

THIS FORM HAS IMPORTANT LEGAL CONSEQUENCES AND THE PARTIES SHOULD CONSULT LEGAL AND TAX OR OTHER COUNSEL BEFORE SIGNING.



RE/MAX ALLIANCE BUYER ADVISORY

A resource for real estate consumers

This advisory is designed to help make the purchase of real property as smooth as possible. Some of the more common issues that you may decide to investigate or verify concerning a property purchase are summarized in this Advisory. Included in this Advisory are: (1) common documents you should review, (2) common physical conditions in and around the property you should inspect and investigate, and (3) loan funding caveat. In addition, you should communicate to the real estate brokers in the transaction any special concerns you may have about the property or surrounding area, whether or not those issues are addressed in this Advisory.

A real estate broker is not qualified to discover defects or evaluate the physical condition of property. Nor, pursuant to Colorado law, can the broker provide tax or legal advice or opinions. You should conduct your own investigations regarding the following.

COMMON DOCUMENTS YOU SHOULD REVIEW

The documents listed below may not be relevant in every transaction, nor is the list exhaustive. Unless otherwise stated below, the real estate agent has not independently verified the information contained in these documents.

Purchase Contract, Contingencies and Contingency Modifications

You should protect yourself by taking the time to read the Colorado Contract to Buy and Sell Real Estate (buy/sell contract) and understand your legal rights and obligations before you submit an offer to buy a property. This contract form is published and approved by the Colorado Real Estate Commission. Except in very limited circumstances, this form is required for use by all Colorado Real Estate Brokers to commence, administer and manage the real estate transaction. It provides a comprehensive blueprint of the rights and obligations of the parties to the transaction, the buyer and seller.

Included in the contract are contingency rights wherein you, the buyer, have a specified period of time to examine important components that affect the property and the financing used to purchase it. If, after examination, you are dissatisfied, you may terminate the transaction in accordance with the contract. **These contingencies include: appraised value; physical inspection; insurability, title, HOA, survey matters; and loan acceptability.**

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The contract form is a dynamic, not static, document. It is tailored to the unique features of the transaction (no two transactions are identical). Pre-printed in the contract are the above contingency rights. These rights are provided to **every buyer** as protection and means to conduct due diligence. In an attempt to purchase at a lower price or present a stronger offer in competitive circumstances, the buyer may modify the contract to delete or otherwise restrict these contingency rights and present a contract offer that is more favorable to the seller. **This creates added risk for the buyer.** Prior to signing the contract, the buyer is advised to consult legal counsel to review the contract with particular attention to any changes of the pre-printed contingency rights.

MLS and Internet Advertising

The information you see on any Internet site advertising the property usually originates (downloaded) from the Multiple Listing Service (MLS) data. This information is normally obtained from the Seller, builder, or governmental agency such as the Assessor's Office public records. This information may be inaccurate, incomplete or an approximation. You should verify any information important to you that is contained in the MLS and Internet advertising.

Common Interest Community (CIC) Association Documents

If the property you purchase is governed by one or more owners' association to which your membership (as the property owner) is required then it is almost certain that the property is part of a common interest community. Colorado law requires the Seller to provide to Buyer a Common Interest Community Disclosure detailing your general obligations and restrictions as a member of the owner'(s) association(s). Upon request in the buy/sell contract the Seller shall provide CIC Documents to you for review and your obligation to proceed with the purchase is conditional upon your favorable review. Even though the buy/sell contract calls for the Seller to provide you the CIC Documents, there are instances where the Seller does not provide them. In these instances you should consult an attorney before proceeding with the purchase.

Title Commitment

Title insurance commitment is a written commitment issued by a title insurance underwriter to insure the title to a property. The commitment will describe the "Requirements" which must be performed prior to closing for the title insurance company to insure the title to the property. Additionally, the title commitment will also contain the "Exceptions" which are matters the title insurance company will not insure. If you experience financial loss due to a matter that is not covered (i.e. Exception to the policy) the title insurance company is not responsible to you under the policy. If, after review, you have any questions or concerns regarding the title documents or title commitment consult an attorney prior to the expiration of your review period of the buy/sell contract.

Title Review

A "Commitment of Title Insurance" is NOT an examination of Title. A Title Insurance Commitment describes only what the Title Company will require (Schedule B-1) to issue a Title Insurance policy and what the Title Insurance Company is not going to insure. There can be other instruments recorded against a property that are not listed in the Commitment.

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Title Insurance

Even if the Seller refuses to pay the cost of a Title Insurance policy, it is the policy of the Company that the Broker recommends to the Buyer that the Buyer obtain a title insurance commitment; obtain all endorsements for additional coverage and seek legal advice on all aspects that involve "title", and purchase a Title Insurance Policy.

