

# CONSUMER'S GUIDE TO THE AGREEMENT OF SALE

For use with 2017 revisions to PAR Form ASR

A consumer service of the  
Pennsylvania Association of Realtors®



Pennsylvania  
Association of  
Realtors®



**CONSUMER'S GUIDE TO THE AGREEMENT OF SALE  
ACKNOWLEDGMENT OF RECEIPT**

The Consumer's Guide to the Agreement of Sale has been developed by the Pennsylvania Association of Realtors® to help consumers who may be interested in buying or selling a home better understand the major terms of the PAR Standard Agreement for the Sale of Real Estate. This Guide is not a substitute for professional advice and counsel from a real estate broker and/or an attorney representing the consumer.

Signing this acknowledgment does not create any contractual relationship between the listed broker and the signing consumer. Any business relationship between the broker and consumer will be established in a separate written agreement between the broker and consumer.

I acknowledge that I have received the Consumer's Guide to the Agreement of Sale.

PRINT NAME \_\_\_\_\_ SIGNED \_\_\_\_\_ DATE \_\_\_\_\_

PRINT NAME \_\_\_\_\_ SIGNED \_\_\_\_\_ DATE \_\_\_\_\_

PRINT NAME \_\_\_\_\_ SIGNED \_\_\_\_\_ DATE \_\_\_\_\_

BROKER (COMPANY NAME) \_\_\_\_\_

PROVIDED BY \_\_\_\_\_ DATE \_\_\_\_\_

-Consumer Copy -

**CONSUMER'S GUIDE TO THE AGREEMENT OF SALE  
ACKNOWLEDGMENT OF RECEIPT**

The Consumer's Guide to the Agreement of Sale has been developed by the Pennsylvania Association of Realtors® to help consumers who may be interested in buying or selling a home better understand the major terms of the PAR Standard Agreement for the Sale of Real Estate. This Guide is not a substitute for professional advice and counsel from a real estate broker and/or an attorney representing the consumer.

Signing this acknowledgment does not create any contractual relationship between the listed broker and the signing consumer. Any business relationship between the broker and consumer will be established in a separate written agreement between the broker and consumer.

I acknowledge that I have received the Consumer's Guide to the Agreement of Sale.

PRINT NAME \_\_\_\_\_ SIGNED \_\_\_\_\_ DATE \_\_\_\_\_

PRINT NAME \_\_\_\_\_ SIGNED \_\_\_\_\_ DATE \_\_\_\_\_

PRINT NAME \_\_\_\_\_ SIGNED \_\_\_\_\_ DATE \_\_\_\_\_

BROKER (COMPANY NAME) \_\_\_\_\_

PROVIDED BY \_\_\_\_\_ DATE \_\_\_\_\_

-Broker Copy -



## Table of Contents

Getting Started .....	6
Making an Offer .....	6
The Agreement of Sale .....	6
Everything is Negotiable .....	6
What the Buyer Should Bring .....	7
The Parties .....	7
The Property.....	7
Who are the Brokers? .....	8
This Agreement .....	8
Purchase Price and Deposits.....	8
A Good Faith Deposit .....	8
Escrow Accounts .....	9
Seller Assist .....	9
Settlement and Possession .....	9
Settlement Date .....	9
Taxes .....	10
How Are Taxes Calculated? .....	10
Possession .....	10
Date/Time Is of the Essence .....	10
Acceptance Deadline .....	10
Date and Times.....	11
Zoning Classification .....	11
Fixtures and Personal Property .....	11
Mortgage Contingency .....	12
What do Pre-Qualified and Pre-Approved Mean? .....	12
Mortgage Amount .....	13
Mortgage Term .....	13
Loan-To-Value Ratio .....	13
Type of Mortgages .....	13
Mortgage Lenders .....	14
Mortgage Rates .....	14
Fixed Rate vs. Adjustable/Variable Rate Loans .....	14
What are Points? .....	14
Two Important Deadlines .....	15
Conditional Mortgage Commitments .....	15
Lender Requirements .....	15
Mortgage Application Checklist for Buyers.....	16
What if the Loan is Not Approved? .....	16
Change in Buyer's Financial Status .....	16
Seller Representations.....	17
The Seller Disclosure Law .....	17
Public and/or Private Notices and Assessments .....	18
Waiver of Contingencies .....	18
Due Diligence/Inspections .....	18
Are Inspections Required? .....	19
How Long Will the Inspections Take? .....	19

Home/Property and Environmental Hazards .....	19
Wood Infestation .....	20
Deeds, Restrictions and Zoning.....	21
Water Service .....	21
Radon .....	21
On-Lot Sewage .....	21
Property and Flood Insurance .....	22
Property Boundaries .....	22
Lead-Based Paint Hazards .....	22
Inspection Contingency .....	22
Real Estate Taxes and Assessed Value .....	23
Notices, Assessments and Municipal Requirements .....	23
Notices and Assessments .....	23
Certificate of Occupancy or Use and Occupancy Permit .....	24
Condominium/Planned Community (Homeowner Association) Resale Notice .....	24
A Word to the Wise .....	24
Title, Surveys and Costs .....	25
Title to the Property .....	25
Maintenance and Risk of Loss .....	25
Home Warranties .....	26
Recording the New Deed.....	26
Assignment.....	26
Governing Law, Venue & Personal Jurisdiction .....	27
Foreign Investment in Real Property Tax Act of 1980 (FIRPTA) .....	27
Notice Regarding Convicted Sex Offenders (Megan's Law) .....	27
Representations .....	27
Default, Termination and Return of Deposits .....	28
Mediation .....	28
Release .....	29
Real Estate Recovery Fund .....	29
Communications With Buyer and/or Seller .....	29
Headings .....	29
Special Clauses .....	29
Signing the Agreement.....	30
Miscellaneous Broker's Services .....	30
Let Your Realtor® Be Your Guide .....	30
Notes and Questions .....	31
Standard Agreement of Sale (ASR).....	32

# Welcome to the Consumer’s Guide to the Agreement of Sale. This booklet is designed to help you to better understand the Standard Agreement for the Sale of Real Estate, which is produced, copyrighted and distributed by the Pennsylvania Association of Realtors® (“PAR”).

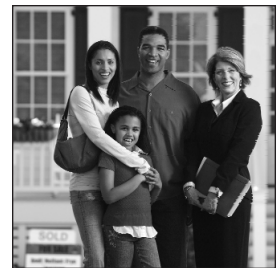
This form, often just referred to as “the Agreement,” is used by most Realtors® across the state, and by many attorneys as well. Because it is the form that sets out all the terms agreed to by the buyer and seller, it may be the single most important form in your transaction.

It is very important to read and understand **all** the terms and conditions in the Agreement. This booklet covers many common questions about the form, but it is not a substitute for the professional help of a Realtor® and an attorney. If you don’t understand something, ask your Realtor® and/or attorney for more information **before** signing the Agreement.

Be sure to read the Notice paragraphs located throughout the Agreement. Some of the Notices are required by law or regulation, while others are more informational, but all contain information that will help you to better understand the content of the Agreement.

As you go through the Guide, this icon will alert you to “check out” certain Notices that relate to a particular paragraph or clause in the Agreement, or bring your attention to a certain topic.

**And remember, as you go through the Agreement of Sale, ask your Realtor® (pronounced “REAL-tor”) if you have any questions.**



## What’s a Realtor®?

Many consumers believe that the term Realtor® is used for all real estate practitioners. In fact, only real estate professionals who belong to the National Association of Realtors® (as well as the state and local Association) may use the term Realtor®. As a condition of membership, all Realtors® are bound by a Code of Ethics that goes above and beyond the requirements of state licensing law. Ask your real estate agent if he or she is a Realtor®.

## GETTING STARTED

Whether you've done it once, a dozen times, or never before, a real estate transaction can be a terrifying, stressful, and exhilarating experience.

The good news is that by the time you read this booklet you've already gotten over some of the biggest hurdles in the whole process. As a seller, you've made the decision to put your home on the market; as a buyer, you've committed to the home buying process and may have even seen a few houses.

Now that things are moving along, the next big step for a buyer is to make an offer on a particular property. But when you sit down in front of this 13-page form filled with real estate jargon and "legalese," how can you be sure you understand what it all means?

The best advice is to arm yourself with a Realtor® and/or attorney who can guide you through the process, explain your options, and answer your questions. Reviewing this booklet BEFORE making an offer or considering an offer from a buyer should address many of the questions you're likely to have. Where you still need more information, you will have plenty of time to ask your Realtor® to clarify things before getting into the stress of negotiations.



### Making an Offer

Buyers should never make an offer on a property in haste without fully thinking through all of their options. After all, if the offer is accepted it now turns into a legally binding contract and may not be easy to get out of. But once a buyer has decided to pursue a particular property, it is wise to start the process as soon as possible. It can take as long as two hours to complete the Agreement of Sale and there are many decisions that must be made during that time.

The process of completing the Agreement of Sale will often take place at the Realtor®'s office. With the use of computer-generated forms, however, the Agreement can be filled out and even signed from almost anywhere - buyers might not even be in the same room as the Realtor® while they're filling it out. If you have particular needs in this regard (for example, you're buying a home in another area of the state and can't easily travel there for more than a day or two at a time), speak to your Realtor® about the technology available in his or her office.

### The Agreement of Sale

In some areas of the country, a buyer might make an offer by submitting a form with only a few terms - sometimes one page or less. After the buyer and seller agree on this framework, the seller takes the house off the market while the parties negotiate all the other terms and conditions that will apply.

In Pennsylvania, however, the vast majority of "offers" are made by presenting the seller with a completely filled out Agreement of Sale that lists the terms and conditions requested by the buyer. The buyer and seller negotiate the complete terms of the Agreement, and if both sign off on the Agreement, the result is a legally binding contract.

Taking a couple of hours to fill out an entire agreement for a property you might not actually end up buying might seem like a lot of effort, and it is. Does it take more time and effort to make an offer with such complete terms? Yes. Experience has shown, however, that the effort helps both the buyer and seller by laying out ALL the terms and conditions desired by both parties so there are fewer surprises during the transaction.

### Everything is Negotiable

While completing the Agreement of Sale you will make many decisions about "terms." The terms are the details and specifics of the Agreement, which need to be acceptable to both the buyer and seller.

Although the Agreement contains a great deal of pre-printed text, perhaps the most important phrase for both the buyer and seller to remember is that "Everything is negotiable." Some terms to be negoti-



ated can include: purchase price, deposit amounts, date of settlement, items to be included or excluded, financing arrangements, and property inspections, just to name a few. Remember that most of the time frames for performing under the contract are also negotiable, even though certain time frames are often pre-printed in the text for convenience. To protect yourself legally, you may want to have your attorney review the Agreement before you sign it.

## What the Buyer Should Bring

Buyers will need to have certain items and information readily available when filling out the Agreement of Sale. Some of these items include:

- Your checkbook, if you are providing a deposit on the property.
- Information about your finances. The seller will almost always want to verify a buyer's financial ability to buy or obtain a mortgage before deciding to accept the Agreement. Depending on the practice in your market, a mortgage pre-approval may be sufficient. In other markets sellers might ask buyers to fill out a separate financial information form.
- Information regarding available funds. You will want to make sure you have enough money for your deposit and for settlement.
- All buyers! If you and other people (for example, your spouse or business partner) are buying a property together, you will need to complete and sign the Agreement together.



If you have any questions about what to bring with you when filling out the Agreement, ask your Realtor®.

## THE PARTIES

When identifying the buyer and seller in the transaction, it is very important to list ALL buyers and ALL sellers, preferably by the name listed on the deed (for sellers) or the name to be put on the deed (for buyers). For example, if a husband and wife own a property jointly, both names should be listed in the Agreement. If the property is deeded only to the wife, though, only her name would be listed. Similarly, if the property is owned by a business entity, the name of that business should be listed.

On the seller's side, listing all sellers helps to make sure that all owners of record actually sign the Agreement. If the property is owned by several individuals and one fails to sign the Agreement, the Agreement (and possibly the transaction) may not be valid. Buyers, attorneys and title companies will often use the listed buyers' names to prepare a new deed. If the buyers forget to list someone who should be on the deed, it may hold up the transaction or could require making this legal change after the fact at additional expense.



## THE PROPERTY

The next part of the Agreement is a description of the property to be purchased. In most cases the property will be identified both by the street address, including the municipality, ZIP code, county, and school district, as well as by a more thorough legal description of the property. If there is any doubt or confusion about the actual location of the property or the property boundaries, talk to your Realtor® about obtaining a survey. Many buyers are interested in living in a particular ZIP code or sending their children to school in a specific school district, so both buyer and seller are encouraged to double-check this information for accuracy.

## WHO ARE THE BROKERS?

The boxes at the bottom of the front page of the Agreement contain information that identifies the broker or brokers who are providing real estate services in the transaction and their relationship(s) to the buyer and seller. It is very important that you understand the relationship you have with each broker and the legal duties that each broker owes you (or doesn't owe you).

**REMEMBER:** Unless you have entered into a written agency contract creating a legal relationship between you and the broker, the broker may NOT be representing your interests and may be representing the other party. If you have a question about how these relationships work, review the Consumer Notice (the first form the Realtor® gave you) and ask the Realtor® to clarify his or her role in the transaction.

## THIS AGREEMENT

The first section of the Agreement states the date the Agreement was first presented as an offer. The date in this paragraph is generally NOT the same as the "acceptance date," or "Execution Date" - the date a valid contract exists. This date is simply used as a convenience to identify when the buyer's offer was first presented and will be particularly helpful if more than one Agreement is submitted at different times.

## PURCHASE PRICE AND DEPOSITS

The purchase price is the first of many terms stated in the Agreement. While many buyers and sellers assume that this is the most important part of the Agreement, there are many other negotiable terms that can be just as important as the purchase price. To make your offer as attractive as possible to the seller, be sure to pay attention to all the terms in the Agreement - don't focus only on the purchase price.

How much should a buyer offer to pay for the property? Which offer should sellers accept? These are decisions that depend on many different factors. Buyers and sellers will need to consider things such as whether there are other offers, the recent sale prices of similar homes, how long the property has been on the market, and the motivations of the buyer and seller. Your Realtor® can help you review the issues to consider, but the Realtor® can't make the final decision for you.

### A Good Faith Deposit

Buyers are almost always expected to make a "good faith" deposit (sometimes called "hand money," "earnest money" or "down money") on the property.

Deposits can be given in one large deposit or in two (or more) steps. When a buyer makes an offer, an initial deposit is usually given to the seller along with the Agreement, or shortly thereafter depending on how the Agreement is delivered to the seller. In some markets, if the seller accepts the offer a second deposit is due within a short time after acceptance. In other markets, it is not uncommon for there to be a third deposit at some point later in the transaction. However they are paid, the deposits will be credited toward the total purchase price and/or closing costs at time of settlement.

The amount and timing of deposits is often determined by local custom. Ask your Realtor® about what is customary in your area, keeping in mind that these are always negotiable issues.



**NOTE:** Depending on the circumstances, if a buyer backs out of an accepted Agreement the buyer may forfeit any deposits. Offering a higher deposit could make the buyer's offer look more serious to the seller but it also means more risk to the buyer.

The Agreement allows the buyer to pay by cashier's check, wired funds or personal check if a deposit is being made 30 or more days from the settlement date. If a deposit is being made within 30 days of the settlement date, the buyer must pay by cashier's check or wired funds, not by personal check. These specifications can be modified if the Buyer and Seller agree on a change.

## **Escrow Accounts**

In most markets a buyer's deposits are held by the Realtor® representing the seller, although it may be the practice in other markets for the Realtor® representing the buyer to hold it. Whichever Realtor® holds the deposits, they will be held in a special bank account called an "escrow account." When completing the Agreement, the parties will determine who will be holding the deposit.

**ESCROW ACCOUNT:** An account, separate from a broker's regular business account, that a broker is required to establish to hold deposit monies until a transaction is completed or terminated.

There are laws and regulations governing how brokers must handle money deposited in their escrow accounts. One of those rules is that the broker generally cannot release the deposit money to either the buyer or seller if there is any dispute over how the money is to be distributed. If the buyer or seller breaks the Agreement after it has been signed, the broker is not legally permitted to give the deposit money to either party unless the buyer and seller both agree on who should get the deposit money.

The two primary exceptions to this rule are that a broker must distribute deposits according to the terms of (1) a final court order (there is a lawsuit and the court directs payment); or (2) a "pre-agreement" between the parties as to what happens if there is a dispute that isn't resolved. For example, the Agreement says in Paragraph 26(C) that if the buyer and seller can't resolve a dispute within 180 days the buyer gets the deposit back unless a lawsuit has been filed.

## **SELLER ASSIST**

Some sellers may be willing to pay part of the buyers' costs incurred to obtain the mortgage loan or to settle on the property. These arrangements must be clearly spelled out in the Agreement. It is important to know whether your lender has a limit on how much sellers are allowed to pay and what that limit is. This limit can vary between lenders or even between loan products from the same lender.

## **SETTLEMENT AND POSSESSION**

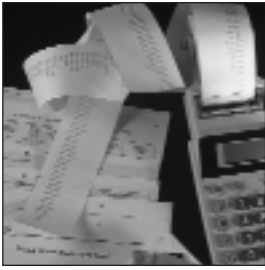
### **Settlement Date**

Choose the settlement date very carefully. Among other factors, the settlement date will depend upon the time it will take to complete any desired property inspections and to obtain a mortgage loan, if one is necessary. The buyer will often consider the seller's preferred settlement date.

As simple as it seems, it is a good idea to have a calendar handy when dealing with the Agreement of Sale. When picking a settlement date it is best to avoid weekends and holidays, as well as dates with other conflicts such as vacations or work deadlines. Also, remember that settlements can often take several hours to a half day, so don't pick a day thinking that you can just squeeze it in at lunch.

At settlement the buyer will receive a copy of the deed. The original deed will be recorded in the Office of the Recorder of Deeds for the county where the property is located. The Recorder will stamp the deed with the date and location of recording and will send the deed to the buyer. There is more information on deeds and titles later in this booklet.

**TITLE:** The right to or ownership of land, or the evidence of ownership of land.  
**DEED:** A written document that, when executed and delivered, transfers ownership, or title, to real estate.



## Taxes

In Pennsylvania, a real estate transfer tax is assessed when a property is purchased. The state imposes a tax on all transactions and there may be a local transfer tax on the transaction as well. Transfer taxes may range from a minimum of 1% to 4% or more of the purchase price. If the Agreement is being assigned to another buyer, it may affect the transfer tax on the property. Talk to an attorney if you are planning on assigning the Agreement.

