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Executive Office:
525 South Virgil Ave.
Los Angeles, CA 90020
213.739.8200

Legislative Office:
980 Ninth St., Ste. 1430
Sacramento, CA 95814
916.492.5200

Residential Purchase Agreement – Changes By Paragraph

Top of Page – Date line has been moved to the right edge. “At”, or location, line has been deleted because it was not necessary.

Bottom of each page – Buyer and Seller initials separated so they are easier to locate. Buyers on bottom left. Sellers on bottom right.

Paragraph 2, Page 1, Agency – This paragraph was moved from page 7 so that agency is addressed at the commencement of the purchase discussion rather than the end.

Paragraph 3, Page 1, Finance Terms – This paragraph has been reorganized and reformatted, as more fully explained below.

Paragraph 3A, Page 1, Initial Deposit – There are two options for handling the deposit. The default method is new and requires that buyer will make deposit directly with escrow. The optional method, which is the only method in the previous RPA, is for the deposit to be given to the broker. In either case the deposit still needs to be placed in escrow within the required time (3 business days).

Paragraph 3B, Page 1, Increased Deposit – Language was added to the end of the paragraph regarding the need to sign a Receipt for Increased Deposit if this paragraph applies and the liquidated damage paragraph is initialed.

Paragraph 3C, Page 1, Loans – Separate paragraphs for senior and junior loans. The preprinted language defaults to conventional financing but has options for FHA, VA, seller, assumed or “other” financing. The loan terms default to fixed term financing with an option for adjustable. There is no longer a place for amortization period or length of loan. Buyer can still specify the maximum loan points to be paid. For FHA or VA loans, seller does not agree in advance to any lender fees or terms but rather the buyer shall submit a form specifying such items to the seller within 17 days. New form (FVA) provides for the request, the seller’s response and the buyer’s reply (much like the request for repair form).

Paragraph 3E, Page 1, Balance – The words, “down payment” were added.

Paragraph 3G, Page 2, Verification of Down Payment and Closing Costs - An optional check box, in parenthetical, is added to the end of the paragraph if the verification is attached to the offer.

Paragraph 3H, Page 2, Loan Terms – 4 subparagraphs are congregated here: Loan applications, Loan Contingency, Loan Contingency Removal and No Loan Contingency. Loan Application paragraph has optional sentence to indicate if lender prequel or pre-approval letter attached to offer. As before, Loan Contingency paragraph specifies buyer to act in good faith and deposit, down payment and closing costs not part of the contingency. Loan Contingency Removal paragraph makes it easier to locate option to

Memo

keep contingency open until funding.

Paragraph 3I, Page 2, Appraisal Contingency and Removal – Appraisal must be by a certified or licensed appraiser. Removal of loan contingency automatically removes appraisal contingency by default.

Paragraph 3K, Page 2, Buyer Stated Financing – This paragraph specifies that seller has relied on the type of financing (whether cash or loan) buyer indicated would be pursued to purchase the property. If buyer seeks alternate financing but cannot close escrow, buyer is not excused from the obligation to close escrow.

Paragraph 4, Page 2, Allocation of Costs – Language has been bolded to emphasize that this paragraph concerns the costs for obtaining the reports not corrections or recommended work.

Paragraph 4A1, Page 2, Wood destroying pest report – This paragraph is found under the general category for Inspection and Reports and no longer has its own category, consistent with the philosophy to treat pest inspection as one would any other inspection. No reference is made as to coverage of the report or exclusions from the report. No reference is made in this paragraph to the Wood Pest Addendum. Instead the WPA is referenced in paragraph 11 along with many other commonly used addenda, advisories and disclosures. The Wood Pest Addendum will still be available as a form for those who want to insert it into a transaction.

Paragraph 4D5, Page 2, Private transfer fees - Added a line for this type of fee that may be charged, usually by a nonprofit entity and usually in a resale of a subdivision interest.

Paragraph 4D6, Page 2, Home warranty plan – Additional language was added to indicate certain types of optional coverage (a/c, pool/spa, code upgrade) that may be added to the basic plan. Disclosure added about the availability of other home warranty coverage.