Seller's Property Disclosure (SPD)

Most Sellers provide a SPD. This SPD poses a variety of questions for the Seller to answer about the property and its condition. The real estate brokers (broker working with Seller and broker working with Buyer) are not responsible for verifying the accuracy of the items on the SPD; therefore, you should carefully review the SPD and verify those statements of concern. The SPD is not a substitute for a professional inspection of the property. Thoroughly read the Colorado Real Estate Commission's **ADVISORY TO BUYER** contained in the SPD.

Professional Inspection Report

Professional property inspections are absolutely essential. There is no practical substitute for a professional inspection, including a sewer pipe scope, as a measure to discover and investigate defects or shortcomings in a property.

An inspection is usually a visual physical examination, performed for a fee, designed to identify defects in the property. The inspector will generally provide you with a report detailing information about the property's condition. You should carefully review this report with the inspector and ask the inspector about any item of concern. Pay attention to the scope of the inspection and any portions of the property or issues excluded from the inspection. Colorado does not require inspectors or inspection companies be licensed. They are essentially unregulated in Colorado. A recognized certification program for home inspectors comes from the American Society of Home Inspectors (ASHI). A list of ASHI certified inspectors sorted by zip code can be found at <http://www.ashi.org>. The National Association of REALTORS® also provides advice on hiring inspectors.

Your rights to terminate (cancel) the purchase due to defects and inadequacies of the property are in the Contract. Read this thoroughly! It provides you the opportunity for inspection and to conduct due diligence of every facet of the property and make timely objection(s) or terminate the purchase. See **ADVISORY TO BUYER** in the Seller's Property Disclosure (SPD) for a partial list of items and matters the Colorado Real Estate Commission recommends you inspect, such as "the environmental and geological condition of the Property". This includes testing for mold, asbestos, radon gas, methane gas, and groundwater contaminants.

Air Traffic / Airports

Properties which you consider buying may be located near airports or in the flight path of aircraft. Your real estate broker is not an expert on air traffic, aircraft, or the impact of air traffic and airports on any property you may be interested in purchasing. Thus, you should employ experts of your choosing and make whatever investigations you deem necessary or appropriate regarding the presence of airports in the vicinity of a property you are interested in purchasing and the legal and/or physical effect of those issues on your enjoyment or use of a property. Sometimes the title insurance commitment you will receive will contain references to recorded documents that will provide information to you about the presence of airports in the vicinity of the property. All of your investigations about these issues should be concluded before the deadlines for inspection in the Contract.

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Loan Documents

Unless you are paying cash, you must qualify for a loan in order to complete the purchase. You should complete a loan application with a lender before making an offer on a property if at all possible and, if not, immediately after making an offer. The Contract provides specific rights you have regarding procurement of an acceptable loan.

COMMON PHYSICAL CONDITIONS OF THE PROPERTY YOU SHOULD INVESTIGATE

Every Buyer and every property is different, so the physical property conditions requiring investigation will vary.

Repairs and New Construction

The Seller may have made repairs, finished the basement or added onto the property. You should feel comfortable that the work was properly done or have an expert evaluate the work. Request copies of required permits, invoices or other documentation regarding the work performed. Information regarding building permits can be obtained from the city or county building departments.

Square Footage

Square footage on the MLS, Internet marketing sites or as listed by the county assessor's records is often only an estimate and should not be relied upon for the exact square footage in a property. The broker working with Seller is required to give to you a **Square Footage Disclosure** wherein you will find where that broker obtained the square footage information and an advisory to have the property independently measured if exact square footage is a concern.

Septic

If the home is not connected to a public sewer, it is probably served by an on-site septic system. A qualified inspector should inspect any such facility. Consult with the inspector and determine which items are routinely inspected with a "standard" inspection and which are not. You must decide the extent of the inspection. Septic systems are a critical component of the property and repairs (or replacement) of the system can be a large expense. It is a good investment to have a thorough inspection and evaluation of the system prior to your purchase of the property.

Water Supply/Well

The Seller is required to provide you with disclosure regarding the source of potable water. This information is contained in either the Seller's Property Disclosure or the Source of Water Addendum. In both disclosures there is an advisory to investigate the water provider to determine the long-term sufficiency of the water supply.

If the property's water supply is from a well, a qualified inspector should inspect the physical condition of the well and all of its components. The inspector should test for water quality and adequacy. The Colorado Division of Water Resources is the state governing agency for wells and provides a significant resource for all well owners. If the well is not permitted by the State of Colorado, **the Contract may call for you to get it permitted** and pay all cost associated with the process.

