

# Plain English

## A Homebuyers Guide to the Agreement of Sale for Real Estate

### Getting Started

#### Things You Will Need

Your checkbook. You'll need to place a deposit on the property.  
Mortgage Approval letter. This is different than your Pre-Qualification letter.  
Bank account information, to prove you can pay the down payment and settlement costs.  
Your current debt load, including rent, credit cards, student loans, monthly bills, etc.  
All buyers. Everyone named in the Agreement needs to sign it.

#### Words You'll Be Using

**"Agreement of Sale"** can also be called the **"Offer"** before it is signed. Everything is negotiable, and can be changed to suit both the buyer and seller. The Agreement of Sale becomes a legal and binding contract as soon as everyone signs it.

**"Settlement" or "Closing"** is the final transfer of the property.

**"Contingency"** means the contract depends on this thing. For example, a Mortgage Contingency lets you out of the Agreement if your mortgage doesn't come through.

**"Terminate the Agreement"** means canceling your offer and getting out of the deal.

#### DISCLAIMER

This booklet is not an interpretation of the Agreement of Sale. It cannot substitute for the guidance of a professional Realtor or Lawyer.

# Line by Line

## Who's Who?

The first two boxes identify the Realtors involved and their relationships with their clients. You can find definitions of these on the green "Consumer Notice" you received.

### 1. This Agreement

Names of all buyers and sellers, and the date.

### 2. Property

Exactly what property is being purchased.

### 3. Terms

These are the "make or break" factors in your transaction. Pay close attention to ALL of them.

If there is a line you don't understand, ask your Realtor to explain it.

3 (A) You and only you can decide what price to offer. Your Realtor may only offer guidance.

3 (A) 1. The higher the deposit, the more serious you offer may appear to the Seller.

3 (D) Settlement date is very important. You'll need time for inspections, your mortgage, etc. However, respecting the Seller's wishes on the settlement date makes your offer more attractive.

3 (F) Real estate transfer taxes required by Pennsylvania state law are usually divided equally between the Buyer and Seller.

3 (G) You will be responsible to pay all taxes and charges beginning the day of settlement, whether move in on that day or not.

### 4. Fixtures & Personal Property

Only items specified in writing on the Agreement are included in the sale.

### 5. Dates / Time is of the Essence

All dates and times in the Agreement are final. Any change must be agreed to in writing by everyone involved.

## 6. Mortgage Contingency

*It you need a mortgage and can 't get one, this lets you out of the agreement*  
States your time limits and the terms of your mortgage. Gives the Realtors permission to communicate with your mortgage lender if necessary.  
6 (E) Sellers assist a financing option. Ask your Realtor for details.  
6 (F) FHA / VA loans - another financing option.

## 7. Inspections

Permits all inspections, gives the Buyer a walk-through before closing, requires Seller to maintain utilities for inspectors, and allows the agents to have copies of all inspections.

## 8. Property Inspection Contingency

*It you waive this, you agree to buy the property no matter what turns out to be wrong with it.*  
States BUYER PAYS FOR ALL INSPECTIONS, specifies date when inspections are due, and requires using a legally qualified home inspector.  
Gives you 2 options if the inspection shows any problems.

## 9. Wood Infestation

*If you waive this, you agree to buy the property no matter how many bugs are in it or how much they have eaten.*  
States the Buyer will pay for the inspection and it will cover everything except what's written here.  
Specifies how active infestations and existing insect damage should be handled.

## 10. Residential Lead Based Paint Hazard

*Lead is extremely dangerous to your health!!* Requires the Seller to tell you about lead-base paint and provide paperwork if the property was built before 1978.  
10 (I) Risk Assessment / Inspection  
*It you waive this you agree to accept the house with any lead paint it has.*  
States that the Buyer will pay for a lead-based paint inspection within 10 days.  
If lead shows up, defines how removal should be handled.  
Requires both Buyer and Seller to certify that they're telling the truth.