In most areas the practice is to divide payment of the transfer taxes equally between the buyer and the seller, but this is negotiable.

Real estate property taxes and other obligations such as condominium or homeowner association fees, other fees and rents, and interest on mortgage loan assumptions are “prorated” at settlement. This means that the seller is responsible only for the portion of the taxes and other assessments up to and including the day of settlement, and the buyer is responsible for paying the taxes and fees after the settlement date. If the seller has already paid these bills, the “adjustment” will generally require the buyer to reimburse the seller for the buyer’s portion.



Review all tax bills carefully to be sure you understand what taxing periods are covered by each. For example, all municipal governments base their bills on a tax year that runs from January 1 to December 31; most school districts have a tax year of July 1 to June 30.

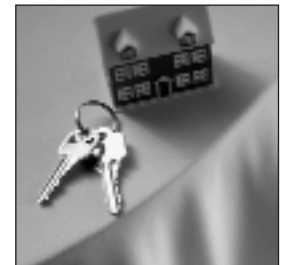
## How are Taxes Calculated?

By law, transfer taxes are a fixed percentage of the purchase price of the property. Check with your Realtor® to find out what the transfer tax is in your community.

Local property taxes are set by the municipality and school district and are based on a percentage of the assessed value of the property. Property taxes may change each year based on the millage set by the municipality and the assessed value of your property.

## Possession

Unless otherwise agreed to, the buyer can expect to receive the deed and the keys to the vacant property at settlement. Of course, “vacant” doesn’t necessarily mean that there will be nothing left in the property. If the parties have agreed that the seller will leave certain items (appliances or furniture, for example), buyers should check for these items during the pre-settlement walk through. At the same time, it is understood that the seller is responsible for removing all personal items that haven’t been negotiated. That means the seller is not permitted to just leave behind trash or any other items that they don’t want in their new home.



Sometimes the parties will agree to let the buyer move in before settlement or to let the seller stay after settlement. Make sure this is IN WRITING, just like the rest of the Agreement. Issues like fees for this extra time of possession and who is responsible for any damages are best dealt with well before settlement. PAR publishes forms covering many of the issues involved in both seller and buyer occupancy.

If the property is tenant-occupied, make sure that leases are properly transferred from the seller to the buyer and that the seller has taken care of any remaining obligations to tenants. There is a PAR form for this purpose as well.

## DATES/TIME IS OF THE ESSENCE

### Acceptance Deadline

A buyer and seller will usually want to insert some sort of a deadline for them to agree to the terms of the Agreement. If the Agreement is not accepted by the deadline and the deadline is not extended, the offer will become void. Consider factors such as local custom, the buyer’s or seller’s sense of urgency regarding the transaction and schedules of the parties and brokers when setting this deadline.

## Dates and Times

Throughout the Agreement there are many spots that establish time frames for completing certain acts (for example, ordering and delivering inspection reports or making a mortgage application). Considering what needs to be accomplished and selecting realistic time frames for each task is CRUCIAL. Keep in mind that your Realtor® probably has a good idea about how long it usually takes to do these things in your market area.



Although some of these times are pre-printed in the Agreement, they are by no means set in stone. If you need a different period of time to complete a certain part of the Agreement there is room for you to cross out the pre-printed numbers and put in a different number. Keep in mind that the buyer and seller must agree to any changes.

The Agreement of Sale provides that “time is of the essence.” This is a technical phrase meaning that if you don’t do something by an agreed upon date you can lose certain rights or be in default of the Agreement. For this reason, it is critical that the dates in the Agreement be strictly followed, including the time for settlement.

The time for performing under the Agreement doesn’t start until the parties have reached a final understanding on all terms of the contract. It is important that every change to the Agreement be initialed and dated by both parties, so that everyone can keep track of when to “start the clock,” it is important that every change to the Agreement be initialed and dated by both parties.

## ZONING

The zoning classification is required in an Agreement of Sale unless the property is in an area primarily zoned to permit single family dwellings.

NOTE: If the buyer plans to change the use of the property, it may be wise to make the purchase contingent on zoning. The PAR Zoning Approval Contingency (PAR Form ZA) gives buyers the right to check if the future use is permitted, or to apply for a change of zoning.

Later, in the Inspections paragraph of the Agreement, the buyers will be asked to decide whether they want to check the present use or make the Agreement conditional on a change in use. If the buyer has certain zoning needs, the buyer should investigate the zoning issues that relate to those needs. Sellers and agents should be careful to not guess at what uses would be allowed.

## FIXTURES AND PERSONAL PROPERTY

There will often be certain fixtures and personal property (appliances or lighting fixtures, for example) included with the property as part of the sale. If specific items are to be included or excluded, they must be clearly listed in the Agreement. **Any information provided through the multiple listing service (MLS) or any items identified in the Seller’s Property Disclosure Statement don’t count if they are not also listed in the Agreement.**

The Agreement contains a list of personal property items that are commonly included in the sale. It is important for buyers and sellers to carefully review this list to make sure that everything that should stay is included and everything that should go is excluded. Any item of personal property that isn’t included in the Agreement in writing is NOT part of the transaction and does not stay with the property. If there is any confusion about the transaction, the written terms of the Agreement will decide what stays and what goes.

## MORTGAGE CONTINGENCY

Buyers should thoroughly assess their financial situation before setting a price range for their search and looking at properties.

Most buyers will require mortgage financing to buy a home, so most will elect to include a mortgage contingency in the Agreement. In short, the contingency states that the buyer won't have to move forward with the purchase if a good faith application for mortgage financing is denied.

There are many financial aspects to a real estate purchase. These include deposits, up-front costs (such as inspections), settlement costs, purchase price and financial reserves (for repairs and other expenses after moving in). Buyers should be sure they fully understand how each element factors into their financial status and how they will find the money to cover each (savings, gift, mortgage, etc.). Sellers may want to ask for certain proof that the buyers have, or can get, the resources to purchase their home.

To help the seller judge whether a particular buyer is likely to be able to afford the property, the Agreement asks buyers to be fairly specific in stating what their mortgage requirements will be.

**REMEMBER:** Both buyers and sellers must receive a copy of estimated closing costs before signing the Agreement of Sale. Buyers should double-check the estimated cost sheet before signing to be sure they are able to afford the listed costs.

### What do “Pre-Qualified” and “Pre-Approved” Mean?

Most buyers will have a “pre-qualification” or “pre-approval” letter from a lender indicating approximately how much the buyer can afford to pay for a house. Although this is no guarantee that the buyer will eventually be approved for financing, it is helpful for buyers to know what price range they should be focusing on and to let the sellers get an idea of the buyer's financial ability.

**PRE-QUALIFICATION** is when the lender looks at the buyers' financial status to estimate the mortgage loan amount for which they might qualify. It is based on the documentation provided by the buyer and is usually free. Pre-qualification may help buyers determine the price range they can afford and can be helpful at the beginning of a search.

**PRE-APPROVAL** is more detailed and takes place when the buyers are closer to making an offer on a house. For a pre-approval the lender will verify the buyers' earnings and financial situation—often by obtaining a credit report—to determine whether or not to lend money. Once the buyers are pre-approved the lender will provide a letter stating the maximum amount the buyer would likely be approved to borrow. Pre-approval may make the buyers look “stronger” in the eyes of a seller and improve the chances of coming to an agreement on the purchase price.

**NOTE:** These terms may vary from lender to lender; buyers should be sure they understand their lender's obligations to them if they are pre-qualified or pre-approved. Remember that neither of these is the same as having a full mortgage commitment.

There are many different mortgage products available through various lenders. In some cases these mortgages might involve multiple loans - a first and second mortgage, for example, or a mortgage loan with an accompanying line of credit. Buyers would be well served to talk to their Realtor® or a financing expert to determine what types of loans might be attractive based on their current financial status.

Aside from asking the buyer to identify if multiple loans will be involved, the Agreement also asks for information regarding the mortgage amount, the term of the loan(s), the type of loan(s), the mortgage lender(s), loan-to-value ratio, interest rate(s), and “points.”

## **Mortgage Amount**

When judging the ability of a certain buyer to purchase their home, sellers will look at whether the buyer has the financial strength to afford payments on the mortgage amount being sought. In most transactions, the mortgage amount is calculated by taking the full purchase price of the property and subtracting any deposits already paid by the buyer along with any other cash the buyer expects to bring to settlement.

In some cases, though, the buyer may have special needs. The most common of these scenarios would be a purchase where the buyer also wants to borrow additional money to cover closing costs or to pay for repairs or renovations. These types of loans are also only available through a limited number of loan programs, so sellers should consider whether a buyer would qualify for those programs.

## **Mortgage Term**

The “term” of the mortgage is the length of time it will take to repay the loan in full. Although the “traditional” loan is 30 years, other loans are available for 15 years, 20 years, or even 40 years. Keep in mind that a monthly payment can vary greatly depending on the term of the loan—the longer the term, the lower the payment. The term of the loan can also affect the interest rate and the buyer’s ability to qualify for the loan.

## **Loan-To-Value Ratio (LTV)**

The Agreement allows the buyer to set an upper limit on something called a Loan-to-Value ratio, or “LTV.” The LTV may be used by lenders to help assess the potential risk of a mortgage loan. LTV is determined by dividing the requested loan amount by either the Purchase Price or the appraised value of the property, whichever is lower.

Many “pre-qualification” or “pre-approval” letters (discussed above) are based on the assumption that a buyer will be applying for a 30-year loan. If the loan term is different, the purchase price that a buyer can afford may change. Be sure to calculate your payments based on the correct information before making an offer.

A particular LTV may be necessary to qualify for certain loans, or buyers might be required to pay additional fees if the LTV exceeds a specific level. For example, if you are planning to borrow \$80,000 for a property that appraises at \$100,000 your LTV is 80% ( $\$80,000/\$100,000$ ). Stated another way, the loan (\$80,000) should not be more than 80% of the value of the home (\$100,000). Buyers should talk to their Realtor® about whether this term should be included and, if so, what the maximum LTV should be.

## **Types of Mortgages**

Mortgages come in many varieties. Many loans are variations on the traditional “conventional” mortgage loans, but each lender has its own requirements and there are a number of loans and loan guarantee programs available through the federal, state and local governments. Most loans will require a down payment of some sort (often between 5% and 20% of the purchase price), although the amount may differ depending on the lender and the programs for which a buyer qualifies. Some loan products may permit downpayments as low as 1% to 3%, and there are even others that will finance 100% or more of the purchase price. Keep in mind that buyers who have down payments of less than 20% may be required to purchase private mortgage insurance (“PMI”), which is available for an additional fee.

If a buyer is financing through the Federal Housing Administration (FHA) or the Veterans Administration (VA), make sure to read the mortgage paragraph and the FHA/VA Notice in the Agreement. FHA mortgages are insured by the Department of Housing and Urban Development’s (HUD) Federal Housing Administration program. A VA loan is a mortgage loan on approved property made to a qualified veteran. One advantage of these programs is a relatively low down payment. In most cases, VA loans don’t require any down payment. Other criteria may be more strict than a conventional loan. Talk to your Realtor® about whether there are certain types of loans you should (or shouldn’t) pursue.

## Mortgage Lenders

While most lenders are very reliable and reputable, some lenders may be less reliable than others in your market area. Asking buyers to identify the lender they intend to use has two benefits. First, buyers are encouraged to research lenders prior to submitting an offer. Since the mortgage contingency paragraph of the Agreement gives buyers a limited period of time to submit their actual application (which can't be done until their offer has been accepted), buyers who have identified lenders ahead of time should have an easier time making this deadline.

Second, having a lender identified in the offer may also help sellers determine the likelihood that a transaction will make it through closing with no financing delays. If a seller is aware that a particular lender tends to have problems with delaying, or even canceling, planned closings, the seller may be less likely to want to accept that offer.

Including the name of a mortgage lender or lenders is not mandatory. Buyers should consult their Realtor® to determine whether naming the lender would be beneficial. Where an offer is presented without a named lender, sellers should discuss with their Realtor® whether or not to request that the buyer identify one.

## Mortgage Rates

There are actually two interest rates stated in the Agreement. The first is the rate that the buyer is hoping to get and the second is the highest rate the buyer is willing to accept. As with other elements of this contingency, be realistic. If a mortgage is approved with the terms stated in the Agreement but the buyer fails to accept or “lock in” that loan with an acceptable interest rate, the buyer may be in default if the rates later rise above the stated interest rate cap and the buyer refuses to accept the loan at that time.



Federal regulations require mortgage lenders to provide buyers with a Loan Estimate (LE) statement within three business days from receipt of the buyer's mortgage application. Settlement cannot occur within 7 days of the early disclosure or within 3 days of redisclosure. Redisclosure is only permitted if there is a change in circumstances. For example, if the buyer fails to lock in the interest rate quoted in the LE within 10 days, that is a change in circumstances, and the lender may issue a revised LE. The Agreement requires the buyer to lock in his interest rate 15 days before settlement if the lender gives the buyer the chance because interest rates can have a large impact on the APR.

## Fixed Rate vs. Adjustable/Variable Rate Loans

Interest on mortgage loans can be at a fixed rate, which means the monthly payment never changes except for possible increases in taxes and insurance.

- OR -

A loan may be an adjustable-rate mortgage (“ARM”) or variable-rate mortgage (“VRM”), which means the monthly payment on the mortgage loan may change. The calculation of these changes is complicated and should be clearly understood before choosing this type of loan.

## What are Points?

“Points” are the fees that the mortgage lender charges buyers for providing certain services. One “point” is equal to one percent of the mortgage amount. The Agreement asks buyers to put in a maximum number of points they are willing to pay—often called a “cap.” For example, if points are “capped” at three for a \$100,000.00 loan, the buyer will not be required to buy the property if a lender offers a mortgage commitment requiring the payment of more than three points, or \$3,000.00. Buyers pay points up front in cash as part of closing costs; the money is not financed as part of the mortgage loan.



## Two Important Deadlines

The Mortgage Contingency paragraph of the Agreement has two big deadlines. The first deadline is the time in which the buyer has to submit a mortgage application. The second deadline is the date by which the buyer must have an answer from the mortgage lender to give to the seller.

The dates should be chosen carefully because it is not just the deadline for the mortgage lender to give approval for the loan - the seller or the seller's broker also must receive a copy of the lender's decision by this date. Remember that if the buyer doesn't meet these deadlines the buyer may be in default and the seller may have the option to cancel the Agreement and keep the buyer's deposit.

## Conditional Approvals

Be careful if a mortgage loan will be conditioned on something that isn't provided for in the Agreement. If the lender has requirements or conditions that are not part of the Agreement, then the seller may have the right to terminate the Agreement. For any condition on the approval (such as verifying income or selling or settling on another property), buyers have 7 days after the deadline to satisfy these conditions. Certain types of routine conditions that can only be met at or near settlement don't give sellers the right to terminate, however. Such routine conditions might include a final verification of employment or providing proof of property insurance.

As a buyer, if you know you must sell your current home before purchasing a new one consider making your offer contingent on the sale or settlement of this other property. PAR offers several addenda for this purpose, depending on your circumstances.

## Lender Requirements

Every lender has slightly different requirements for approving a loan. These requirements will vary depending on the type of loan being offered and are often very dependent on the buyer's current financial status and financial history.

The value of the property is another major element that goes into the lender's decision. In the unlikely event that a buyer stops making payments and the lender has to foreclose on the property, that lender wants to be sure that the value of the property is high enough that the lender could sell the property and get its money back. Before lending a buyer the money to purchase the property, the mortgage lender will almost certainly do an appraisal to make sure the house meets the lender's standards for the loan. After appraising the property the lender will decide the maximum amount of money that may be borrowed.

In most mortgage transactions, Federal lending regulations prohibit lenders from charging fees for appraisals to potential buyers before that buyer has indicated that he or she agrees to the terms presented in the Loan Estimate. Until that time, potential buyers may only be charged a reasonable fee for the credit report done by the lender. After accepting the terms of the Loan Estimate and indicating an intent to move forward with the mortgage, the buyer will likely be required to promptly order (and pay for) an appraisal on the property. It is essential that the lender's timelines be followed so that settlement can occur as scheduled.

Keep in mind that the appraised value of the property may be different from the agreed-upon purchase price. Sometimes the appraised value will be too low for the lender to approve the entire amount of the mortgage that has been requested. If the buyer still wants to purchase the property, it will be necessary to find additional money to make up the difference.

## Mortgage Application Checklist for Buyers



Here is a sample checklist of some of the things the buyer may need to provide to the lender when applying for a mortgage loan.

Income information, including:

- Employers' name, address, and phone number for the last two years
- W-2 statements for the last two years
- Recent pay stubs (approximately one month's worth)
- Green card for resident alien
- If self-employed, the last two years' tax returns with all schedules and year-to-date profit and loss statements
- Other income from Social Security, VA & retirement benefits, alimony, and child support

Financial information, including:

- Bank names, account numbers, and balances
- Bank statements for the last three months on all accounts
- Proof of rent or mortgage payments for the last 12 months
- Liabilities, including debts, loans, and credit card balances
- Current financial statements listing assets and investments
- Check to pay for appraisal, credit report, and mortgage rate lock

Other items and information, including:

- Social Security number
- Landlords' name and address for the last two years
- Certificate of Eligibility and/or DD214 for VA loans
- Leases for rental properties
- Separation agreement, divorce decree, and/or property settlement
- Agreement of Sale
- Legal description of the property

This is only a sample checklist. Buyers should ask the lender what else they need, as requirements may differ from lender to lender. Keep in mind that this information will be required shortly after the seller accepts the Agreement of Sale, so it couldn't hurt to get it ready ahead of time!

### What if the Loan Is Not Approved?

If a mortgage is approved within the terms specified in the Agreement, the buyer must proceed with the transaction. If the buyer meets all of the obligations spelled out in this contingency and is still turned down for a mortgage, the terms of the Agreement state that the buyer will not have to go through with the purchase.

Remember that this is only true where the buyer has, in fact, done everything required by the terms of the Agreement. This means the buyer must have completed the application and locked in the interest rate within the time given, the application had the same terms as were listed in the Agreement, the buyer was honest with the seller and mortgage lender regarding buyer's finances, and the buyer has fully cooperated with the lender during the processing of the application. If the buyer has failed to meet the obligations agreed to in the Agreement, he would likely be in default if the loan is not approved.

