

**MINUTES OF THE MEETING  
OF THE  
ASSEMBLY COMMITTEE ON JUDICIARY**

**Eightieth Session  
April 10, 2019**

The Committee on Judiciary was called to order by Chairman Steve Yeager at 8:09 a.m. on Wednesday, April 10, 2019, in Room 3138 of the Legislative Building, 401 South Carson Street, Carson City, Nevada. The meeting was videoconferenced to Room 4406 of the Grant Sawyer State Office Building, 555 East Washington Avenue, Las Vegas, Nevada. Copies of the minutes, including the Agenda ([Exhibit A](#)), the Attendance Roster ([Exhibit B](#)), and other substantive exhibits, are available and on file in the Research Library of the Legislative Counsel Bureau and on the Nevada Legislature's website at [www.leg.state.nv.us/App/NELIS/REL/80th2019](http://www.leg.state.nv.us/App/NELIS/REL/80th2019).

**COMMITTEE MEMBERS PRESENT:**

Assemblyman Steve Yeager, Chairman  
Assemblywoman Lesley E. Cohen, Vice Chairwoman  
Assemblywoman Shea Backus  
Assemblyman Skip Daly  
Assemblyman Ozzie Fumo  
Assemblywoman Alexis Hansen  
Assemblywoman Lisa Krasner  
Assemblywoman Brittney Miller  
Assemblywoman Rochelle T. Nguyen  
Assemblywoman Sarah Peters  
Assemblyman Tom Roberts  
Assemblywoman Jill Tolles  
Assemblywoman Selena Torres  
Assemblyman Howard Watts

**COMMITTEE MEMBERS ABSENT:**

Assemblyman Chris Edwards (excused)

**GUEST LEGISLATORS PRESENT:**

Assemblywoman Sandra Jauregui, Assembly District No. 41



**STAFF MEMBERS PRESENT:**

Diane C. Thornton, Committee Policy Analyst  
Bradley A. Wilkinson, Committee Counsel  
Traci Dory, Committee Secretary  
Lucas Glanzmann, Committee Secretary  
Melissa Loomis, Committee Assistant

**OTHERS PRESENT:**

Matthew J. Walker, Private Citizen, Carson City, Nevada  
Nat Hodgson, Chief Executive Officer, Southern Nevada Home Builders Association  
Brad Nelson, Vice President of Construction, William Lyon Homes, Inc.  
Kelley Christensen, Home Care Director, Richmond American Homes  
J. Chase Whittemore, representing Nevada Builders Alliance  
Aaron West, Chief Executive Officer, Nevada Builders Alliance  
Gennady Stolyarov II, Lead Actuary, Property and Casualty, Division of Insurance,  
Department of Business and Industry  
Joshua J. Hicks, representing Nevada Home Builders Association  
Michael Sullivan, representing Hear the People

**Chairman Yeager:**

[Roll was taken. Committee protocol was explained.] We have two bills on the agenda today; we are going to take them in order. At this point, I will open the hearing on Assembly Bill 440.

**Assembly Bill 440: Revises provisions relating to home warranties. (BDR 3-1108)**

**Assemblywoman Sandra Jauregui, Assembly District No. 4:**

I am here today to present Assembly Bill 440, which requires homebuilders to provide home warranties to purchasers of new-construction homes. I want to start by thanking Speaker Frierson for bringing this bill and asking me to carry it on his behalf. I am a huge advocate for the homebuilder industry. I have seen all the good they do in creating jobs and helping to fulfill the demand of the American dream by helping Nevadans become homeowners. In 2017 and 2018, there was a shortage of resale homes on the market with only a 2 1/2- to 3-week supply at times. In a healthy market, we have about a six-month inventory. Since the resale market was so competitive, Nevadans were being priced out and unable to purchase homes. Luckily, we have the homebuilders continuing to build new communities and new homes that allow Nevadans access to becoming first-time homeowners.

I have also been able to see the Nevada State Contractors' Board's Residential Recovery Fund being used, and I am happy to see us working on increasing the amount the recovery fund awards people. In addition to the recovery fund, it is common practice for homebuilders in our state to provide a home warranty to homeowners to cover any items that might rise up and need repair during the first year. What A.B. 440 will do is codify into state law what

builders are already doing, giving that added protection to a homeowner. Homeowners will know that when they purchase one of the largest investments of their lives, they have a home warranty to protect them from any unforeseen repairs that might be needed. I would now like to turn it over to Matthew Walker, who worked on this bill with Speaker Frierson, to walk you through the bill. I want to thank the homebuilders. When Speaker Frierson brought this bill forward, instead of saying, No, we do not need to do this, we already provide home warranties. Why make it state law? they were willing to work with us and draft this bill.

