



California Residential Real Estate Transaction 101



Understand buyer and seller agent tasks

Identify the required disclosures

Understand the items required by all parties involved

Gain confidence when entering escrow

Disclaimer:

The information given in this booklet is intended to provide general information regarding a standard California residential property sale and does not provide nor substitute any legal advice. Many factors can affect the sale or purchase of a property, and therefore have differing situations with differing requirements. If you need legal or financial help, then you should contact the appropriate professionals.

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1. INTRODUCTION

As an agent you can find yourself either on buyer's side or seller's side, and sometimes both, as a dual agent. In general, transactions include the same elements which you will encounter over and over again throughout each transaction. Of course, each transaction may have its own unique elements. Our goal is to help you understand the same elements and principles in which you will engage throughout most, if not all, of your transactions.

Let's begin with the buyer's agent. First you begin your journey prospecting for a client. Once you have a client you consult with them and get an idea of what they are looking for in a new home. You help them search and schedule showings for the properties they would like to see. Your client sees the home they like and decide to place an offer. This is where you write up an offer, also known as a residential purchase agreement (RPA).

Now the seller of the home, along with the listing agent, go over the offer. The seller can do three things here: agree, reject, or counter.

Let's make this a bit more interesting: the seller decides to counter the offer with a higher price. Now it's up to you, the buyer's agent, to discuss this counter with your buyer.

The buyer can do three things here: agree, reject, or counter. Let's say that your buyer decides to agree to the higher price. Congratulations! Now escrow needs to be opened.

Now, with escrow open, there will be things needed to be done by both buyer and seller sides. But don't worry! As we go further into the lessons, you will get a clearer understanding of which processes, deadlines, and standard disclosures are to be made, met, and required.

Note that there exists many disclosures, advisories, and other paperwork, but they may not be applicable to your transaction. Always do your due diligence and it is recommended to seek help from your employing broker.

2. SALES TRANSACTION PROCESS

Here's an overview of the work flow of a standard transaction:

Seller side work flow

- Receive and review the offer from the buyer's agent
 - Usually, the buyer's agent may send the buyer's pre-approval letter with the offer
- Accept offer (or counter offer, if applicable)
- Set up file in your transaction management program – this will make keeping track of paperwork much easier
- Open escrow
 - Send escrow the necessary information (usually done via email):
 - Property street address
 - Sale price
 - Property type
 - Full names and contact info of parties involved, including email addresses: sellers, title company, your assistant (if you are using one), buyer's agent
 - Attach the fully executed purchase agreement, counter offers (if any), and addendums (if any), and any additional commission being paid by seller (if applicable)
 - Listing commission and buyer's agent commission
 - Name and phone number of Homeowner's Association (HOA), if applicable
 - Escrow will also send over the
 - Earnest money deposit receipt (also known as the EMD)
 - Escrow instructions
 - Commission instructions

- Preliminary title report (which they usually order it, but it's always good to confirm)
 - Preliminary approval signed by the buyer
 - Natural Hazard Disclosure (NHD) and have the buyer and seller each sign the signature pages (usually the escrow will order the NHD, but it's always good to confirm)
- Make sure to have a copy of proof of funds from buyer
- Send disclosures to the seller for signatures
 - Please refer to the disclosure summary chart
 - In a later section we will go over the typical disclosures that are used.
- Send seller disclosures to buyer's agent
 - By the default timeline, seller has 7 days to send them over
- Schedule the termite inspection
- Send Contingency Removal to buyer to remove buyer investigations
 - By the default timeline, buyer has 17 days to complete their investigations.
 - By the default timeline, the appraisal is to be done within 17 days as well, so requesting to remove the appraisal contingency along with the buyer investigations is typically done at the same time.
- Removal of loan or any and all contingencies are due
 - By the default timeline, buyer has 21 days to remove this contingency
- Order the home warranty (this can be done any time before the close of escrow).
- Review transaction file for any missing items and paperwork (this should be done constantly throughout the transaction).
- Make sure that the Closing Disclosure has been given to the buyer and that escrow has everything they need to close.
- Make sure to have a copy of the Final Verification of Property from the buyer's side.

- Close of escrow – receive check and closing statement from escrow.

Buyer side work flow

- Send offer to seller
- Receive agreed offer (or counter offer, if applicable)
- Find out which escrow company you will be working with and provide buyer's information, including email and phone number (typically, the listing agent will CC you onto their opening email to escrow and include your email and number)
 - Escrow will usually order the Natural Hazard Disclosure (NHD) and have the buyers and sellers each sign the signature pages
 - Escrow will also send over the
 - Earnest money deposit receipt (also known as the EMD)
 - Escrow instructions
 - Commission instructions
 - Preliminary title report (which they usually order it, but it's always good to confirm)
 - Preliminary approval signed by the buyer
 - Natural Hazard Disclosure (NHD) and have the buyer and seller each sign the signature pages (usually the escrow will order the NHD, but it's always good to confirm)
- Send the fully executed offer to the lender with relevant documents and info:
 - Property street address
 - Sale price
 - Property type
 - Escrow information such as escrow company name, escrow number, escrow officer name, phone number, email
 - Title company

- Attach the fully executed purchase agreement, counter offers (if any), and addendums (if any), any additional commission being paid by seller (if applicable)
 - Name and phone number of Homeowner's Association (HOA), if applicable
- Verify with buyer that they had sent escrow the earnest money deposit
 - Escrow must receive this within 3 days from the buyer
- Make sure you have buyer's proof/verification of funds
- Receive disclosures from the seller and review them with buyer to sign
 - Seller has 7 days to send these disclosures over
- Schedule the home inspection
 - By default, the buyer must have any investigations performed within 17 days after acceptance
- Check with the lender to see how the appraisal and loan approval are going
- Send the Request for Repairs (if needed) after the home and termite inspections have been performed and home and termite inspection reports have been obtained
- Remove contingencies for appraisal and buyer investigations (perform your due diligence and make sure that you have all documentation you need before removing any contingencies)
- Review transaction file for any missing items and paperwork (this should be done constantly throughout the transaction). Request from the seller's agent any items needed.
- Confirm that the home warranty has been ordered by listing agent or seller and obtain a copy
- Make sure with lender that buyer can fund.
- Removal of loan/any and all contingencies (perform your due diligence and make sure that lender can fund before removing this contingency).