### CHANGE IN BUYER'S FINANCIAL STATUS

The successful completion of the transaction depends in large part upon the financial status of the buyer. In the time it takes to complete the sale of a home, unexpected changes in the buyer's finances could take place. If any of those changes may affect the buyer's ability to purchase the property, then he is obligated to inform the seller, and any lenders who received mortgage applications, in writing.

Buyers should be aware that applying for or incurring additional financial obligations during this time can affect their eligibility for financing along the terms specified in the Agreement. It is best to hold off on major purchases until after the transaction has closed.

## SELLER REPRESENTATIONS

This paragraph explains what the seller knows about the type of water and sewage systems serving the property, whether there are historic preservation or land use restrictions on the property and whether the seller has received any notices about the property from any government or public authority. Note that there are additional explanatory Notices included in the Agreement for most types of on-lot sewer systems and land use restrictions.



The buyer agent often fills in this section with information provided by the seller in other forms, but the seller should always double-check these items. Once a seller accepts the Agreement the seller is responsible for these statements. Remember that if the buyer has special needs or questions on these issues the buyer should still do inspections and contact a tax professional or attorney, if needed.

## The Seller Disclosure Law

Pennsylvania law requires that before an Agreement is signed, the seller in most residential real estate transfer must make certain disclosures regarding the property. A residential real estate transfer is defined as a sale, exchange, installment sales contract, lease with an option to buy, grant or other transfer of an interest in real property of between one and four dwelling units. The disclosures must be made to all potential buyers in a form defined by the law.



There are several exceptions where the disclosures do not have to be made:

1. Transfers that are the result of a court order;
2. Transfers to a mortgage lender that result from a buyer's default and subsequent foreclosure sales that result from default;
3. Transfers from a co-owner to one or more other co-owners;
4. Transfers made to a spouse or a direct descendant;
5. Transfers between spouses that result from divorce, legal separation or property settlement;
6. Transfers by a corporation, partnership or other association to its shareholders, partners or other equity owners as part of a plan of liquidation;
7. Transfer of a property to be demolished or converted to non-residential use;
8. Transfer of unimproved real property;
9. Transfers by a fiduciary during the administration of a decedent estate, guardianship, conservatorship or trust;
10. Transfers of new construction that has never been occupied when: 1) the buyer has received a one-year warranty covering the construction, 2) the building has been inspected for compliance with the applicable building code or, if none, a nationally recognized model building code, and 3) a certificate of occupancy or a certificate of code compliance has been issued for the dwelling.

In addition to these exceptions, disclosures for condominiums and cooperatives are limited to the seller's particular unit(s). Disclosures regarding common areas or facilities are not required, as those elements are already addressed in the laws that govern the resale of condominium and cooperative interests.

Buyers should be aware that the Seller Disclosure Law does not require the seller to do any investigation; the only obligation is for the seller to disclose what they know. If the buyer has any questions about the soundness or function of the property or any part of it, they should consider a home inspection.

## Public and/or Private Notices and Assessments

The term “assessment” is used in the Agreement of Sale and in this booklet to refer to some fee or cost paid by a homeowner for an improvement related to the property. For example, a local government might impose an assessment on residents to pay for new sidewalks or sewer pipes, while a condominium or homeowner association might levy an assessment on property owners to pay for the cost of maintaining the public areas overseen by the association.

The term “assessment” is not meant to include property tax assessments or relate to property values. The buyer should research local assessments and tax rates during the process of searching for a suitable home, before submitting an offer.

The seller is required to pay for any assessments made prior to the acceptance of the Agreement, and is also responsible to correct violations of zoning, building or safety ordinances when notices of violation have been provided to the seller before the Agreement is signed. Even if the assessment or violation hasn't yet been received, if the seller knows that something will be coming it must be disclosed to the buyer in advance.

## WAIVER OF CONTINGENCIES

Many contingencies in the Agreement of Sale specify time periods within which the parties must act. The waiver of contingencies paragraph reminds both the buyer and seller that failure to meet a deadline will result in the waiver of rights under that contingency. For example, if the buyer misses a deadline to request repairs after an inspection, the buyer will be deemed to have accepted the property with no repairs. If there is any reason why the preprinted contingency time periods might be problematic be sure to let your Realtor® know so those times can be adjusted.

## DUE DILIGENCE/INSPECTIONS



In most residential transactions, sellers are required to provide buyers with a Seller's Property Disclosure Statement listing known problems with the property. Exceptions to this general rule are listed above and on the PAR Seller's Property Disclosure Statement (Form SPD).

Although this form covers many important aspects of the property, buyers should not rely exclusively on this form in determining the condition of the property. For one thing, the form only asks sellers to disclose conditions they are aware of.

There might be many things that would concern a buyer (and the seller, for that matter), but are unknown by the seller. For example, sellers might not know of a weak spot in the roof if it hasn't started leaking; similarly, they might not know that a septic system is getting close to needing a repair if it hasn't started causing problems.

Buyers should strongly consider hiring professional inspectors to review the major elements and systems of the home. This might take the form of obtaining a full “home inspection” of the property, hiring a series of specialists to inspect individual systems (for example, a roofer for the roof, a plumber for the plumbing, etc.), or some combination of the two. Keep in mind that the Agreement requires that inspections be done by “licensed or otherwise qualified inspectors,” so buyers should always be sure to check out the qualifications of inspectors before hiring them.

In the “Inspections” paragraph the seller agrees to allow access to the property for all inspections agreed upon in the Agreement. It also states that the utilities will be on for the inspections and reserves the buyers' right to a pre-settlement inspection of the property.

Although buyers do have the right to attend inspections, buyers are there just as observers. This isn't the time to bring along family members for a tour of the home or to ask a decorator to measure for new curtains. Similarly, the right to a pre-settlement inspection is generally meant to provide an opportunity to look through the property just before settlement to make sure that everything is in the condition agreed to in the Agreement. If the buyers have any other need to enter the property before settlement they should work out the arrangements ahead of time with the seller.

## Are Inspections Required?

When making an offer, it is better to err on the side of caution. As a buyer, if you are unsure of whether or not you will need any inspections, elect to have them done. Reserving the option to have inspections lets buyers decide later whether they want them. However, if the buyers waive the right to inspections in the Agreement they can't come back later to have them done.

Remember that requesting and allowing inspections are negotiable terms. If sellers have a choice between two similar offers they may opt for the offer that is contingent upon fewer inspections. At the same time, however, when a buyer waives the right to an inspection it means that the property will be accepted in its present condition, regardless of what that condition is. This could be very expensive for the buyer if certain conditions need to be fixed after moving into the property. In many ways, deciding on what inspections to have may be one of the most important elements of the Agreement.

Sometimes a potential buyer may want to conduct certain types of "inspections" before even making an offer. For example, it is often a good idea to drive around a neighborhood and even talk to a few neighbors before making an offer. This can help identify issues such as ease of access to the neighborhood, noise from nearby roads or factories, and many other concerns that might affect the decision. Some buyers might even want to inspect the property before making an offer. Talk to your Realtor® to determine whether this is right for you. Doing these sorts of inspections before making an offer can save buyers and sellers a lot of time if it turns out that there is something a buyer doesn't like.

## How long will the inspections take?

Buyers should ask their Realtor® for an idea of how long it will take to get the inspections done. All of the inspections are subject to a "Contingency Period" of a certain number of days. The Contingency Period will be the same for all inspections. Remember to leave a buffer so there is enough time to complete everything within the time given. See the appropriate Notices in the Agreement for helpful information on property conditions and some information on certain inspections.

## HOME/PROPERTY AND ENVIRONMENTAL HAZARDS INSPECTION

The Agreement's Home/Property and Environmental Hazards Inspection provides for inspections of pretty much anything and everything related to the property not covered by later inspections. Some of the inspections often performed—as a single system inspection or as part of a full home inspection—are listed below.

- Electrical system
- Environmental issues
- General appliance condition
- Heat/air conditioning (HVAC)
- Mechanical systems
- Plumbing
- Roof
- Mold and indoor air quality
- Property boundaries
- Building codes compliance
- Site features (condition of driveway, sidewalks, etc.)
- Structural condition
- Water penetration

NOTE: Other common inspections are listed individually in the rest of this paragraph:

- Wood Infestation
- Deeds, Restrictions and Zoning
- Water Service
- Radon
- On-Lot Sewage System
- Property and Flood Insurance
- Property Boundaries
- Lead-Based Paint

The Pennsylvania Home Inspection Law applies to “residential real estate transfers,” which is a transfer of between one and four dwelling units. The law also sets certain criteria for home inspectors. Below are definitions of some of the common terms used in a home inspection.



**Home Inspection:** A non-invasive, visual examination of some combination of the mechanical, electrical or plumbing systems or the structural and essential components of a residential dwelling designed to identify material defects in those systems and components. The term does not include an examination that is limited to inspection for, or of, one or more of the following: wood-destroying insects, underground tanks and wells, septic systems, swimming pools and spas, alarm systems, air and water quality, tennis courts and playground equipment, pollutants, toxic chemicals and environmental hazards.

Simply put, a “home inspection” is an inspection that covers multiple systems of the property in a single inspection. For example, if one inspector looks at the roof, plumbing, and heating systems during a single inspection, it is a “home inspection” according to the law. If three different inspectors look at each item separately, those single-system inspections are not “home inspections” as defined by the law.

**Home Inspection Report:** A written report on the results of a home inspection. The Report must include a description of the scope of the inspection and a description of any material defects noted during the inspection, along with any recommendation that certain experts be retained to determine the extent of the defects and any corrective action that should be taken.

**REMEMBER:** Hiring a home inspector DOES NOT guarantee that everything will be perfect with the property, or that the inspector will always discover all the problems with the property.

**Home Inspector:** An individual who performs a home inspection

**National Home Inspectors Association:** Any national association of home inspectors that: (1) is operated on a not-for-profit basis and is not operated as a franchise, 2) has members in more than ten states, 3) requires that a person may not become a full member unless the person has performed or participated in more than 100 home inspections and has passed a recognized or accredited examination testing knowledge of the proper procedures for conducting a home inspection, and 4) requires that its members comply with a code of conduct and attend continuing professional education classes as an ongoing condition of membership.

If the buyer elects to have a home inspection, make sure the home inspector is properly qualified and operates in compliance with the law. Keep in mind that the law gives certain protection if the inspector provides a “written representation” regarding the home inspector’s qualifications, so be sure to “get it in writing” when selecting an inspector. When hiring other inspectors, check out their qualifications and background, as well as whether they have any required local licenses and permits (for example, certain cities or municipalities might require that a plumber get a local license before being allowed to work).

**Material Defect:** A problem with a residential real property or any portion of it that would have a significant adverse impact on the value of the property or that involves an unreasonable risk to people on the property.

## WOOD INFESTATION

It’s always a good idea to have the property inspected for wood-destroying insect infestation (termites) and it is usually required by mortgage lenders. Remember that it will be the buyer’s responsibility to request treatment or repairs if they are desired.

## DEEDS, RESTRICTIONS & ZONING

Later in the Agreement it states that the seller will provide good title to the buyer, but that the title will be subject to existing deed restrictions and other types of existing restrictions. Buyers will probably want to be sure that any existing restrictions don't interfere with how they expect to use the property. For example, a buyer who wants to install an in-ground pool may not be able to if it turns out the electric company has an easement for an underground power line that runs right through the yard. Buyers can use this inspection to look at the deed through a title search, as well as examining other property restrictions including zoning issues.

## WATER SERVICE

If buyers are concerned about the status of the water system serving the property, they should elect to have the system inspected. This is often elected when the property is served by an on-site system, usually a private well.

There are no state or federal standards for well water, so the buyer may want to have a reputable water testing company analyze the quality of the water and provide a report listing any contamination. Buyers should speak with the testing company about what types of tests it will run and what contaminants it can detect.

Different testing may be necessary for different areas. Buyers might also wish to have an inspector test the flow rate of the well, along with the physical structure of the well and its components.

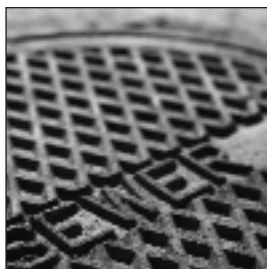


Although not as common, this inspection also allows buyers to investigate the quantity or quality of the public water supply; some buyers might want to have testing done even if the home uses public water. Testing might determine if there are problems with the system within the home or with the pipes leading to the home off the main water line, which are often the owner's responsibility.

## RADON

Radon is a radioactive gas produced in the ground by the natural decay of radium and uranium. Extended exposure to high levels of radon can pose serious health risks. If radon gas has been detected on the property through past testing the seller must disclose this information in the Seller's Property Disclosure Statement. If no Disclosure Statement is required in your transaction, it may be prudent for a buyer to elect this inspection.

If radon is discovered to be at or higher than the level that is acceptable to the buyer, the buyer can decide which choice to make within the inspection process.



## ON-LOT SEWAGE

The inspection in this paragraph relates only to testing an on-lot sewage system such as a septic system. Most buyers are concerned about the condition of an on-site sewage disposal system. It's a good idea to have the sewage disposal system inspected unless current data and/or documentation is available to verify the current status of the system.

If the property has access to public sewer and buyers want to have an inspector check the flow and condition of the sewage lines it would be done under the

Home/Property inspection found earlier in the Agreement.

If the inspection shows that the existing system is defective but can be repaired without expansion or replacement, the parties proceed under the inspection process.

Unlike the other inspection contingencies, there is a second step to this contingency. If fixing the defects identified in the report would require expansion or replacement of the current system the seller decides what action to take. The default terms of the Agreement give the seller 25 days to get further testing and present a Written Corrective Proposal (more on this below) to the buyer about expanding or replacing the system. The buyer then has the option to accept the terms of the Proposal, take the property with no changes, or terminate the Agreement and get back any deposit monies.



## PROPERTY AND FLOOD INSURANCE

Almost every buyer will want or need to obtain insurance coverage for the property. For buyers getting mortgage financing the lender may require a minimum amount of insurance coverage. Even for a cash buyer who isn't required to get insurance by a lender it is certainly a good idea to insure such a large investment against loss or damage.

Just like mortgage lenders have varying standards for making loans, insurers may have different standards for deciding whether to insure a particular property.

These standards will often include the property's insurance history (whether there have been claims by the current or prior owners), the buyer's insurance history (whether the buyer has filed claims in prior homes), the property's condition and value, and the buyer's credit history.

The Property and Flood Insurance inspection gives buyers the option to make the Agreement contingent on being able to obtain suitable insurance coverage. Electing this paragraph requires the buyer to make an application for insurance within the stated Contingency Period. If buyers are unable to obtain acceptable insurance within the Contingency Period they will have the option to terminate the Agreement without being in default.

In 2012, changes to the National Flood Insurance Program (NFIP) included re-mapping of flood plains and removal of federal subsidies for the cost of flood insurance premiums. Buyers are cautioned to get quotes from several reputable sources based on current maps and not to rely on the seller's current need for or cost of flood insurance. Buyers should not delay in seeking quotes on the cost of insurance, as the estimates may take several weeks to complete.

Most insurers will be able to provide a reliable answer to an insurance application within a few days. Keep in mind, however, that an insurer might make a preliminary decision conditioned on the result of an inspection or further research by the insurer. If the buyer obtains a conditional approval, the parties may wish to amend this paragraph to permit further discussion if the insurer changes its decision.

## PROPERTY BOUNDARIES

If there isn't a valid legal description of the property in the deed, a survey may be required by the title company or attorney performing the title abstract. If so, the seller will pay for it. A buyer who is concerned about the precise location of the boundaries of the property may wish to obtain (and pay for) a survey unless the property was recently surveyed and the markers/stakes remain. Without a survey it is unlikely the sellers or Realtors® involved in the transaction will know precisely where the boundary lines are located.

## LEAD-BASED PAINT HAZARDS

The law provides buyers the right to carry out a risk assessment and/or inspection for the presence of lead-based paint and lead-based paint hazards in properties built prior to 1978. This paragraph allows the buyer to elect such an inspection. You should receive a pamphlet titled *Protect Your Family From Lead in Your Home* and a disclosure from the seller about the seller's knowledge of the lead-based paint on the property if the property was built before 1978.

## INSPECTION CONTINGENCY

If the buyer decides to have any inspections, the Agreement of Sale lays out a process of how to proceed if there is something unsatisfactory in the inspection reports.

This process gives buyers the right to accept the Property in the condition reported by the inspector(s), terminate the Agreement and get back any deposits, or suggest another solution. Buyers make this suggestion by providing a "Written Corrective Proposal" to the seller, which lists the issues the buyer would like to have addressed and what actions they would like the seller to take.



In most instances, buyers are asking for repairs to the property, some sort of a credit or “seller assist” towards the cost of repairs, or a reduction in the sale price of the property. Various other alternatives may exist, but whatever the buyers wish to have done should be stated with some specificity in their Written Corrective Proposal.

It is important for both the buyer and the seller to always meet all the time deadlines stated in this process. Missing a deadline may mean that the party has waived his or her right to take certain action. For example, if the buyer has the chance to terminate during the contingency period but doesn't, the buyer has waived that right and has to move forward.

There are no specific requirements for what a Written Corrective Proposal must look like, nor what must be in the Proposal. PAR produces a form called the Reply to Inspections/Reports (Form RR) that can often be used for this purpose, but buyers may create their own Proposals if desired. Negotiation during this period may be as formal or informal as the parties like, so long as the final terms of the agreement are put in writing and signed by the parties.

Whatever the format, buyers can make the terms of the Proposal as specific as they would like. Depending on the context, this could include things like the name of the contractor and the methods used to do the work.

Remember that the initial terms of the Written Corrective Proposal are up to the buyer, and the buyer and seller will then negotiate over a final resolution of the issue. The buyer might ask the seller to replace the hot water heater and repair the sidewalk. Or the Proposal might be to repair the sidewalk and provide a \$500 credit towards the hot water heater. Or it might be an \$800 seller assist. Or it might be any combination of these solutions and many others. See PAR Form RR for hints on handling these Proposals.

After receiving the Proposal, the buyer and seller have a certain period of time to decide what to do with the buyers' requests. If the seller decides to complete everything as requested in the Proposal the buyers must move forward with the purchase of the property. If the seller chooses to not do everything in the Proposal the buyer and seller have a chance to try to negotiate a solution that works for both. If the time period for negotiation ends, and the parties haven't reached a mutually acceptable written agreement, then the buyer will have a chance to terminate the Agreement.