**Matthew J. Walker, Private Citizen, Carson City, Nevada:**

This is a passion project of mine. Over the past several years, I have been involved with the Nevada Home Builder website. A sticker is attached to every new home, pointing new owners to resources on how they can get their home repaired and where they can go if they have complaints. Mr. Hodgson, to my left, is the clearinghouse for all of those complaints. We have had the opportunity to engage with various elected officials along the way as their constituents run into issues. We have been working with Speaker Frierson to wrap up a couple of punch list items in some homes for some of his constituents. We made him aware of the Residential Recovery Fund and some of the other resources that are available, and he asked how we could get this education out to more folks so they are aware of these resources, and whether there is an opportunity to codify best practices so that homeowners know that when they get a 1-year warranty, they are really getting a true 1-year warranty. That is the genesis of this conversation today.

I will jump into the bill as amended today ([Exhibit C](#)). First, I want to make some things clear. If there is anything you get from the presentation today, you should know:

1. This is a work in progress. This is a conversation we needed to have today because it is important and we want to make sure we meet the deadline. However, there is one key component that still needs to be ironed out. When a punch list item has been reasonably repaired to the standards adopted by the Nevada State Contractors' Board, there should be an opportunity for that builder to wrap up the process and begin the warranty and allow the consumer to take that next step. I want to be crystal clear that is an important concept. It is not a minor item. I do not want to be flippant by jumping into some of the benefits of the bill. You will hear some pointed legal conversation from some of the builder representatives today, but I feel strongly that we will reach an appropriate compromise.
2. I wanted to make sure this Committee is aware there are tremendous resources available to homeowners in the state to quickly resolve problems without the time and expense associated with legal processes. That is a conversation we are excited to have today.
3. The homebuilders are committed. You have heard a lot about the passion of folks involved in this community. They want to do the right thing for their consumers. They want an opportunity to make it right. If there is only one thing you should take away from Mr. Hodgson's presentation today, it is his commitment and passion for

resolving these issues. We are excited to have him here today despite the fact that there are still some details that need to be worked out on this piece of legislation.

With that, I will go ahead into a section-by-section and then kick it over to Mr. Hodgson. For section 1, one of the main concepts is that there will be a separate disclosure at the time of sale making the consumers aware of their rights, whom they can contact if there is an issue with their home, their ability to access the recovery fund, and additional resources with the Nevada State Contractors' Board. Technically, that is available, but anybody who has bought a new home realizes there are quite a few papers to sort through, and the disclosure required by the Contractors' Board does not necessarily pop out in people's minds when they are purchasing that new home. This would move all that information onto one standard disclosure page that would be available to consumers so they know where to go when they have a problem.

Section 1, subsection 2(c) defines what we are talking about when we say "punch list" items. We are really talking about standard items that are common to any new home. People have experienced walking through a new home and there is paint detail missing, some trim that needs to be put back in place, et cetera. It is standard, but it is not a small deal if it is something you have tried to get fixed over multiple weeks but have not been able to get it fixed to your satisfaction. I do not want to call them minor things, but we are really not talking about the main mechanical equipment—HVAC [heating, ventilating, and air-conditioning] and things that have standard warranties themselves and are more serious matters—we are talking about your standard punch list items that are very common when you have to walk through and identify issues and fix them through the normal course of business. I also did not mention that there are folks down in Las Vegas who do this every day. If you have practical questions about how that process typically works, they will be able to cover that.

Section 1, subsections 3 and 4 of the amended bill contain the crux of the conversation that we are still ironing out. In section 1, subsection 4(b), the Speaker has agreed to say "to the reasonable satisfaction of the purchaser." When that purchaser just does not want to sign off on the punch list, we want there to be some sort of reasonable standard by which the builder could say, This has been repaired to the Contractors' Board's standards, here is something in writing to that effect, and allow the builder and the customer to move on to the next step.

Section 1, subsection 5 is also a key component of Speaker Frierson's intent with this bill. He wants timely repairs; he does not want the customer to still be dealing with this minor punch list item six months down the road. In some cases, there was a feeling that if you are in month 11 of a 1-year warranty, the contractors may be dragging their feet and not being as responsive as they can because they know that warranty might be coming to an end. This makes it clear that if these punch list items are not addressed in a timely manner, the consumers can go to the Contractors' Board. If the Contractors' Board finds there is a workmanship issue and they order the contractor to fix it within 15 days, if it is not fixed within 15 days, the contractor is considered to not have responded to that in a timely manner. That can result in various sanctions up to revocation of a license. That also lets the consumer

take the next step to have a new contractor who is willing to fix the problem come in at that point under the Residential Recovery Fund process.

Again, we are looking at making the consumers more aware of the rights available to them. We are looking to plug them into the Contractors' Board's existing processes in a clearer and quicker manner. We are also looking to make sure a 1-year warranty at the time of sale really is a 1-year warranty. Conceptually, I think this bill goes a long way. There is still some work that needs to be done, but I think there is a lot of merit to having the conversation today.