Paragraph 5B, Page 3, Closing and Possession – Title changed from occupancy to possession. A default has been set for possession to be delivered as the date of Close of Escrow, and a default time has been established as 5:00pm.

Paragraph 6C, Page 3, Withholding taxes – Moved from a later location in the previous RPA, this paragraph now provides the seller shall deliver the necessary affidavit within the time specified in paragraph 14 to either buyer or a qualified substitute.

Paragraph 8, Page 3, Items Included and Excluded –8B Provides for option to specifically include stoves or refrigerators with the sale. 8C provides that certain audio and video components are specifically excluded from the purchase price.

Paragraph 9, Page 4, Condition of Property – A parenthetical, “as-is” was added to describe what is meant by “present physical condition.” Buyer and Seller replaced the more colloquial use of the word, “you.”

Paragraph 10, Page 4, Buyer’s Investigation – Language was added to the end of 10B to clarify that buyer remains obligated to turn over reports to the seller even after termination of the agreement. The language in 10C regarding having utilities on for inspections was separated out from the rest of the paragraph, so

Memo

that it is easier to find. Buyer indemnity language was moved from later in the contract and inserted into paragraph 10 as it relates to buyer entry on the property, as does buyer investigations.

Paragraph 11, Page 4, Seller Disclosures, Addenda, Advisories, Other Terms – This paragraph was moved from near the end of the contract. This paragraph is separated into sections for addenda, disclosures, advisories, and everything else. Preprinted options can be checked for commonly-used addenda, disclosures and advisories.

Paragraph 12, Page 4, Title and Vesting – New language in the second line of paragraph A requires the preliminary report to include a search of the general index, which may require the seller to give a statement of identity or similar form to title at the commencement of the transaction rather than the end.

Paragraph 14, Page 5, Time Periods, Contingencies and Cancellation Rights –

Paragraph 14, Opening Caption, Page 5 – Now specifies that rights under this paragraph must be exercised in good faith.

Paragraph 14, A, Page 5 – Language added at end of paragraph to inform buyer of right to give seller a notice to perform if seller has not delivered items to buyer on time. The NSP can be used to remind the seller to complete an obligation or to document the seller's failure and thereby prevent a seller for issuing a NBP later based on something the seller did not provide.

Paragraph 14, B3, Page 5 – Provides that if seller delivers any required item to the buyer late, then buyer has additional time to decide whether to cancel or remove the applicable contingency. Previous RPA only specifically gives this right for late delivered government inspections or late delivered common interest disclosures.

Paragraph 14, B4, Page 5 – Language moved from 14C specifies that buyer's contingency period continues even if the time periods have lapsed.

Paragraph 14, C1, Page 5 – In the last sentence language was changed to clarify that the seller must return buyer's deposit if seller cancels after first delivering to the buyer a notice to perform regarding removal of contingencies.

Paragraph 14, C2, Page 5 – In the middle of the paragraph, added to the list of things for which a seller can give a buyer a notice to perform, is the new form FVA regarding FHA or VA required terms. In the last sentence language was added to clarify that the seller must return buyer's deposit if seller cancels after first delivering to the buyer a notice to perform regarding contract obligations.

Paragraph 14, C3, Page 5 – The timing to respond to a Notice to Buyer to Perform has been changed from 24 hours to 2 days.

Paragraph 14, E, Page 5 – A requirement is added that a Demand to Close Escrow be given to the other party before either party may cancel for failure of the other party to close.

Paragraph 16, Page 5 – A reference was added to the C.A.R. form, Verification of Property Condition.

Memo

Paragraph 17, Page 5 – A reference is made to the C.A.R. forms that contain the statutory language regarding supplemental property tax.

Paragraph 19, Page 6 – Language was added specifying that seller authorizes the reporting of the sales price to the MLS.

Paragraph 22, Page 6, Definitions –

Paragraph 22F, Page 6, Days – The last day for any act, not just close of escrow, may not fall on a Saturday, Sunday or legal holiday.

