

Information about Real Estate Transactions

To be signed by all clients of RE/MAX Integrity

Property Address: _____

The following information details some issues that may exist in real estate transactions. RE/MAX Integrity, as a Broker in this transaction, provides this information for your awareness of potential issues affecting your transaction.

Carbon Monoxide detectors:

At the time a one or two family residential dwelling is sold, it is a requirement that the seller equip the property with one or more carbon monoxide detectors if the property has a carbon monoxide source or an attached garage. Sources of carbon monoxide could be a heater, furnace, cooking source or fireplace. There must be a detector on each level of the home that has a sleeping area, and within 15 feet of any bedroom. You are encouraged to go to the following website to get more information on carbon monoxide:

www.oregon.gov/OSP/SFM/CommEd_CO_Program.shtml

Contamination:

Environmental hazards may be present in any property. Some potential sources may be caused by careless disposal of toxic substances or leaking heating oil or gasoline storage tanks.

In recent years there have been issues raised regarding mold and/or mildew present in homes that cause the occupants documented physical ailments. Causes could be related to construction deficiencies such as product materials or the improper installation of siding, heating systems, floor coverings and the like. Buyers are advised to seek an independent evaluation by a contractor who specializes in mold detection, if the buyer has any known allergies or otherwise is informed about or observes any water damage, roof leaks or other cause of moisture being present in the home.

Dispute Resolution:

This firm uses a standard real estate sale agreement form that, like many standard real estate sale forms, contains "alternative dispute resolution" clauses. Alternative dispute resolution is the name given to a number of processes by which potential legal disputes may be resolved without having to file a civil suit and go to court. By private agreement, parties to a contract may agree to resolve future disputes by arbitration. They may also agree to *mediation* before turning to *arbitration* to resolve the dispute.

Mediation is a form of assisted settlement negotiations. A trained mediator is selected by mutual agreement of the parties to the contract. The parties then meet together with the mediator in an attempt to work out a mutually acceptable solution to a dispute. Mediators are trained to help people find common ground and avoid anger, personal attacks and other problems that can make settlement of disputes difficult. Mediation is usually just one step in an alternative dispute resolution process. No one is ever forced to settle in mediation. Mediated settlements are always by mutual agreement.

Unlike mediation, arbitration is a binding process in which a neutral third party decides who wins and who loses. Arbitration is a lot like having a judge decide a lawsuit. The process is formal. One party to the contract must bring specific legal claims against another party and prove those claims to the satisfaction of the arbitrator by presentation of reliable evidence.

A big difference between arbitration and litigation is that arbitration is private, not public. By mutual agreement, the parties to the dispute select the arbitrator (it may be an individual or a panel) from a list of qualified individuals (usually retired judges or experienced lawyers). A hearing is then held so the evidence can be presented to the arbitrator. Following the hearing, the arbitrator will render a decision. The arbitrator's decision is final and binding. That means there are no appeals or second chances to prove the claim. The advantages to arbitrations, as a means of resolving disputes, is that it is generally much faster, it is private and can be far less expensive than a civil lawsuit.

The dispute resolution process called for in the standard sale agreement used by this firm uses both mediation and arbitration. Unless the dispute falls within the jurisdiction of the Small Claims Department of the State court system, all disputes must be resolved by mediation or arbitration. By agreeing to the dispute resolution provisions of the contract, both parties give up the right to sue each other in court and agree to resolve all disputes by private arbitration. The arbitration is final and binding on all parties. In addition, if either party is represented by a Realtor® who belongs to an association which makes available a mediation program, the sale agreement requires (at the penalty of loss of attorney fees in subsequent arbitration) that the parties first try to resolve their dispute by mediation.

Generally, the types of disputes that arise in real estate transactions are very amenable to resolution by arbitration or mediation. The savings in time and money can be substantial and have made alternative dispute resolution the norm in real estate contracts of all kinds. Nevertheless, you may still wish to discuss the legal consequences of agreeing to mediation and arbitration with your lawyer. As with any term in a binding contract, the dispute resolution clauses do affect legal rights.

It is always the parties to the contract who must evaluate the usefulness of the terms of the contract and reach mutual agreement on those terms. Please do not hesitate to discuss with your agent any questions you may have about the operation of dispute resolution provisions found in the standard sale agreement. Your agent will do his/her best to answer your questions, but is not licensed to give legal advice. Please seek competent legal advice if you are uncertain as to the legal effect of the dispute resolution provision.

Financing:

The buyer's ability to finance the property is the main contingency of most sale agreements. Any buyer should be pre-approved prior to writing an offer; that is, they should have a lender write a letter stating that the lender has reviewed the buyer's credit report, income requirement and cash to close and that the lender pre-approves the buyer for the loan, subject to an acceptable appraisal of the property. Once the appraisal has been received the underwriter authorizes final loan approval. *Only* when the underwriting process is completed will an actual formal loan be secured. The entire financing process normally takes approximately 30-45 days.

There are risks involved if the seller agrees to carry any amount of financing for the buyer. The seller should fully investigate the buyer's credit worthiness and risks involved prior to agreeing to carry financing for the buyer.

Homeowners Insurance:

The availability and cost of homeowners or property insurance of the property being sold depends on a number of factors, including buyer's personal insurance, financial and credit history in addition to any materials and conditions present in or on the Property, and the claims history for the property. Some lenders may require flood insurance to be purchased on certain property prior

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to lending on the property. The buyer is encouraged to determine from their lender whether the property they are buying requires flood insurance prior to committing to a binding Sale Agreement. Some insurance companies base underwriting decisions on Comprehensive Loss Underwriting Exchange (CLUE) reports on the history of insurance claims concerning the property or made by buyer concerning other properties.