**Chairman Yeager:**

Just so the Committee is aware, in addition to the amendment Mr. Walker just took us through ([Exhibit C](#)), there is an amendment from the Department of Business and Industry's Division of Insurance ([Exhibit D](#)) that is essentially the same amendment presented by them yesterday in the context of the construction defect hearing we had.

**Nat Hodgson, Chief Executive Officer, Southern Nevada Home Builders Association:**

My position right now is neutral. I have always told everybody I meet with that I want to be at the table to be a resource. I am an active, licensed homebuilder, so I am very passionate about it. I believe in taking care of the customer. I have been at the table working back and forth with Speaker Frierson. Conceptually, we are on board with the items in the bill. Obviously, it is all about the wording. My goal is for us to take care of our homeowners. Happy homeowners tell other people, and they buy homes. It is always in our best interest. Things do happen, but it is all about how you resolve them.

As far as the punch list, those are the items you write down on your walk-through right before you close and take possession of the house. Again, you want to have the items fixed to your satisfaction within the standards to be able to move in, and then the warranty clock starts. On the surface, that point seems very reasonable. As far as the sign-off, being in the industry and building thousands of homes, once in a while you run across a situation where you did do everything in your power and for whatever reason it is not getting signed off on. There needs to be a backstop in the bill where we can put in writing that we have done this to these certain standards. It also gives the homeowners something they can take to wherever they need to go—probably to the Contractors' Board. The builders need to make sure it is done how it should be done. That is really important.

Mr. Walker also mentioned "reasonable standards." There are industry standards out there, one of which is the *Residential Construction Performance Guidelines Manual*, which I was proudly a part of creating when I was on the Contractors' Board. The National Association of Home Builders also has standards. There are several standards out there that are accepted nationwide, and they are something you can point to in order to define what is acceptable and what is not. The word "reasonable" usually does scare me a little bit because reasonable to me and reasonable to my wife is sometimes very different. Having something written down is the way to go.

It is about protecting the consumer and taking care of business. I, for one, do not want one of my homeowners going to the Contractors' Board because I know we have great builders out there, and we like to take care of our own issues in-house. However, it is the next step. It is there for the consumer. It is funded by people such as myself who hold a license. We always talk about the recovery fund, and it is not for out-of-business contractors. I will tell you, if you are a contractor and you are being taken to the recovery fund, there is a good chance you are going to be out of business when you are done. We do not want to go through that process, but that is there. I am about taking care of issues as soon as possible.

Again, in concept, I fully support this. It codifies what should already be done. It puts on one page what the homeowner's rights are and what the processes are. It actually helps me out personally because, through our Nevada Home Builders Association, I am the one who receives those emails and I personally follow up on each and every one, which can be taxing at times. A lot of it is just miscommunication or lack of communication. This puts it out in front of them. I am proud to be a part of this process. I have confidence that we can work out these few issues.

**Brad Nelson, Vice President of Construction, William Lyon Homes, Inc.:**

We are in quite a few national ratings as far as overall customer satisfaction. We are consistently rated one of the best in the nation and the best in the state. A huge portion of our sales are generated by referrals. Those are driven by the processes we have to make sure we are taking care of our homebuyers. I want to briefly run through a few things we do. In reading what is proposed, it does kind of concern us as far as the open-ended items and things that might just drag on and on. We do a lot of things to try to make sure we are able to sweep items up through our processes.

We have internal quality assurance processes. We have our own team that does that throughout our build cycles. We have third-party inspections we use that are very detailed. We do our own team inspections through our build process. Even through our completion of our homes, we have built quality control operations that happen 15 days prior to our closings. Our quality assurance department will review that ten days before we close, and if there are any other items that come up, we sweep through those items. On our homeowner orientations, we strive to complete anything that is picked up within five days. We have a very good record of meeting that. When it comes to our homeowner orientations themselves, we are very comprehensive. We are very clear on what their warranty covers and what some of the responsibilities might be on their end as far as homeowner maintenance.

We do have a 3-year warranty, and we detail what that encompasses. As a part of that warranty, prior to the end of the first year, we offer a first-year full inspection of their home to make sure everything is performing as it should be. If they have had any issues, we obviously are going to take care of those, but we offer the inspection because we want to be sure we are seeing the performance we all expect at that point in time. We will follow up, however that may be. That is part of our first-year process.

During our orientation, we talk about everything that will happen through these warranties. We are very comprehensive from the standpoint of what we do, what our warranty is, and what is part of homeowner maintenance. As we do the orientation, we will review that. We do a very comprehensive walk-through of the home. As we walk through the home, we will demonstrate and talk about maintenance in the home as far as normal things—paint touch-ups, caulking, air-conditioning filters, et cetera. There are going to be certain things that require maintenance. We talk about that. We demonstrate how to do a lot of that stuff. If we have service calls during the year, we will offer up some tips on how to maintain certain things. On any service call we have, if it is deemed homeowner maintenance, we will show them how to do that. We will offer up solutions with some third-party companies if they do not have the time. In a lot of cases, we go ahead and take care of it for them, but that is just kind of a good will. Being the company we are, we definitely want to make sure they understand what to do with their home.

