



**REO ADVISORY**  
For Properties Being Sold by a Lender After Foreclosure  
(C.A.R. Form REO, Revised 4/11)

**SAMPLE**

Property Address: \_\_\_\_\_ ("Property").

The Seller of the Property is a lender who has acquired title to the Property either by foreclosure or through a deed given in lieu of foreclosure. Many obligations imposed upon sellers, particularly sellers of real property containing one-to-four dwelling units, may not be applicable to the sale of the Property. However, even though Seller is exempt from many obligations, Seller must still comply with many others. Further, even though a Seller may be exempt from certain obligations, a real estate broker's obligations may still apply. This Advisory is intended to inform Buyer and Seller of their rights and obligations independent of those established by the contract between them.

**EXEMPTIONS:**

1. **TDS, NHD, Mello-Roos, Improvement Bond Act, Supplemental Property Taxes, Private Transfer Fee:** Seller is exempt from providing Buyer with the Real Estate Transfer Disclosure Statement (TDS), Natural Hazard Disclosure Statement (NHD), a Mello-Roos district lien disclosure, an Improvement Bond Act of 1915 notice, a Supplemental Property Tax notice, and a Notice of Private Transfer Fee pursuant to California Civil Code §§ 1102 et seq.
2. **Earthquake Guides:** Seller is exempt from providing either a Homeowner's or Commercial Property Owner's Guide to Earthquake Safety.

**REQUIREMENTS:**

1. **Disclosures:** Seller is not exempt from common law and statutory duties concerning fraud and deceit, even though the specific TDS Form is not required to be completed. Seller remains obligated to disclose known material facts affecting the value and desirability of the Property.
2. **Hazard Zones:** Seller is not exempt from applicable statutory obligations to disclose earthquake fault zones, seismic hazard zones, state fire responsibility areas, very high fire hazard severity zones, special flood hazard areas and flood hazard zones pursuant to the Public Resources Code, Government Code and United States Code, even though, pursuant to the Civil Code, the specific NHD Form is not required to be completed.
3. **Smoke Detectors:** The sale is not exempt from the State requirements that, for single family residences, operable smoke detectors be in place and that a written statement of compliance be provided to Buyer. It is negotiable between Buyer and Seller who is to pay for the cost of compliance.
4. **Water Heaters:** The sale is not exempt from the State requirement that water heaters be properly anchored, braced or strapped and that Seller provide a written statement of compliance to Buyer. It is negotiable between Buyer and Seller who is to pay for the cost of compliance.
5. **Lead-based Paint:** The Seller is not exempt from the federal obligation to: (i) disclose known lead-based paint and lead-based paint hazards; (ii) provide Buyer with copies of reports or studies covering lead-based paint and hazards on the Property; (iii) provide Buyer with the pamphlet "Protect Your Family From Lead In Your Home"; and (iv) give Buyer a 10-day opportunity to inspect for lead-based paint and hazards, if the Property contains residential dwelling units and was constructed prior to 1978.
6. **Carbon Monoxide Devices:** The sale is not exempt from the State requirements that on or before July 1, 2011, for all existing single family dwelling units, and on or before January 1, 2013, for all other existing dwelling units, the owner must install a carbon monoxide device approved and listed by the State Fire Marshall in the dwelling unit if the dwelling unit has a fossil fuel burning heater or appliance, fireplace, or an attached garage.
7. **Tax Withholding:** The sale is not exempt from providing information pertaining to the withholding obligation under either the federal "FIRPTA" or the California withholding requirements upon the sale of real property. However, an REO Seller which is a corporation or limited liability company, formed within the United States, and qualified either with the Secretary of State to do business in California or with a permanent place of business in California, will be exempt from withholding under both federal and California law.