- Make sure that the Closing Disclosure has been sent to the buyer
- Review with escrow that they have everything they need to close
- Perform the final walk-through and have the Verification of Property
- Close of escrow – receive check and closing statement from escrow

3. DATES TO KEEP IN MIND

These are the default timeframes that you will find in an unmodified CAR purchase agreement (CAR form RPA). You should always check to see the deadlines agreed-upon in the offer and in the counter and/or addendums (if applicable).

| | |
|---|-------------------------|
| Buyer's deposit to escrow | 3 days after acceptance |
| Buyer to provide proof of funds | 3 daa |
| Buyer to provide proof of funds all cash | 3 daa |
| Seller to provide disclosures to buyer | 7 daa |
| Seller to disclose if in Common Interest | 7 daa |
| Seller to provide Preliminary Title Report | 7 daa |
| Buyer to remove buyer's investigation & appraisal contingencies | 17 daa |
| Buyer to remove loan contingencies | 21 daa |
| Order home warranty | 10 days before closing* |

*= recommendation

4. STANDARD DISCLOSURES LIST

Here we list the typical CAR disclosures that you may encounter during the sale transaction. Not all may be required in your transaction or by your brokerage. Keep in mind that not all disclosures and advisories are listed here. Always make sure to check with your broker which documents are required, as some brokers may require specific and/or additional ones.

Document Name

1. Agency Disclosure (CAR form AD)
2. Fair Housing and Discrimination Advisory (CAR form FHDA)
3. Possible Representation of More Than One Buyer or Seller (CAR form PRBS)
4. Wire Fraud Advisory (CAR form WFA)
5. Residential Purchase Agreement (CAR form RPA)
6. Buyer Inspection Advisory (CAR form BIA)
7. California Consumer Privacy Act (CAR form CCPA)
8. Coronavirus Property Entry Advisory and Declaration Visitor (CAR form PEAD-V)
9. Seller Counter Offer (CAR form SCO)
10. Seller Multiple Counter Offer (CAR form SMCO)
11. Buyer Counter Offer (CAR form BCO)
12. Property Visit and Open House Advisory (CAR form PVOH)
13. Square Foot and Lot Size Advisory (CAR form SFLS)
14. Market Condition Advisory (CAR form MCA)
15. Seller Affidavit of Non-Foreign Status (CAR form AS)
16. Qualified Substitute (CAR form QS)

17. Agent Visual Inspection Advisory (CAR form AVID)
18. Transfer Disclosure Statement (CAR form TDS)
19. Seller Property Questionnaire (CAR form SPQ)
20. Statewide Buyer and Seller Advisory (CAR form SBSA)
21. Lead Based Paint Disclosure (CAR form FLD)
22. Water-Conserving Plumbing Fixtures and Carbon Monoxide Detector Notice (CAR form WCMD)
23. Water Heater and Smoke Detector Statement of Compliance (CAR form WHSD)
24. Wildfire Disaster Advisory (CAR form WDFDA)
25. Request for Repairs (CAR form RR)
26. Seller's Response to Request for Repairs (CAR form RRRR)
27. Contingency Removal (CAR form CR)
28. Verification of Property Condition (CAR form VP)
29. Cancellation of Contract, Release of Deposit and Cancellation of Escrow (CAR form CC)
30. Representative Capacity Signature Disclosure (For Buyer Representatives) (CAR form RCSD-B)
31. Representative Capacity Signature Disclosure (For Seller Representatives) (CAR form RCSD-S)
32. FHA/VA Amendatory Clause (CAR form FVAC)
33. Exempt Seller Disclosure (CAR form ESD)
34. Buyers Homeowner's Association Advisory (CAR form BHAA)
35. Trust Advisory (CAR form TA)
36. Extension of Time Addendum (CAR form ETA)
37. Notice to Buyer to Perform (CAR form NBP)

- 38. Notice to Seller to Perform (CAR form NSP)
- 39. Buyer's Inspection Waiver (CAR form BIW)
- 40. Addendum (CAR form ADM)
- 41. Contingency For Sale of Buyer's Property (CAR form COP)
- 42. Additional Signature Addendum (CAR form ASA)

[CAR members can access and view a detailed summary chart on the CAR website](#)

This detailed summary chart lets you know which event triggers a certain disclosure to be used. Remember, although there are a lot of disclosures available, not each one will be applicable to your transaction.

5. THE RESIDENTIAL LISTING AGREEMENT BUNDLE

When you have a client that wants to sell their home, you will need to get into a listing agreement with them, which will ensure you the right to represent the owner(s) and receive commission in the sale of the property. This is called the residential listing agreement (RLA)

In this section, we will be going over the residential listing agreement bundle, which includes the RLA and several other required documents that are important to have signed upon agreement.

As of October 2020, the following documents are what will be included when looking at the RLA bundle:

- **Agency Disclosure (CAR form AD)**
- **Fair Housing and Discrimination Advisory (CAR form FHDA)**
- **Possible Representation of More Than One Buyer or Seller (CAR form PRBS)**
- **Wire Fraud Advisory (CAR form WFA)**
- **Residential Listing Agreement (CAR form RLA)**
- **Seller's Advisory (CAR form SA)**
- **California Consumer Privacy Act Advisory (CAR form CCPA)**

Not included in the set, but will also be discussed:

- **Disclosure Information Advisory (CAR form DIA)**

For the sake of clarity and organization, we will go down the list one-by-one in the order that is represented in CAR.

As a California real estate agent, chances are that you are a member and have access to CAR.org. Here, you will be able to use ZipForm and find all the forms available for a residential 1-4 units home transaction.

Agency Disclosure (CAR form AD)

To begin, let's understand the importance and purpose of the agency disclosure (CAR form AD).

The CAR form is called the Disclosure Regarding Real Estate Agency Relationship, or simply, the agency disclosure. Keep in mind that there are two AD forms: one intended for the seller and the other for the buyer. AD-1 is to be used by the listing agent and seller. AD-2 is to for the buyer's agent and the buyer.

Under the title of the form it will state "Seller's Brokerage Firm to Seller" or "Buyer's Brokerage Firm to Buyer." For the RLA, choose the former.

The listing agent must provide the AD form to the seller before entering into a listing agreement. Hence why this form comes before the RLA in the bundle. This is also true for the buyer's agent before writing up the offer. Hence, why it comes before the purchase agreement in the purchase agreement bundle as well (we will review this in a later section).

The agency disclosure is not a buyer-broker agreement/contract. Its purpose is to make the client aware of the types of agencies available before getting into a contract with an agent.

Fair Housing and Discrimination Advisory (CAR form FHDA)

Next, we will quickly look at this new form that was released on October 2020. Since its release, the Fair Housing and Discrimination Advisory (CAR form FDHA) has been included the RLA bundle.

The form itself is pretty easy to understand since it contains straightforward language. Basically, it covers the different fair housing laws that apply to residential housing and protects all persons in California wanting to sell or buy their homes.