We make sure to reach out often through our processes. We have reminders that go out. We have an online database that contains all of their warrantable information. It has everything they possibly have in their home: their appliance serial numbers, air conditioner, and all of that. They have the ability to go online and find anything they need. If they have warranty concerns, we are there for them.

I just wanted to take a few minutes to talk about some of the things we can do as homebuilders. We take this very seriously. We are concerned about what is being proposed because I think we do a fantastic job of taking care of our buyers. The open-ended part of that is a little bit worrisome for us.

**Kelley Christensen, Home Care Director, Richmond American Homes:**

Like the other builders in town, we have an orientation with each homeowner in their home before they close. We spend approximately two hours—sometimes significantly more—going through the entire home, inside and out, demonstrating the operation and care of the home and its systems. We go over our warranty. We provide the warranty to the homeowner. We are not hiding anything. We have a very detailed seven-page warranty we give to each homeowner. In addition to that, we also provide maintenance reminders and packets on how to take care of different items in their home. After the homeowner closes on that home, we do have three proactive touch points throughout their first year of the warranty in which we are actively reaching out to that homeowner. We request a meeting with them just to go over any concerns or questions they have. If they do have warranty items, that is when we will determine a schedule. Our ideal time frame is to have those repairs completed within seven business days. If they have a maintenance item, such as caulking, grout, or paint touch-up, all of our representatives are fully capable of showing and teaching that homeowner how to address that specific concern.

In between those times, during the first year and even after the first year, we encourage all of our buyers to submit an online request to our system. No matter the closing date, we will address all concerns homeowners submit. We will go out to the home and evaluate the situation. Our rule of determining how or if a repair is made is quite simple. If it is an

installation or workmanship issue, we will gladly—as I am sure the rest of the builders would—address that, schedule it, and take care of it whether they are in their first year, second year, third year, fifth year, or eighth year.

With Richmond, we have several warranties. We have a 1-year warranty, a 2-year warranty, and a 10-year warranty. We tell every homeowner at the end of their first year not to hesitate to contact us if they truly feel something is wrong or they are extremely concerned. We will go out to that house and address it. One of our big goals is to educate that buyer throughout their year of warranty. We teach them about their house, explain to them what to expect, and what can happen—simple things such as expansion and contraction. We do not want our homeowners to feel as though they have purchased an inferior product. Certain things are normal. We will cover some, and we will teach them how to take care of their home. I think a lot of buyers are surprised when any builder goes back after the warranty expires to actually address something. I do not think any of us here would hesitate to truly address an item that is legitimate. We just ask our homeowners to contact us and get us involved so we can go out there and take a look and we will be happy to go from there.

**Assemblywoman Nguyen:**

As far as the amendment, is the intention to strike out all of section 1, subsections 3 and 4?

**Matthew Walker:**

There is a gap in the formatting of the amendment. You will need to scroll down more to capture those sections which still remain, although in a modified form.

**Assemblywoman Nguyen:**

The warranty and any repairs done under the warranty are not acting as a release for any kind of further responsibility down the road if there are other issues? Is that the intent?

**Matthew Walker:**

I am sure some of the other representatives here could put a finer point on how this interacts with the statute of repose or some of the other more technical aspects. I will say the intent is to make sure a 1-year warranty truly does give the homebuyer a 1-year warranty. That is the hope: until the punch list items are satisfied to a reasonable standard, the one-year clock does not start. Our intent is to make sure they get a full 1-year warranty after issues are addressed. This is a significant concession. Whenever you go back and touch a product again and perform work, in some respects, you are restarting the clock on the work you have performed. This is not a minor item; it truly is a concession from the industry with the intent that they are willing to come to the table and solve any problems. Not only does it not replace the other liability that exists, in some cases it expands the liability because every time they come back to repair a specific item, you are potentially stringing out the date of substantial completion for that item.

**Assemblyman Daly:**

The original language says repairs will be "corrected to the satisfaction of the purchaser," but that would be a problem because there are some people you can never satisfy. It is just not



going to happen. I have talked to people who complain about cracks in their sidewalk and I tell them there are two kinds of concrete: concrete that is cracked and concrete that is going to crack. It can be unreasonable. I am glad to hear you are talking about adding a reasonable standard. How is that going to work? Who is the third-party decider? Do you have any idea how that will work just yet? I think you are heading in the right direction. I was just curious if you have an idea how a conflict, if it comes up, is going to get resolved.

**Matthew Walker:**

I am going to give you the answer we have received from Speaker Frierson so far, and then Mr. Hodgson will present you with a couple of options he has in mind that I think are reasonable solutions. The Speaker feels strongly that the builder needs to be motivated to address these punch list items in a timely manner, and not having the clock start on a warranty until the repairs are completed is a meaningful pressure on that contractor. That being said, I think there is a need for some sort of backstop. There are standards on the books. When a Contractors' Board complaint comes forward, they are judging it by the "rules of the road." Those rules are the standards that have been adopted by the Contractors' Board.

