



CALIFORNIA ASSOCIATION OF REALTORS

Consumer Guide to Disclosure Requirements for Buyers

ePUBS™ for zipForm® 6 

Consumer Guide to Disclosure Requirements for Buyers

User Protection Agreement

The California Association of REALTORS® (C.A.R.) stands behind its, and its California-based subsidiaries, forms* and publications*. C.A.R., as noted in the paragraph below, will assist the user of its Standard Forms and Publications, or the user of the forms and publications of its California-based subsidiaries, in defense of any claim, on appeal, that any pre-printed provision of the latest version of the printed or computer-generated forms or publications (1) for non-statutory forms or publications, is unlawful or (2) for statutory forms and publications, did not meet the statutory/regulatory requirements at the time of printing. This coverage does not apply to the manner in which a person completes the blank provisions of the forms, but rather to the lawfulness of the pre-printed clauses themselves.

This User Protection Agreement (1) applies only to the latest version of the forms and publications used in property transactions in California by persons who have obtained or purchased the forms or publications consistent with C.A.R.'s, or its California-based subsidiaries, copyrights and (2) means solely that C.A.R. will argue that the pre-printed provisions are lawful or meet statutory/regulatory requirements at the time of printing through an amicus curiae brief on appeal, or will provide funding for that portion of the appeal attributable to claims that the pre-printed provisions are unlawful or did not meet the statutory/regulatory requirements, or both, in the discretion of the C.A.R. Legal Action Fund Trustees.

*Forms and publications include only those written by C.A.R., or its California-based subsidiaries, and those required or permitted to be given in a transaction by statute, where the language of the form or booklet is mandated by statute, regulation or by a governmental agency. Forms and publications do not include those that are written by outside authors that may be distributed by C.A.R.

Consumer Guide to Disclosure Requirements for Buyers

Copyright © 1999 Revised 2006

Published by Real Estate Business Services, Inc., a subsidiary of
The California Association of REALTORS® 525 S. Virgil Avenue, Los Angeles, CA 90020

All rights reserved. No part of this book may be reproduced by any means, electronic or mechanical, without advance written permission from the publisher.

This publication is designed to provide accurate and authoritative information in regard to the subject matter covered. It is published with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional services. If legal advice or other expert assistance is required, the services of a competent professional person should be sought.

Introduction

Chances are if you're reading this booklet, you're in the process of buying a home. For most people, purchasing a home is an exciting, but sometimes bewildering experience. The purpose of this booklet is to reduce some of the mystery and risk from your purchase, and provide you with some of the knowledge you'll need to ensure that your transaction is a smooth and satisfying one.

Your first and most important step when buying a home is to commit yourself to a basic and important fact: it is *your* responsibility to make sure that you are happy with your purchase. Sellers and real estate agents must, by law, provide you with certain information which will *assist* you in deciding whether a property is right for you. However, those obligations are *limited*. While a seller and real estate agent are generally required to disclose certain basic information regarding a home, there are many aspects of a property which they may not be aware of, but which may nonetheless be very important to you.

Every property has certain defects; there is no such thing as a "perfect" property. Many defects are not obvious, and often it is up to the buyer, through careful investigation, to uncover these problems. In addition, there may be things about a property or its surrounding neighborhood which do not have to be disclosed to you, but which may significantly impact your decision to go through with your purchase. The quality of schools, access to transportation, the objectives of local government, are just a few of the things which sellers and real estate agents generally have no obligation to investigate for you. Again, you must take it upon *yourself* to make your purchase a satisfying one.

The purpose of this booklet, however, is to tell you what the law *does* require in terms of disclosure. California law has produced a substantial number of disclosure laws aimed at providing buyers with much of the basic information they need to assess the desirability of a home. While this booklet will cover the most significant of these disclosure requirements, it is not intended to be a comprehensive summary of California's disclosure laws. You should therefore always consult with a real estate professional and an attorney for additional guidance. Nonetheless, you should find this booklet a useful tool in what will hopefully be a rewarding and exciting purchase.

Real Estate Transfer Disclosure Statement

Overview. In most home sales, the Real Estate Transfer Disclosure Statement forms are the cornerstone of the disclosure process. This statement requires the seller of the home to disclose the basic features of the property, along with various defects and other conditions which may affect its value or desirability. In addition, this statement includes sections for the real estate agents in the transaction to disclose certain property conditions and defects which they've uncovered during their legally-mandated visual inspections of the property. When you receive this statement, you may have the option of canceling the transaction if you disapprove of its contents.