## **REAL ESTATE TAXES AND ASSESSED VALUE**

Currently, Pennsylvania property and school taxes are based on a home's fair market value. These assessments are done on a county-wide basis and not upon the sale of the property. If the property owner or taxing authority (school district, township, etc.) disagree with the new assessment, both sides have certain rights of appeal. A successful appeal by either party could result in the taxes going up or down.

## **NOTICES, ASSESSMENTS AND MUNICIPAL REQUIREMENTS**

### **Notices and Assessments**

The seller is required to provide to the buyer any notices of assessments or violations received after the Agreement has been signed by both parties, along with notice of whether the seller intends to pay the assessments and/or fix the violations. If the seller does not pay any new assessments or correct any new violations the buyer then has a choice to accept the property (and pay the assessments or correct the violations) or terminate the sale and get back all deposit monies.

**ORDINANCE:** The governing rules and regulations of a municipality (e.g., zoning, building and safety). The state and federal governments govern by using laws; local municipalities (cities, boroughs, townships, etc.) use ordinances.

## **Certificate of Occupancy or Use and Occupancy Permit**

In some municipalities there is a requirement to obtain a “certificate of occupancy” or a “use and occupancy permit” when a property is sold. This process may include the municipality performing some sort of a physical inspection and reporting any violations of local ordinances. Depending on the ordinances, some or all of the violations may need to be fixed before settlement or within a certain period of time after settlement. If the property has no violations, or if the property is brought into compliance with the ordinances, the owner will receive this certificate/permit.

If any violations are found during this municipal inspection the seller will decide whether to fix the violations. If the seller agrees to the appropriate repairs the buyer must move forward with the purchase; if not, the buyer has the choice to make the repairs or to terminate the agreement and get back all deposit monies.

Unlike most other inspections, the results of these municipal inspections might be given to the seller, not the buyer. Accordingly, a buyer may not realize that a problem exists until the seller shares the results of the inspection. To encourage sellers to inform buyers of any problems as soon as possible, the Agreement states that if the seller fails to notify the buyer within the agreed upon time period the seller is automatically required to do - and pay for - all the repairs called for in the report.

## **CONDOMINIUM/PLANNED COMMUNITY (HOMEOWNER ASSOCIATION) NOTICE**

There are a number of differences between a “standard” residential property and one that is part of a condominium or planned community. Generally speaking, a condominium owner only owns the interior area of his or her “unit.” The owner also owns, with all other owners, the property surrounding the units, which is called the “common area.” Owners pay a monthly fee to cover maintenance and repairs to the common areas, which generally include sidewalks, parking areas, landscaping, swimming pools and the exteriors of the buildings.

A planned community is similar to a condominium except the owner usually owns the building and the land directly underneath it. Most of the rest of the planned community would be common areas owned by all of the owners and maintained by a homeowner association. Like the condominium, a monthly fee is generally assessed for upkeep of the common areas.

The condominium or homeowner association usually has a board of directors made up of owners. The board makes rules and regulations governing the use of the common areas and is also responsible for overseeing the association’s finances.

When a newly-constructed house is being purchased, the Uniform Condominium Act and the Pennsylvania Uniform Planned Community Act require the seller (if also the declarant) to give the buyer a Public Offering Statement. These are slightly different requirements that are in place for the sale of an existing unit or house which, with some exceptions, obligate a seller to give a buyer a “certificate of resale” along with the rules and regulations of the association before the Agreement can become binding. The certificate of resale contains a list of items that the buyer is entitled to review before settlement occurs. Buyers are given five days to review these documents and to terminate the sale if not satisfied for any reason. When purchasing a new unit in a condominium or a new house in a planned community, the developer (seller) is required to give you additional information and more time to review the documents. Ask your Realtor® for details.

### **A Word to the Wise**

Many buyers are quite surprised to find out what sorts of limitations a condominium or homeowner association can enforce. Limitations can often include rules on choosing exterior paint color, putting up decorations and ornaments, landscaping, and other issues. Certain activities may also be restricted, such as parking, ball playing, and bicycle riding. To avoid surprises, buyers should learn as much as possible about the homeowner or condominium association restrictions BEFORE buying this type of property.

# TITLES, SURVEYS AND COSTS

## Title to the Property

The seller will transfer ownership of the property to the buyer at settlement in the form of a deed. This is known as “taking title to the property.” It is always a good idea for the buyer to have a title search and to obtain title insurance; both are generally required by mortgage lenders.

The purpose of a **title search** is to research the history of the property to determine if there are any financial liens or claims of ownership to the property beyond the seller’s ownership. If the title search reveals that the seller can’t give “good and marketable title” free of other liens or claims the buyer may terminate the sale and have all deposit monies returned.



**LIEN:** A right given by law to creditors (lenders) to have their loans paid off when the property is sold. A mortgage is a type of lien.

**Title insurance** is meant to protect against claims or liens that may be discovered after the purchase is complete. For example, if a lien wasn’t properly filed against the property and is only discovered several years after purchasing the property, a title insurance policy should pay some or all of the costs of addressing that problem. There are a number of variations on title insurance, including some policies that cover certain property defects or the failure of prior owners to obtain proper permits for work done to the property. Buyers should talk to their title insurer about the extent of protection offered by the title insurance policy.

It is assumed that all rights to the property (sometimes called a “bundle of rights”), including those above and below the ground, transfer with the property unless the Agreement specifies otherwise. If the Buyer and Seller know that not all of these rights will transfer - such as rights for coal mining or oil and gas drilling - they should make sure the Agreement explains which rights will be transferred and which rights will not. There is a PAR form for this purpose.

**CAUTION:** The seller’s requirement to transfer “marketable” title at settlement does not mean that there are no easements or other restrictions that affect the use of the property.

An easement is a right of access over or on property for a specific use. For example, utility companies frequently have easements giving them access to install and maintain their lines on privately owned property. Deed restrictions and restrictive covenants may also limit how a property may be used or what may be placed on the property.

Buyers concerned with the impact that easements and restrictions will have on their use of the property should find out if any exist before signing the Agreement of Sale, or they should make it one of the things they check as part of the Deeds, Restrictions and Zoning Inspection, if elected.

If the property is in an area where coal has been extracted or where the rights to coal have been transferred separately from the rights to surface land, the legally required notice in Paragraph 17(H) informs the buyer that certain below-ground rights (the rights to the coal that may be under your property) might not be transferred with the property. It also advises buyers that damage may occur as a result of mining activity.

## MAINTENANCE AND RISK OF LOSS

It is a common misconception that a property is guaranteed to be in “good” condition at settlement. In reality, buyers are purchasing the property in the condition it is in at the time both parties sign (execute) the Agreement of Sale unless the terms of the Agreement state otherwise. This means that if the buyer wants something to be fixed or replaced before settlement it should be in writing as a term of the Agreement or in an addendum.

Generally, the Agreement refers to the property as being in its “present condition” at the time the Agreement is signed. If the condition changes before settlement, after accounting for normal wear and tear (and any changes made as a result of the inspection contingency process), the Agreement says that seller can either correct the condition or credit the buyer the cost for the correction. If the seller fails to correct the condition or offer a credit, the buyer can terminate the sale.

Let’s use the refrigerator as an example and assume that it is included with the sale of the home. If, after the buyer submits an offer, a few small scratches appear on the door of the refrigerator then the Agreement places no obligation on the seller to do anything because that would be considered normal wear and tear. The seller is prohibited, however, from taking the refrigerator that the buyers think they are getting and replacing it with an older or less-expensive one (that is not present condition). If the refrigerator that the buyers are to receive breaks before settlement, then the seller must either repair it, replace it, or provide the buyer with a credit. If the seller fails to do any of those three things, then the buyer has the option to terminate the Agreement.

**REMEMBER:** Electing inspections provided for in the Agreement of Sale is the best way to determine the property’s condition. If you have any questions it is better to have them answered by an inspector before settlement when you may be able to negotiate over a condition or terminate the Agreement. One of the reasons to do a pre-settlement walkthrough is to be sure nothing has changed.

Where there is damage from a fire or any other sort of disaster (flood, tornado, etc.) which is not repaired or replaced prior to settlement, the buyer has the choice to accept the property with the seller’s insurance reimbursement, if any, or to terminate the Agreement and get any deposits returned.

## HOME WARRANTIES

A home warranty is like an insurance policy that covers some or all of the costs to repair or replace certain appliances or systems of a home. In some transactions a seller might elect to purchase a warranty that would cover the home after it is sold. Other times a buyer might want to purchase the warranty on his own. The types of warranties and their availability will vary from market to market, so check with your Realtor® if you think purchasing a home warranty might be useful.

## RECORDING

After the seller accepts the Agreement of Sale, but before settlement is complete, a buyer technically has an ownership interest in the property. In fact, buyers are sometimes known as “equitable owners” prior to settlement. Paragraph 20 states that the executed Agreement of Sale, which creates this ownership interest, may not be recorded at the courthouse. When settlement is complete, the new deed will be recorded in the public record as evidence of the buyer’s full ownership of the property.



## ASSIGNMENT

Occasionally, a buyer might not want his or her identity known to the seller. For example, an investor seeking to buy several homes on the same block might not want the sellers to know that the same buyer is interested in all the lots. In that sort of transaction the original offer might be submitted with the name of another person or company identified as the buyer. Once the contract is signed, the identified buyer would then “assign” the right to purchase the property to the true buyer via a separate contract.

This can cause problems for sellers, who might find that they are suddenly in a transaction with a buyer they wouldn’t have accepted had they known the buyer’s true identity from the beginning. To avoid this problem, the Agreement states that a buyer may not transfer or assign the Agreement of

Sale to another buyer without the seller's permission. That is, if the identified buyer doesn't have the seller's permission to make the assignment, the buyer must go forward with the purchase himself or risk being in default and losing all deposits.

If you know in advance that the right to purchase will be assigned you should talk to your Realtor®.

The buyer may be required to pay additional transfer tax when assigning the right to purchase. Talk to an attorney and/or accountant about the potential impacts.

## **GOVERNING LAW, VENUE AND PERSONAL JURISDICTION**

Should a legal problem arise during the transaction that results in the filing of a lawsuit, the parties agree to file and defend the lawsuit within Pennsylvania courts, using Pennsylvania law.



## **FOREIGN INVESTMENT IN REAL PROPERTY TAX ACT OF 1980 (FIRPTA)**

Typically, the transfer of an interest in real estate is a taxable event. FIRPTA permitted the Internal Revenue Service (IRS) to impose a tax on foreign persons upon the transfer of real estate located within the United States. A "foreign person" can be a nonresident alien individual, a foreign corporation, a foreign partnership, a foreign trust or a foreign estate. The term does not apply to resident aliens. Foreign persons must inform buyers of their status and provide an affidavit setting forth the information needed to properly record the tax. When purchasing real estate from a foreign person, the buyers are required to act as withholding agents and withhold a percentage of the profit as tax. Failure to properly withhold could result in the buyer being liable for the tax, so it is wise to consult an attorney or accountant if involved in this type of transaction.

## **NOTICE REGARDING CONVICTED SEX OFFENDERS (MEGAN'S LAW)**

Pennsylvania law requires those convicted of certain sexual offenses to register with the State Police under a program commonly known as Megan's Law. The purpose of Megan's Law is to provide community notification of the presence of certain individuals in a particular area. The State Police website ([www.pameganslaw.state.pa.us](http://www.pameganslaw.state.pa.us)) provides a searchable database for the public's use.

A search of this nature is not an inspection, nor is the proximity of an offender a material defect that must be disclosed under the Seller Disclosure Law. Buyers who are concerned should make use of the resources available to them prior to submitting an offer.

## **REPRESENTATIONS**

During the course of a transaction many people say many things. Buyers will probably hear or read information about the property provided by the seller, the seller's Realtor® and the buyer's own Realtor®. Sellers will likely have gotten certain information about the buyers and their financial position from the buyers' Realtor® or the buyers themselves.

With all this additional information floating around it is important to remember that the transaction is ruled **ONLY** by what is written in the Agreement and any addenda. If there is something about the transaction that isn't in writing and included as part of the Agreement, neither side can rely on it. If you want something to be done, get it in writing even if the other party verbally says they'll take care of it. If there is a proposed term written in the Agreement that you dislike or disagree with, delete it before signing the form; if a term is in the Agreement you will be bound by it, even if the other party stated that it wouldn't be a big deal.

**CAUTION:** Take the time to read and understand all relevant portions of the Agreement and any addenda. The time to deal with any issues is well before settlement, not at the settlement table or after the purchase is complete.

## DEFAULT, TERMINATION AND RETURN OF DEPOSITS

If a party fails to do something that is required by the Agreement that party could be considered to be in default. If this happens the other party may have certain legal rights and other rights granted by the terms of the Agreement.

In most transactions the buyer will have some amount of money paid as a deposit being held in escrow by a broker. The Default paragraph of the Agreement states that where the buyer is in default (usually for failing to do something necessary to keep the transaction moving forward) the seller will get to keep the buyer's deposits. There is also a choice for the seller to decide whether those damages will be the complete remedy for the default or if the seller will reserve the right to also file a lawsuit for any additional remedy that might be provided by law.

Where the seller is in default the buyer's rights are primarily defined by law, not by the Agreement. If the buyer wants to move forward with the purchase but the seller backs out for a reason not permitted in the Agreement, the buyer may be able to bring a lawsuit for damages or to force the seller to complete the sale.

There are many places in the Agreement where your action (or inaction) could lead to a default. Your Realtor® can help keep track of your various deadlines and responsibilities to make sure you don't inadvertently end up in default.

Any deposits will be given to the real estate broker (unless another "escrow agent" is named in the Agreement) and will be applied to the purchase price. State laws strictly outline a real estate broker's escrow duties and dictate that deposits be kept in an escrow account separate from the real estate broker's regular business account.

The return of deposits is one of the most commonly misunderstood parts of the Agreement. State law requires that a real estate broker keep all deposits in the broker's escrow account if there is any dispute between the parties about how the deposits should be paid. Even if one party is being unreasonable or is taking a position that clearly doesn't match the terms of the Agreement, the broker is not permitted to return the deposits until the parties agree, a court order is issued, or the terms of a "pre-agreement" between the parties kick in. So that neither side can later claim that the deposits were released against their will, most brokers will ask the parties to sign some sort of a document authorizing the broker to release the deposits.

The language in Paragraph 26 is a "pre-agreement" between the parties that in the event of an unresolved dispute over deposit money, the buyer may ask for it to be returned after a specified time. Note that there are certain conditions that must be met before the broker may return the money. Also, a distribution of the deposit money to the buyer does not mean that the buyer is legally entitled to the money. The parties maintain their legal rights to litigate the dispute in court even if the deposit has been given back to the buyer.

## MEDIATION

It used to be that if a dispute between a buyer and seller couldn't be resolved amicably between the parties, the only other option was to go to court.

In many areas of Pennsylvania the local association of Realtors® offers a mediation process that brings the parties together with a trained mediator at a moderate cost to encourage an amicable solution. The language in this Paragraph indicates that the buyer and seller agree in advance to mediate using the mediation process offered by the local association of Realtors® if a dispute arises. If the dispute cannot be resolved, the parties are still free to go to court. You can ask your Realtor® for more information.

## **RELEASE**

Depending on the terms negotiated by the parties, the buyer may have various opportunities to renegotiate or to terminate the Agreement. Where the buyer elects to move forward with the transaction or misses a deadline, the Agreement states that the buyer will accept the property and agree to this release.

In general terms, the release states that the buyers understand that if they accept the property with certain conditions they can't then come back and file suit against the seller over those conditions. For example, if the buyer does an inspection that detects roofing problems but chooses to move forward without asking the seller to fix the roof, the buyer can't come back later after the roof starts leaking and sue the seller for the cost of making repairs to the roof.

It is important to note that the release does NOT protect the seller in the case of fraud or any other default by the seller. So if the seller agrees to fix a problem with the roof but then lies about getting the repair done, the buyer is probably not bound by the release language of the Agreement. Because the release is so important, it is a good idea to ask your Realtor® or an attorney if you have any questions.

## **REAL ESTATE RECOVERY FUND**

Pennsylvania law can protect consumers in the unlikely event that there is misconduct on the part of the real estate licensees involved in the transaction. If you successfully sue the licensee or licensees for their actions but are unable to collect your judgment from them, the Real Estate Recovery Fund can be a source to collect some, if not all, of your funds.

## **COMMUNICATIONS WITH BUYER AND/OR SELLER**

Communication between the parties and their Realtors® is the key to a smooth, successful transaction. Copies of important documents, such as the time-sensitive Loan Estimate and Closing Disclosure, should be provided to your Realtor® as soon as you receive them.

In most cases communicating something to a Buyer Agent is viewed as the same as communicating something to the buyer. The same holds true for the Seller Agent and the seller. The only exception to this rule is the resale certificates for Condominiums and Planned Communities. These certificates must be delivered to the buyer before the buyer's time to review these documents would begin, so this allows the seller's agent to send those documents to the buyer directly rather than going through the buyer agent.

## **HEADINGS**

You will see that each of the paragraphs (and some subparagraphs) in the Agreement are labeled with a heading. The headings are to help organize and locate information, and are not interpreted as providing any rights or responsibilities to the parties or their agents.

## **SPECIAL CLAUSES**

During the negotiation process both the buyer and seller will probably make a number of changes to the pre-printed text of the Agreement. Sometimes these changes will just help clarify the pre-printed text (changing the number of days for an inspection, for example), and sometimes they will substantially alter the text (perhaps by crossing out and rewriting a paragraph to better reflect the parties' intention). In certain other cases the buyer and seller will decide that there is a need to include something completely new in the Agreement.

The Special Clauses Paragraph provides the parties some space to add new or different terms that aren't included in the pre-printed text. There is also a list of some commonly used PAR addenda that the parties might decide to use if they are relevant to the transaction, along with some blank lines to indicate that some other addenda are attached.

REMEMBER: All terms and conditions of the transaction must be included in the Agreement in writing. If the buyer and seller have agreed to some other clause or contingency in another document, that document should be listed here. Ideally, it should also be physically attached to the signed Agreement.

## **SIGNING THE AGREEMENT**

You will be asked to initial and date each page and sign the Agreement of Sale. **BE SURE TO FILL OUT THE SIGNATURE AREA COMPLETELY.**

The last, but certainly one of the most important steps of the process, is to promptly deliver the completed Agreement of Sale to the other party.

