

ADVISORY FOR BUYERS OF BANK-OWNED (REO) RESIDENTIAL PROPERTIES

A. Disclosures: Pursuant to California law, Sellers of real property have an affirmative duty to disclose material facts affecting the desirability of the Subject Property. The Seller of the property offered for sale in this transaction (“Subject Property”) is a financial institution or other similarly focused financial institution (hereinafter collectively “Bank(s)”). California Civil Code § 1102 requires Sellers of residential real property (1-4 units) to provide disclosures through a Transfer Disclosure Statement (hereinafter “TDS”). However, Banks are typically exempt from providing buyer(s) TDS pursuant to California Civil Code § 1102.2 (c).

California Civil Code § 2079 also requires the Seller’s and Buyer’s Agents to provide disclosure of material facts affecting the value and desirability of residential property (1-4 units) offered for sale that may be learned through the Agent’s visual inspection of accessible areas of the residential property (1-4 units) offered for sale. This requirement exists even if a Seller/Bank is exempt from providing a TDS.

There are many other types of disclosures that Sellers/Banks may be legally required to provide to Buyer(s), including but not limited to those covering the following topics: 1) Mello-Roos and 1915 Bond Act Assessments, 2) Smoke Detector Written Statement of Compliance, 3) Water heater Bracing Statement of Compliance, and/or 4) Natural Hazards Disclosure/Buyer’s Guide to Environmental Hazards.

As a Real Estate Licensee, we have requested the provision of the foregoing disclosures. However, you are also advised that despite a Seller/Bank’s legal duty to provide the foregoing, many Seller/Banks nonetheless frequently refuse to provide many if not all disclosures despite our best efforts.

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 (“Previous Owner” means the party who owned the property immediately prior to the Bank) 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 may be contained within “Schedule B” of the Title Report. Exclusions from coverage may mean that certain types of issues are not covered through insurance. Such issues may include several items including, but in no manner limited to the following: the ability to access the property, the location of boundaries, your usage of all or portions of the property as well as many other material issues. .

It is particularly important 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 Report and Insurance Policy. You are further advised that none of the Real Estate Agents involved in this transaction will confirm the limitations of Title Report and Insurance Policy. As such, you are urged to retain the expertise of an attorney and/or other third-party professionals to review and explain all Title Report and Insurance Policy regarding any and all exclusions and/or coverage issues.

C. Past Disclosure Information: None of the Real Estate Agents involved in this will locate the Previous Owner obtaining disclosure information from them. The impact of this circumstance is that the Previous Owner is likely to have in-depth knowledge about the Subject Property which was not provided to the Bank, and in turn not provided to you. **By signing below you are indicating that you have read and carefully considered the foregoing and fully understand the information contained herein.**

Buyer

Date

Buyer

Date