**Nat Hodgson:**

There are quite a few industry standards out there. This is not a new process. We need to put a backstop in this law if it goes forward stating that if the builder is confronted with an issue by a homeowner that is not warranted to be fixed, there needs to be an avenue. That avenue exists today, which is the Nevada State Contractors' Board. This happens every day. The Contractors' Board comes out. They do a very good job by following the standards and, in some cases, they go above that, as do builders. The bottom line is, we try to do the right thing. Sometimes the reasonableness of someone is pretty stubborn on both ends, if you will. That is why we have standards and why the process of the Contractors' Board is in place. We have to have something black and white to refer to.

**Assemblywoman Peters:**

In the amendment, I do not see the 15 days they have to respond to the complaint. I think the presenters said that out loud, so I was looking for it in the language. Please clarify where that is. Also, you said the warranty would be from one year of completion of construction. However, not all houses are officially in someone's name at that time. Does it begin at the time of purchase or at the completion of construction?

**Matthew Walker:**

I will do my best to answer your second question, and then I think Mr. Hodgson has some insight on the 15-day provision. It is our intent for the warranty to be a true 1-year warranty for the homebuyer. The close of escrow is typically the trigger we think of when we talk about somebody actually taking the keys and moving in. We certainly do not want a purchase to trigger the start of the 1-year warranty, and then construction continues and it is four months down the road before the homeowner actually moves in and takes possession of that property.

Our intent is that it begins after the close of escrow and completion of the punch list walk-through. That is really the most meaningful trigger for purposes of the conversation today. You are going to do a walk-through when you get your keys. You are going to identify any issues that may exist. You are going to walk through some of the characteristics of the home and how it should be maintained. That really is the trigger. You are going to identify some issues—there is some trim missing here, there is some paint that needs to be retouched here—and the trigger for that warranty is going to be when those punch list items are completed to the reasonable satisfaction of the customer. The intent of Speaker Frierson is to have it truly be one year from the completion of that punch list, and not penalize the customer because it may be months before their home is actually complete and they move in. Long story short: The close of escrow and the completion of the punch list should be the trigger for that one year.

Mr. Hodgson may have some insight into nonresponsive contractors. That is already in *Nevada Revised Statutes* (NRS) Chapter 624, and that is the 15 days I was alluding to.

**Nat Hodgson:**

Mr. Walker is correct that NRS Chapter 624 spells out that when you get a notice to correct—which I hope is a last resort—you have 15 business days to correct those items to the satisfaction of the Contractors' Board's investigator. Sometimes things slip through the cracks, and this will be one of those mechanisms to get everybody's attention.

**Chairman Yeager:**

I will note for the record that section 1, subsection 4 defines "final completion of construction." As Mr. Walker stated, it indicates that there are no items left to be repaired or corrected and then references the completion of the punch list to the reasonable satisfaction of the purchaser. I think that definition would further clarify when the one-year time period would start.

**Assemblywoman Backus:**

I have bought a few new homes in Las Vegas. When you go and do this punch list, it is actually before you close on your home. I know a lot of builders, when you sign off on your punch list, would say, Do not worry, we will come back and do the repairs. At that time, I feel as though you are signing off and saying you are good with what is in the house. I do not want this law to strap those situations. When I look at section 1, subsection 4, it says final completion of construction is when that punch list is done, but you are actually signing off on that punch list saying you are okay with everything so you can close. Then, if you are fortunate and you have a good builder, they are going to come back within that year and do the repairs. I do not know if we need to tweak this. Is this intended to change that? You are kind of saying two different things, and I am trying to resolve this in my head.

**Matthew Walker:**

For the sake of brevity, I will just say we are anticipating having a further amendment around this particular section. I am not going to attempt to wordsmith it too much, but I completely understand the need for clarity. We hope we can get there in coordination with Speaker

Frierson and Assemblywoman Jauregui. I look forward to meeting with you to let you know what we come up with.

**Assemblywoman Torres:**

Let us say I have purchased a new home and I do identify an issue. Whom would I contact? Would it be the builder of the home?

**Nat Hodgson:**

This is not replacing any of the warranties. I always stress this: work with the builder because they are the ones who are going to do the repairs. I want the whole process to stay with the builder. We just want to make sure the house is totally complete because that is what you want to purchase. Your 1-year warranty and all the tools at your disposal are not given up. This is just on top of that.

**Matthew Walker:**

Practically, the process would be: you contact your builder; the builder repairs it. If it is not to your satisfaction or if it is not repaired in a timely manner, you can go to the Contractors' Board. The Contractors' Board then has a process whereby if the company you purchased the home from is not responsive, another contractor can come in and complete that work under the supervision of the Contractors' Board.

