



ADVISORY FOR BUYERS OF BANK-OWNED (REO) PROPERTIES

- A. **Disclosures:** Sellers have an affirmative duty to disclose material facts affecting the desirability of the subject property as a matter of law. In the instant transaction the seller of the subject property is a bank or other similarly focused financial institution (herein collectively "Bank(s)"). Banks are typically exempt from providing buyer(s) of their properties with a Transfer Disclosure Statement (hereinafter "TDS") pursuant to California Civil Code 1102.2 (c). The TDS is intended to be used by sellers of real property and by their agents for making disclosures. The above exception is only applicable to the TDS and not necessarily other types of disclosures. Listing agent still is obligated to disclose material facts affecting the desirability of the subject property.

There are many types of disclosures that Banks may be legally required to provide to Buyer(s), including but not limited to those covering the following topics: 1) Area of Potential Flooding; 2) Broker's Statutory Duty to Inspect Property; 3) "Drug Lab" Clean Up; 4) Earthquake Fault Zone; 5) Flood Disaster Insurance Requirements; 6) Lead-Based Pamphlet and Form; 7) Mello-Roos and 1915 Bond Act Assessments; 8) Seismic Hazard Zones; 9) Smoke Detector Written Statement of Compliance; 10) State Responsibility Area (Fire Hazard Area); and 11) Water Heating and Bracing Statement of Compliance.

As your real estate agent we have requested the foregoing disclosures from the Bank. However, you are also advised that despite a Bank's legal duty to provide the foregoing, many banks will frequently refuse to provide many of these noted documents despite our best efforts to obtain same from them.

- B. **Title Report:** You are advised to carefully review your title report and insurance policy for exclusions from coverage. It is possible that creditors of the previous owner of the subject property (the person or entity from whom the Bank foreclosed against) may have recorded liens against the subject property which are reflected within the Title Report, but are nonetheless expressly excluded from coverage within the Title Insurance Policy. Such excluded items are contained within Section B of the Title Report. This could have the practical result of inhibiting your ability to develop, use and sell the subject property in the future as well as leading to foreclosure, or other unanticipated consequences for which you may be held responsible.

It is particularly important in transactions where the Seller is a Bank, for you to carefully read and ensure your thorough understanding of any and all specific exclusions contained within Title Insurance Policy. You are further advised that as your agent, USA Realty and Loans shall not confirm the limitations of Title Insurance Coverage. As such, you are urged to retain the expertise of an attorney and/or other third parties to review and explain all Title Insurance Coverage issues.



- C. **Past Disclosure Information:** It may be impossible to obtain disclosure information from the former owner (former owner means the owning party immediately prior to the Bank). The impact of this circumstance is that the former owner is likely to have in-depth knowledge about the subject property which was not provided to the Bank, and in turn not provide to you.
- D. **Contingency Removal:** The transaction that you have entered into has a contingency period during which you should complete all buyer investigations and review of reports and other applicable information and disclosures. If you do not cancel the transaction by the end of this period, your deposit will be at risk.

In transactions where the seller is a Bank, they frequently have a passive removal of contingencies clause which states that if you do not remove contingencies by the end of the contingency period, your deposit will automatically forfeit to the Bank if the transaction does not close.

If you do not know when your contingency period ends, please contact your real estate agent. We recommend that you make yourself aware of this date.

By signing below you are indicating that you have read and carefully considered the foregoing and fully understand the information contained herein.

Buyer

Date

Co-Buyer

Date