What This Disclosure Statement Will Tell You. The Transfer Disclosure Statement (usually referred to as the "TDS") requires the seller to do the following (C.A.R.'s Real Estate Transfer Disclosure Statement, Standard Form TDS, satisfies these requirements):

- List features which the property contains, including appliances, heating and air conditioning systems, safety features, and other similar items
- Identify any significant defects or malfunctions in the home's structure and systems.
- Indicate whether there are conditions which might impact the property, including potentially hazardous substances (including mold), easements, additions built without permits, flooding problems, etc.

In addition, the real estate agent can list any items of significance they've turned up in their visual inspections of the property.

What To Expect From The Seller And Real Estate Agents. In most home sales, the seller must provide you with a TDS "as soon as practicable before transfer of title." This is probably not the clearest timing rule you've ever encountered. Most purchase contracts, however, override this timing rule by requiring the seller to provide you with the TDS within a specific number of days. It is important to read your contract carefully to determine when you should be receiving your TDS.

Also note that certain home sales are *exempt* from the TDS requirement, including probate sales, bankruptcy sales, foreclosure sales, to name a few.

How To Cancel Your Transaction. One of the unique aspects of the TDS is that it provides you with the right to cancel your transaction, but only if it is delivered to you after the purchase offer is executed. (If you received the TDS *prior* to executing the offer, you may still be able to exercise cancellation rights spelled out in your *contract*, but you will generally not have a right to cancel based on the TDS.)

Consumer Guide to Disclosure Requirements for Buyers

You must exercise your cancellation right within very specific time frames. If the TDS was delivered in person, you have three days after delivery to terminate your offer. If the TDS was delivered by mail, you have five days after it was deposited in the mail to terminate your offer. Your notice of termination must be in writing and delivered to the seller or seller's agent.

Not A Guarantee Of Quality. Many buyers rely too heavily on the TDS in making their decision to buy a home. Remember, the seller's disclosures in the TDS are based primarily on his or her *actual knowledge* of the home's condition. The seller does not have to investigate the matters covered in the TDS.

The bottom line is, the TDS is an important document which requires a seller and real estate agent to give you the *basic* information regarding a home's characteristics. It's up to you to dig deeper to assure yourself that this is the right home for you.

Natural Hazard Disclosures

Overview. Fires, floods, earthquakes, and other natural disasters have occasionally taken quite a toll on many of California's homeowners. They don't happen often, but when they do, the results can be catastrophic.

The Hazard Zones, And What They Mean To You. California law recognizes at least six types of hazard zones as having particular importance to home buyers. In most home sales, the seller and/or the seller's real estate agent must determine whether or not the home you are purchasing is located in one or more of these zones. They may hire a professional disclosure company to assist them with their investigations. If so, it is possible that they will give you a disclosure *report* prepared by the disclosure company. In most transactions which require delivery of a *TDS*, however, along with most subdivision sales, the seller and seller's real estate agent must give you a very specific disclosure statement called a *Natural Hazard Disclosure Statement* (C.A.R.'s *Natural Hazard Disclosure Statement*, Standard Form NHD, satisfies this requirement). It is possible that the *Natural Hazard Disclosure Statement* (commonly referred to as the "NHD") will be incorporated with a professional disclosure report.

The following are the six zones, along with the agencies responsible for identifying and regulating them. We've also indicated who (the seller or seller's agent) should disclose to you if the home you're considering is located in any of these zones. It is vital that you familiarize yourself with these disclosure requirements, since they could greatly impact your decision to buy a home.

- **SPECIAL FLOOD HAZARD AREAS.** As the name implies, these are areas subject to unusual flood risks. Flood hazard zones are designated by the Federal Emergency Management Agency (FEMA)-**seller or seller's real estate agent**
- **INUNDATION ZONES.** This is the common name given to areas subject to potential flooding in the event of a dam failure. Inundation zones are designated by the State Office of Emergency Services-**seller or seller's real estate agent**