**Assemblywoman Torres:**

Let us say the original builder of the home then says it was not their fault. When the individual goes to the Contractors' Board, he or she can have a different contractor come out to the home to evaluate whether or not the issue was because of the original builder. If I were to contact my builder and they say it was not them, but I, as the homeowner, am confident that was a result of something that went on with the building of the home, I just want some level of confidence that the burden is not now on me to pay for a different contractor to go and repair that.

**Matthew Walker:**

The Contractors' Board has investigators who are extremely knowledgeable. They call the balls and strikes. It is not going to be up to the opinion of the builder at the end of the day. If the consumer follows the steps of reaching out to the builder first, the Contractors' Board will ultimately be the arbiter of what needs to happen and who needs to repair it. Lastly, nothing in this bill impacts the legal remedies available. If you have a major issue and there truly is a builder that is obstinate and says it is not their issue, there is nothing in this bill that would eliminate any of the other rights that homeowner has. We certainly hope they would call the builder. We certainly hope that builder is willing to work with them. We think there is a reasonable warranty period that gives them that comfort. Then the Contractors' Board will certainly crack the whip.

I think it is important to note that every builder here, including the larger companies in Las Vegas, have one contractor license. If there is a sanction against or a revocation of that license, that builder is no longer in business in this state. When the Contractors' Board says,

You should probably fix this, or We think this is something you should go back and revisit, they are not going to take that lightly. That is something they jump to and address in a very timely manner. That is why I think making consumers more aware of their rights and resources really is a meaningful and timely remedy for these customers.

**Chairman Yeager:**

I will now open it up for testimony in support of A.B. 440. [There was none.] Is there any opposition testimony?

**J. Chase Whittemore, representing Nevada Builders Alliance:**

We definitely appreciate the intent of this bill, and we are willing to work on some of the language. If the intent of the bill is just to make it a 1-year warranty, we would just need to put in there that it must be valid for a period of at least one year after the effective date of the home warranty contract. That way, you do not have to go through the punch list items and deal with a reasonable standard of when that is complete.

Again, when you are buying a home, you do go through the punch list, you do sign off on that, and then you typically close on your house. Then if the builder is a good builder and they are concerned—I think most builders are concerned with the level of product they are putting out—they do come back and fix those items. If you want to have a 1-year home warranty contract, the easiest way to do that is just to put in the bill that it is effective for one year after the effective date of the contract and leave it up to the parties to decide when that effective date is going to be. It could maybe be five or ten days after you close on the home. Typically, most builders do have a warranty that is more than one year, so having it last for at least one year is fine.

To Assemblywoman Nguyen's question, I would argue that this does affect the ongoing liability in terms of an NRS Chapter 40 case, for example. It is ambiguous. It is unclear. I think it is problematic for that to remain in the bill. I think if you take section 1, subsections 3 and 4 out, you would have a much cleaner, 1-year home warranty bill that would cover those items listed in section 1, subsection 2(b)—defective systems, workmanship, materials, plumbing, electrical and mechanical systems. All of those things would be included in that. The rest of the bill is superfluous and ambiguous in terms of creating different kinds of liability. It might affect the NRS Chapter 40 liability cases. We are definitely willing to work on this. I think it is fixable, and we hope we can fix it.

**Assemblywoman Nguyen:**

I am trying to figure out who all the players are in this. You are the Nevada Builders Alliance, but we also have Nevada Home Builders Association. Is there overlap between the two groups?

**Aaron West, Chief Executive Officer, Nevada Builders Alliance:**

We represent the construction industry as a whole. We are the state's largest construction industry organization. We represent over 850 contractors statewide. We have offices in Las Vegas and in the north. We represent the industry as a whole. In matters that are specific to

home building such as this, we tend to let the home builders take the lead. We collaborate with them on many efforts.

I would like to speak to the bill, but I have not even seen the revised language. In principle, we support the idea of a warranty. There seems to be some confusion with the Department of Insurance over whether a warranty is an insurance product. We do not see it as that; we see it as a responsibility of the homebuilder to provide a service to remedy any issues. For those of us who have purchased homes, it is a matter of practicality that you go through a punch list and you have to sign off on that punch list before you close on the home. Then you get your keys, and that starts your 1-year warranty period with your builder. Through the language, if we can get to a point where we are articulating in statute what is practically happening with 99 percent of the builders out there, I think that is something that makes sense.

To Assemblywoman Peters' question, there are situations where a builder will provide a quick delivery home where they actually build it without having a buyer and contract. If that home is completed and then sits for four months while they wait for a purchaser to buy it, again, they still have to go through that process of signing off on the punch list, closing on the home, getting their keys, and at that point the warranty would start.

**Chairman Yeager:**

Is there anyone here with neutral testimony?