Until the Agreement presented by the buyer is signed and dated by **BOTH PARTIES** it is still just an offer to purchase, not a legally binding contract. Even if the other party verbally assures you that the Agreement will be or has been signed, the safest course of action is often to wait to proceed until you or your Realtor® has received a copy of the Agreement.

## **MISCELLANEOUS BROKER SERVICES**

You may be asked to sign a separate agreement with your Realtor® for specific services relating to the sale. If the broker, or anyone affiliated with the company, has a financial affiliation with any of the service providers, it will be disclosed to you in a separate form.

## **LET YOUR REALTOR® BE YOUR GUIDE**

Real estate transactions can be very complicated and you'll probably feel overwhelmed.

This booklet is designed to get you more comfortable with this part of the process, but your Realtor® is there to guide you from start to finish, so be sure to rely on the expertise of your Realtor® to see you through it.



## Notes & Questions

**STANDARD AGREEMENT FOR THE SALE OF REAL ESTATE**

ASR

This form recommended and approved for, but not restricted to use by, the members of the Pennsylvania Association of Realtors® (PAR).

PARTIES	
<b>BUYER(S):</b> _____ _____ _____ <b>BUYER'S MAILING ADDRESS:</b> _____ _____ _____	<b>SELLER(S):</b> _____ _____ _____ <b>SELLER'S MAILING ADDRESS:</b> _____ _____ _____

PROPERTY
ADDRESS (including postal city) _____ _____, ZIP _____, in the municipality of _____, County of _____, in the School District of _____, in the Commonwealth of Pennsylvania. Tax ID #(s): _____ and/or Identification (e.g., Parcel #; Lot, Block; Deed Book, Page, Recording Date): _____

BUYER'S RELATIONSHIP WITH PA LICENSED BROKER	
<input type="checkbox"/> <b>No Business Relationship (Buyer is not represented by a broker)</b>	
Broker (Company) _____ Company License # _____ Company Address _____ Company Phone _____ Company Fax _____ Broker is (check only one): <input type="checkbox"/> Buyer Agent (Broker represents Buyer only) <input type="checkbox"/> Dual Agent (See Dual and/or Designated Agent box below)	Licensee(s) (Name) _____ State License # _____ Direct Phone(s) _____ Cell Phone(s) _____ Email _____ Licensee(s) is (check only one): <input type="checkbox"/> Buyer Agent (all company licensees represent Buyer) <input type="checkbox"/> Buyer Agent with Designated Agency (only Licensee(s) named above represent Buyer) <input type="checkbox"/> Dual Agent (See Dual and/or Designated Agent box below)
<input type="checkbox"/> Transaction Licensee (Broker and Licensee(s) provide real estate services but do not represent Buyer)	

SELLER'S RELATIONSHIP WITH PA LICENSED BROKER	
<input type="checkbox"/> <b>No Business Relationship (Seller is not represented by a broker)</b>	
Broker (Company) _____ Company License # _____ Company Address _____ Company Phone _____ Company Fax _____ Broker is (check only one): <input type="checkbox"/> Seller Agent (Broker represents Seller only) <input type="checkbox"/> Dual Agent (See Dual and/or Designated Agent box below)	Licensee(s) (Name) _____ State License # _____ Direct Phone(s) _____ Cell Phone(s) _____ Email _____ Licensee(s) is (check only one): <input type="checkbox"/> Seller Agent (all company licensees represent Seller) <input type="checkbox"/> Seller Agent with Designated Agency (only Licensee(s) named above represent Seller) <input type="checkbox"/> Dual Agent (See Dual and/or Designated Agent box below)
<input type="checkbox"/> Transaction Licensee (Broker and Licensee(s) provide real estate services but do not represent Seller)	

DUAL AND/OR DESIGNATED AGENCY
A Broker is a Dual Agent when a Broker represents both Buyer and Seller in the same transaction. A Licensee is a Dual Agent when a Licensee represents Buyer and Seller in the same transaction. All of Broker's licensees are also Dual Agents UNLESS there are separate Designated Agents for Buyer and Seller. If the same Licensee is designated for Buyer and Seller, the Licensee is a Dual Agent.  <b>By signing this Agreement, Buyer and Seller each acknowledge having been previously informed of, and consented to, dual agency, if applicable.</b>

Buyer Initials: \_\_\_\_\_ / \_\_\_\_\_

ASR Page 1 of 13

Seller Initials: \_\_\_\_\_ / \_\_\_\_\_



1 **1. By this Agreement**, dated \_\_\_\_\_,  
2 Seller hereby agrees to sell and convey to Buyer, who agrees to purchase, the identified Property.

3 **2. PURCHASE PRICE AND DEPOSITS (4-14)**

4 (A) Purchase Price \$ \_\_\_\_\_  
5 \_\_\_\_\_  
6 \_\_\_\_\_ U.S. Dollars), to be paid by Buyer as follows:

- 7 1. Initial Deposit, within \_\_\_\_\_ days (5 if not specified) of Execution Date,  
8 if not included with this Agreement: \$ \_\_\_\_\_  
9 2. Additional Deposit within \_\_\_\_\_ days of the Execution Date: \$ \_\_\_\_\_  
10 3. \_\_\_\_\_ \$ \_\_\_\_\_

11 Remaining balance will be paid at settlement.

12 (B) **All funds paid by Buyer, including deposits, will be paid by check, cashier's check or wired funds. All funds paid by Buyer**  
13 **within 30 days of settlement, including funds paid at settlement, will be by cashier's check or wired funds, but not by per-**  
14 **sonal check.**

15 (C) Deposits, regardless of the form of payment, will be paid in U.S. Dollars to Broker for Seller (unless otherwise stated here: \_\_\_\_\_  
16 \_\_\_\_\_),  
17 who will retain deposits in an escrow account in conformity with all applicable laws and regulations until consummation or ter-  
18 mination of this Agreement. Only real estate brokers are required to hold deposits in accordance with the rules and regulations of  
19 the State Real Estate Commission. Checks tendered as deposit monies may be held uncashed pending the execution of this  
20 Agreement.

21 **3. SELLER ASSIST (If Applicable) (1-10)**

22 Seller will pay \$ \_\_\_\_\_ or \_\_\_\_\_ % of Purchase Price (0 if not specified) toward  
23 Buyer's costs, as permitted by the mortgage lender, if any. Seller is only obligated to pay up to the amount or percentage which is  
24 approved by mortgage lender.

25 **4. SETTLEMENT AND POSSESSION (4-14)**

26 (A) Settlement Date is \_\_\_\_\_, or before if Buyer and Seller agree.

27 (B) Settlement will occur in the county where the Property is located or in an adjacent county, during normal business hours, unless  
28 Buyer and Seller agree otherwise.

29 (C) At time of settlement, the following will be pro-rated on a daily basis between Buyer and Seller, reimbursing where applicable:  
30 current taxes; rents; interest on mortgage assumptions; condominium fees and homeowner association fees; water and/or sewer  
31 fees, together with any other lienable municipal service fees. All charges will be prorated for the period(s) covered. Seller will pay  
32 up to and including the date of settlement and Buyer will pay for all days following settlement, unless otherwise stated here:  
33 \_\_\_\_\_

34 (D) For purposes of prorating real estate taxes, the "periods covered" are as follows:  
35 1. Municipal tax bills for all counties and municipalities in Pennsylvania are for the period from January 1 to December 31.  
36 2. School tax bills for the Philadelphia, Pittsburgh and Scranton School Districts are for the period from January 1 to December 31.  
37 School tax bills for all other school districts are for the period from July 1 to June 30.

38 (E) Conveyance from Seller will be by fee simple deed of special warranty unless otherwise stated here: \_\_\_\_\_

39 (F) Payment of transfer taxes will be divided equally between Buyer and Seller unless otherwise stated here: \_\_\_\_\_

40 (G) Possession is to be delivered by deed, existing keys and physical possession to a vacant Property free of debris, with all structures  
41 broom-clean, at day and time of settlement, unless Seller, before signing this Agreement, has identified in writing that the Property  
42 is subject to a lease.

43 (H) If Seller has identified in writing that the Property is subject to a lease, possession is to be delivered by deed, existing keys and  
44 assignment of existing leases for the Property, together with security deposits and interest, if any, at day and time of settlement. Seller  
45 will not enter into any new leases, nor extend existing leases, for the Property without the written consent of Buyer. Buyer will  
46 acknowledge existing lease(s) by initialing the lease(s) at the execution of this Agreement, unless otherwise stated in this Agreement.  
47  **Tenant-Occupied Property Addendum (PAR Form TOP) is attached and made part of this Agreement.**

48 **5. DATES/TIME IS OF THE ESSENCE (1-10)**

49 (A) Written acceptance of all parties will be on or before: \_\_\_\_\_

50 (B) The Settlement Date and all other dates and times identified for the performance of any obligations of this Agreement are of the  
51 essence and are binding.

52 (C) The Execution Date of this Agreement is the date when Buyer and Seller have indicated full acceptance of this Agreement by sign-  
53 ing and/or initialing it. For purposes of this Agreement, the number of days will be counted from the Execution Date, excluding  
54 the day this Agreement was executed and including the last day of the time period. **All changes to this Agreement should be ini-**  
55 **tialed and dated.**

56 (D) The Settlement Date is not extended by any other provision of this Agreement and may only be extended by mutual written agree-  
57 ment of the parties.

58 (E) Certain terms and time periods are pre-printed in this Agreement as a convenience to the Buyer and Seller. All pre-printed terms  
59 and time periods are negotiable and may be changed by striking out the pre-printed text and inserting different terms acceptable  
60 to all parties, except where restricted by law.  
61  
62

64 **6. ZONING (4-14)**

65 Failure of this Agreement to contain the zoning classification (except in cases where the property {and each parcel thereof, if subdividable} is zoned solely or primarily to permit single-family dwellings) will render this Agreement voidable at Buyer's option, and, if voided, any deposits tendered by the Buyer will be returned to the Buyer without any requirement for court action.

68 **Zoning Classification, as set forth in the local zoning ordinance:** \_\_\_\_\_

69 **7. FIXTURES AND PERSONAL PROPERTY (1-17)**

70 (A) INCLUDED in this sale, unless otherwise stated, are all existing items permanently installed in or on the Property, free of liens, and other items including plumbing; heating; gas fireplace logs; radiator covers; lighting fixtures (including chandeliers and ceiling fans); pools, spas and hot tubs (including covers and cleaning equipment); electric animal fencing systems (excluding collars); garage door openers and transmitters; television antennas; mounting brackets and hardware for television and sound equipment; unpotted shrubbery, plantings and trees; smoke detectors and carbon monoxide detectors; sump pumps; storage sheds; fences; mailboxes; wall to wall carpeting; existing window screens, storm windows and screen/storm doors; window covering hardware (including rods and brackets), shades and blinds; awnings; central vacuum system (with attachments); built-in air conditioners; built-in appliances; the range/oven; dishwashers; trash compactors; any remaining heating and cooking fuels stored on the Property at the time of settlement; and, if owned, water treatment systems, propane tanks, satellite dishes and security systems. Also included: \_\_\_\_\_

81 (B) Unless stated otherwise, the value of the items listed above are not included in the Purchase Price.

82 (C) The following items are LEASED (not owned by Seller). Contact the provider/vendor for more information (e.g., water treatment systems, propane tanks, satellite dishes and security systems): \_\_\_\_\_

84 (D) EXCLUDED fixtures and items: \_\_\_\_\_

86 **8. MORTGAGE CONTINGENCY (9-16)**

87  WAIVED. This sale is NOT contingent on mortgage financing, although Buyer may obtain mortgage financing and/or the parties may include an appraisal contingency.

89  ELECTED.

90 (A) This sale is contingent upon Buyer obtaining mortgage financing according to the following terms:

First Mortgage on the Property	Second Mortgage on the Property
Loan Amount \$ _____	Loan Amount \$ _____
Minimum Term _____ years	Minimum Term _____ years
Type of mortgage _____	Type of mortgage _____
For conventional loans, the Loan-To-Value (LTV) ratio is not to exceed _____ %	For conventional loans, the Loan-To-Value (LTV) ratio is not to exceed _____ %
Mortgage lender _____	Mortgage lender _____
Interest rate _____ %; however, <b>Buyer agrees to accept the interest rate as may be committed by the mortgage lender, not to exceed a maximum interest rate of _____ %.</b>	Interest rate _____ %; however, <b>Buyer agrees to accept the interest rate as may be committed by the mortgage lender, not to exceed a maximum interest rate of _____ %.</b>
Discount points, loan origination, loan placement and other fees charged by the lender as a percentage of the mortgage loan (excluding any mortgage insurance premiums or VA funding fee) not to exceed _____ % (0% if not specified) of the mortgage loan.	Discount points, loan origination, loan placement and other fees charged by the lender as a percentage of the mortgage loan (excluding any mortgage insurance premiums or VA funding fee) not to exceed _____ % (0% if not specified) of the mortgage loan.

106 (B) Upon receiving documentation demonstrating lender's approval, whether conditional or outright, of Buyer's mortgage application(s) according to the terms set forth above, Buyer will promptly deliver a copy of the documentation to Seller, but in any case no later than \_\_\_\_\_.

- 109 1. If Seller does not receive a copy of the documentation demonstrating lender's conditional or outright approval of Buyer's mortgage application(s) by the date indicated above, Seller may terminate this Agreement by written notice to Buyer. Seller's right to terminate continues until Buyer delivers documentation demonstrating lender's conditional or outright approval of Buyer's mortgage application(s) to Seller. Until Seller terminates this Agreement pursuant to this Paragraph, Buyer must continue to make a good faith effort to obtain mortgage financing.
- 114 2. Seller may terminate this Agreement by written notice to Buyer after the date indicated above if the documentation demonstrating lender's conditional or outright approval of Buyer's mortgage application(s):
  - 116 a. Does not satisfy the terms of Paragraph 8(A), OR
  - 117 b. Contains any condition not specified in this Agreement (e.g., Buyer must settle on another property, an appraisal must be received by the lender, or the approval is not valid through the Settlement Date) that is not satisfied and/or removed in writing by the mortgage lender(s) within 7 DAYS after the date indicated in Paragraph 8(B), or any extension thereof, other than those conditions that are customarily satisfied at or near settlement (e.g., obtaining insurance, confirming employment).
- 122 3. If this Agreement is terminated pursuant to Paragraphs 8(B)(1) or (2), or the mortgage loan(s) is not obtained for settlement, all deposit monies will be returned to Buyer according to the terms of Paragraph 26 and this Agreement will be VOID. Buyer will be responsible for any costs incurred by Buyer for any inspections or certifications obtained according to the terms of this Agreement, and any costs incurred by Buyer for: (1) Title search, title insurance and/or mechanics' lien insurance, or any fee for cancellation; (2) Flood insurance, fire insurance, hazard insurance, mine subsidence insurance, or any fee for cancellation; (3) Appraisal fees and charges paid in advance to mortgage lender(s).

128 Buyer Initials: \_\_\_\_\_ / \_\_\_\_\_

Seller Initials: \_\_\_\_\_ / \_\_\_\_\_

- 129 (C) The Loan-To-Value ratio (LTV) is used by lenders as one tool to help assess their potential risk of a mortgage loan. A particular  
 130 LTV may be necessary to qualify for certain loans, or buyers might be required to pay additional fees if the LTV exceeds a specific  
 131 level. The appraised value of the Property may be used by lenders to determine the maximum amount of a mortgage loan. The  
 132 appraised value is determined by an independent appraiser, subject to the mortgage lender's underwriter review, and may be higher  
 133 or lower than the Purchase Price and/or market price of the property.
- 134 (D) The interest rate(s) and fee(s) provisions in Paragraph 8(A) are satisfied if the mortgage lender(s) gives Buyer the right to guarantee  
 135 the interest rate(s) and fee(s) at or below the maximum levels stated. If lender(s) gives Buyer the right to lock in the interest rate(s),  
 136 Buyer will do so at least 15 days before Settlement Date. Buyer gives Seller the right, at Seller's sole option and as permitted  
 137 by law and the mortgage lender(s), to contribute financially, without promise of reimbursement, to Buyer and/or the mortgage  
 138 lender(s) to make the above mortgage term(s) available to Buyer.
- 139 (E) Within        days (7 if not specified) from the Execution Date of this Agreement, Buyer will make a completed mortgage appli-  
 140 cation (including payment for and ordering of credit reports without delay) for the mortgage terms and to the mortgage lender(s)  
 141 identified in Paragraph 8(A), if any, otherwise to a responsible mortgage lender(s) of Buyer's choice. Broker for Buyer, if any,  
 142 otherwise Broker for Seller, is authorized to communicate with the mortgage lender(s) to assist in the mortgage loan process.  
 143 Broker for Seller, if any, is permitted to contact the mortgage lender(s) at any time to determine the status of the mortgage loan  
 144 application.
- 145 (F) **Buyer will be in default of this Agreement if Buyer furnishes false information** to anyone concerning Buyer's financial and/or  
 146 employment status, fails to cooperate in good faith with processing the mortgage loan application (including payment for and  
 147 ordering of appraisal without delay), fails to lock in interest rate(s) as stated in Paragraph 8(D), or otherwise causes the lender to  
 148 reject, or refuse to approve or issue, a mortgage loan commitment.
- 149 (G) If the mortgage lender(s), or a property and casualty insurer providing insurance required by the mortgage lender(s), requires  
 150 repairs to the Property, Buyer will, upon receiving the requirements, deliver a copy of the requirements to Seller. Within 5  
 151 DAYS of receiving the copy of the requirements, Seller will notify Buyer whether Seller will make the required repairs at Seller's  
 152 expense.
- 153 1. If Seller makes the required repairs to the satisfaction of the mortgage lender and/or insurer, Buyer accepts the Property and  
 154 agrees to the RELEASE in Paragraph 28 of this Agreement.
  - 155 2. If Seller will not make the required repairs, **or if Seller fails to respond within the stated time**, Buyer will, within 5  
 156 DAYS, notify Seller of Buyer's choice to:
    - 157 a. Make the repairs/improvements at Buyer's expense, with permission and access to the Property given by Seller, which will  
 158 not be unreasonably withheld, OR
    - 159 b. Terminate this Agreement by written notice to Seller, with all deposit monies returned to Buyer according to the terms of  
 160 Paragraph 26 of this Agreement.
- 161 **If Buyer fails to respond** within the time stated in Paragraph 8(G)(2) or fails to terminate this Agreement by written notice to  
 162 Seller within that time, **Buyer will accept the Property**, make the required repairs/improvements at Buyer's expense and agree  
 163 to the RELEASE in Paragraph 28 of this Agreement.

