

Real Estate as an Investment

What Every Investor Should Know



Stephanie Friese
Managing Partner
Friese & Price Law Firm, LLC



What We Will Cover:

- Due Diligence
 - Title
 - Survey
 - Property Condition
- Leases
- Working with Contractors
- Limiting Your Liability

Buyer's Due Diligence



- “Caveat Emptor” -- The burden is on the buyer to make inquiries and investigate the property that he/she is purchasing.
- Example of due diligence documents and processes
 - Title – Does the seller have clean title to the property? Are there any title problems? What about the land – are there easements or encroachments that could effect future usage of the property?
 - Seller disclosures – Are there any problems with the building that the seller may know about?

Title Search



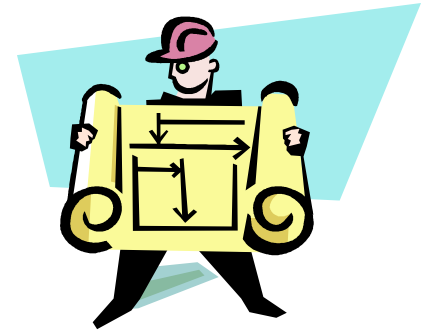
- Necessary to ensure that the buyer receives **good and marketable title** at closing.
- Reveals the ownership history of the property, open security deeds, tax liens, and other recorded encumbrances on the property. It also reveals recorded easements which may effect the potential buyer's use of the property.
 - An “encumbrance” is any claim, lien, charge, or liability attached to and binding real property.
- Based on the title search, the buyer or the closing attorney will put together a list of title problems that must be “cured” by closing.
 - e.g. payoff of tax liens, old mortgages
 - Some items revealed by a title search – like easements - cannot be cured, so the buyer must decide if it will accept those conditions.

Survey Says....



- A picture says 1,000 words
- A survey is a drawing of the property that shows the boundary lines, zoning restrictions, recorded easements, encroachments, existing buildings and monuments, access points – if it's physically on the property, it should be represented on the survey

Encroachments and Easements



- Encroachment - The intrusion of a structure which extends, without permission, over a property line, easement boundary or building setback line.
 - A fence is an example of a typical property line encroachment
 - Older buildings may encroach on the more modern zoning setback lines. Often, this encroachment is allowed by the jurisdiction, but if the buyer wanted to tear down and rebuild the structure, then it would need to conform to the updated setback lines to avoid an encroachment.

Easements



- Easement - A right to use another person's real estate for a specific purpose. The most common type is the right to travel over another person's land, known as a right of way.
 - Commonly granted easements include placement of utility poles, utility trenches, water lines or sewer lines on the property and utility company access to those items
 - “Right of way” easements give people permission to pass through the property (e.g. public beach access paths)
 - The owner of property that is subject to easement is said to be "burdened" with the easement because he/she is not allowed to interfere with its use.



Unknown Title Problems



- Some title problems cannot be discovered even with the most thorough title search.
 - Forgeries on deeds
 - Recording errors by the clerk's office
 - Faulty surveys
 - An undiscovered person who claims an interest in the property (such as an unknown heir)
 - Incomplete materialman's liens
 - Fraud
- These are just some examples of potential title problems that would not show up on a title search, which only searches the public record.

