

Legal Questions & Answers

November 2015

Question: Is a principal broker authorized to manage multiple offices or must they be physically present at the office they manage?

Answer: A principal broker can manage multiple offices, so long as he or she fulfills his or her supervisory obligations. It may be risky for a principal broker to manage an office from a remote location, however, as it may be more difficult for him or her to oversee brokers and review all transaction documents from afar.

Question: The buyer in a transaction has failed to deposit earnest money by the date specified in the contract and has also allowed the inspection deadline to expire. The buyer has terminated the transaction based upon disapproval of disclosures and inspection reports and has requested a refund of his earnest money. The seller believes that the buyer is in breach of the contract and, accordingly, wants to retain the earnest money. Should this dispute be resolved in arbitration or small claims court?

Answer: If the parties cannot mutually agree upon disbursement of the earnest money, then one of them will need to initiate a claim. The claim should be filed in small claims court if the earnest money is less than \$10,000, as set forth in the sale agreement. Should the buyer or seller have any questions regarding this process, he or she should be advised to consult with an experienced real estate attorney.

Question: Shortly after listing a new property, we received a call from a neighbor inquiring as to whether the owner of the property had disclosed to us that the property had contained a meth lab. We had been unaware of this issue, and the neighbor then informed us that we are legally obligated to disclose this issue to potential buyers now that she had alerted us. As far as we know, this claim appears to be hearsay. Are we obligated to disclose the neighbor's claim to potential buyers?

Answer: It would be prudent to disclose this information to any potential buyer, and it can be disclosed in such a way as to qualify the source of the information. For instance, "Neighbor indicated that property previously contained a meth lab. However, listing broker and seller are not in possession of any related information and have not independently verified this information."