Consumer Guide to Disclosure Requirements for Buyers

- **VERY HIGH FIRE HAZARD SEVERITY ZONES.** Property owners in very high fire hazard severity zones are usually obligated to undertake specific maintenance duties (e.g., brush clearance) to mitigate fire hazards. Very high fire hazard severity zones are designated by the State Board of Forestry.-**seller**
- **WILDLAND FIRE AREAS.** Also known as state fire responsibility areas, these are zones wherein the state, rather than local agencies, has responsibility for fire suppression in most cases. Wildland fire areas are designated by the State Board of Forestry.-**seller**
- **EARTHQUAKE FAULT ZONES.** These are areas located a certain distance from earthquake fault lines. Earthquake fault zones are designated by the State Geologist.-**seller or seller's real estate agent**
- **SEISMIC HAZARD ZONES.** Seismic hazard zones are areas which are subject to unusual ground movement during earthquakes. Seismic hazard zones are designated by the State Geologist.-**seller or seller's real estate agent**

Are these the only hazard zones in existence? No! The home you are purchasing could be in any one of a number of other federal, state or local hazard zones, most of which the seller and real estate agents have no obligation to disclose (unless, perhaps, they are *aware* that the property is located in such zones). If you believe this type of information may be important to you, please take it upon yourself to obtain it.

Your Rights When You Receive Natural Hazard Disclosures. Once you've received natural hazard disclosures (the NHD form and/or a disclosure report), the next logical question is, what can you do with that information? In transactions which require an NHD form (i.e., most transactions also subject to the TDS requirement or sales of homes in new subdivisions), you have the same three-or five-day rescission right you have with the TDS. If the information disclosed to you is unacceptable, you can cancel your offer in writing.

In transactions which do *not* require delivery of an NHD, you do *not* have an automatic rescission right. Nonetheless, it is possible that your purchase contract might provide you with a rescission right *anyway* upon receipt of natural hazard disclosures. Some purchase contracts can vary in terms of what you can and cannot disapprove, the seller's rights when you *do* disapprove a disclosure, and your rights and time frames for canceling the transaction. It is therefore very important that you read your purchase contract carefully!

Mello-Roos Districts and Bond Assessments

Overview. Owning a home can be rewarding, but also costly at times. We all expect to pay property taxes, whether we like it or not. But a property owner may be liable for certain other special taxes and/or assessments that he or she was *not* expecting to pay. That's where Mello-Roos districts and Bond Assessments come in.

A Mello-Roos Community Facilities district is an entity formed by a local government, district, or agency to finance various public services (e.g., police and fire protection) facilities (e.g., schools and libraries). A Mello-Roos district finances such projects by levying special taxes against the property owners within the area who will be benefited by these projects. The Improvement Bond Act of 1915 authorizes local governments to issue bonds and assess homeowners for the construction of streets, highways and other improvements. To ensure that Mello-Roos taxes and bond assessments do not take buyers by surprise, California law requires a seller, under certain circumstances, to disclose to you that the home you are purchasing is affected by these public financing vehicles.

When Are You Entitled To A Mello-Roos or Bond Assessment Disclosure? This is an easy question. If you are entitled to a TDS, the seller must also comply with the Mello-Roos and bond assessment disclosure law. In other words, in most home sales, the seller must inform you whether the property is in a Mello-Roos district or subject to bond assessments, unless he or she is exempt from the TDS requirement. The seller may satisfy this disclosure requirement by obtaining a "Notice of Special Tax" (for Mello-Roos districts) or Notice of Special Assessment (for bond assessments) from the appropriate local agency and providing you with this notice, assuming that it's available.

What if the seller cannot obtain a Notice of Special Tax or Notice of Special Assessment? There have been many instances of local agencies not coming "up to speed" in time for a seller to comply with these disclosure duties. The law only requires the seller to make a 'good faith effort' to obtain the required notices. If this is the case in your transaction, do not automatically assume the property is not subject to special taxes or assessments! You should enlist the help of a title company or other qualified person to dig deeper and verify this for yourself. The disclosure companies available to assist property owners and real estate agents with natural hazard disclosures, discussed earlier, may be able to obtain tax and bond information as well.

The Environmental Hazards Book

Overview. You only have to open a newspaper to realize the growth of our society's concern over environmental hazards. What was originally a concern with the natural environment (i.e., the impact of pollutants on the air, ground, and waterways) has now become a growing awareness that the very homes we live in can greatly impact our health and well-being. Depending on how it is constructed or where it is situated, a home can pose significant health threats to its occupants.