Possible Representation of More Than One Buyer or Seller (CAR form PRBS)

Next up, is the CAR form PRBS. This informs the buyers and sellers about a possibility of one broker representing more than one buyer or seller. This is an important disclosure to have signed as it mitigates a violation of the broker's fiduciary duties due to possible competition. As stated in the disclosure itself, the broker may be working with many buyers and will not limit any particular buyer from making an offer on any particular property. The broker may have listings on many properties at the same time and has a duty to find a buyer for each listing. Furthermore, the broker may represent prospective buyers at the same time as having listings, therefore, the broker may act as a dual agent. Note that the clients sign an agency with the buyer's brokerage, and not solely with the agent who is a representative of the broker.

Wire Fraud Advisory (CAR form WFA)

The purpose of the CAR form WFA is to let the buyer and seller know of the possibility of wire fraud that can occur in the sale of a property. It is important to work with a trustworthy escrow company and follow the advised recommendation on this form.

Residential Listing Agreement (CAR form RLA)

When you search for the residential listing agreement (RLA) you will find the RLA Exclusive Right to Sell and RLA Open Listing. The exclusive listing agreement is the most widely-used agreement between a broker and a seller. The most prominent difference between an open and an exclusive listing, is that with an open agreement, the seller is not giving a single agent the exclusive right to sell the property. That means that if the seller contracts another agent and he/she sells the property, that specific agent that sold the property will receive commission on the sale. However, if the seller ends up selling the property by him/herself, then they aren't required to pay any commission to the agent. In contrast, with an exclusive right to sell agreement, only the agent in this agreement has the exclusive right to sell the property and receive a commission for the sale regardless of how a buyer has been procured. This type of listing agreement may also limit any conflict with the seller over who was responsible for bringing the buyer. The listing agreement is what will set the terms for listing the property. It addresses the representation and listing period, compensation to broker, items included or excluded in the sale, what the MLS is and its effects on marketability, broker and seller duties, etc. It is recommended to study this document in order to get comfortable with its structure and elements

Seller's Advisory (CAR form SA)

Also known as CAR form SA, the Seller's Advisory's purpose is to inform the seller of certain duties imposed upon him or her based on the law or for practical matters. For example, legally, the seller must disclose material facts that he or she knows about the property. This could be any leaks, cracks, fixtures attached, etc. In the matter of practicality, the buyer may request the seller to pay for any repairs to the property. Whether the seller agrees to a buyer's request or not could affect the sale of the property.

California Consumer Privacy Act Advisory (CAR form CCPA)

Also known as CAR form CCPA, informs the seller of their right to request covered businesses to not to share personal information with Third Parties. As discussed in the form, one way to limit certain information from being shared, is by requesting to opt-out of the MLS. Of course, doing so may reduce the potential of selling the property since less people may see it.

Disclosure Information Advisory (CAR form DIA)

The DIA provides the seller information and instructions regarding the disclosure process. It advises the seller of the importance of disclosing material fact (information they know about the property) because of the affect it can have on the value and desirability of the property. Therefore, sellers should take their time and be thorough when completing the required disclosures.

Listing properties and showings in times of COVID

As of the COVID pandemic, several forms have been published to be applied to any sale. The forms we will be discussing here are the RLA-CAA (which comes bundled with the PEAD-S and BPPP), and the PEAD-V.

Listing Agreement Coronavirus Addendum or Amendment (CAR form RLA-CAA)

This form is either to be used as an addendum to a listing agreement or as an amendment to an existing one. This form's purpose is to inform the seller of the impact COVID-19 has on the real estate industry and the manner in which business is conducted has shifted.

Coronavirus Property Entry Advisory and Declaration – Seller/Occupant (CAR form PEAD-S)

The PEAD is another mandatory document used to inform the seller of the risk of exposure to COVID-19, government orders, advise to engage in proper conduct, allowing someone to enter the property, and agree to assume the risk of possible exposure. The seller agrees to voluntarily allow people to enter the property to see it.

Mandatory Government Showing Requirements, Including Best Practices Guidelines and Prevention Plan (CAR form BPPP)

A mouthful, so let's just stick to calling it the BPPP. This document comes in the RLA-CAA bundle and its purpose is to provide a prevention plan for agents to follow on how to conduct best practices for showings during the pandemic. This document is agreed to when signing the PEAD form.

Coronavirus Property Entry Advisory and Declaration – Visitor (CAR form PEAD-V)

This PEAD form is for any visitor coming to the property – whether it be prospective buyers, home inspector, termite inspector, appraiser, etc. Its purpose is to let the visitor know of the risk of exposure and to engage in proper conduct.

6. SENDING IN THE OFFER – RPA

When your client is ready to send in an offer, you will use the residential purchase agreement, also known as the RPA. Just like with the listing agreement, the RPA also comes in a set with other documents attached to it.

The following documents are what will be included when looking at the RLA bundle:

- **Agency Disclosure (CAR form AD)**
- **Fair Housing and Discrimination Advisory (CAR form FHDA)**
- **Possible Representation of More Than One Buyer or Seller (CAR form PRBS)**
- **Wire Fraud Advisory (CAR form WFA)**
- **Residential Purchase Agreement (CAR form RLA)**
- **Buyer’s Inspection Advisory (CAR form BIA)**
- **California Consumer Privacy Act Advisory (CAR form CCPA)**

Since we already discussed most of the above forms earlier, we will focus on the RPA and the BIA.

Just as a quicker reminder, since the AD form used here will be for the buyer, it will state under the title “Buyer’s Brokerage Firm to Buyer” as opposed to “Seller’s Brokerage Firm to Seller.”

Residential Purchase Agreement (CAR form RPA)

The Residential Purchase Agreement, also known as the RPA, is the contract of the sale. The RPA is used when submitting an offer. Once signed by both parties (fully executed), a binding agreement is created between both parties, and the sale of the

subject property has begun. The RPA lays out the terms and conditions of the transaction. It addresses a wide variety of aspects from confirmation of agency, finance terms, escrow length, contingencies and their timeframe, addenda, allocation of costs, inclusions and exclusions, statutory disclosures, buyer and seller obligations and rights, and many other items. It is very important to study and get comfortable with the RPA, as you will deal with it in every transaction.

Buyer's Inspection Advisory (CAR form BIA)

The BIA advises the buyer of their right to inspect the property. They are advised to inspect the general condition of the property and other various aspects listed in this form. The buyer is not obligated to do so and can waive any property inspection but doing so would go against the advice of the broker – as stated in paragraph 3.