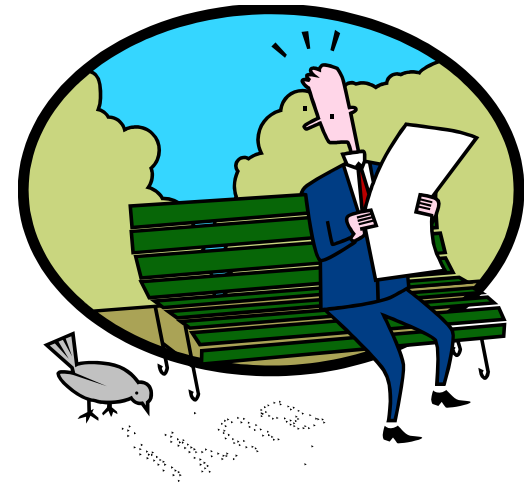


Title Insurance



- Title insurance protects against unknown title defects.
- Owner's Policy – protects the buyer from a loss which would result from any unknown title defects, up to the policy amount (typically the sales price of the property)
- Lender's Policy – protects the lender from loss up to the loan amount
- The buyer pays a one time premium for the lender's title insurance policy and may also purchase an owner's policy for a one time premium.
 - When purchased at the same time, the premium for the owner's policy should be minimal because the title insurance company gives a "simultaneous issue rate." The buyer should check its settlement statement carefully to ensure that it is being charged correctly. Often, closing attorneys incorrectly charge the full premium for policies.

Owner's Policy: It's Worth It!



- Even though it is not required that a buyer purchase title insurance, it's a really good idea.
- Although losses from title defects are infrequent, they can be extremely expensive
 - Title insurance will cover legal fees should the buyer need to defend itself

Duty to Disclose



- The seller has a duty to disclose material facts about the property which may not be readily apparent to the buyer or through the buyer's inspections (*latent defects*)
 - e.g. known unrecorded easements, condition of any buildings on the property
- Defects which are obvious do NOT have to be disclosed

Example Seller's Disclosure

SELLER'S CONDOMINIUM DISCLOSURE STATEMENT EXHIBIT " _____ "



2005 Printing

For Unit# 702 in _____ Condominium, Address 206 Eleventh
City Atlanta, Georgia, Zip Code 30309

NOTICE TO BUYER AND SELLER: This disclosure statement is designed to assist Seller in disclosing to prospective buyers all known material or adverse facts relating to the physical condition of Unit and Property that are not readily observable, disclosing historical information and past problems with Unit and Property and identifying those fixtures/items that are included with the sale of Unit. All questions are to be answered with respect to the above referenced Property. For the purposes of this Disclosure Statement, the term "Unit" shall not include any interest in the common elements (including limited common elements) assigned to Unit in the Declaration. The term "Association" shall mean the condominium or unit owners' association for the above referenced condominiums. The term "Property" shall refer to all property made a part of the condominium in which Unit is located.

IF THE ANSWERS TO ANY OF THE QUESTIONS LISTED BELOW ARE "YES," PLEASE EXPLAIN IN DETAIL IN THE "ADDITIONAL EXPLANATIONS" SECTION.