Paragraph 22I, Page 6, Deliver – Clarifies that delivery is only effective upon personal receipt, whether the document is sent by mail, email, fax or carrier pigeon to whatever contact information is included in the agreement or used in ordinary course of business. An option can be checked whereby the personal receipt rule can be changed by using the appropriate addendum (C.A.R. form RDN). Acceptance, as was the case previously, is still defined to only occur on personal receipt.

Paragraph 22, Notice to Perform – This paragraph was removed since both Notice to Buyer to Perform and Notice to Seller to Perform are clarified in paragraph 14.

Paragraph 23, Page 6, Broker Compensation – Buyers and seller compensation paragraphs have been combined. Separate agreement for compensation still needs to be signed by the principal.

Paragraph 24C, Page 6, Joint Escrow Instructions – Language added to the middle of the paragraph releasing escrow from liability if escrow pays out compensation as otherwise specified in the separate written agreement.

Paragraph 25, Page 7, Liquidated damages – Language added to the capitalized sentence at the end of the paragraph clarifying that a receipt for increased deposit (C.A.R. Form RID) needs to be signed at the time the increased deposit is made.

Paragraph 26, Page 7, Dispute Resolution – The right of brokers to opt-in to mediation or arbitration has been inserted into the substantive mediation and arbitration paragraphs separately (starting with the 2nd line in 26A, Mediation, and 3rd line in 26 B Arbitration). In the previous RPA this language is below the arbitration paragraph. Language has been added to the first sentence of 26C2, Exclusions, specifying that brokers cannot be compelled to arbitrate unless they have agreed to do so in writing. Deleted language that an arbitrator's award needs to follow substantive California law.

Paragraph 27, Page 7, Terms and Conditions – Second sentence clarifies that liquidated damage and arbitration clauses may be incorporated if separately initialed by both buyer and seller or incorporated by counter offer or addendum.

Real Estate Broker Box, Page 8, Cooperating Broker Compensation – The last sentence was added to this paragraph to indicate that tax status and or exemption from withholding may be documented on C.A.R. form DLT.

Presentation of Offer Box, Page 8,– The listing broker may use this paragraph to document compliance

with Code of Ethics or MLS rules regarding presentation of offers to the seller.

Rejection of Offer Box, Page 8 – Slight reformatting of box to fit on 1 line.

FHA or VA Notice and Addendum

This new form is created in response to the new approach to FHA/VA financing in paragraph 3C3 of the proposed RPA revision. The form follows the approach of the Request for Repairs form. If the buyer's lender requires fees to be paid or repairs made, the buyer may present such requests to the seller. The seller may then agree to all of the requests, some of the requests or none of the requests. The buyer can then decide whether to proceed with the transaction or not. Sellers are advised in paragraph 2 that if the buyer's FHA or VA lenders' requests are not satisfied, the buyer may not be able to purchase. Buyers are advised in paragraph 3 that if the financing contingency is removed, buyer may be in breach of contract if the lender denies funding because seller has refused all of the FHA or VA requests.

Wood Destroying Pest Inspection and Allocation of Cost Addendum

The first substantive paragraph is educational. It talks about the rights of the buyer to conduct inspections for wood destroying pests and organisms and the right of the buyer to ask the seller to make repairs and even get out of the contract even if the WPA is not used.

The second paragraph separates and reorganizes language in the previous version of the WPA.

- 2A determines who pays for and prepares the Wood Pest Report, just as before, and defaults to whatever is specified in the RPA if left blank.
- 2B determines the scope of the Wood Pest Report, such as garages, decks, roofs, etc., just as before.
- 2C instructs the Report to be separated into Section 1 and Section 2 recommendations, just as before. The parties can determine who is to pay for each section's recommendations, just as before.
- 2D addresses inaccessible areas, just as before.
- 2E instructs that a Certification is required on completion of the corrective work, just as before. The second sentence in 2E clarifies that seller may get more than one report (if for example, the blank in 2A was filled in with "Seller's Choice" or similar language) and choose which to follow. However, seller must give buyer copies of all reports obtained.

Table of Contents

This form lists the title of each paragraph and the page where the paragraph begins. It is not automatically attached to the purchase agreement but can be used as a reference to easily find and direct clients and real estate licensees to applicable paragraphs.