**FHA/VA, IF APPLICABLE**

- 164 (H) It is expressly agreed that notwithstanding any other provisions of this contract, Buyer will not be obligated to complete the pur-  
 165 chase of the Property described herein or to incur any penalty by forfeiture of earnest money deposits or otherwise unless Buyer  
 166 has been given, in accordance with HUD/FHA or VA requirements, a written statement by the Federal Housing Commissioner,  
 167 Veterans Administration, or a Direct Endorsement Lender setting forth the appraised value of the Property of not less than  
 168 \$                      (the Purchase Price as stated in this Agreement). Buyer will have the privilege and option of  
 169 proceeding with consummation of the contract without regard to the amount of the appraised valuation. The appraised valuation  
 170 is arrived at to determine the maximum mortgage the Department of Housing and Urban Development will insure. HUD does  
 171 not warrant the value nor the condition of the Property. Buyer should satisfy himself/herself that the price and condition of the  
 172 Property are acceptable.
- 173 **Warning:** Section 1010 of Title 18, U.S.C., Department of Housing and Urban Development and Federal Housing  
 174 Administration Transactions, provides, "Whoever for the purpose of . . . influencing in any way the action of such Department,  
 175 makes, passes, utters or publishes any statement, knowing the same to be false shall be fined under this title or imprisoned not  
 176 more than two years, or both."
- 177 (I) **U.S. Department of Housing and Urban Development (HUD) NOTICE TO PURCHASERS: Buyer's Acknowledgement**  
 178  Buyer has received the HUD Notice "For Your Protection: Get a Home Inspection." Buyer understands the importance of  
 179 getting an independent home inspection and has thought about this before signing this Agreement. Buyer understands that  
 180 FHA will not perform a home inspection nor guarantee the price or condition of the Property.
- 181 (J) **Certification** We the undersigned, Seller(s) and Buyer(s) party to this transaction each certify that the terms of this contract for  
 182 purchase are true to the best of our knowledge and belief, and that any other agreement entered into by any of these parties in  
 183 connection with this transaction is attached to this Agreement.

185 **9. CHANGE IN BUYER'S FINANCIAL STATUS (4-14)**

186 In the event of a change in Buyer's financial status affecting Buyer's ability to purchase, Buyer shall promptly notify Seller and  
 187 lender(s) to whom the Buyer submitted a mortgage application, if any, in writing. A change in financial status includes, but is not lim-  
 188 ited to, loss or a change in employment; failure or loss of sale of Buyer's home; Buyer's having incurred a new financial obligation;  
 189 entry of a judgment against Buyer. **Buyer understands that applying for and/or incurring an additional financial obligation may**  
 190 **affect Buyer's ability to purchase.**

191 Buyer Initials:            /           

ASR Page 4 of 13

Seller Initials:            /

192 **10. SELLER REPRESENTATIONS (4-14)**

193 **(A) Status of Water**

194 Seller represents that the Property is served by:

195  Public Water  Community Water  On-site Water  None  \_\_\_\_\_

196 **(B) Status of Sewer**

197 1. Seller represents that the Property is served by:

198  Public Sewer  Community Sewage Disposal System  Ten-Acre Permit Exemption (see Sewage Notice 2)  
199  Individual On-lot Sewage Disposal System (see Sewage Notice 1)  Holding Tank (see Sewage Notice 3)  
200  Individual On-lot Sewage Disposal System in Proximity to Well (see Sewage Notice 1; see Sewage Notice 4, if applicable)  
201  None (see Sewage Notice 1)  None Available/Permit Limitations in Effect (see Sewage Notice 5)  
202  \_\_\_\_\_

203 **2. Notices Pursuant to the Pennsylvania Sewage Facilities Act**

204 **Notice 1: There is no currently existing community sewage system available for the subject property.** Section 7 of the  
205 Pennsylvania Sewage Facilities Act provides that no person shall install, construct, request bid proposals for construction, alter,  
206 repair or occupy any building or structure for which an individual sewage system is to be installed, without first obtaining a  
207 permit. Buyer is advised by this notice that, before signing this Agreement, Buyer should contact the local agency charged with  
208 administering the Act to determine the procedure and requirements for obtaining a permit for an individual sewage system. The  
209 local agency charged with administering the Act will be the municipality where the Property is located or that municipality  
210 working cooperatively with others.

211 **Notice 2: This Property is serviced by an individual sewage system installed under the ten-acre permit exemption provisions**  
212 **of Section 7 of the Pennsylvania Sewage Facilities Act.** (Section 7 provides that a permit may not be required before installing,  
213 constructing, awarding a contract for construction, altering, repairing or connecting to an individual sewage system where a ten-acre  
214 parcel or lot is subdivided from a parent tract after January 10, 1987). Buyer is advised that soils and site testing were not conducted  
215 and that, should the system malfunction, the owner of the Property or properties serviced by the system at the time of a malfunction  
216 may be held liable for any contamination, pollution, public health hazard or nuisance which occurs as a result.

217 **Notice 3: This Property is serviced by a holding tank (permanent or temporary) to which sewage is conveyed by a water**  
218 **carrying system and which is designed and constructed to facilitate ultimate disposal of the sewage at another site.**  
219 Pursuant to the Pennsylvania Sewage Facilities Act, Seller must provide a history of the annual cost of maintaining the tank  
220 from the date of its installation or December 14, 1995, whichever is later.

221 **Notice 4: An individual sewage system has been installed at an isolation distance from a well that is less than the dis-**  
222 **tance specified by regulation.** The regulations at 25 Pa. Code §73.13 pertaining to minimum horizontal isolation distances  
223 provide guidance. Subsection (b) of §73.13 states that the minimum horizontal isolation distance between an individual water  
224 supply or water supply system suction line and treatment tanks shall be 50 feet. Subsection (c) of §73.13 states that the hori-  
225 zontal isolation distance between the individual water supply or water supply system suction line and the perimeter of the  
226 absorption area shall be 100 feet.

227 **Notice 5: This lot is within an area in which permit limitations are in effect and is subject to those limitations.** Sewage facilities  
228 are not available for this lot and construction of a structure to be served by sewage facilities may not begin until the municipality com-  
229 pletes a major planning requirement pursuant to the Pennsylvania Sewage Facilities Act and regulations promulgated thereunder.

230 **(C) Historic Preservation**

231 Seller is not aware of historic preservation restrictions regarding the Property unless otherwise stated here: \_\_\_\_\_

232 \_\_\_\_\_  
233 **(D) Land Use Restrictions**

234 1.  Property, or a portion of it, is subject to land use restrictions and may be preferentially assessed for tax purposes under the  
235 following Act(s) (see Notices Regarding Land Use Restrictions below):

236  Agricultural Area Security Law (Right-to-Farm Act; Act 43 of 1981; 3 P.S. § 901 et seq.)  
237  Farmland and Forest Land Assessment Act (Clean and Green Program; Act 319 of 1974; 72 P.S. § 5490.1 et seq.)  
238  Open Space Act (Act 442 of 1967; 32 P.S. § 5001 et seq.)  
239  Conservation Reserve Program (16 U.S.C. § 3831 et seq.)  
240  Other \_\_\_\_\_

241 **2. Notices Regarding Land Use Restrictions**

242 a. **Pennsylvania Right-To-Farm Act:** The property you are buying may be located in an area where agricultural operations  
243 take place. Pennsylvania protects agricultural resources for the production of food and agricultural products. The law limits  
244 circumstances where normal agricultural operations may be subject to nuisance lawsuits or restrictive ordinances.

245 b. **Clean and Green Program:** Properties enrolled in the Clean and Green Program receive preferential property tax assess-  
246 ment. Buyer and Seller have been advised of the need to contact the County Tax Assessment Office before the execution  
247 of this Agreement to determine the property tax implications that will or may result from the sale of the Property, or that  
248 may result in the future as a result of any change in use of the Property or the land from which it is being separated.

249 c. **Open Space Act:** This Act enables counties to enter into covenants with owners of land designated as farm, forest, water  
250 supply, or open space land on an adopted municipal, county or regional plan for the purpose of preserving the land as open  
251 space. A covenant between the owner and county is binding upon any Buyer of the Property during the period of time that  
252 the covenant is in effect (5 or 10 years). Covenants automatically renew at the end of the covenant period unless specific  
253 termination notice procedures are followed. Buyer has been advised of the need to determine the restrictions that will apply  
254 from the sale of the Property to Buyer and the property tax implications that will or may result from a change in use of the  
255 Property, or any portion of it. Buyer is further advised to determine the term of any covenant now in effect.

256 **Buyer Initials:** \_\_\_\_\_ / \_\_\_\_\_

**ASR Page 5 of 13**

**Seller Initials:** \_\_\_\_\_ / \_\_\_\_\_

d. **Conservation Reserve (Enhancement) Program:** Properties enrolled in the Conservation Reserve Program or CREP are environmentally-sensitive areas, the owners of which receive compensation in exchange for an agreement to maintain the land in its natural state. Contracts last from 10 to 15 years and carry penalties to Seller if terminated early by Buyer. Buyer has been advised of the need to determine the restrictions on development of the Property and the term of any contract now in effect. Seller is advised to determine the financial implications that will or may result from the sale of the Property.

(E) **Real Estate Seller Disclosure Law**

Generally, the Real Estate Seller Disclosure Law requires that before an agreement of sale is signed, the seller in a residential real estate transfer must make certain disclosures regarding the property to potential buyers in a form defined by the law. A residential real estate transfer is defined as a sale, exchange, installment sales contract, lease with an option to buy, grant or other transfer of an interest in real property where **NOT LESS THAN ONE AND NOT MORE THAN FOUR RESIDENTIAL DWELLING UNITS** are involved. Disclosures for condominiums and cooperatives are limited to the seller's particular unit(s). Disclosures regarding common areas or facilities are not required, as those elements are already addressed in the laws that govern the resale of condominium and cooperative interests.

(F) **Public and/or Private Assessments**

1. Seller represents that, as of the date Seller signed this Agreement, no public improvement, condominium or homeowner association assessments have been made against the Property which remain unpaid, and that no notice by any government or public authority (excluding assessed value) has been served upon Seller or anyone on Seller's behalf, including notices relating to violations of zoning, housing, building, safety or fire ordinances that remain uncorrected, and that Seller knows of no condition that would constitute a violation of any such ordinances that remain uncorrected, unless otherwise specified here: \_\_\_\_\_
2. Seller knows of no other potential notices (including violations) and/or assessments except as follows: \_\_\_\_\_

(G) **Highway Occupancy Permit**

Access to a public road may require issuance of a highway occupancy permit from the Department of Transportation.

**11. WAIVER OF CONTINGENCIES (9-05)**

If this Agreement is contingent on Buyer's right to inspect and/or repair the Property, or to verify insurability, environmental conditions, boundaries, certifications, zoning classification or use, or any other information regarding the Property, **Buyer's failure to exercise any of Buyer's options within the times set forth in this Agreement is a WAIVER of that contingency and Buyer accepts the Property and agrees to the RELEASE in Paragraph 28 of this Agreement.**

**12. BUYER'S DUE DILIGENCE/INSPECTIONS (9-16)**

(A) **Rights and Responsibilities**

1. Seller will provide access to insurers' representatives and, as may be required by this Agreement or by mortgage lender(s), to surveyors, municipal officials, appraisers and inspectors. All parties and their real estate licensee(s) may attend any inspections.
2. Buyer may make two pre-settlement walk-through inspections of the Property. Buyer's right to these inspections is not waived by any other provision of this Agreement.
3. **Seller will have heating and all utilities (including fuel(s)) on for all inspections/appraisals.**
4. All inspectors, including home inspectors, are authorized by Buyer to provide a copy of any inspection Report to Broker for Buyer.
5. Seller has the right, upon request, to receive a free copy of any inspection Report from the party for whom it was prepared. Unless otherwise stated, Seller does not have the right to receive a copy of any lender's appraisal report.

(B) Buyer waives or elects at Buyer's expense to have the following inspections, certifications, and investigations (referred to as "Inspection" or "Inspections") performed by professional contractors, home inspectors, engineers, architects and other properly licensed or otherwise qualified professionals. All inspections shall be non-invasive, unless otherwise agreed in writing. If the same inspector is inspecting more than one system, the inspector must comply with the Home Inspection Law. (See Paragraph 12(D) for Notices Regarding Property and Environmental Inspections)

(C) For elected Inspection(s), Buyer will, within the Contingency Period stated in Paragraph 13(A), complete Inspections, obtain any Inspection Reports or results (referred to as "Report" or "Reports"), and accept the Property, terminate this Agreement, or submit a written corrective proposal to Seller, according to the terms of Paragraph 13(B).

**Home/Property Inspections and Environmental Hazards (mold, etc.)**

**Elected** Buyer may conduct an inspection of the Property's structural components; roof; exterior windows and exterior doors; **Waived**  
\_\_\_\_\_/\_\_\_\_\_  
exterior building material, fascia, gutters and downspouts; swimming pools, hot tubs and spas; appliances; electrical \_\_\_\_\_/\_\_\_\_\_  
systems; interior and exterior plumbing; public sewer systems; heating and cooling systems; water penetration; elec-  
tromagnetic fields; wetlands and flood plain delineation; structure square footage; mold and other environmental haz-  
ards (e.g., fungi, indoor air quality, asbestos, underground storage tanks, etc.); and any other items Buyer may select.  
If Buyer elects to have a home inspection of the Property, as defined in the Home Inspection Law, the home inspection  
must be performed by a full member in good standing of a national home inspection association, or a person super-  
vised by a full member of a national home inspection association, in accordance with the ethical standards and code  
of conduct or practice of that association, or by a properly licensed or registered engineer or architect. (See Notices  
Regarding Property & Environmental Inspections)

**Wood Infestation**

**Elected** Buyer may obtain a written "Wood-Destroying Insect Infestation Inspection Report" from an inspector certified as a **Waived**  
\_\_\_\_\_/\_\_\_\_\_  
wood-destroying pests pesticide applicator and will deliver it and all supporting documents and drawings provided \_\_\_\_\_/\_\_\_\_\_  
by the inspector to Seller. The Report is to be made satisfactory to and in compliance with applicable laws, mortgage  
lender requirements, and/or Federal Insuring and Guaranteeing Agency requirements. The Inspection is to be limited  
to all readily-visible and accessible areas of all structures on the Property, except fences. If the Inspection reveals

321 **Buyer Initials:** \_\_\_\_\_ / \_\_\_\_\_

**Seller Initials:** \_\_\_\_\_ / \_\_\_\_\_

active infestation(s), Buyer, at Buyer's expense, may obtain a Proposal from a wood-destroying pests pesticide applicator to treat the Property. If the Inspection reveals damage from active or previous infestation(s), Buyer may obtain a written Report from a professional contractor, home inspector or structural engineer that is limited to structural damage to the Property caused by wood-destroying organisms and a Proposal to repair the Property.

**Deeds, Restrictions and Zoning**

**Elected** Buyer may investigate easements, deed and use restrictions (including any historic preservation restrictions or ordinances) that apply to the Property and review local zoning ordinances. Buyer may verify that the present use of the Property (such as in-law quarters, apartments, home office, day care, commercial or recreational vehicle parking) is permitted and may elect to make the Agreement contingent upon an anticipated use. Present use: \_\_\_\_\_ **Waived**

**Water Service**

**Elected** Buyer may obtain an Inspection of the quality and quantity of the water system from a properly licensed or otherwise qualified water/well testing company. If and as required by the inspection company, Seller, at Seller's expense, will locate and provide access to the on-site (or individual) water system. Seller will restore the Property to its previous condition, at Seller's expense, prior to settlement. **Waived**

**Radon**

**Elected** Buyer may obtain a radon test of the Property from a certified inspector. The U.S. Environmental Protection Agency (EPA) advises corrective action if the average annual exposure to radon is equal to or higher than 0.02 working levels or 4 picoCuries/liter (4pCi/L). Radon is a natural, radioactive gas that is produced in the ground by the normal decay of uranium and radium. Studies indicate that extended exposure to high levels of radon gas can increase the risk of lung cancer. Radon can find its way into any air-space and can permeate a structure. If a house has a radon problem, it usually can be cured by increased ventilation and/or by preventing radon entry. Any person who tests, mitigates or safeguards a building for radon in Pennsylvania must be certified by the Department of Environmental Protection. Information about radon and about certified testing or mitigation firms is available through Department of Environmental Protection, Bureau of Radiation Protection, 13th Floor, Rachel Carson State Office Building, P.O. Box 8469, Harrisburg, PA 17105-8469, (800) 23RADON or (717) 783-3594. www.epa.gov **Waived**

**On-lot Sewage (If Applicable)**

**Elected** Buyer may obtain an Inspection of the individual on-lot sewage disposal system from a qualified, professional inspector. If and as required by the inspection company, Seller, at Seller's expense, will locate, provide access to, and empty the individual on-lot sewage disposal system. Seller will restore the Property to its previous condition, at Seller's expense, prior to settlement. See Paragraph 13(C) for more information regarding the Individual On-lot Sewage Inspection Contingency. **Waived**

**Property and Flood Insurance**

**Elected** Buyer may determine the insurability of the Property by making application for property and casualty insurance for the Property to a responsible insurer. Broker for Buyer, if any, otherwise Broker for Seller, may communicate with the insurer to assist in the insurance process. If the Property is located in a specially-designated flood zone, Buyer may be required to carry flood insurance at Buyer's expense, which may need to be ordered 14 days or more prior to Settlement Date. Revised flood maps and changes to Federal law may substantially increase future flood insurance premiums or require insurance for formerly exempt properties. Buyer should consult with one or more flood insurance agents regarding the need for flood insurance and possible premium increases. **Waived**

**Property Boundaries**

**Elected** Buyer may engage the services of a surveyor, title abstractor, or other qualified professional to assess the legal description, certainty and location of boundaries and/or quantum of land. Most sellers have not had the Property surveyed as it is not a requirement of property transfer in Pennsylvania. Any fences, hedges, walls and other natural or constructed barriers may or may not represent the true boundary lines of the Property. Any numerical representations of size of property are approximations only and may be inaccurate. **Waived**

**Lead-Based Paint Hazards (For Properties built prior to 1978 only)**

**Elected** Before Buyer is obligated to purchase a residential dwelling built prior to 1978, Buyer has the option to conduct a risk assessment and/or inspection of the Property for the presence of lead-based paint and/or lead-based paint hazards. **Regardless of whether this inspection is elected or waived, the Residential Lead-Based Paint Hazard Reduction Act requires a seller of property built prior to 1978 to provide the Buyer with an EPA-approved lead hazards information pamphlet titled "Protect Your Family from Lead in Your Home," along with a separate form, attached to this Agreement, disclosing Seller's knowledge of lead-based paint hazards and any lead-based paint records regarding the Property.** **Waived**

**Other**

**Elected** \_\_\_\_\_ **Waived**

The Inspections elected above do not apply to the following existing conditions and/or items: \_\_\_\_\_

**(D) Notices Regarding Property & Environmental Inspections**

1. **Exterior Building Materials:** Poor or improper installation of exterior building materials may result in moisture penetrating the surface of a structure where it may cause mold and damage to the building's frame.