- | | Yes | No | Don't Know |
|---|-----|----|------------|
| 1. OCCUPANCY: | | | |
| (a) Is Unit vacant? | | | |
| (b) If yes, how long has it been since Seller occupied Unit? _____ | | | |
| (c) Are there any leases, written or verbal, on Unit or any part thereof? | | | |
| 2. SOIL, TREES, SHRUBS AND BOUNDARIES: | | | |
| (a) Are there any landfills (other than foundation backfill), graves, mine shafts, trash dumps or wells (in use or abandoned) on Property? | | | |
| (b) Is there any sliding, settling (other than normal settling), earth movement, sinkholes, upheaval, or earth stability/expansive soil problems? | | | |
| (c) Are there any encroachments, unrecorded easements, or boundary line disputes with respect to Property? | | | |
| (d) Are there any encroachments or unrecorded easements with respect to Unit? | | | |
| 3. ROOF, GUTTERS AND DOWNSPOUTS: | | | |
| (a) Approximate age of roof on building in which Unit is located: _____ years. | | | |
| (b) Has the roof on the building in which the Unit is located, or any part thereof, been repaired during your ownership? | | | |
| (c) Are there any roof leaks into the Unit? | | | |
| 4. TERMITES, DRY ROT, PESTS, AND WOOD-DESTROYING ORGANISMS: | | | |
| (a) Is there any past or present damage to Property or Unit caused by infiltrating pests, termites, dry rot, or other wood-destroying organisms? | | | |
| (b) Does the Association currently have Property under a transferable bond, warranty or other coverage for termites or other wood destroying organisms by a licensed pest control company?
If yes, check type of coverage: <input type="checkbox"/> re-treatment and repair; or <input type="checkbox"/> re-treatment only | | | |
| (c) Have any termite/pest control reports or treatments for Property or Unit been done in the last five years? | | | |
| (d) Do any exterior portions or exterior improvements on Property have any untreated wood or exterior siding/cladding, such as rigid board insulation, foam plastic, synthetic stucco, hard coat stucco, wood or masonry siding (excluding brick), below grade or within six inches of finished grade? | | | |
| 5. STRUCTURAL ITEMS, ADDITIONS AND ALTERATIONS: | | | |
| (a) What year was Unit constructed? _____ | | | |
| (b) Is the condominium a condominium conversion?
If yes, what year was it converted? | | | |
| (c) Has there been any movement, shifting, settling (other than normal settling), cracking, deterioration, or other structural problems with any portion of Unit or Property? | | | |
| (d) Has there been any additional structural bracing, underpinning, or other structural reinforcement having been added to any portion of Unit or Property? | | | |
| (e) Are there any problems with driveways, walkways, patios, or retaining walls serving Unit? | | | |
| (f) Have there been any additions, structural changes, or any other major alterations to Unit subsequent to the time Property was submitted to the condominium form of ownership? | | | |
| (g) Have there been any instances where necessary permits and/or approvals were not obtained for work done in or to Unit? | | | |

- | | Yes | No | Don't Know |
|---|-----|----|------------|
| (h) Has there been any work done to Unit of the Condominium that was not in compliance with building codes or zoning regulations or for which a necessary permit was not obtained? | | | |
| (i) Does any of the exterior siding or cladding of any portion of Property contain synthetic stucco where the interior studs and windows are constructed of wood? | | | |
| 6. DRAINAGE, FLOODING AND MOISTURE: | | | |
| (a) Has there been any water leakage, accumulation, or dampness within Unit? | | | |
| (b) Have any repairs been made to control any water or dampness problems in Unit? | | | |
| (c) Is Property or any portion thereof located in a flood zone? | | | |