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Soil

The soil in Colorado has “clay-like” tendencies, sometimes referred to as “expansive soil.” Properties built on such soils may experience significant movement causing a major problem. If it has been disclosed that the property is subject to any such soil conditions or if you have any concerns about the soil condition or observe evidence of cracking (driveway, sidewalk, and foundation), you should secure an independent assessment of the property and its soils by a licensed soils and/or structural engineer. Any soils inspection should include the soils surrounding the property as well.

Forest and Wild Fire

Wildfire is a growing threat in the Rocky Mountain Region. You should investigate: (1) the voluntary, recommended and mandatory firebreak and/or defensible areas; (2) insurability at acceptable premiums and required deductible. When looking at a home you should note the type of construction, materials and features on the home, including the roof. You should also note the distance to fire hydrant or a fire station, whether the area in which a home is located is protected by a fully staffed and well equipped fire department and any factors that affect the time it would take to extinguish a fire near the home. To help protect yourself and your property, you must be aware of the importance of mitigating wild fire hazards and be aware of the insurance impact of living in high risk areas. You are hereby advised to consult with such experts as you deem reasonable and prudent to advise you about forest and wild fire issues. RE/MAX Alliance does not have expertise in these areas.

Flooding

Although Colorado is a semi-arid region, occasional heavy rainfall and flash flooding can occur in Colorado. You should consult with experts of your choosing to advise you about issues of water intrusion and flooding. RE/MAX Alliance does not have expertise in these areas.

Deaths, Felonies, Illness on the Property

Colorado law prohibits real estate brokers from disclosing issues, without the permission of the Seller, that may “psychologically impact” the property: The law reads in part as follows:

Facts or suspicions regarding circumstances occurring on a parcel of property which could psychologically impact or stigmatize such property are not material facts subject to a disclosure requirement in a real estate transaction. Such facts or suspicions include, but are not limited to, the following: (a) That an occupant of real property is, or was at any time suspected to be, infected or has been infected with human immunodeficiency virus (HIV) or diagnosed with acquired immune deficiency syndrome (AIDS), or any other disease which has been determined by medical evidence to be highly unlikely to be transmitted through the occupancy of a dwelling place; or (b) That the property was the site of a homicide or other felony or of a suicide.

Dangerous Wildlife and Endangered Species

If the presence of bears, mountain lions, snakes, coyotes, fire ants or any other potentially dangerous wildlife on or around the property is a concern to you, you should investigate with the Colorado Division of Wildlife, the neighbors and wildlife experts. If endangered species are on or around the property, its development and use may be limited. The **Colorado Division of Wildlife** maintains a list of endangered species in Colorado which, if on the property, may affect its use and development.

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Home Warranty

Buyer is hereby advised by Broker that home warranty programs are available to provide limited warranty protection to Buyer regarding some elements of the Property. Broker hereby advises Buyer to investigate home warranty products to determine if Buyer desires to purchase, or ask a potential Seller to purchase, a home warranty to Buyer.

WIRE FRAUD DISCLOSURE

Criminals/hackers are targeting email accounts of various parties involved in real estate transactions. Parties that are targeted include, but are not limited to, lawyers, title company representatives; mortgage brokers/loan officers and real estate agents. In addition to other concerns, the most prominent concern is fraudulent use of wiring instructions used to divert funds to the criminal's bank account. These emails often look like legitimate emails from a proper party to the transaction.

Broker strongly recommends that you, your lawyers and all others working on the transaction refrain from placing any financial and sensitive personal information in emails and email attachments. When it is necessary to provide this information (e.g. social security numbers, bank account numbers, credit card numbers, wiring instructions, ABA routing numbers, SWIFT or Bank Identifier Codes, etc.), it is strongly recommended that whenever possible you use a secure means of transmittal such as providing the information in person, over the telephone or through a secure mail or delivery service. Before you wire any funds or provide sensitive information to any party involved with the transaction (including but not limited to your lawyer, title company representative, mortgage broker/loan officer or real estate agent) personally call them to confirm the legitimacy of the communication requesting the information. The call should be placed to a number that you obtain from a reliable source (e.g. the transaction documents or business website). You should not utilize the number provided in the email in order to be certain that you are contacting a legitimate party to the transaction.

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BUYER ACKNOWLEDGEMENT

With your signature below you acknowledge receipt of this Advisory. Because each property is unique, you understand that this advisory is not an all-inclusive list and that there may be other disclosure, inspection and legal issues of concern not mentioned herein. This advisory has been prepared for general informational purposes and not intended as legal services or advice. Such services and advice should be sought from your attorney.

Buyer's signature _____ Date: _____

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