Sending an offer in times of COVID – COVID disclosures

Due to the pandemic several COVID-related disclosures had been published. The two we will present here are the Coronavirus Addendum/amendment (CAR form CVA) and the Notice of Unforeseen Coronavirus Circumstances (CAR form NUCC).

Coronavirus Addendum/amendment (CAR form CVA)

This addendum may be used when submitting the RPA or as an amendment with an existing RPA. Its purpose is to express the possibility of unanticipated events that may arise due to the COVID-19 pandemic. Furthermore, it is used to reflect that the parties involved in the transaction have a mutual obligation to deal fairly with each other and to resolve any potential disputes by mutual agreement. If either party is affected by some Coronavirus-related circumstance, then the affected party can deliver a Notice of Unforeseen Coronavirus Circumstances (CAR form NUCC), upon affect, to specify and verify the circumstance impacting the affected part's ability to perform. If the party is already affected by some sort of circumstance resulting from the Coronavirus at the

time of using the CVA, then they may attach a NUCC form with it. The affected party can check either 4A or 4B (or both), or 5, according to which option the affected party is requesting.

Notice of Unforeseen Coronavirus Circumstances (CAR form NUCC)

The NUCC form is intended to identify and verify a circumstance affecting a party in the transaction as a result of COVID-19. It is in accordance with the terms and conditions of the CVA agreed to by the parties. In the form itself the buyer or seller can check the corresponding item that applies to them and attach its verification and show its impact on the affected party.

7. COUNTERING – SMCO, SCO, BCO

Sometimes negotiations begin before the transaction even opens. This is formally done by sending a counter to the offer or other counters using the SCO, SMCO, or BCO.

Typically, the seller will begin the counter by sending over the SCO or SMCO.

Let's first begin with the SMCO since it contains the same elements as the SCO, but with additional items.

Seller Multiple Counter Offer (CAR form SMCO)

When the seller is responding to more than one offer, they should use the Seller Multiple Counter Offer (CAR form SMCO) to let prospective buyers know that more than one offer has been submitted.

The first line in this form states that it is a counter to the purchase agreement.

In paragraph 1 "Terms", the terms of the counter state that the terms and conditions of the above referenced document – the purchase agreement – are accepted subject to the following terms and conditions.

Paragraph 1A expresses that paragraphs in the RPA that require initials by all parties but are not initialed by all parties, are excluded from the final agreement, unless otherwise stated for inclusion in the counter offer (or in another counter offer).

Paragraph 1B states that the down payment and loan amounts will be adjusted in the same proportion as in the original offer, unless otherwise stated and agreed to. The deposit amount, however, does not automatically adjust, and thus remains unchanged. As an example, let's say the price offered in the original purchase offer was \$400,000 with a 20% down payment (\$80,000) and an 80% loan (\$320,000). If the seller counters at \$420,000, then the down payment will automatically be adjusted to \$84,000 and the

loan amount to \$336,000. The initial deposit does not automatically adjust. If the parties would like to adjust that amount, they would need to specifically state so in the counter offer, in 1C.

Paragraph 1C is the section where any item the seller wants to change, add, or clarify in the initial purchase agreement is to be specifically stated. Any item that is not specifically stated will remain unchanged. For example, the initial purchase offer has items A, B, C, and D contract terms. The seller may counter by accepting the buyer's offer subject to E and rejecting B. So, the seller is agreeing to A, C, D, and E. If the buyer accepts the counter, then the contract terms will be A, C, D, and E.

Paragraph 1D allows the seller to specify any attached addenda to the SMCO.

Paragraph 2 expresses the "Binding Effect" of the counter. Since the seller is responding to more than one buyer at once with multiple counter offers, the terms offered on one SMCO may differ from the others. Therefore, the SMCO does not bind the seller and prospective buyer unless these events occur in the following order: seller signs paragraph 5, buyer signs paragraph 7, and seller signs paragraph 8, buyer then receives a copy of the multiple counter offer with all of the signatures.

Paragraph 3 sets the terms of when the counter offer expires.

Paragraph 4 states that the seller has the right to continue offering the property for sale and the right to accept any other offer received, prior to the seller selection of the multiple counter offer.

Paragraph 5 is where the seller signs to the terms of the multiple counter offer. Then the SMCO is to be delivered to the buyer. If the buyer chooses to go forward, then they sign in paragraph 7. This signature of the buyer does not create a binding agreement until seller signs in paragraph 8.

Paragraph 6 states the terms of the acceptance of the SMCO. By default, the buyer's acceptance of the SMCO will be considered revoked and any deposit shall be returned, if the seller does not sign by 5:00pm on the fourth day after seller signs paragraph 5.

For example, If the seller signs on day 1 and sends the SMCO to the buyer, the buyer accepts by signing in paragraph 7, but the seller does not sign by 5:00pm on day 5 (being the fourth day after signing paragraph 5), then buyer's acceptance of the SMCO is deemed revoked and any deposit shall be returned to him/her.

Paragraph 7 is where the buyer signs the acceptance of the counter offer. If the buyer decides to counter the SMCO, then they would check the box stating, "Subject to the attached counter offer #_ ", sign in the appropriate spot, and return the SMCO with the subject buyer counter offer.

Paragraph 8 is where the seller signs if he/she agrees to that SMCO. As stated in this paragraph, the seller is not to sign this section until after the buyer signs in paragraph 7. The seller is also not to sign if the SMCO is subject to an attached buyer's counter offer.

At the very bottom of this form, the buyer or buyer's agent would initial after the selection of the counter offer (seller's signature in paragraph 8) and its delivery to the buyer.

Seller Counter Offer (CAR form SCO)

Here we quickly look at the seller counter offer. This form is what the seller would use when responding to one offer. When comparing the SCO and SMCO, you will find that they are almost the same. The only difference is that in the SCO there are no paragraphs stating the binding effects (paragraph 2), stating the deadline of acceptance (paragraph 6), and selection of accepted multiple counter offer (paragraph 8).

Since only one offer is being responded to, the SCO doesn't need to clarify the binding effect by requiring sections 5, 7, and 8 signed in that order, in order to clarify which SMCO has been selected. Essentially, there is no "selection of accepted multiple counter offer" to clarify which one of the multiple counter offers has been selected since there is only one counter offer being dealt with.

Note: when the seller attaches a counter offer (SCO or SMCO) to a purchase agreement, they must check the box in paragraph 32 of the purchase agreement.

Buyer Counter Offer (CAR form BCO)

The buyer counter offer is essentially the same as the SCO. The only difference is that it is used by the buyer rather than the seller.

8. QUICK COUNTER ILLUSTRATION

Let's take a quick break to recap what has happened in the transaction so far. Two prospective buyers liked a property for sale at \$400,000 and decided each to submit an offer. Each offer has a difference in its terms.