| (d) Has there been any drainage problems or flooding on Property? | | | |
| (e) Are there any problems with siding or exterior cladding of any portion of Property retaining moisture, swelling, chipping or delaminating? | | | |
| (f) Does mold appear on interior portions of the Unit other than on the walls, floors or ceilings of showers/bathrooms or within common element walls adjacent to Unit? | | | |
| 7. PLUMBING RELATED ITEMS: | | | |
| (a) What is your drinking water source: <input type="checkbox"/> Public <input type="checkbox"/> Private <input type="checkbox"/> Well on Property | | | |
| (b) If your drinking water is from a well, has it been tested within the past twelve months? | | | |
| (c) Do you have a water softener, filter or purifier? If yes, <input type="checkbox"/> Leased <input type="checkbox"/> Owned | | | |
| (d) What is the type of sewage system: <input type="checkbox"/> Public <input type="checkbox"/> Private <input type="checkbox"/> Septic Tank | | | |
| (e) Is Unit served by sewage pump or lift system? | | | |
| (f) Do you know if any septic tank or cesspool on Property has ever been professionally serviced? If yes, please give the date of last service: _____ | | | |
| (g) Do you know of any past or present leaks, backups, or other similar problems relating to any of the plumbing, water and/or sewage-related items? | | | |
| (h) Is there any polybutylene plumbing, other than primary service line, serving Unit? | | | |
| 8. OTHER SYSTEMS AND COMPONENTS: | | | |
| (a) What type of heating system(s) serve Unit? <input type="checkbox"/> Electric <input type="checkbox"/> Gas <input type="checkbox"/> Other | | | |
| (b) Approximate age of heating system(s): _____ years | | | |
| (c) What type of air conditioning system(s) serve Unit? _____ | | | |
| (d) Approximate age of air conditioning system(s): _____ years | | | |
| (e) How is water heated in Unit? <input type="checkbox"/> Electric <input type="checkbox"/> Gas <input type="checkbox"/> Solar | | | |
| (f) Approximate age of water heater: _____ years | | | |
| (g) Does any system for heating and/or cooling Unit or heating water serve more than one Unit? | | | |
| (h) Does Unit have aluminum wiring other than the primary service line? | | | |
| (i) Is there any system or appliance which is leased or which has a fee associated with its use? | | | |
| (j) Are any fireplaces serving Unit not working fireplaces or not in good working order and repair? | | | |
| (k) When was the fireplace, wood stove or chimney/flue cleaned? Date: _____ | | | |
| 9. TOXIC SUBSTANCES: | | | |
| (a) Are there any underground tanks, toxic or hazardous substances on or in the common elements (structure or soil) such as asbestos, urea-formaldehyde, methane gas, radioactive material, radon, mold, benzene or others or environmental contaminants? | | | |
| (b) Are there any toxic or hazardous substances in Unit? | | | |
| 10. FEES, ASSESSMENTS AND PROPERTY MANAGEMENT: | | | |
| (a) In purchasing Unit, will any initiation, transfer, or other similar fee be owed to the Association? If yes, what amount \$ _____? | | | |
| (b) The Association fee for common expenses is: \$ _____ per _____ | | | |
| (c) Are there any special assessments approved by but yet not owing or due to the Association? If yes, what amount \$ _____? | | | |
| (d) Are there any delinquent fines or other assessments owing on Unit? If yes, state amount: \$ _____ | | | |
| (e) Has the annual assessment for Unit for the next fiscal year been approved? If yes, how much will the new assessment be? \$ _____ | | | |
| (f) Is the Association a defendant in any lawsuit? | | | |
| (g) Is the Association self managed or not managed by a professional management company?
Name and telephone number of Association or management company contact person: _____ | | | |