Buyers and sellers are encouraged to confirm the availability of insurance for the property early in the transaction to avoid last minute issues regarding insurance.

Home Warranty:

There are private warranty companies that offer home warranties that cover many components in homes in the event of failure. The Broker advises you to evaluate whether or not to purchase a home warranty plan. You are encouraged to become familiar with the coverage limitations of the plan as certain restrictions and deductibles may apply. A warranty plan should in no way act as a substitute for a professional home inspection.

Inspections:

It is strongly recommended that buyers obtain *their own* home inspection by a licensed home inspector. Buyers will be presented with a list of possible inspections on the *Professional Inspection Addendum*. Buyers may request additional inspections not listed on the *Professional Inspection Addendum* as well.

Note that all inspections must be obtained within a specific time frame and approved or disapproved of in a specific time frame. If the time frame passes and an extension has not been agreed upon in writing by all parties, then the inspections cannot be used to release buyer from the sales agreement and buyer must proceed with the transaction as stated in the *Real Estate Sale Agreement*.

Upon completion of repairs the original inspector should provide a “Completion Notice.” If the buyer chooses to close without the benefit of a completion notice, the buyer will be asked to sign a waiver indicating they did not want a reinspection of repairs and are satisfied with the repairs done.

RE/MAX Integrity strongly recommends all buyers obtain a full home inspection by a licensed home inspector.

Smoke Alarm Requirements of Sellers:

Smoke alarm requirements apply to the sale of dwellings. Ionization smoke alarms with a hush feature must be installed in all houses. If the smoke alarm is solely battery-powered, it must be a ten-year battery and installed in accordance with the Oregon Building Code and Oregon Administrative rules. Photoelectric units are exempt from the hush feature and ten-year battery requirements because they use a different technology to detect smoke.

- There must be a smoke alarm installed outside each sleeping area.
- If the home has more than one level there must be a smoke alarm on each level.
- Smoke alarms should be installed on the ceiling at least four inches from the nearest wall or high on a wall 4 to 12 inches from the ceiling.
- For complete details on the smoke alarm law go to www.sfm.state.or.us

Walk Through:

For the protection of all parties it is strongly recommended that the buyer do a “walk-through” of the property just prior to close of escrow. This is to ensure that the property is in substantially the

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same condition as it was at the time the sale agreement was written and to ensure any repairs or improvements were done in a workmanlike manner. If unsatisfactory issues arise, they should be addressed *prior* to close of escrow.

To avoid any misunderstandings it is recommended that the buyer make the walk through a condition of sale on the *Real Estate Sale Agreement*.

Zoning/Land Use:

The buyer should research zoning issues, especially on development and rural property. Additional considerations may involve property boundaries, easements, surveys, marked corners, etc.

Buyers are advised to personally consult with appropriate city or county planning departments regarding the subject tax lot(s) being purchased and anything that might be on file regarding permits for improvements, zoning, land use, etc.

Special Information for Buyers

Mortgage Payment Protection

You should be aware that there are products and insurance policies available for purchase that may cover all or part of your mortgage payment in the event of job loss. Your broker may or may not introduce you to one of these options. You should be aware that neither RE/MAX Integrity, nor its brokers indorse a particular product. If you want to explore a mortgage protection product, we recommend you thoroughly investigate all terms, conditions and exclusions before purchasing a plan or having one purchased for your benefit.

Representation:

You have been provided with an Initial Agency Disclosure Pamphlet that explains agency relationships between Oregon Real Estate licensees and their clients. This section is designed to explain how RE/MAX Integrity agents work on behalf of their buyer clients.

Your agent will work with you to find property that meets your requirements. Your agent will help you negotiate for the purchase of the property and will assist you in your performance of the contract to purchase. Your agent’s representation for this purchase will terminate upon closing of the transaction, however, your agent will continue to maintain any confidences you have shared with them after the termination of this relationship.

In order to serve you, you must make certain your agent is aware of your property requirements, needs and concerns. If you have specific plans for the property or anticipate major changes to the property once purchased, you must make certain your plans are appropriate for the property you choose. If you do not keep your agent informed of your plans, needs and concerns, they will not be able to help you find the right property or suggest other professionals who can assist you in evaluating your plans.

There are a great many decisions to be made and things to consider when purchasing real property. Although your agent can advise you on the business aspects of real property transactions, they cannot give you legal or tax advice or be responsible for inspecting or determining the physical condition of the property, its systems or potential defects. You are advised to seek the assistance of other professionals, like home inspectors, engineers, land use consultants, lawyers, accountants and so forth on matters related to the transaction that are beyond their expertise as a real estate licensee.

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Buyers Advisory:

To help you understand the role a real estate licensee plays in real property transactions, and better understand some of the pitfalls a buyer can face, you should obtain and read a copy of the Oregon “Buyer Advisory.” A copy of the Advisory can be found on the internet at:

<http://www.oregonrealtors.org/docs/pg/10421>. Unless you advise us otherwise, we will assume you will obtain and read the Buyer Advisory and are proceeding with that knowledge. We cannot stress enough the importance of you informing yourself regarding real property transactions.

RE/MAX Integrity will proceed with the understanding that you will obtain this critical information unless you specifically inform us otherwise. If you do not have access to the internet, please inform us so we can provide you a copy of this important advisory.

Acknowledgment

RE/MAX Integrity will assist in helping you understand the issues, details and risks of a property sales transaction. Your signature below indicates that you have read and understand the above real estate issues. You may also wish to seek additional advice from other competent authorities as issues develop.

We further understand that RE/MAX Integrity shall have no further liability to us relating to failure to disclose any of those matters set forth in this document, or the above referred Buyer Advisory.

Client Date

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