Prospective Buyer A's offer is for \$390,000 and wants the dryer and washer to be included.

Prospective Buyer B's offer for \$385,000 without any inclusions.

The seller, dealing with more than one offer, wants more money for the property than what was offered, thus sending an SMCO to each prospective buyer.

The seller sends an SMCO to Prospective Buyer A, offering the property for \$395,000 including the dryer and washer.

On the other hand, the seller sends a different SMCO to Prospective Buyer B, also offering the property \$395,000 not including the dryer and washer (since it was not requested by Prospective Buyer B).

Prospective Buyer A agrees to the terms of the SMCO, signs it and sends it back to the seller.

Prospective Buyer B agrees to the terms subject to an attached BCO, offering to purchase the property at \$390,000.

The seller decides to take Prospective Buyer A's offer and does so by signing in paragraph 8 of SMCO (thus selecting that particular SMCO) and sends it back to buyer. Now a binding contract has formed, and escrow is ready to be opened.

But let's say that the seller decided to work with Prospective Buyer B instead and agreed to the subject BCO. The seller would sign the BCO accordingly but does not sign in paragraph 8 of the SMCO. Remember, if the SMCO is subject to an attached counter offer, then the seller does not sign in paragraph 8. Rather, if they agree to the buyer's counter offer, they would sign that. Now escrow is ready to be opened.

9. AFTER ACCEPTANCE – OPENING OF ESCROW

After accepting an offer, the parties go into escrow. This is the process where the transaction moves forward under the agreed-upon terms of the purchase agreement (and counter(s) if applicable). Typically, escrow is to be opened on the same day the purchase agreement or counter has been fully executed.

Fully executed means that both the buyer and seller have signed and initialed in the required sections for a binding agreement.

The listing agent is to open escrow with the specified escrow company in the purchase agreement or counter.

The following information is what the listing agent should send escrow:

- A brief message notifying them that you have an accepted offer for the property on [property address] and would like to open escrow.
- Sale's Price
- Buyer's and listing agents' commissions
- Acceptance Date
- Close of Escrow Date
- The title company for escrow to order the preliminary title report
- The NHD company for escrow to order the Natural Hazard's Disclosure
- The home warranty agreed to on the RPA or counter
 - Buyer's agent should follow up with the listing agent and escrow on the order of the home warranty
- HOA management company name, email, and phone number (if applicable)
- The Buyer's agent's name, email, and phone number
- The seller's name, email, phone number
- Attach the fully executed RPA and counter(s) if applicable

Escrow will then send both the listing and buyer's agents an introductory email of opening of escrow and request the buyer's information from the buyer's agent.

The buyer's agent is to provide escrow with the following:

- Buyer's name, email, phone number
- Lender name, email, phone number

The buyer's agent will need to provide the lender the following:

- RPA and counter(s) if applicable
- Escrow company
- Title Company
- Listing agent info – name, email, phone number

After these initial steps, agents can expect to receive these items from escrow:

- Receipt of earnest money deposit – also known as EMD
- Escrow instructions
- Commission instructions
- Natural hazards report
- Preliminary title report

It is a good idea to review the preliminary title report. There you will find any taxes & assessments, liens, CC&Rs, and trust deeds affecting the property, including all ownership of the property (individuals, trusts, etc.).

If there is an HOA, the buyer should get CC&Rs which could be ordered by escrow and is to be paid by the seller.

CC&Rs are “Covenants, Conditions, and Restrictions” used by many common interest developments. They are essentially the rules set to regulate the use, appearance, and maintenance of the property and are enforced by the Homeowners’ Association (HOA).

In other words, they state what you can, can’t, or must do with your property.

The CC&Rs are legally binding, and thus, if a homeowner does not abide by them, they may have penalties imposed on them for violations.

One example can be a lawn maintenance standard, where homeowners must keep their lawn trimmed according to the CC&Rs.

Another example could be that building home additions are prohibited.

10. SELLER DISCLOSURES AND ADVISORIES

Once escrow opens the seller must send the seller disclosures within a specific deadline. By default, the seller will have 7 days to send those over. The disclosures discussed here are some of the typical ones you may find in many 1-4 residential transactions.

You may find that your transaction requires some other disclosures or advisories that aren't discussed here. Therefore, it is recommended to check with your employing broker as to which documents they require, as some brokers have their own requirements.

Agent Visual Inspection Disclosure (CAR form AVID)

One of the most important duties an agent has is to conduct a diligent visual inspection of the property's accessible areas and then disclose any findings to the buyer.

Using the AVID, the agent will be able to note the condition of the property's accessible areas.

The AVID form is what both the buyer's and seller's agents will be using to conduct this inspection.

Transfer Disclosure Statement (CAR form TDS)

The seller has the obligation to disclose all material facts that may affect the value and desirability of the property.

The purpose of the TDS is for the seller to disclose any material facts about the property and therefore provide the buyer with a better idea of the property's condition.

Unless exempt, the TDS is mandatory for the seller to fill out and deliver to the buyer.

If the transaction is TDS-exempt, then the seller must fill out and deliver the Exempt Seller Disclosure (CAR form ESD).

Seller Property Questionnaire (CAR form SPQ)

Just as stated above, the seller has the obligation to disclose all material facts that may affect the value and desirability of the property.

The purpose of this disclosure is to provide the buyer a better understanding of the property's condition.

Using the SPQ, a comprehensive document, the seller answers questions related to different areas of the property.

The seller is advised to carefully answer each of the questions as thoroughly as possible.

If the TDS is required, then the SPQ is also required.

Seller's Affidavit of NonForeign Status (FIRPTA) (CAR form AS)

Under federal law, the buyer is required to withhold 10%* of the purchase price and send it to the IRS if the seller is a foreign person. One of the ways in which the buyer can be exempt from withholding, however, is by having the seller provide a nonforeign affidavit stating under penalty of perjury that the seller is not a foreign person and providing their Tax ID number.

The purpose of the AS form is for the seller to indicate that they are not a nonforeign person, provide their social security number or tax ID number, and sign under penalty of perjury.

If the seller does not want to provide the buyer their social security number or tax ID number, then they can give the seller's affidavit of nonforeign status to a qualified substitute. The escrow company may act as the qualified substitute. In turn, the escrow company will prepare and deliver a Qualified Substitute form to the buyer.

Escrow can either use the Qualified Substitute form (CAR form QS) or their own version of it.

The QS form should be delivered to the buyer within 7 days after acceptance, just like all mandatory seller disclosures. Otherwise, the seller may be in a technical breach of contract.