Example Seller's Disclosure

11. OTHER MATTERS:

Yes No Know

- (a) Have there been any inspections of Unit in the past year? _____
- (b) Has Unit or the common elements of the condominium ever been, or is it currently, the subject of litigation or claim including, but not limited to, defective building products, construction defects, termities, and/or title problems? _____
- (c) Has there been any award or payment of money in lieu of repairs for such a defective building product? _____
- (d) Has any release been signed that would limit a future owner from making any claims in connection with Unit or Property? _____
- (e) Is there any fire, flood or wind damage which required repairs to Unit in excess of \$500.00? _____
- (f) Are there any fixtures or appliances included in the sale that are in need of repair? _____
- (g) Have any repairs been made to the electrical, plumbing, or heating and air condition system, or any part thereof? _____

12. FIXTURES/ITEMS: Check (✓) only those fixtures/items below that are included in the sale of Unit. Unless otherwise indicated, if there is more than one item (such as a second refrigerator or two chandeliers or three smoke detectors), all such fixtures/items checked are included in the sale of Unit. Those fixtures/items listed below that are not checked shall not be included in the sale of Unit.

- | | | |
|--|---|--|
| <input type="checkbox"/> Air Conditioning Window Unit | <input type="checkbox"/> Garage Door Opener | <input type="checkbox"/> Sprinkler System |
| <input type="checkbox"/> Air Purifier | <input type="checkbox"/> Remote Control | <input type="checkbox"/> Statuary |
| <input type="checkbox"/> Alarm System (Burglar) | <input type="checkbox"/> Garbage Disposal | <input type="checkbox"/> Stepping Stones |
| <input type="checkbox"/> Leased <input type="checkbox"/> Owned | <input type="checkbox"/> Built-In <input type="checkbox"/> Free Standing | <input type="checkbox"/> Stove |
| <input type="checkbox"/> Alarm System (Smoke/Fire) | <input type="checkbox"/> Hot Tub | <input type="checkbox"/> Gas <input type="checkbox"/> Electric |
| <input type="checkbox"/> Leased <input type="checkbox"/> Owned | <input type="checkbox"/> Humidifier | <input type="checkbox"/> Built-In <input type="checkbox"/> Free Standing |
| <input type="checkbox"/> Awning | <input type="checkbox"/> Ice Maker | <input type="checkbox"/> Sump Pump |
| <input type="checkbox"/> Carbon Monoxide Detector | <input type="checkbox"/> Built-In <input type="checkbox"/> Free Standing | <input type="checkbox"/> Surface Unit Cook Top |
| <input type="checkbox"/> Ceiling Fan | <input type="checkbox"/> Intercom | <input type="checkbox"/> Gas <input type="checkbox"/> Electric |
| <input type="checkbox"/> Chandelier | <input type="checkbox"/> Jetted Tub | <input type="checkbox"/> Switch Plate Covers |
| <input type="checkbox"/> Closet Shelving System | <input type="checkbox"/> Light Fixtures (Except Chandeliers) | <input type="checkbox"/> Telephone Jacks/Wires |
| <input type="checkbox"/> Built-In <input type="checkbox"/> Free Standing | <input type="checkbox"/> Mailbox | <input type="checkbox"/> Television Antenna |
| <input type="checkbox"/> Dehumidifier | <input type="checkbox"/> Microwave Oven | <input type="checkbox"/> Television Cable/Jacks |
| <input type="checkbox"/> Built-In <input type="checkbox"/> Free Standing | <input type="checkbox"/> Built-In <input type="checkbox"/> Free Standing | <input type="checkbox"/> Thermostat (Programmable) |
| <input type="checkbox"/> Dishwasher | <input type="checkbox"/> Mirror (Attached) | <input type="checkbox"/> Trash Compactor |
| <input type="checkbox"/> Built-In <input type="checkbox"/> Free Standing | <input type="checkbox"/> Radio (Built-In) | <input type="checkbox"/> Built-In <input type="checkbox"/> Free Standing |
| <input type="checkbox"/> Door & Window Hardware | <input type="checkbox"/> Refrigerator | <input type="checkbox"/> Vacuum System (Built-In) |
| <input type="checkbox"/> Dryer | <input type="checkbox"/> Satellite Dish/Receiver | <input type="checkbox"/> Vacuum Attachments |
| <input type="checkbox"/> Gas <input type="checkbox"/> Electric | <input type="checkbox"/> Sauna | <input type="checkbox"/> Vent Hood |
| <input type="checkbox"/> Fireplace | <input type="checkbox"/> Shelving Unit & System | <input type="checkbox"/> Washing Machine |
| <input type="checkbox"/> Gas Logs | <input type="checkbox"/> Built-In <input type="checkbox"/> Free Standing | <input type="checkbox"/> Water Purification System |
| <input type="checkbox"/> Screen/Door | <input type="checkbox"/> Shower Head/Sprayer | <input type="checkbox"/> Water Softener System |
| <input type="checkbox"/> Wood Burning Insert | <input type="checkbox"/> Smoke Detector | <input type="checkbox"/> Weather Vane |
| <input type="checkbox"/> Flag Pole | <input type="checkbox"/> Battery Operated <input type="checkbox"/> Hard Wired | <input type="checkbox"/> Window Screens |
| | <input type="checkbox"/> Speakers (Built-In) | <input type="checkbox"/> Window Treatments |
| | | <input type="checkbox"/> Wine Cooler |

Other fixtures/items included in the sale of Unit:

Other fixtures/items not included in the sale of Unit:

The common law of fixtures shall apply to fixtures not addressed herein. Those fixtures/items that are not included in the sale of Unit shall remain property of Seller and shall be removed prior to closing or the transfer of possession of Unit to Buyer, whichever is later. Seller shall lose the right to remove any such fixtures/items not timely removed. In removing all fixtures/items, Seller shall use reasonable care to prevent damage and, if necessary, to restore Unit to its original condition.