California has addressed these issues by developing an informational booklet which sellers and real estate agents can provide to home buyers. This booklet entitled *Environmental Hazards: A Guide for Homeowners, Buyers, Landlords and Tenants*, contains valuable information which can help you to determine whether the home you are purchasing is a safe one. It explains the various types of hazards which a house may contain (such as asbestos, toxic mold, radon, and lead), and informs you of the various agencies and service providers which you can contact for further information. If you believe environmental hazards may be of concern to you, you may find the *Environmental Hazards* book surprisingly useful.

Not A Mandatory Disclosure. Please understand that the law does not *require* a seller or real estate agent to provide you with the environmental hazards booklet. While many do, it is nonetheless their choice. *If* you are given this booklet, however, the seller and real estate agents are deemed to have satisfied most of their disclosure requirements regarding environmental hazards. This is an important point! It is *rare* that a seller or real estate agent will know whether a home contains environmental hazards. The average seller or real estate agent simply isn't trained to identify such hazards. This is why it is so important that you read this booklet so that *you* can identify the types of hazards which might be of concern to *you*, and hire any necessary professionals to help you determine whether the home you are buying is environmentally sound.

Lead Paint Disclosures

Overview. In recent years, the government has amassed more and more information revealing the dangers of lead paint and other lead-related hazards. A growing body of evidence has shown that children are at particular risk from lead poisoning, often the result of eating lead paint chips in residential properties. To help stem this growing health problem, the federal government enacted laws which require sellers to inform home buyers of existing and potential lead hazards in homes built before 1978.

What To Expect From The Seller. When purchasing a pre-1978 home, the seller must provide you with the following:

- **Informational Booklet Or Pamphlet.** The federal lead disclosure law requires the seller to provide you with a booklet which explains the risks of household lead hazards. The seller may provide you with a standalone pamphlet developed by the federal government, or may instead opt to give you California's environmental hazards booklet (since the most recent version of this booklet also incorporated the information from the federal lead pamphlet). It is important that you read this booklet, since it may alert you to lead hazards you weren't previously aware of. It will also have information on ways to reduce the risk of falling victim to lead poisoning.
- **Your 10-Day Inspection Right.** In addition to the informational booklet, you must be given a 10-day opportunity to inspect the home for lead hazards. This inspection right is negotiable, however; you may agree to a different inspection period if you want.

Consumer Guide to Disclosure Requirements for Buyers

- **Disclosures.** Another requirement of the federal disclosure law is that the seller disclose any lead hazards in the home which she or he has *actual knowledge* of on a statutorily mandated form (C.A.R. Lead Based Paint and Lead-Based Hazards Disclosure, Acknowledgement and Addendum FLD, satisfies this requirement).

Sellers often do not know whether their homes contain lead paint hazards, so don't be surprised if your seller indicates no such knowledge. As we stated earlier regarding other disclosures, this does *not* mean the property is defect-free. The property could indeed contain lead hazards of which the seller simply isn't aware. Only a careful inspection on your part would turn up such problems!

The Homeowner's Guide to Earthquake Safety and The Commercial Property Owner's Guide To Earthquake Safety

Overview. California rocks! From earthquakes that is. Anyone buying a home in California probably knows that an occasional earthquake is a price we pay for living in the beautiful state. But many people don't fully understand how earthquakes can affect a home. This is why California has created two informational booklets designed to increase property owners' awareness and understanding of earthquake hazards-*The Homeowners Guide to Earthquake Safety* (often referred to simply as *The Homeowner's Guide*) and *The Commercial Property Owner's Guide to Earthquake Safety* (*The Commercial Guide*).

These booklets contain a wealth of information which is of value not only when *purchasing* your new home, but also later down the road as you strive to make your property safer and more "earthquake-ready." Each booklet addresses similar issues, but for different types of construction, so you should give serious thought to reviewing the appropriate booklet carefully. For a well-informed and well-prepared homeowner, earthquakes need not be catastrophic events.

HOMEOWNER'S GUIDE. The seller must provide you with the *Homeowner's Guide* and provide certain additional disclosures if-

- The property consists of one-to-four residential dwellings;
- The property was built prior to January 1, 1960;
- The property is of conventional light-frame construction; and
- No exemption applies.

COMMERCIAL GUIDE. The seller must provide you with the *Commercial Guide* if-

- The property is a pre-cast concrete, reinforced masonry, or unreinforced masonry building with wood-frame floors or roofs;
- The building was built before January 1, 1975;
- The property is located within a county or a city; and
- No exemption applies.

