating to Approval of Courses in Real Estate Inspection);

(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.

This agency hereby certifies that the adoption has been reviewed by legal counsel and found to be a valid exercise of the agency's legal authority.

Filed with the Office of the Secretary of State on May 13, 2013.

TRD No. 201301943

Kerri Lewis

Deputy General Counsel

Texas Real Estate Commission

Effective date: January 1, 2014