**Gennady Stolyarov II, Lead Actuary, Property and Casualty, Division of Insurance,  
Department of Business and Industry:**

The position of the Division of Insurance is that a builder's warranty as referred to in this piece of legislation is not an insurance product. We have a technical amendment proposed ([Exhibit D](#)), which would simply clarify that this warranty being described in this bill is not an insurance policy and would remove erroneous references to NRS Chapter 690B, which refers to a different product called "insurance for home protection" that has not been offered on the market in about 20 years. We heard today an overview of what the actual builder's warranty entails. It is definitely a process that is overseen by the builder, not by an insurance company.

All our amendment does is strike section 3, subsection 2 of the bill, which deals with NRS 40.625. It removes the words "policy of insurance" from the definition of what is currently "homeowner's warranty" and changes that term to "builder's warranty" because that is a more technically accurate reference to what this is. It also clarifies that this is not a policy of insurance for home protection and not a service contract. It really is not any kind of product that we, as the Division of Insurance, would regulate.

I want to make one further clarification regarding this paragraph concerning risk retention groups. This is really a somewhat niche area, but one in which I have been extensively involved. A risk retention group is an insurer that is able to operate pursuant to the federal Liability Risk Retention Act of 1986, and it is only permitted to offer liability insurance. It is not permitted, pursuant to federal law, to offer warranties. Sometimes, contractors and

builders who provide these warranties to homeowners may have their liability subsequently insured by a risk retention group. That is called a contractual liability insurance policy. It is not technically a warranty. Whatever the risk retention group does vis-à-vis the builder, the builder's warranty is between the builder and the homeowner. The clarifying language we have inserted into that paragraph makes it clear that this is a warranty contract issued "by or on behalf of a contractor whose liability pursuant to the warranty contract is subsequently insured by a risk retention group," but a risk retention group could not issue that warranty directly.

**Joshua J. Hicks, representing Nevada Home Builders Association:**

The Nevada Home Builders Association is a statewide group that comprises the Southern Nevada Home Builders Association and the Builders Association of Northern Nevada. We are here today in neutral. I will make my comments more conceptual rather than based on the actual text because, as you have heard, this bill is a work in progress. I think this bill still has a way to go. I will note a few concepts we think are very good in this bill and a few places that need a little bit of additional work.

We like the disclosures. The disclosure of what the warranty is and the disclosure of the Contractors' Board processes are good things that we want homeowners to know about. We fully support that. We support the concept of this going to the Contractors' Board if there are issues under the warranty. It has been discussed that they will be an arbiter of these issues when there are disputes. We think that makes sense. There is a process already under NRS 624.341 whereby citations are addressed by the Contractors' Board. That is where the 15-day period is that you have heard about. That is a period of 15 days or more to comply because sometimes it can take a lot of time to comply with the warranty work. With respect to the warranty period itself, we do feel there needs to be something in this bill that makes it clear that the warranty period does not run out while claims are pending and being pursued. We want to make sure that is handled. Those are the points we have agreement on.

There are points we think need a little bit more work in the ultimate version of this bill, the first of which is the "reasonable" standard. You heard some of that. There was discussion about reasonableness as determined by the purchaser. We feel that reasonableness should be determined by industry standards. That is how most other states do it. That is how California does it. If there is a dispute over whether the reasonable standard has been met, that is when the Contractors' Board can be an arbiter of that issue. We would like to see reasonableness as determined by industry standards.

We also want to make sure there are clear start and end dates on warranty periods to avoid confusion. I think we will have some discussions about making sure that is when the homeowner actually gets the home. That is a clean start time to a warranty period. The end of the warranty period ought to be when all pending claims are reasonably resolved. We also have suggested that while these claims are pending, the warranty period should be tolled so it does not run out on a homeowner who is going through that. If they come in from Day One and have a punch list of items they need to have done, that warranty period would be tolled

while those things are being addressed, and then it would restart. We think that provides great home protection. It provides certainty to homeowners and homebuilders.

Those are the pieces. We will keep working on this bill, and we hope to get it to a place where it really is a good thing for everybody.

**Chairman Yeager:**

Mr. Walker, do you have any concluding remarks?

**Matthew Walker:**

I did want to place on the record that, as far as the 15-day response, you have to ask for an extension in order for that to extend past the 15 days. They still do need to be responsive within 15 days when the Contractors' Board brings an issue forward and tells the contractor they need to fix something. We do feel as though that is an expedited timeline when compared to other processes folks might access to address concerns around construction.

Again, I want to hit on the pride a builder feels when he completes a home and has a homeowner move in. I think you heard some of that testimony yesterday. In my experience, it is very real. These folks want to get out and fix problems. They want to take care of their customer. I think this puts a framework in place for them to do that. This puts a framework in place for customers to have information about all the resources that are available to them and to make sure they are getting their complaints addressed in a timely manner, whether it is through a responsible contractor or if they are taking the next step and going to the Contractors' Board. This puts the power in their hands and puts a very reasonable, expedited timeline in their hands to move these issues along.