Don't be confused by the somewhat confusing name of *The Commercial Guide*; it can apply to residential properties. While most homes are of light-frame construction, there are nonetheless plenty of concrete or masonry residences in existence.

Additional Disclosures With *The Homeowner's Guide*. If the seller must give you *The Homeowner's Guide*, he or she is also obligated to disclose certain other information regarding the home's construction, such as water heaters without bracing or restraints, rooms built above a garage, the absence of foundation anchor bolts and more. Most sellers make these additional disclosures on a report which is contained within *The Homeowner's Guide*.

As always, it is possible that the seller may not know the answers to many of the questions in this report. The seller has no obligation to investigate these matters, and can legitimately answer "I don't know" to any or all of them, if that's the case. The message for you is the same as always: if the seller doesn't know, it's your duty to find out. It's going to be your home!

Military Ordnance Locations

Overview. Explosives left buried in the ground are hardly a common occurrence, but there *have* been some tragic incidents in recent years tied to abandoned explosives. This led California to enact a specific disclosure law requiring home sellers to inform their buyers whether the property being sold is located in an area subject to such risks.

What Is A Military Ordnance Location? The law contains a very specific definition of what constitutes a military ordnance location. For purposes of this law, a "former federal or state ordnance location" means an area identified by an agency or instrumentality of the federal or state government as an area once used for military training purposes which may contain potentially explosive munitions.

Properties And Transaction Affected. California's military ordnance location disclosure is part of the TDS law. Therefore, if the seller is obligated to give you a TDS, he or she must also disclose any relevant former military ordnance locations.

What To Expect From The Seller. In transactions requiring a military ordnance location disclosure, the seller simply has to disclose his or her *knowledge* that a former federal or state ordnance location is within the "neighborhood area." The law does not require any specific wording for this disclosure. However, the seller's disclosure must be in writing, and must be given to you as soon as practicable before transfer of title.

It is important to note that California's military ordnance location disclosure has a "proximity" component. The law obligates the seller to disclose only those former federal or state ordnance locations within the "neighborhood area," meaning within one mile of the seller's property. It is possible that past or present military activities *beyond* one mile might be of concern to you. Since the seller may have no specific obligation to disclose such activities, you must take it upon yourself to obtain such information.

FHA Inspection Disclosure

Overview. By now you may be getting a bit tired of hearing how important it is for you to do inspections of the home you are purchasing. Nonetheless, that message is an important one that bears repeating. If you are obtaining FHA financing to purchase your new home, you will probably receive yet *another* warning to conduct inspections.

The FHA inspection notice is a simple form which simply reminds you of the importance of inspecting a home before purchasing it. (C.A.R. for your Protection: Get a Home Inspection, Standard Form HID, satisfies this requirement.) It also reminds you that FHA does not insure the condition of the home you are buying, and that the appraisal required to obtain FHA financing is intended only to assist FHA in determining the insurability of a loan. These are important warnings, since some buyers mistakenly believe that FHA approval of financing is *also* an endorsement of a home's quality. It is *not*!

Properties And Transaction Affected. The FHA inspection notice must be given to you in any transaction involving FHA mortgage insurance, with the following three exceptions:

- Mortgages insured under FHA's Home Equity Conversion Mortgage program, if you have certified that a child under the age of six will not be residing in the property.
- New construction (since the house was recently inspected during construction).
- Refinance transactions.

Tax Withholding

Overview. Have you ever worked as a tax collector? Well, believe it or not, you may be given that opportunity. Both state and federal tax laws often require home buyers to withhold a certain portion of a seller's sales proceeds and forward them to the Internal Revenue Service or, in the case of California law, the Franchise Tax Board. In essence, these laws place the burden of collecting potential taxes from the seller on *you*.

These withholding requirements apply only in limited circumstances, but it is important that you understand them. Failure to comply with them can result in some substantial penalties, even though it is the *seller's* taxes we're dealing with. If you do things right, however, you'll have no problems at all.

Consumer Guide to Disclosure Requirements for Buyers

Federal Withholding Rules. Under a federal law commonly referred to as FIRPTA, on any sale of a U.S. real property interest by a "foreign person," you as the buyer, must forward 10% of the seller's sales proceeds to the Internal Revenue Service. Generally speaking, a "foreign person" is any nonresident alien. U.S. citizens, persons holding valid green cards, and certain other individuals who meet other residency requirements, are *not* considered foreign persons.