*If the property is to be used as the buyer's primary residence and the price is \$1,000,000 or less, then 10% the withholding rate would apply. In other circumstances, it would be 15%.

Natural Hazards Disclosure Statement (NHD)

The NHD must be given by the seller to the buyer in order to disclose that the property may be situated in a natural hazard zone.

There are six main natural hazard zones:

1. A flood hazard zone designated by FEMA
2. A potential flooding after a dam failure inundation area
3. A high fire hazard severity zone
4. A wildland fire area
5. An earthquake fault zone
6. A seismic hazard zone

Typically, escrow will order the NHD report and statement from a third-party company and will then deliver it to both parties. The seller usually pays for it.

Market Condition Advisory (CAR form MCA)

The MCA is for both buyers and sellers and it discusses some of the potential risks with the constantly changing market conditions.

It includes important considerations each for the buyer and seller.

Statewide Buyer and Seller Advisory (CAR form SBSA)

A 14-page disclosure that discusses a wide range of areas for both buyers and sellers to consider.

The primary purpose of this form is to notify the buyer (and seller) about different conditions that may exist or affect the property. It expresses that the buyer has the responsibility to investigate and/or hire the appropriate professional(s) to help with investigations.

Water-Conserving Plumbing Fixtures and Carbon Monoxide Detector Notice (CAR form WCMD)

The WCMD is a disclosure that explains the technical requirements of water conserving plumbing fixtures and carbon monoxide detectors.

Other Disclosures and Advisories

Buyers Homeowners' Association Advisory (CAR form BHAA)

The BHAA advises the buyer of a property subject to an HOA, of the importance of reviewing HOA documents which will govern, affect and, in some cases, limit their current and future use of the property.

Trust Advisory (CAR form TA)

The TA form is intended to be used as an addendum to a contract, if the property is being sold by a trustee of a trust.

The seller (the trustee of the trust) and the listing broker would sign it at the time of listing and the buyer at the time of sale.

Representative Capacity Signature Disclosure – For Seller (CAR form RCSD-S)

If the seller is being represented by another individual or an entity, then they would sign the RCSD-S. This form allows the individual representing the seller to sign or initial any document in the transaction using his/her name – they would be deemed to be in the representative capacity.

Examples could include an individual acting as a trustee of a trust, an executor of an estate, an individual acting under the power of attorney, a managing member of an LLC.

Note that the RCSD is not the authority to act. The party representing the seller must provide evidence of authority to act in the representative capacity.

This could be in the form of power of attorney, a court order, or an authorizing document from the corporation, etc.

The buyer also has a similar form in the case they are being represented in a representative capacity – CAR form RCSD-B.

FHA/VA Amendatory Clause (CAR form FVAC)

When the buyer enters into a transaction to purchase a property with an FHA or VA, they must sign and attach the FVAC form to the contract.

This form protects the buyer in the case the appraisal comes in lower than the purchase price and they wish to cancel the contract. The buyer would also be entitled to receive their earnest money deposit back from the seller.

Lead-Based Paint and Lead-Based Paint Hazards Disclosure (CAR form FLD)

The purpose of this disclosure is to warn the buyer of the potential exposure to lead from lead-based paint that may exist.

This disclosure form is required to be sent by the seller to buyer if the home was built before 1978, since lead-based paint was commonly used, or if the seller has any actual knowledge of existing lead-based paint in the home.

Exempt Seller Disclosure (CAR form ESD)

Sellers are legally required to disclose material facts about the property they are selling. They must do so by using the TDS.

However, some sellers may be exempt from completing the TDS, but still must disclose certain material facts. Exempt sellers would use the ESD form to disclose such facts about the subject property.

When is a seller exempt from completing the TDS? The following are some of the situations in which the seller would be exempt from the TDS:

- Foreclosure sales
- Court ordered sales
- Property held in a trust and the trustee does not reside in the property
- Transfer of the property from one spouse to another

Wildfire Disaster Advisory (CAR form WDFA)

The WDFA is used for properties that are in or around areas affected by a wildfire.

It is intended to warn buyers about concerns and issues related to wildfire disasters

Water Heater and Smoke Detector Statement of Compliance (CAR form WHSD)

The WHSD form is used for the seller to certify that the property's water heater(s) and smoke detectors will be installed in compliance with state and local law by the close of escrow.

Buyer's Inspection Waiver (CAR form BIW)

Buyers have the right to obtain certain important inspections during escrow in order to determine the condition of the property.

Because obtaining such inspections is vital, some brokers want to avoid any misunderstanding about the recommendations for those inspections.

The BIW form provides documentation that the buyer made the decision by their own will to go against the advice of the broker by waiving any such inspection.

Extension of Time Addendum (CAR form ETA)

Sometimes the time periods in the fully executed contract cannot be met. The RPA allows for certain time periods to be extended, modified, altered, or changed, by mutual written agreement.

The ETA form allows for both the seller and buyer to appropriately document an extension of date for certain terms, such as the close of escrow or an extension of contingency.

Both the seller and buyer would have to sign and agree for the extension to apply, hence mutual agreement.

Property Visit and Open House Advisory (CAR form PVOH)

This advisory form is for anybody visiting the property. It advises visitors of various safety risks and the possibility of being recorded.

By signing the PVOH, the visitor is acknowledging the risk of entry.

Square Footage and Lot Size Disclosure and Advisory (CAR form SFLS)

This advisory expresses the possibility of measurement discrepancy of the subject property's square footage and lot size.

Because there may be discrepancy in measurement of the property size, it advises the buyer to do their own investigation.

Contingency for Sale of Buyer's Property (CAR form COP)

The COP is an addendum used to create a contingency for the sale of the buyer's property when paragraph 4B in the RPA is checked.

Seller's Purchase of Replacement Property (CAR form SPRP)

The SPRP provides the seller with a contingency for their purchase of a replacement property. In this instance, the agreement to sell the seller's property is contingent on the seller finding a new home to purchase.

Addendum (CAR form ADM)

The addendum form is used to incorporate additional information to documents such as the RPA, SCO, TDS, SPQ, RR, etc.

Cancellation of Contract, Release of Deposit and Cancellation of Escrow (CAR form CC)

The CC form is used to cancel the contract by the seller, buyer, or both by mutual agreement. It is also used to release the deposit and cancel escrow.

Additional Signature Addendum (CAR form ASA)

This document is used to add signatures of more parties when there are not enough signature blocks on another document, such as the RPA, disclosures, etc.

You will find that most documents (i.e. RPA and disclosures) have only two signature blocks for each party. In the case another party needs to sign the necessary documents, use the ASA.