**SAMPLE**

Buyer's Initials ( \_\_\_\_\_ ) ( \_\_\_\_\_ )

Seller's Initials ( \_\_\_\_\_ ) ( \_\_\_\_\_ )

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REO REVISED 4/11 (PAGE 1 OF 2)

Reviewed by \_\_\_\_\_ Date \_\_\_\_\_

REO ADVISORY (REO PAGE 1 OF 2)



Agent:	Phone:	Fax:	Prepared using zipForm® software
Broker: Pinnacle Estate Properties, Inc. 9137 Reseda Blvd Northridge, CA 91324			

Property Address: \_\_\_\_\_ Date: \_\_\_\_\_

8. **Megan's Law Database Disclosure:** The sale is not exempt from the requirement that residential sales contracts contain the following notice regarding the availability of information about registered sex offenders. "Notice: Pursuant to Section 290.46 of the Penal Code, information about specified registered sex offenders is made available to the public via an Internet Web site maintained by the Department of Justice at [www.meganslaw.ca.gov](http://www.meganslaw.ca.gov). Depending on an offender's criminal history, this information will include either the address at which the offender resides or the community of residence and ZIP Code in which he or she resides." (Neither Seller nor Brokers are required to check this website. If Buyer wants further information, Broker recommends that Buyer obtain information from this website during Buyer's inspection contingency period. Brokers do not have expertise in this area.)

9. **Brokers:**
- A. Inspection: The sale is not exempt from the Broker's obligation to conduct a reasonably competent and diligent visual inspection of the accessible areas of the Property and disclose to Buyer material facts revealed by such an inspection in the sale of residential property containing one-to-four dwelling units. Brokers may do so on C.A.R. Form AVID.
  - B. Agency: The sale is not exempt from the obligation to provide agency relationship disclosure and confirmation forms in the sale of residential property containing one-to-four dwelling units.

**OTHER CONSIDERATIONS:**

1. **Selection of Title and Escrow:** California Civil Code section 1103.22 prohibits Seller from requiring, directly or indirectly, a Buyer to purchase title insurance or escrow services from a particular title insurer or escrow agent in connection with the sale of residential property improved with four or fewer dwellings. The Buyer may agree to use the title or escrow provider recommended by Seller if the Buyer has been informed of the right to make an independent selection of the applicable service. This law is in effect until January 1, 2015. Federal law, 12 U.S.C. Section 2608, prohibits Seller from requiring, directly or indirectly, that the Buyer purchase title insurance from any particular title company as a condition of selling residential property improved with four or fewer dwellings if the purchase will be made with a federally-related mortgage loan. Seller and Buyer understand that Brokers do not require Buyer to purchase title or escrow services from any particular provider. Any communications from Seller that Broker may deliver to Buyer or Buyer's agent concerning the selection of title or escrow services should not be construed as Broker's endorsement or recommendation of, or request for Buyer to use, any particular title or escrow provider.
2. **Local Law:** Local law may impose obligations on the transfer of real property (such as the installation of low flow toilets or shower heads, emergency gas shut-off valves or installation of smoke detectors). Local law should be consulted to determine if sales of Lender-owned property are exempt from such requirements.
3. **Amendments to Contract:** Seller-prepared addenda, amendments, or counter-offers or a Seller-prepared contract, may conflict with, contradict or be inconsistent with terms in Buyer's offer. Brokers cannot advise Buyer or Seller: (i) which specific terms in any offer may be affected; (ii) whether the terms in any such Seller-prepared documents are permissible under California Law; or (iii) in the event of a discrepancy between the Seller-prepared documents and any other Agreement between Buyer and Seller, which document or which terms may supersede the other. Buyer is advised to seek legal counsel to discuss the applicability and interpretation of any Seller-prepared documents prior to signing any such documents.
4. **Rental Property:** If the Property was occupied by a tenant at the time the lender acquired the Property and the tenant had a bona fide arm's length rental agreement at a fair market rate, the tenant may be entitled to the balance of their lease term, or at least a 90-day notice for termination of a month-to-month tenancy. In addition, certain rent control jurisdictions have asserted that the tenant has rights under rent control after a foreclosure. Moreover, the tenant may be entitled to the return of their security deposit even if the security deposit was not given to the lender after the foreclosure sale or to the buyer of the REO Property.

**By signing below, the undersigned acknowledge that each has read, understands and has received a copy of this REO Advisory.**

Buyer \_\_\_\_\_ Date \_\_\_\_\_


Buyer \_\_\_\_\_ Date \_\_\_\_\_

Seller \_\_\_\_\_ Date \_\_\_\_\_

Seller \_\_\_\_\_ Date \_\_\_\_\_

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Reviewed by \_\_\_\_\_ Date \_\_\_\_\_