You, of course, probably have no idea whether the person who is selling you your new home is a U.S. citizen or a foreign person. Fortunately, federal law exempts you from withholding under certain circumstances.

For one thing, the seller may provide you with an affidavit stating that he or she is a U.S. citizen (C.A.R.'s Seller's Affidavit of Nonforeign Status and/or California Residency, Standard Form AS, satisfies this requirement). Unless you know that this affidavit is false, you can rely upon it and are exempt from withholding. These affidavits are routinely collected from sellers in most home sales, so it is very likely that the seller will sign one in your transaction.

If the seller does *not* provide an affidavit, there may be *other* reasons why you may not have to withhold any proceeds. For example, if you intend to reside in the property as your principal residence and the sales price of the home does not exceed \$300,000, you do not have to withhold any of the sales proceeds. In this situation, many real estate agents will ask you to sign a statement confirming these facts (C.A.R.'s Buyer's Affidavit, Standard Form AB-11, satisfies this requirement).

California Withholding Rules. Like the federal government, California *also* requires buyers to withhold a seller's proceeds under certain circumstances. If the seller's proceeds are to be disbursed to a "financial intermediary" (an agent who receives and transfers funds on the seller's behalf) or to *the seller* at a street address outside of California, you must withhold 3-1/3% of the seller's proceeds in most cases.

As with FIRPTA, California's withholding rule creates an "affidavit" exception. If the seller provides you with a signed affidavit stating that he or she is a California resident, or that the home qualifies as his or her principal residence under federal capital gains deferral rules, or that the home was last used by the seller as his or her principal residence, as defined by federal tax law, even if the seller may not have owned and used the property as a principal residence for two out of the last five years, you need not withhold the seller's proceeds. (C.A.R.'s Seller's Affidavit of Nonforeign Status and/or California Residency, Standard Form AS satisfies these requirements.) Another exception to California's withholding law excuses you from withholding if the sales price of the home you are buying does not exceed \$100,000.

Again, there are quite a few exceptions to California's withholding law, so please speak with a tax expert if the seller maintains that no withholding is required under some other exception.

Smoke Detector and Water Heater Statement of Compliance

Overview. When purchasing a home, you can easily get caught up in the excitement and fun of the prospect of closing your transaction. That's the way it should be, but there are plenty of sobering realities regarding home ownership that you must pay attention to as well. Earthquakes are one; fires are another. A home not properly outfitted to protect its occupants from injury during a fire or earthquake is something you can do without.

You *must* take it upon yourself to ensure that your home is properly equipped with smoke detectors. In addition, you should verify that your water heater is braced or strapped to resist movement during an earthquake, since a displaced water heater can cause serious injury and may pose a fire hazard. Fortunately, California law lends you a hand here. Most home sellers must, by law, see to it that the home they sell you is outfitted with these safety features. The following are a few of the particulars of these laws.

Smoke Detectors. California law requires that single-family homes sold in California have operable smoke detectors approved by, and installed according to the regulations of, the State Fire Marshal's office. The seller must provide you with a written statement that he or she has satisfied the requirements of this law. (C.A.R.'s Smoke Detector Statement of Compliance, Standard Form SDS, satisfies this requirement.)

Some sellers are exempt from this law, however. In most cases, a seller who is exempt from giving you a TDS is *also* exempt from certifying compliance with California's smoke detector law. In these cases, and in any *other* case where the seller fails to comply with the law, you must still see to it, for your safety and the safety of others, that your property is properly equipped with smoke detectors before occupancy is taken.

Water Heater Bracing. California's water heater bracing law is very straightforward. It simply says that existing residential water heaters must be braced, anchored, or strapped to resist falling or horizontal displacement during an earthquake, in accordance with the California Plumbing Code or local ordinances. Once the seller satisfies this requirement, he or she must provide you with a written statement confirming his or her compliance. (C.A.R.'s Water Heater Statement of Compliance, Standard Form WHS, satisfies this requirement.)

Agency Disclosures

Overview. Home buyers and sellers often don't understand or even think about the legal aspects of their relationships with their agents. Buyers and sellers are often too focused on the details of their transaction to be concerned with the legal nuances of agency law. Nonetheless, it is important that you understand the basics of agency law. It is even more important for your *agent* that you understand these principles, since he or she must know that the agency relationships between you, the seller, and the real estate agents involved in your transaction are what you intended.