Combined Hazards Booklet

Under certain conditions, the seller would legally have to send the buyer booklets that provide information and resources about environmental hazards that may be present on the property.

The Combined Hazards Booklet contains the following:

- Residential Environmental Hazards
- Protect Your Family from Lead in Your Home
- The Homeowner's Guide to Earthquake Safety
- Home Energy Rating System (HERS)
- Earthquake Hazards Report
- Signature Page

Providing the buyer these booklets is not always legally required, unless the property has certain conditions that legally require doing so. However, even if not legally required to provide, it can help the seller reduce some risk of legal problems later on.

Providing the Residential Environmental Hazards booklet is not mandatory, unless required by the contract.

The Protect Your Family from Lead in Your Home booklet is required for homes built before 1978 or if the seller has actual knowledge of any lead-based paint. One or both of these conditions would then also require the FLD form to be used.

The Homeowner's Guide to Earthquake Safety is required to be provided under certain conditions: the property is 1-4 residential dwelling, built prior to 1960, made of conventional light-frame construction, and no exemption applies.

In conjunction with the Homeowner's Guide to Earthquake Safety, there is the Earthquake Hazards Report. This report is used to disclose any known structural deficiencies. Known earthquake hazards must be disclosed regardless of whether delivery of the booklet is mandatory or voluntary.

The Combined Hazards Booklet contains a signature page where both parties, including agents, would sign to acknowledge the receipt of the booklet.

The Home Energy Rating System (HERS) booklet is optional.

Disclaimer:

Not all disclosures and advisories are listed here and not all disclosures and advisories may be applicable or required for your transaction. You must always perform due diligence to understand the needs and requirements of your transaction. It is advised to check with your employing broker as to which documents they require and to obtain proper legal help if necessary.

11. APPRAISAL AND INSPECTIONS

The Home Inspection:

The buyer has 17 days by default to perform any investigations and inspections. One of these is the home inspection.

This inspection is an important part of the buying process because it can reveal the condition, defects, or malfunctions in the building's structure, physical components, and systems.

These are things such as plumbing, electrical, heating/cooling systems, foundation, floor, roof, windows, doors, etc.

The buyer or buyer's agent should coordinate and schedule the time and date for the inspection to be performed.

After the inspection, the inspector will then create the report and send it over to the buyer's agent. The agent and buyer should then discuss the findings in the report. Based on the conditions identified, if there are any defects or malfunctions, the buyer can request for repairs to be done and negotiate for the seller to pay for the necessary repairs.

Termite Inspection:

A termite inspection is an inspection of readily accessible areas of a home, such as the interior and exterior, to identify active wood destroying insect infestation or damage. The inspector will also look for issues such as dry rot, fungus, and other damage to wood.

During escrow, the seller or listing agent should schedule a termite inspection to be performed. This should be done within the timeframe of the buyer's appraisal and investigations.

The termite inspection is not required in the sale of real property, but it is advised to the buyer. Therefore, it is a negotiable item in the offer.

Depending on what has been agreed, either the buyer or seller shall pay for the termite inspection. Typically, the seller provides and pays for repairs found in the inspection.

Keep in mind that some lenders require that termite inspection be completed and submitted to them. Therefore, it's advisable to ask the lender.

If there is no evidence of termites, then a clearance letter should be given with the report. The party who ordered the inspection should then send the report and clearance to escrow and to the other party for their files.

If the lender requires a termite inspection to be done, then they will also want that along with the clearance letter.

So, what happens if there is work to be done? There are two items to understand: Section 1 and Section 2.

Section 1 items indicate that there is an active infestation and/or wood damage.

This section includes the costs of remediation and repairs. Remediation can be something such tenting or spraying to eliminate an active infestation. Repair and replacement can be for certain components such as wood affected by dry rot or chewed by termites.

Section 2 items indicate potential damage of termite infestation or wood damage. This can be viewed as action that can be taken to prevent future infestation or wood damage.

This section would include costs for preventative measures, if any. For example, moving soil away from touching parts of the house's base, if it is deemed to be a potential environment to host and flourish termites.

After work has been completed and satisfied, the inspector will provide the clearance of work completed. The party that ordered the inspection and work will send this clearance letter to escrow and to the other party. The buyer's agent will send it to the lender, if required by lender.

Appraisal:

The lender will want to confirm that the sales price is really the market value of the property. To do this, they will send an appraiser to perform an appraisal.

The lender always requires this as part of the lending process because they want to protect their investment. For example, If the real market value of the property is lower than the sales price, and if the buyer ends up defaulting on the mortgage, then the lender won't be able to sell for enough to cover the loan.

The buyer is usually the party that pays for the appraisal since they are the one obtaining the loan.

The appraiser will schedule with the listing agent a date and time to come and perform the appraisal.

Now, what could happen if the appraisal comes in lower than the sales price? The lender would not fund the agreed-upon sales price, rather, he/she would fund the appraised value.

The buyer may not want to overpay, and the seller would most likely want the agreed-upon sales price. Both parties can then negotiate and try to find a mutual agreement.

One solution could be that the seller would agree to the lower sales price (the appraised value).

A second solution could be that the buyer would still agree to the initial sales price but would put more money down in order to cover the difference between the sales price and the appraised value.

A third solution could be meeting in the middle. For example, the seller would agree to lower the sales price but not all the way down to the appraised value and the buyer would add more money down. So, if the initially-agreed sales price was \$400,000, the appraised value is \$350,000, they could agree to \$375,000. Whereby the buyer would add \$25,000.

If an agreement can't be found, then the buyer may choose to walk away from the deal, as long as the appraisal contingency is in effect.

Another thing that could be done is to dispute the appraisal by finding comparable sales and send that to the appraiser to reappraise the value, thus possibly resulting in a higher valuation.

If the appraisal comes higher than the sales price, then the seller may want to go with the appraised value. Both parties can negotiate and try to find an agreement, or the buyer may walk away from the deal, if the appraisal contingency is still in effect.

Home Warranty:

A home warranty is intended to cover the homeowner's appliances and systems from breakdowns resulting from normal wear and tear. This coverage may include the home's electrical, plumbing, heating and air conditioning systems, refrigerator, etc.

It is important to review the types of plans a home warranty company provides and what they cover.

Usually the seller is the one who pays for the buyer's home warranty and the listing agent orders it, but that is a negotiable item. See section 7D (10) in the RPA.

The home warranty invoice should then be sent to escrow for their file.

The buyer's agent should follow up with the listing agent and escrow on the order of the home warranty and obtain a copy of it.

Contingency Removal (CAR form CR)

After the default 17 days (or whatever was agreed to), the buyer would remove the appraisal and investigation contingencies.