**Chairman Yeager:**

I will close the hearing on A.B. 440. I will now open the hearing on Assembly Bill 481.

**Assembly Bill 481: Revises provisions relating to civil actions and homesteads.  
(BDR 2-1106)**

**Michael Sullivan, representing Hear the People:**

You will consider many very important bills this session, but I would argue that none will be more important than Assembly Bill 481 as it deals with a very important, fundamental asset to many Nevadans: their home. Assembly Bill 481 seeks to raise the homestead exemption in Nevada by 10 percent from \$550,000 to \$605,000. A homestead declaration is a tool to Nevada homeowners to protect the equity in their primary residence from general creditor claims such as medical bills, charge card debits, debts, personal business loans, and accidents, thereby exempting the value from final process in a court or for sale or seizure. Historically, the Legislature has acted to protect homeowners by raising the statutory maximum during times of significant economic growth.

The current statutory homestead protection, \$550,000, was set way back in 2007. Although housing prices settled considerably during the global economic meltdown, they have now recovered and already exceed the peak from 2007 to 2008. Over the past five years, Nevada has had the highest appreciation rate in the country at an average of 12.45 percent per year, and it is projected to continue at similar levels. As such, a 10 percent increase is needed to raise the statutory maximum exemption to \$605,000, ensuring the equity protection remains in line with projected growth in property value in the state over the next five years. The Legislature meets every other year, so if the body does not act now, property owners will have to wait an additional two years to see their values continue to soar.

For some background, *Nevada Revised Statutes* 115.050 authorizes the amount of the homestead exemption, which currently sits at \$550,000 as it was set in 2007. A recent history of the exemption reveals that it was increased from \$95,000 to \$125,000 in 1995, to \$200,000 in 2003, \$350,000 in 2005, and to its current state of \$550,000 in 2007. An individual may only claim one residence as his or her homestead, and the declaration may be filed at any time before a share of sale. While the homestead exemption does protect the homeowner against most claims, it does not protect home equity from child support or alimony obligations, taxes, Internal Revenue Service liens, repayment of benefits and/or mechanic's liens, and debts secured by a mortgage or deed of trust of the home. The exemption extends to second or subsequent mortgages and home equity loans.

This is not a north/south issue. A number of people at both ends of the state find themselves in very valuable homes after having invested modestly in property several decades ago. Properties from Lake Tahoe through the Truckee Meadows have appreciated significantly, as have home values in Summerlin and Henderson. As these values increase, homeowners find themselves more and more at risk of liens or lawsuits over their equity and their homes based entirely on factors outside their control.

**Assemblyman Roberts:**

Why \$605,000? How did you come to that number?

**Michael Sullivan:**

We looked at how much it raised over periods of growth in Nevada. In the 1980s and early 1990s, it raised significantly. In 1981, it went up 50 percent. In 1983, it went up 20 percent. There was only a 5 percent increase in 1989. The last one in 2007 was a 60 percent increase. I think we felt that because we are just getting back to par with 2007 after the economic meltdown, 10 percent was a fair number. It gave everybody enough value.

**Chairman Yeager:**

Are there any other questions for Mr. Sullivan? [There were none.] At this time, I will open it up for testimony in support. [There was none.] Is there any opposition testimony? [There was none.] Is there any neutral testimony? [There was none.]



I will look for a motion to do pass Assembly Bill 481.

ASSEMBLYMAN ROBERTS MOVED TO DO PASS  
ASSEMBLY BILL 481.

ASSEMBLYMAN WATTS SECONDED THE MOTION.

Is there any discussion on the motion? [There was none.]

THE MOTION PASSED. (ASSEMBLYMAN EDWARDS WAS ABSENT  
FOR THE VOTE.)

I will assign the floor statement to Assemblyman Roberts. I will close the hearing on A.B. 481. I will now open it up for public comment. [There was none.] Tomorrow, we will start at 8 a.m. We have one bill on the agenda, and we have a work session with around 20 bills. We are planning a work session on Friday as well. Again, if you are working on amendments, please get those to me very soon because we have less than 48 hours before the bill may be lost if we do not have the amendment in time. I hope everyone has a great day. This meeting is adjourned [at 9:20 a.m.].

RESPECTFULLY SUBMITTED:

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Lucas Glanzmann  
Committee Secretary

APPROVED BY:

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Assemblyman Steve Yeager, Chairman

DATE: \_\_\_\_\_

## **EXHIBITS**

[Exhibit A](#) is the Agenda.

[Exhibit B](#) is the Attendance Roster.

[Exhibit C](#) is a proposed amendment to Assembly Bill 440, submitted by Assemblywoman Sandra Jauregui, Assembly District No. 41.

[Exhibit D](#) is a proposed amendment to Assembly Bill 440, presented and submitted by Gennady Stolyarov II, Lead Actuary, Property and Casualty, Division of Insurance, Department of Business and Industry.