Your agent generally has to provide you with a specific disclosure form, required by California law, that explains various agency principles to you in simple, straightforward language. (C.A.R.'s Disclosure Regarding Real Estate Agency Relationships, Standard Form AD, or the *Property Transaction Booklet-an in-depth discussion and disclosure of a real estate agent's duties*- satisfy this requirement). This form draws a careful distinction between exclusive agency (where an agent represents only one party) and *dual* agency (where an agent represents both the buyer and the seller). Some people do not like to hire an agent who acts as a dual agent, feeling that his or her loyalties may be "divided." Others are comfortable with dual agency. In either case, the disclosure document which your agent will give you is very important. Please read it! It's there to protect *your* interests.

Registered Sex Offenders

Overview. Every neighborhood, no matter how desirable, suffers its share of crime. There is little we can do to make crime go away. However, there is plenty we can do to protect ourselves and our properties from falling victim to criminal acts, and that duty begins even before you purchase a new home.

Fortunately, California law sometimes steps in to assist the public in identifying crime hazards of particular concern to society. For example, California now maintains a publicly-accessible data base which enables interested persons to determine the location of sex offenders within a given community. By calling a "900" telephone number, you can now inquire about specific individuals required to register as sex offenders within this state. You can also access this information online at www.meganslaw.ca.gov.

To ensure that potential home buyers are given an opportunity to research the sex offender data base prior to buying a new home, California law now requires purchase contracts for the sale of residential one-to-four-unit properties to contain a very specific notice explaining the data base. Most real estate purchase contracts used in California, including C.A.R.'s purchase agreements, now contain this notice. It is vitally important that you read it.

Consumer Guide to Disclosure Requirements for Buyers

What to Expect From The Seller. There is very little a seller needs to disclose to you regarding registered sex offenders. As long as your purchase contract contains the data base disclosure notice required by California law, neither the seller nor real estate brokers are responsible for providing you with any additional information about sex offenders requiring disclosure under some other law.

As you can see, the duty to investigate the impact of sex offenders on the home you're planning to purchase is primarily your responsibility. Your purchase contract may provide you with a certain number of days to research and disapprove information contained in California's sex offender data base- a contractual right you should take seriously if you are concerned about neighborhood crime issues.

NOTICE OF "SUPPLEMENTAL" PROPERTY TAX BILL

California law requires that you or your agent provide the buyer with a notice that since California property tax law requires the Assessor to revalue real property at the time ownership of the property changes, the buyer may receive one or two supplemental tax bills depending on the closing date of the buyer's loan and that it is the buyer's obligation to pay these supplemental tax bills directly to the tax collector when billed. (C.A.R. form SPT, satisfies this requirement).

ADDITIONAL DISCLOSURES

You are also required by law to make the following disclosures regarding your property if you are aware that they apply to your property:

- 1) Whether there has been a release of an illegal controlled substance (most commonly the release of chemicals from the manufacture of illegal narcotics) on or beneath the property.
- 2) Whether the property is located in or adjacent to an "industrial use" zone and if it is, whether the property is affected by a nuisance created by that "industrial zone." In general, an industrial zone is a district allowing manufacturing, commercial uses or an airport.
- 3) Many purchase contracts in California including the C.A.R. purchase contract also make it a contractual obligation of the seller to disclose insurance claims which affect the property in the five years prior to the date of the contract.

These additional disclosures can be made on the C.A.R. form SSD.

Consumer Guide to Disclosure Requirements for Buyers

To Whom It May Concern: I have received a copy of the *Consumer Guide to Disclosure Requirements for Buyers*.

Property Address: 3634 Woodcliff Road, Sherman Oaks, CA 91403

Date: _____ Time: _____

Signature: _____
(buyer)

Printed name: _____

Date: _____ Time: _____

Signature: _____
(agent)

Printed name: _____

(buyer's copy)

To Whom It May Concern: I have received a copy of the *Consumer Guide to Disclosure Requirements for Buyers*.

Property Address: 3634 Woodcliff Road, Sherman Oaks, CA 91403

Date: _____ Time: _____

Signature: _____
(buyer)

Printed name: _____

Date: _____ Time: _____

Signature: _____
(agent)

Printed name: _____

(agent's copy)