In accordance with the RPA, the purchase of the property is contingent upon certain conditions to be met. Such conditions are the buyer's approval of the physical condition of the property, the appraisal of the property at the purchase price, or the buyer obtaining a loan.

As long as the contingencies are in effect, the buyer is protected in that he/she can cancel the contract without penalty. Typically, such penalty would be forfeiting the initial deposit.

In order to remove any contingency, it must be done in writing, and is done by using the Contingency Removal form (CAR form CR).

Using the CR, the buyer may select which contingencies they want to remove from an itemized list, or all but certain selected contingencies, or even all contractual contingencies at once.

The CR form should be numbered at the top where it shows “NO.____”. In this case, this would be Contingency Removal NO. 1.

The buyer would then sign in the corresponding area.

In section II of the CR, the seller can remove their own contingencies, such as finding a replacement property. This is part of the form is not required to be completed if the CR form is only used for the buyer to remove their contingencies.

12. REQUEST FOR REPAIRS AND RESPONSE TO REQUEST

At some point during escrow, both the home and termite inspections are performed. Based on these reports, the buyer can better understand the condition of many components of the property.

If there are any items that need to be repaired or be brought to compliance, then the buyer may request the repair of it or bring the item to compliance.

An example for an item to repair could be a broken roof tile, as could be suggested in the home inspection report.

An example of a component that is recommended to be brought to compliance could be smoke detectors, if they are missing or predate the most current smoke detector standards.

Request for Repair (CAR form RR)

The buyer can request repairs by using the RR.

This form allows the buyer to request that the seller make repairs before close of escrow, give the buyer a credit or even reduce the purchase price due to the buyer possibly incurring expenses upon taking title to the property.

Request for repairs may result in negotiations between the parties and choosing what to request and how is up to the buyer.

The RR is in accordance with the purchase agreement and it is noted that the seller has no obligation to respond to the buyer's request.

Paragraph 1(a) of the form provides for the buyer to specify what repairs they request the seller to make. The items must be specified, and many times, are according to the

items identified in the home inspection report. For example, if the report suggests that the smoke detectors be replaced to comply with the most current standards, then the buyer may specifically request for that in the RR.

In paragraph 1(b), the buyer can request for pest control work to be paid for by the seller. It is stated in specific language to address how this requested work will be performed. This can be for either section 1, section 2, or both. Upon completion of any such work, the seller shall deliver to the buyer the clearance of work completed from the pest control company.

Some buyers may prefer a credit or reduce the purchase price. In 1(c), the buyer may specify the requested credit amount from the seller at close of escrow. In 1(d), the buyer may request the seller to reduce the purchase price. Once again, the decision on repair requests is up to buyer.

In the Seller Response section, the seller can respond in one of three ways:

1. Agree to all of the buyer's requests
2. Reject all of buyer's requests
3. Or respond to the request with a list of things seller will agree to (CAR form RRRR)

If the seller agrees to all of the buyer's requests, then the buyer will have to agree to remove at least the physical inspection contingency for the seller's agreement to take effect. In addition to this first option, the seller can require the buyer to remove other contingencies specified in an attached CR form, which would be in addition to removal of the physical inspection contingency.

If the seller agrees, then the RR will be sent to the buyer to sign and agree to remove the physical inspection and any other contingencies specified in the attached CR form. The buyer would have to sign the CR form as well.

Seller Response and Buyer Reply to Request for Repair (CAR form RRRR)

This form is used by the seller if he/she agrees to some but not all of the buyer's requests or would agree to something different from what the buyer is requesting in the RR.

An example can be if the buyer requests for repairs and the seller can respond by offering the buyer credit or a price reduction instead.

The Seller Response to Buyer Requests section is pretty straightforward in that the seller is given options to choose in how to respond. See paragraph 1 of the RRRR.

In paragraph 2, the seller can either choose to leave it as is (buyer to remove physical inspection contingency) or to attach a CR with other additionally specified contingencies for the buyer to sign, thus agree and remove them.

In the Buyer Reply to Seller Response, the buyer can accept the seller's response, accept it with modifications, or withdraw the initial RR and make a new request by attaching another RR.

If 1B in the Buyer Reply has been selected by buyer, then the seller can then either agree or reject it.

13. BEFORE CLOSING

Funding

During the transaction process the buyer and the lender will continue working on the loan application for submission to reach the approval stage.

Once the buyer meets all conditions required to receive the loan, the lender will fund it by sending the money to escrow.

At close of escrow

Upon loan funding, escrow will record the Deed of Trust with the county in which the property is located.

Upon receipt of confirmation of deed recordation, escrow will disburse the funds to the appropriate parties.

Contingency Removal

By default, the buyer will have 21 days to remove the loan contingency.

The CR form should be used to remove the loan contingency by checking the appropriate box.

Two things to note here:

1. Many times, this would be the last contingency to be removed and thus the final CR form for the transaction.

2. Many times, the final CR form would have box C checked to remove any and all buyer contingencies. This would remove all of the buyer's contractual contingencies in the transaction – including appraisal and buyer's investigation contingencies.

If the buyer does not release contingencies within the specified amount of time in the agreement, the seller may send a Notice to Buyer to Perform (CAR form NBP). In the NBP certain contingencies and contractual actions can be specified for the buyer to remove or perform.

Verification of Property Condition (CAR form VP)

By default, the RPA allows the buyer to inspect the property within 5 days prior to close of escrow.

The purpose of this inspection is for the buyer to see if the property is in the same condition as it was at the time of acceptance of the offer and if the seller has made repairs that were agreed-upon.

If there has been a change in the condition or repairs that were agreed-upon but not made, then they should be specified in the lines provided.

If the buyer chooses not to do a final inspection, then the box in paragraph 2 should be checked.

Preliminary Title Report with Buyer Approval

If you haven't yet received a copy, you should request from escrow the buyer approval of the preliminary report.

This shows that the buyer has understood and acknowledged the information contained in the preliminary title report.

14. CLOSING ESCROW

We finally made it! At the close of escrow, several items are to note.

Closing Statement

The escrow company will provide a closing statement.

This statement is an itemized list of all charges and credits the party has in connection with the transaction. This will reflect items such as closing costs, purchase price, funds deposited, prorations, commissions, payments to third parties, payoffs to existing loans, etc.

Funding and Recording

Escrow will work with lender to make sure all conditions have been met – according to lender instructions and escrow's required conditions have been satisfied.

Escrow will then record the Deed of Trust with the county in which the property is located.

Upon receipt of confirmation of deed recordation, escrow will disburse the funds to the appropriate parties.

Getting Paid

After close of escrow, the escrow company will be responsible for the disbursements.