13. LEAD-BASED PAINT: Was any part of the residential dwelling on Unit constructed prior to 1978?

- Yes Don't Know No (If no, proceed to paragraph 14.)

If you have answered "Yes" or "Don't Know" above, Seller does hereby provide the following warning and shall disclose the following information regarding lead-based paint and lead-based paint hazards.

PURCHASE AND SALE TRANSACTION LEAD WARNING STATEMENT.

Every purchaser of any interest in residential property on which a residential dwelling was built prior to 1978 is notified that such property
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may present exposure to lead from lead-based paint that may place young children at risk of developing lead poisoning. Lead poisoning in young children may produce permanent neurological damage, including learning disabilities, reduced intelligence quotient, behavioral problems, and impaired memory. Lead poisoning also poses a particular risk to pregnant women. The seller of any interest in residential real property is required to provide the buyer with any information on lead-based paint hazards from risk assessments or inspections in the seller's possession and notify the buyer of any known lead-based paint hazards. A risk assessment or inspection for possible lead-based paint hazards is recommended prior to purchase.

Seller's Disclosure. [Seller to mark and initial sections A and B below]

- Seller Initials
- A. Presence of lead-based paint and/or lead paint hazard (check one below):
- Known lead-based paint and/or lead-based paint hazards are present in the housing (explain below): _____
- Seller has no knowledge of lead-based paint and/or lead-based paint hazards in the housing.

- Seller Initials
- B. Records and Reports available to the Seller (check one below):
- Seller has provided the Buyer with all the available records and reports pertaining to lead-based paint and/or lead-based paint hazards in the housing (list document below): _____
- Seller has no reports or records pertaining to lead-based paint and/or lead-based paint hazards in the housing.

Buyer's Acknowledgment. [Buyer to mark and initial sections C, D, and E below]

- Buyer's Initials
- C. Buyer has received copies of all information listed above regarding lead-based paint and/or lead-based paint hazards
- Buyer's Initials
- D. Buyer has read and understands the above lead warning statement and has received the pamphlet "Protect Your Family From Lead in Your Home."
- Buyer's Initials
- E. Buyer has (check one below):
- Received a 10-day opportunity (or mutually agreed upon period) to conduct a risk assessment inspection for the presence of lead-based paint and/or lead-based paint hazards; or
- Waived the opportunity to conduct a risk assessment inspection for the presence of lead-based paint and/or lead-based paint hazards.

- Broker's Initials
- F. Broker has informed the Seller of the Seller's obligations under 42 U.S.C. § 4862(d) and is aware of his/her responsibility to ensure compliance.

Broker's (or Broker's Affiliated Licensee's) signature

The lead-based paint disclosures must occur prior to Seller's acceptance of Buyer's written offer to purchase; if the potential Buyer makes the offer to purchase before the requisite disclosures are provided to Buyer, Seller can not accept the offer until: 1) the disclosure is made; and 2) the potential Buyer has had an opportunity to review the information and consider whether to amend the offer.

14. AGRICULTURAL DISCLOSURE: Is the subject property within, partially within, or adjacent to any property zoned or identified on an approved county land use plan as agricultural or forestry use? Yes No Don't Know

It is the policy of this state and this community to conserve, protect, and encourage the development and improvement of farm and forest land for the production of food, fiber, and other products, and also for its natural and environmental value. This notice is to inform prospective property owners or other persons or entities leasing or acquiring an interest in real property that property in which they are about to acquire an interest lies within, partially within, or adjacent to an area zoned, used, or identified for farm and forest activities and that farm and forest activities occur in the area. Such farm and forest activities may include intensive operations that cause discomfort and inconveniences that involve, but are not limited to, noises, odors, fumes, dust, smoke, insects, operations of machinery during any 24 hour period, storage and disposal of manure, and the application by spraying or otherwise of chemical fertilizers, soil amendments, herbicides, and pesticides. One or more of these inconveniences may occur as the result of farm or forest activities that are in conformance with existing laws and regulations and accepted customs and standards.