Buyer Initials: \_\_\_\_\_ / \_\_\_\_\_

Seller Initials: \_\_\_\_\_ / \_\_\_\_\_



- 387 2. **Asbestos:** Asbestos is linked with several adverse health effects, including various forms of cancer.
- 388 3. **Environmental Hazards:** The U.S. Environmental Protection Agency has a list of hazardous substances, the use and disposal
- 389 of which are restricted by law. Generally, if hazardous substances are found on a property, it is the property owner's responsi-
- 390 bility to dispose of them properly.
- 391 4. **Wetlands:** Wetlands are protected by the federal and state governments. Buyer may wish to hire an environmental engineer to
- 392 investigate whether the Property is located in a wetlands area to determine if permits for plans to build, improve or develop the
- 393 property would be affected or denied because of its location in a wetlands area.
- 394 5. **Mold, Fungi and Indoor Air Quality:** Indoor mold contamination and the inhalation of bioaerosols (bacteria, mold spores,
- 395 pollen and viruses) have been associated with allergic responses.
- 396 6. **Additional Information:** Inquiries or requests for more information about asbestos and other hazardous substances can be
- 397 directed to the U.S. Environmental Protection Agency, Ariel Rios Building, 1200 Pennsylvania Ave., N.W., Washington, D.C.
- 398 20460, (202) 272-0167, and/or the Department of Health, Commonwealth of Pennsylvania, Division of Environmental Health,
- 399 Harrisburg, PA 17120. Information about indoor air quality issues is available through the Pennsylvania Department of Health
- 400 and may be obtained by contacting Health & Welfare Building, 8th Floor West, 625 Forster St., Harrisburg, PA 17120, or by
- 401 calling 1-877-724-3258.

402 **13. INSPECTION CONTINGENCY (4-14)**

403 (A) The Contingency Period is \_\_\_\_ days (10 if not specified) from the Execution Date of this Agreement for each Inspection elected

404 in Paragraph 12(C).

405 (B) Except as stated in Paragraph 13(C), if the result of any Inspection elected in Paragraph 12(C) is unsatisfactory to Buyer, Buyer

406 will, **within the stated Contingency Period:**

- 407 1. Accept the Property with the information stated in the Report(s) and agree to the RELEASE in Paragraph 28 of this Agreement, OR
- 408 2. **Terminate this Agreement** by written notice to Seller, with all deposit monies returned to Buyer according to the terms of
- 409 Paragraph 26 of this Agreement, OR
- 410 3. **Present the Report(s) to Seller with a Written Corrective Proposal ("Proposal") listing corrections and/or credits desired by Buyer.**

411 The Proposal may, but is not required to, include the name(s) of a properly licensed or qualified professional(s) to perform the cor-

412 rections requested in the Proposal, provisions for payment, including retests, and a projected date for completion of the corrections.

413 Buyer agrees that Seller will not be held liable for corrections that do not comply with mortgage lender or governmental require-

414 ments if performed in a workmanlike manner according to the terms of Buyer's Proposal.

415 a. Following the end of the Contingency Period, Buyer and Seller will have \_\_\_\_ days (5 if not specified) for a Negotiation

416 Period.

417 (1) During the Negotiation Period, Seller will either agree to satisfy all the terms of Buyer's Proposal or negotiate, by written

418 or verbal communication, another mutually acceptable written agreement, providing for any repairs or improvements to

419 the Property and/or any credit to Buyer at settlement, as acceptable to the mortgage lender, if any.

420 (2) If Seller agrees to satisfy all the terms of Buyer's Proposal, or Buyer and Seller enter into another mutually acceptable

421 written agreement, Buyer accepts the Property and agrees to the RELEASE in Paragraph 28 of this Agreement and the

422 Negotiation Period ends.

423 b. If no mutually acceptable written agreement is reached, or if Seller fails to respond, during the Negotiation Period, within

424 \_\_\_\_ days (2 if not specified) **following the end of the Negotiation Period**, Buyer will:

425 (1) Accept the Property with the information stated in the Report(s) and agree to the RELEASE in Paragraph 28 of this

426 Agreement, OR

427 (2) Terminate this Agreement by written notice to Seller, with all deposit monies returned to Buyer according to the terms

428 of Paragraph 26 of this Agreement.

429 **If Buyer and Seller do not reach a mutually acceptable written agreement, and Buyer does not terminate this**

430 **Agreement by written notice to Seller within the time allotted in Paragraph 13(B)(3)(b), Buyer will accept the Property**

431 **and agree to the RELEASE in Paragraph 28 of this Agreement. Ongoing negotiations do not automatically extend the**

432 **Negotiation Period.**

433 (C) If a Report reveals the need to expand or replace the existing individual on-lot sewage disposal system, Seller may, within \_\_\_\_

434 days (25 if not specified) of receiving the Report, submit a Proposal to Buyer. The Proposal will include, but not be limited to, the

435 name of the company to perform the expansion or replacement; provisions for payment, including retests; and a projected comple-

436 tion date for corrective measures. Within 5 DAYS of receiving Seller's Proposal, or **if no Proposal is provided within the**

437 **stated time**, Buyer will notify Seller in writing of Buyer's choice to:

438 1. Agree to the terms of the Proposal, accept the Property and agree to the RELEASE in Paragraph 28 of this Agreement, OR

439 2. Terminate this Agreement by written notice to Seller, with all deposit monies returned to Buyer according to the terms of

440 Paragraph 26 of this Agreement, OR

441 3. Accept the Property and the existing system and agree to the RELEASE in Paragraph 28 of this Agreement. If required by any mort-

442 gage lender and/or any governmental authority, Buyer will correct the defects before settlement or within the time required by the

443 mortgage lender and/or governmental authority, at Buyer's sole expense, with permission and access to the Property given by Seller,

444 which may not be unreasonably withheld. If Seller denies Buyer permission and/or access to correct the defects, Buyer

445 may, within 5 DAYS of Seller's denial, terminate this Agreement by written notice to Seller, with all deposit monies returned

446 to Buyer according to the terms of Paragraph 26 of this Agreement.

447 **If Buyer fails to respond** within the time stated in Paragraph 13(C) **or fails to terminate** this Agreement by written notice to

448 Seller within that time, **Buyer will accept the Property** and agree to the RELEASE in Paragraph 28 of this Agreement.

449 **14. REAL ESTATE TAXES AND ASSESSED VALUE (4-14)**

450 In Pennsylvania, taxing authorities (school districts and municipalities) and property owners may appeal the assessed value of a prop-

erty at the time of sale, or at any time thereafter. A successful appeal by a taxing authority may result in a higher assessed value for the property and an increase in property taxes. Also, periodic county-wide property reassessments may change the assessed value of the property and result in a change in property tax.

**15. NOTICES, ASSESSMENTS AND MUNICIPAL REQUIREMENTS (4-14)**

(A) In the event any notices of public and/or private assessments as described in Paragraph 10(F) (excluding assessed value) are received after Seller has signed this Agreement and before settlement, Seller will within 5 DAYS of receiving the notices and/or assessments provide a copy of the notices and/or assessments to Buyer and will notify Buyer in writing that Seller will:

1. Fully comply with the notices and/or assessments, at Seller's expense, before settlement. If Seller fully complies with the notices and/or assessments, Buyer accepts the Property and agrees to the RELEASE in Paragraph 28 of this Agreement, OR
2. Not comply with the notices and/or assessments. If Seller chooses not to comply with the notices and/or assessments, or **fails within the stated time to notify Buyer whether Seller will comply**, Buyer will notify Seller in writing within 5 DAYS that Buyer will:
  - a. Comply with the notices and/or assessments at Buyer's expense, accept the Property, and agree to the RELEASE in Paragraph 28 of this Agreement, OR
  - b. Terminate this Agreement by written notice to Seller, with all deposit monies returned to Buyer according to the terms of Paragraph 26 of this Agreement.

**If Buyer fails to respond** within the time stated in Paragraph 15(A)(2) **or fails to terminate** this Agreement by written notice to Seller within that time, **Buyer will accept the Property** and agree to the RELEASE in Paragraph 28 of this Agreement.

(B) If required by law, within 30 DAYS from the Execution Date of this Agreement, but in no case later than 15 DAYS prior to Settlement Date, Seller will order at Seller's expense a certification from the appropriate municipal department(s) disclosing notice of any uncorrected violations of zoning, housing, building, safety or fire ordinances and/or a certificate permitting occupancy of the Property. If Buyer receives a notice of any required repairs/improvements, Buyer will promptly deliver a copy of the notice to Seller.

1. Within 5 DAYS of receiving notice from the municipality that repairs/improvements are required, Seller will deliver a copy of the notice to Buyer and notify Buyer in writing that Seller will:
  - a. Make the required repairs/improvements to the satisfaction of the municipality. If Seller makes the required repairs/improvements, Buyer accepts the Property and agrees to the RELEASE in Paragraph 28 of this Agreement, OR
  - b. Not make the required repairs/improvements. If Seller chooses not to make the required repairs/improvements, Buyer will notify Seller in writing within 5 DAYS that Buyer will:
    - (1) Make the repairs/improvements at Buyer's expense, with permission and access to the Property given by Seller, which will not be unreasonably withheld, OR
    - (2) Terminate this Agreement by written notice to Seller, with all deposit monies returned to Buyer according to the terms of Paragraph 26 of this Agreement.

**If Buyer fails to respond** within the time stated in Paragraph 15(B)(1)(b) **or fails to terminate** this Agreement by written notice to Seller within that time, **Buyer will accept the Property** and agree to the RELEASE in Paragraph 28 of this Agreement, and **Buyer accepts the responsibility to perform the repairs/improvements** according to the terms of the notice provided by the municipality.

2. If Seller denies Buyer permission to make the required repairs/improvements, or does not provide Buyer access before Settlement Date to make the required repairs/improvements, Buyer may, within 5 DAYS, terminate this Agreement by written notice to Seller, with all deposit monies returned to Buyer according to the terms of Paragraph 26 of this Agreement.
3. If repairs/improvements are required and Seller fails to provide a copy of the notice to Buyer as required in this Paragraph, Seller will perform all repairs/improvements as required by the notice at Seller's expense. **Paragraph 15(B)(3) will survive settlement.**

**16. CONDOMINIUM/PLANNED COMMUNITY (HOMEOWNER ASSOCIATIONS) NOTICE (9-16)**

(A) Property is NOT a Condominium or part of a Planned Community unless checked below.

- CONDOMINIUM. The Property is a unit of a condominium that is primarily run by a unit owners' association. Section 3407 of the Uniform Condominium Act of Pennsylvania requires Seller to furnish Buyer with a Certificate of Resale and copies of the condominium declaration (other than plats and plans), the bylaws and the rules and regulations of the association.
- PLANNED COMMUNITY (HOMEOWNER ASSOCIATION). The Property is part of a planned community as defined by the Uniform Planned Community Act. Section 5407(a) of the Act requires Seller to furnish Buyer with a copy of the declaration (other than plats and plans), the bylaws, the rules and regulations of the association, and a Certificate containing the provisions set forth in Section 5407(a) of the Act.

(B) **THE FOLLOWING APPLIES TO INITIAL SALES OF PROPERTIES THAT ARE PART OF A CONDOMINIUM OR A PLANNED COMMUNITY:**

If this is the first sale of the property after creation of the condominium or planned community (therefore a sale by the Declarant), Seller shall furnish Buyer with a Public Offering Statement no later than the date Buyer executes this Agreement. Buyer may void this Agreement within 15 days (if a condominium) or within 7 days (if part of a planned community) after receipt of the Public Offering Statement or any amendment to the Statement that materially and adversely affects Buyer. Upon Buyer declaring this Agreement void, all deposit monies will be returned to Buyer according to the terms of Paragraph 26 of this Agreement.

(C) **THE FOLLOWING APPLIES TO REALES OF PROPERTIES THAT ARE PART OF A CONDOMINIUM OR A PLANNED COMMUNITY:**

1. Within 15 DAYS from the Execution Date of this Agreement, Seller, at Seller's expense, will request from the association a Certificate of Resale and any other documents necessary to enable Seller to comply with the relevant Act. The Act provides that the association is required to provide these documents within 10 days of Seller's request.

516 Buyer Initials: \_\_\_\_\_ / \_\_\_\_\_

ASR Page 9 of 13

Seller Initials: \_\_\_\_\_ / \_\_\_\_\_

2. Seller will promptly deliver to Buyer all documents received from the association. Under the Act, Seller is not liable to Buyer for the failure of the association to provide the Certificate in a timely manner or for any incorrect information provided by the association in the Certificate.
3. The Act provides that Buyer may declare this Agreement VOID at any time before Buyer receives the association documents and for 5 days after receipt, OR until settlement, whichever occurs first. Buyer's notice to Seller must be in writing; upon Buyer declaring this Agreement void, all deposit monies will be returned to Buyer according to the terms of Paragraph 26 of this Agreement.
4. If the association has the right to buy the Property (right of first refusal), and the association exercises that right, Seller will reimburse Buyer for any costs incurred by Buyer for any inspections or certifications obtained according to the terms of the Agreement, and any costs incurred by Buyer for: (1) Title search, title insurance and/or mechanics' lien insurance, or any fee for cancellation; (2) Flood insurance, fire insurance, hazard insurance, mine subsidence insurance, or any fee for cancellation; (3) Appraisal fees and charges paid in advance to mortgage lender.

**17. TITLES, SURVEYS AND COSTS (4-14)**

- (A) The Property will be conveyed with good and marketable title that is insurable by a reputable title insurance company at the regular rates, free and clear of all liens, encumbrances, and easements, **excepting however** the following: existing deed restrictions; historic preservation restrictions or ordinances; building restrictions; ordinances; easements of roads; easements visible upon the ground; easements of record; and privileges or rights of public service companies, if any.
- (B) Buyer is encouraged to obtain an owner's title insurance policy to protect Buyer. An owner's title insurance policy is different from a lender's title insurance policy, which will not protect Buyer from claims and attacks on the title. Owner's title insurance policies come in standard and enhanced versions; **Buyer should consult with a title insurance agent about Buyer's options.** Buyer agrees to release and discharge any and all claims and losses against Broker for Buyer should Buyer neglect to obtain an owner's title insurance policy.
- (C) Buyer will pay for the following: (1) Title search, title insurance and/or mechanics' lien insurance, or any fee for cancellation; (2) Flood insurance, fire insurance, hazard insurance, mine subsidence insurance, or any fee for cancellation; (3) Appraisal fees and charges paid in advance to mortgage lender; (4) Buyer's customary settlement costs and accruals.
- (D) Seller has the right, upon request, to receive a free copy of any title abstract for the Property from the party for whom it was prepared.
- (E) Any survey or surveys required by the title insurance company or the abstracting company for preparing an adequate legal description of the Property (or the correction thereof) will be obtained and paid for by Seller. Any survey or surveys desired by Buyer or required by the mortgage lender will be obtained and paid for by Buyer.
- (F) In the event of a change in Seller's financial status affecting Seller's ability to convey title to the Property on or before the Settlement Date, or any extension thereof, Seller shall promptly notify Buyer in writing. A change in financial status includes, but is not limited to, Seller filing bankruptcy; filing of a foreclosure lawsuit against the Property; entry of a monetary judgment against Seller; notice of public tax sale affecting the Property; and Seller learning that the sale price of the Property is no longer sufficient to satisfy all liens and encumbrances against the Property.
- (G) If Seller is unable to give good and marketable title that is insurable by a reputable title insurance company at the regular rates, as specified in Paragraph 17(A), Buyer may terminate this Agreement by written notice to Seller, with all deposit monies returned to Buyer according to the terms of Paragraph 26 of this Agreement. Upon termination, Seller will reimburse Buyer for any costs incurred by Buyer for any inspections or certifications obtained according to the terms of this Agreement, and for those items specified in Paragraph 17(C) items (1), (2), (3) and in Paragraph 17(E).
- (H) Oil, gas, mineral, or other rights of this Property may have been previously conveyed or leased, and Sellers make no representation about the status of those rights unless indicated elsewhere in this Agreement.

**Oil, Gas and Mineral Rights Addendum (PAR Form OGM) is attached to and made part of this Agreement.**

**(I) COAL NOTICE (Where Applicable)**

THIS DOCUMENT MAY NOT SELL, CONVEY, TRANSFER, INCLUDE OR INSURE THE TITLE TO THE COAL AND RIGHTS OF SUPPORT UNDERNEATH THE SURFACE LAND DESCRIBED OR REFERRED TO HEREIN, AND THE OWNER OR OWNERS OF SUCH COAL MAY HAVE THE COMPLETE LEGAL RIGHT TO REMOVE ALL SUCH COAL AND IN THAT CONNECTION, DAMAGE MAY RESULT TO THE SURFACE OF THE LAND AND ANY HOUSE, BUILDING OR OTHER STRUCTURE ON OR IN SUCH LAND. (This notice is set forth in the manner provided in Section 1 of the Act of July 17, 1957, P.L. 984.) "Buyer acknowledges that he may not be obtaining the right of protection against subsidence resulting from coal mining operations, and that the property described herein may be protected from damage due to mine subsidence by a private contract with the owners of the economic interests in the coal. This acknowledgement is made for the purpose of complying with the provisions of Section 14 of the Bituminous Mine Subsidence and the Land Conservation Act of April 27, 1966." Buyer agrees to sign the deed from Seller which deed will contain the aforesaid provision.

(J) The Property is not a "recreational cabin" as defined in the Pennsylvania Construction Code Act unless otherwise stated here:

(K) 1. This property is not subject to a Private Transfer Fee Obligation unless otherwise stated here: \_\_\_\_\_

**Private Transfer Fee Addendum (PAR Form PTF) is attached to and made part of this Agreement.**

2. **Notices Regarding Private Transfer Fees:** In Pennsylvania, Private Transfer Fees are defined and regulated in the Private Transfer Fee Obligation Act (Act 1 of 2011; 68 Pa.C.S. §§ 8101, et. seq.), which defines a Private Transfer Fee as "a fee that is payable upon the transfer of an interest in real property, or payable for the right to make or accept the transfer, if the obligation to pay the fee or charge runs with title to the property or otherwise binds subsequent owners of property, regardless of whether the fee or charge is a fixed amount or is determined as a percentage of the value of the property, the purchase price or other consideration given for the transfer." A Private Transfer Fee must be properly recorded to be binding, and sellers must disclose the existence of the fees to prospective buyers. Where a Private Transfer Fee is not properly recorded or disclosed, the Act gives certain rights and protections to buyers.

**18. MAINTENANCE AND RISK OF LOSS (1-14)**

(A) Seller will maintain the Property (including, but not limited to, structures, grounds, fixtures, appliances, and personal property) specifically listed in this Agreement in its present condition, normal wear and tear excepted.

Buyer Initials: \_\_\_\_\_ / \_\_\_\_\_

ASR Page 10 of 13

Seller Initials: \_\_\_\_\_ / \_\_\_\_\_

- 583 (B) If any part of the Property included in the sale fails before settlement, Seller will:
- 584 1. Repair or replace that part of the Property before settlement, OR
- 585 2. Provide prompt written notice to Buyer of Seller's decision to:
- 586 a. Credit Buyer at settlement for the fair market value of the failed part of the Property, as acceptable to the mortgage lender,
- 587 if any, OR
- 588 b. Not repair or replace the failed part of the Property, and not credit Buyer at settlement for the fair market value of the failed
- 589 part of the Property.
- 590 3. If Seller does not repair or replace the failed part of the Property or agree to credit Buyer for its fair market value, **or if Seller**
- 591 **fails to notify Buyer of Seller's choice**, Buyer will notify Seller in writing within  5  DAYS or before Settlement Date,
- 592 whichever is earlier, that Buyer will:
- 593 a. Accept the Property and agree to the RELEASE in Paragraph 28 of this Agreement, OR
- 594 b. Terminate this Agreement by written notice to Seller, with all deposit monies returned to Buyer according to the terms of
- 595 Paragraph 26 of this Agreement.
- 596 **If Buyer fails to respond** within the time stated in Paragraph 18(B)(3) **or fails to terminate** this Agreement by written notice
- 597 to Seller within that time, **Buyer will accept the Property** and agree to the RELEASE in Paragraph 28 of this Agreement.
- 598 (C) Seller bears the risk of loss from fire or other casualties until settlement. If any property included in this sale is destroyed and not
- 599 replaced prior to settlement, Buyer will:
- 600 1. Accept the Property in its then current condition together with the proceeds of any insurance recovery obtainable by Seller, OR
- 601 2. Terminate this Agreement by written notice to Seller, with all deposit monies returned to Buyer according to the terms of
- 602 Paragraph 26 of this Agreement.

603 **19. HOME WARRANTIES (1-10)**

604 At or before settlement, either party may purchase a home warranty for the Property from a third-party vendor. Buyer and Seller under-

605 stand that a home warranty for the Property does not alter any disclosure requirements of Seller, will not cover or warrant any pre-

606 existing defects of the Property, and will not alter, waive or extend any provisions of this Agreement regarding inspections or certifi-

607 cations that Buyer has elected or waived as part of this Agreement. Buyer and Seller understand that a broker who recommends a home

608 warranty may have a business relationship with the home warranty company that provides a financial benefit to the broker.

609 **20. RECORDING (9-05)**

610 This Agreement will not be recorded in the Office of the Recorder of Deeds or in any other office or place of public record. If Buyer

611 causes or permits this Agreement to be recorded, Seller may elect to treat such act as a default of this Agreement.

612 **21. ASSIGNMENT (1-10)**

613 This Agreement is binding upon the parties, their heirs, personal representatives, guardians and successors, and to the extent assignable,

614 on the assigns of the parties hereto. Buyer will not transfer or assign this Agreement without the written consent of Seller unless oth-

615 erwise stated in this Agreement. Assignment of this Agreement may result in additional transfer taxes.

616 **22. GOVERNING LAW, VENUE AND PERSONAL JURISDICTION (9-05)**

617 (A) The validity and construction of this Agreement, and the rights and duties of the parties, will be governed in accordance with the

618 laws of the Commonwealth of Pennsylvania.

619 (B) The parties agree that any dispute, controversy or claim arising under or in connection with this Agreement or its performance by either

620 party submitted to a court shall be filed exclusively by and in the state or federal courts sitting in the Commonwealth of Pennsylvania.

621 **23. FOREIGN INVESTMENT IN REAL PROPERTY TAX ACT OF 1980 (FIRPTA) (1-17)**

622 The disposition of a U.S. real property interest by a foreign person (the transferor) is subject to the Foreign Investment in Real Property

623 Tax Act of 1980 (FIRPTA) income tax withholding. FIRPTA authorized the United States to tax foreign persons on dispositions of U.S.

624 real property interests. This includes but is not limited to a sale or exchange, liquidation, redemption, gift, transfers, etc. Persons pur-

625 chasing U.S. real property interests (transferee) from foreign persons, certain purchasers' agents, and settlement officers are required

626 to withhold up to 15 percent of the amount realized (special rules for foreign corporations). Withholding is intended to ensure U.S. tax-

627 ation of gains realized on disposition of such interests. The transferee/Buyer is the withholding agent. If you are the transferee/Buyer

628 you must find out if the transferor is a foreign person as defined by the Act. If the transferor is a foreign person and you fail to withhold,

629 you may be held liable for the tax.

630 **24. NOTICE REGARDING CONVICTED SEX OFFENDERS (MEGAN'S LAW) (4-14)**

631 The Pennsylvania General Assembly has passed legislation (often referred to as "Megan's Law," 42 Pa.C.S. § 9791 et seq.) providing

632 for community notification of the presence of certain convicted sex offenders. **Buyers are encouraged to contact the municipal**

633 **police department or the Pennsylvania State Police** for information relating to the presence of sex offenders near a particular prop-

634 erty, or to check the information on the Pennsylvania State Police Web site at [www.pameganslaw.state.pa.us](http://www.pameganslaw.state.pa.us).

635 **25. REPRESENTATIONS (1-10)**

636 (A) All representations, claims, advertising, promotional activities, brochures or plans of any kind made by Seller, Brokers, their

637 licensees, employees, officers or partners are not a part of this Agreement unless expressly incorporated or stated in this

638 Agreement. This Agreement contains the whole agreement between Seller and Buyer, and there are no other terms, obligations,

639 covenants, representations, statements or conditions, oral or otherwise, of any kind whatsoever concerning this sale. This

640 Agreement will not be altered, amended, changed or modified except in writing executed by the parties.

641 (B) Unless otherwise stated in this Agreement, **Buyer has inspected the Property** (including fixtures and any personal property

642 specifically listed herein) **before signing this Agreement or has waived the right to do so, and agrees to purchase the Property**

643 **IN ITS PRESENT CONDITION**, subject to inspection contingencies elected in this Agreement. Buyer acknowledges that

644 Brokers, their licensees, employees, officers or partners have not made an independent examination or determination of the struc-

645 tural soundness of the Property, the age or condition of the components, environmental conditions, the permitted uses, nor of con-

646 ditions existing in the locale where the Property is situated; nor have they made a mechanical inspection of any of the systems con-

647 tained therein.

648 Buyer Initials: \_\_\_\_\_ / \_\_\_\_\_

ASR Page 11 of 13

Seller Initials: \_\_\_\_\_ / \_\_\_\_\_

- (C) Any repairs required by this Agreement will be completed in a workmanlike manner.
- (D) Broker(s) have provided or may provide services to assist unrepresented parties in complying with this Agreement.

**26. DEFAULT, TERMINATION AND RETURN OF DEPOSITS (4-14)**

- (A) Where Buyer terminates this Agreement pursuant to any right granted by this Agreement, Buyer will be entitled to a return of all deposit monies paid on account of Purchase Price pursuant to the terms of Paragraph 26(B), and this Agreement will be VOID. Termination of this Agreement may occur for other reasons giving rise to claims by Buyer and/or Seller for the deposit monies.
- (B) Regardless of the apparent entitlement to deposit monies, Pennsylvania law does not allow a Broker holding deposit monies to determine who is entitled to the deposit monies when settlement does not occur. Broker can only release the deposit monies:
  - 1. If this Agreement is terminated prior to settlement and there is no dispute over entitlement to the deposit monies. A written agreement signed by both parties is evidence that there is no dispute regarding deposit monies.
  - 2. If, after Broker has received deposit monies, Broker receives a written agreement that is signed by Buyer and Seller, directing Broker how to distribute some or all of the deposit monies.
  - 3. According to the terms of a final order of court.
  - 4. According to the terms of a prior written agreement between Buyer and Seller that directs the Broker how to distribute the deposit monies if there is a dispute between the parties that is not resolved. (See Paragraph 26(C))
- (C) Buyer and Seller agree that if there is a dispute over the entitlement to deposit monies that is unresolved \_\_\_\_\_ days (180 if not specified) after the Settlement Date stated in Paragraph 4(A) (or any written extensions thereof) or following termination of the Agreement, whichever is earlier, then the Broker holding the deposit monies will, within 30 days of receipt of Buyer's written request, distribute the deposit monies to Buyer unless the Broker is in receipt of verifiable written notice that the dispute is the subject of litigation or mediation. If Broker has received verifiable written notice of litigation prior to the receipt of Buyer's request for distribution, Broker will continue to hold the deposit monies until receipt of a written distribution agreement between Buyer and Seller or a final court order. Buyer and Seller are advised to initiate litigation for any portion of the deposit monies prior to any distribution made by Broker pursuant to this paragraph. Buyer and Seller agree that the distribution of deposit monies based upon the passage of time does not legally determine entitlement to deposit monies, and that the parties maintain their legal rights to pursue litigation even after a distribution is made.
- (D) Buyer and Seller agree that a Broker who holds or distributes deposit monies pursuant to the terms of Paragraph 26 or Pennsylvania law will not be liable. Buyer and Seller agree that if any Broker or affiliated licensee is named in litigation regarding deposit monies, the attorneys' fees and costs of the Broker(s) and licensee(s) will be paid by the party naming them in litigation.
- (E) Seller has the option of retaining all sums paid by Buyer, including the deposit monies, should Buyer:
  - 1. Fail to make any additional payments as specified in Paragraph 2, OR
  - 2. Furnish false or incomplete information to Seller, Broker(s), or any other party identified in this Agreement concerning Buyer's legal or financial status, OR
  - 3. Violate or fail to fulfill and perform any other terms or conditions of this Agreement.
- (F) **Unless otherwise checked in Paragraph 26(G),** Seller may elect to retain those sums paid by Buyer, including deposit monies:
  - 1. On account of purchase price, OR
  - 2. As monies to be applied to Seller's damages, OR
  - 3. As liquidated damages for such default.
- (G)  **SELLER IS LIMITED TO RETAINING SUMS PAID BY BUYER, INCLUDING DEPOSIT MONIES, AS LIQUIDATED DAMAGES.**
- (H) If Seller retains all sums paid by Buyer, including deposit monies, as liquidated damages pursuant to Paragraph 26(F) or (G), Buyer and Seller are released from further liability or obligation and this Agreement is VOID.
- (I) Brokers and licensees are not responsible for unpaid deposits.

**27. MEDIATION (1-10)**

Buyer and Seller will submit all disputes or claims that arise from this Agreement, including disputes and claims over deposit monies, to mediation. Mediation will be conducted in accordance with the Rules and Procedures of the Home Sellers/Home Buyers Dispute Resolution System, unless it is not available, in which case Buyer and Seller will mediate according to the terms of the mediation system offered or endorsed by the local Association of Realtors®. Mediation fees, contained in the mediator's fee schedule, will be divided equally among the parties and will be paid before the mediation conference. This mediation process must be concluded before any party to the dispute may initiate legal proceedings in any courtroom, with the exception of filing a summons if it is necessary to stop any statute of limitations from expiring. Any agreement reached through mediation and signed by the parties will be binding. Any agreement to mediate disputes or claims arising from this Agreement will survive settlement.

**28. RELEASE (9-05)**

**Buyer releases, quit claims and forever discharges SELLER, ALL BROKERS, their LICENSEES, EMPLOYEES and any OFFICER or PARTNER of any one of them and any other PERSON, FIRM or CORPORATION who may be liable by or through them, from any and all claims, losses or demands, including, but not limited to, personal injury and property damage and all of the consequences thereof, whether known or not, which may arise from the presence of termites or other wood-boring insects, radon, lead-based paint hazards, mold, fungi or indoor air quality, environmental hazards, any defects in the individual on-lot sewage disposal system or deficiencies in the on-site water service system, or any defects or conditions on the Property. Should Seller be in default under the terms of this Agreement or in violation of any Seller disclosure law or regulation, this release does not deprive Buyer of any right to pursue any remedies that may be available under law or equity. This release will survive settlement.**

**29. REAL ESTATE RECOVERY FUND (9-05)**

A Real Estate Recovery Fund exists to reimburse any persons who have obtained a final civil judgment against a Pennsylvania real estate licensee (or a licensee's affiliates) owing to fraud, misrepresentation, or deceit in a real estate transaction and who have been

714 unable to collect the judgment after exhausting all legal and equitable remedies. For complete details about the Fund, call (717) 783-  
715 3658 or (800) 822-2113 (within Pennsylvania) and (717) 783-4854 (outside Pennsylvania).

716 **30. COMMUNICATIONS WITH BUYER AND/OR SELLER (1-10)**

717 (A) If Buyer is obtaining mortgage financing, Buyer shall promptly deliver to Broker for Buyer, if any, a copy of all Loan Estimate(s)  
718 and Closing Disclosure(s) upon receipt.

719 (B) Wherever this Agreement contains a provision that requires or allows communication/delivery to a Buyer, that provision shall be  
720 satisfied by communication/delivery to the Broker for Buyer, if any, **except for documents required to be delivered pursuant to**  
721 **Paragraph 16.** If there is no Broker for Buyer, those provisions may be satisfied only by communication/delivery being made  
722 directly to the Buyer, unless otherwise agreed to by the parties. Wherever this Agreement contains a provision that requires or allows  
723 communication/delivery to a Seller, that provision shall be satisfied by communication/delivery to the Broker for Seller, if any. If  
724 there is no Broker for Seller, those provisions may be satisfied only by communication/delivery being made directly to the Seller,  
725 unless otherwise agreed to by the parties.

726 **31. HEADINGS (4-14)**

727 The section and paragraph headings in this Agreement are for convenience only and are not intended to indicate all of the matter in the  
728 sections which follow them. They shall have no effect whatsoever in determining the rights, obligations or intent of the parties.

729 **32. SPECIAL CLAUSES (1-10)**

730 (A) **The following are attached to and made part of this Agreement if checked:**

- 731  Sale & Settlement of Other Property Contingency Addendum (PAR Form SSP)
- 732  Sale & Settlement of Other Property Contingency with Right to Continue Marketing Addendum (PAR Form SSPCM)
- 733  Sale & Settlement of Other Property Contingency with Timed Kickout Addendum (PAR Form SSPTKO)
- 734  Settlement of Other Property Contingency Addendum (PAR Form SOP)
- 735  Appraisal Contingency Addendum (PAR Form ACA)
- 736  Short Sale Addendum (PAR Form SHS)
- 737  \_\_\_\_\_
- 738  \_\_\_\_\_
- 739  \_\_\_\_\_

740 (B) **Additional Terms:**

741  
742  
743  
744  
745

746 Buyer and Seller acknowledge receipt of a copy of this Agreement at the time of signing.

747 **This Agreement may be executed in one or more counterparts**, each of which shall be deemed to be an original and which counterparts  
748 together shall constitute one and the same Agreement of the Parties.

749 **NOTICE TO PARTIES: WHEN SIGNED, THIS AGREEMENT IS A BINDING CONTRACT.** Parties to this transaction are advised  
750 to consult a Pennsylvania real estate attorney before signing if they desire legal advice.

751 Return of this Agreement, and any addenda and amendments, including **return by electronic transmission**, bearing the signatures of all  
752 parties, constitutes acceptance by the parties.

753 \_\_\_\_\_ / \_\_\_\_\_ Buyer has received the Consumer Notice as adopted by the State Real Estate Commission at 49 Pa. Code §35.336.

754 \_\_\_\_\_ / \_\_\_\_\_ Buyer has received a statement of Buyer's estimated closing costs before signing this Agreement.

755 \_\_\_\_\_ / \_\_\_\_\_ Buyer has received the Deposit Money Notice (for cooperative sales when Broker for Seller is holding deposit money)  
756 before signing this Agreement.

757 \_\_\_\_\_ / \_\_\_\_\_ Buyer has received the Lead-Based Paint Hazards Disclosure, which is attached to this Agreement of Sale. Buyer has  
758 received the pamphlet Protect Your Family from Lead in Your Home (for properties built prior to 1978).

759 **BUYER** \_\_\_\_\_ **DATE** \_\_\_\_\_

760 **BUYER** \_\_\_\_\_ **DATE** \_\_\_\_\_

761 **BUYER** \_\_\_\_\_ **DATE** \_\_\_\_\_

762 Seller has received the Consumer Notice as adopted by the State Real Estate Commission at 49 Pa. Code § 35.336.

763 Seller has received a statement of Seller's estimated closing costs before signing this Agreement.

764 **SELLER** \_\_\_\_\_ **DATE** \_\_\_\_\_

765 **SELLER** \_\_\_\_\_ **DATE** \_\_\_\_\_

766 **SELLER** \_\_\_\_\_ **DATE** \_\_\_\_\_





Pennsylvania  
Association of  
Realtors®

Contact:

PA Association of Realtors®

500 North 12th Street

Lemoyne, PA 17043

800.555.3390 toll free

717.561.8796 fax

[parealtor.org](http://parealtor.org)