Example Seller's Disclosure

15. ADDITIONAL EXPLANATIONS OR DISCLOSURES:

Mark box if additional pages are attached.

16. SELLER'S REPRESENTATION:

In this disclosure, Seller warrants that to the best of Seller's knowledge and belief, the information contained herein with respect to the condition of Property and Unit is accurate and complete as of the date signed by Seller. It is not a substitute for any inspections or warranties that Buyer may wish to obtain. Buyer should consult the Association for additional information regarding the common elements of the Condominium and the operation of the Association. Seller hereby authorizes Broker to provide this information to prospective buyers of Unit and to real estate brokers and their affiliated licensees. Seller agrees to promptly update this Seller's Condominium Disclosure Statement and to provide any Buyer and Brokers with a revised copy of the same if there are any material changes in the answers to the questions contained herein.

Is each individual named below a U. S. Citizen or resident alien? Yes No
Has each individual named below been a Georgia resident for the past two years? Yes No
Has Unit been Seller's primary residence for at least two of the last five years? Yes No

Seller: _____ Date: _____, 20____

Seller: _____ Date: _____, 20____

17. RECEIPT AND ACKNOWLEDGMENT BY BUYER:

I acknowledge receipt of this Seller's Condominium Disclosure Statement. I understand that, except as stated in the Purchase and Sale Agreement, Unit is being sold in its present condition, without warranties or guarantees of any kind by Seller or Brokers. No representations concerning the condition of Unit are being relied upon by Buyer except as disclosed herein or stated in the Purchase and Sale Agreement.

Buyer: _____ Date: _____, 20____

Buyer: _____ Date: _____, 20____



The Big Differences

- Cash flow – you want to bring in as much money as goes out.
- Tax treatment (not covered here)
- Becoming a landlord – property management is a lot different
 - Lifestyle changes
 - Behaviors of others is out of your control
 - Different liability exposures

Existing Tenants



- The buyer should review the existing leases to ensure fair terms and understand its new landlord duties.
- The buyer should also talk to the tenants about the property and any problems that may have occurred.
- An estoppel letter prevents the tenant from altering lease provisions or agreements that were made with the previous landlord.



Talk to the Tenant

- Has the landlord breached the lease?
- Are they paying the rent the lease says they are?
- Is the tenant planning on renewing?



Talk to the Seller

- Have there been any previous defaults?
- What has the tenant's payment history been?
- Ask for the Seller's documentation:
 - Security deposits
 - Credit checks
 - Previous correspondence



If you have a New Tenant:

- Credit checks
- Personal Guarantees
- Keep Copies of checks
- Make sure your leases say the right things (e.g. Small repairs should be tenant responsibility)



Working with Contractors

- References
- Get payment and performance bonds even if you have to pay for them
- Have periodic inspections
- Pay as progress is made
- Get lien waivers from subcontractors
- Make sure your contract requires all of the above



Limitation of Liability

- Form of Ownership
- Insurance



Form of Ownership: LLCs and Corporations

- Same tax benefits
- Will protect personal assets
- Will protect assets held by other LLCs
- Contributes to anonymity
- May make getting a mortgage more difficult



Insurance

- Casualty insurance
- Liability insurance
- Require tenant to carry contents insurance

Important Purchase and Sale Agreement Clauses



○ Earnest Money

- Buyers and sellers need to be aware of the amount of earnest money and the date that it “goes hard.”
- The buyer has a certain number of days (typically called the inspection period) to inspect the property and if it desires, back out of the agreement with no penalty.
- After the end of the inspection period, if the buyer wishes to terminate the agreement, the seller keeps the earnest money as damages.



Important Purchase and Sale Agreement Clauses

- Inspection Periods
- Seller's Representations & Warranties