## 11. Status of Radon

Radon is a radioactive gas that is a serious health hazard. It is invisible and has no scent.  
Requires the Seller to tell you about radon and provide paperwork.  
11(B) Radon Inspection Contingency  
*It you waive this you agree to accept the property even if it's full of radon.*  
If you "Elect," the Buyer will pay for a professional Radon inspection.  
Gives 2 options if the radon levels are too high.

## 12. Status of Water

Identifies the water supply.  
12 (B) Water Inspection Contingency  
*It you waive this you agree to accept the property' no matter how unhealthy the water is.*  
States that the Buyer may pay for and get professional water test.  
Describes what to do if the water tests badly.

## 13. Status of Sewer

Identifies the sewage system.  
13 (B) Individual On-Lot Sewage Disposal Contingency  
*It you waive this you agree to accept the property no matter how had the sewage is.*  
States that the Buyer may pay for and get a professional sewage inspection.  
Describes what the Seller must do for the inspection and how to handle sewage problems.

## 14. Notices, Assessments, and Certificates of Occupancy

*In this case, "assessment" means money that the property owner owes to a local municipality, a condo, or a homeowners association.*  
*Notices" are legal notifications of zoning, building, or safety violations.*  
The Seller is responsible for paying and/or correcting any assessments and violations before accepting the Offer.  
Describes what to do if the Seller doesn't take care of them.  
The Seller is obligated to disclose any known future or potential notices and assessments.

### 15. Title, Surveys, & Costs

Lets you out of the Agreement if a third party has a legal claim or lien on the property.

States that the Buyer will pay for title work, insurance, appraisal, and settlement. You may also have to pay for a survey.

**CAUTION!** *It's a good idea to find out exactly what easements and restrictions exist before you sign the Agreement! You may not be allowed to make changes, improvements, or use the property in certain ways.*

### 16. Zoning Classification

Must be filled in if the property is zoned for anything other than a single-family home.

**CAUTION!** *Zoning laws are hard to fight. If you plan to change the use of the property, find out if the zoning laws allow it.'*

### 17. Coal Notice

If there is coal under the property, you do not get the rights to it, unless rights have never been transferred.

### 18. Possession

Question: "When do we get to move in?"

Answer: "Only after Closing." You will receive the deed and the keys to a vacant building at settlement. (Unless there are tenants.)

### 19. Recording

The Agreement can't be recorded legally until after Closing.

### 20. Assignment

You can't transfer the Agreement to another buyer without written consent from the Seller.

If the Buyer or Seller dies, the Agreement is binding upon their heirs.

### 21. Deposit & Recovery Fund

Any deposits you pay go into a special "escrow" account. They stay there until you either Close or Terminate the

Agreement. If there's a dispute, the money stays in escrow until you either resolve the dispute or get a court order. If you feel ripped off, you can call the Real Estate Recovery Fund.

### 22. Condominium / Planned Community / Homeowner Association Resale Notice

These types of properties usually have additional fees, rules, and regulations, which are described in a Certificate of Resale.

If the property is a condo or in a planned community, you must receive a Certificate of Resale from the Seller. If the Buyer can't live with the requirements in the Certificate of Resale, the Agreement may be terminated.

### 23. Maintenance & Risk of Loss

The Seller must maintain the property in its "present condition" until closing, including grounds and appliances. Describes what happens in case of a fire or other disaster.

### 24. Waiver of Contingencies

**CAUTION!** If you skip any inspections or miss any of the deadlines, you give up your right to redress the Agreement. Then you must accept the property as-is!

### 25. Release

After the inspections are complete (or if you waived them), you legally release the Seller from any further claims. This rule doesn't apply if fraud can be proven.

### 26. Representations

26 (A) The sale only includes what is WRITTEN in the Agreement.

26 (B) The Buyer makes the final decision to accept the property AS-IS (except for inspection contingencies.) *If you are not satisfied with the condition of the place, DON'T SIGN the Agreement.*

### 27. Default

If you miss any payments or deadlines in the Agreement, or are untruthful, you could lose your deposit, be sued for the

full purchase price, and/or pay financial damages to the Seller.  
27 (C) limits your potential loss to just your deposit money. *Make sure this box is checked.*

#### **28. Mediation**

If you waive this, you can go to court if there's a dispute.  
If you elect, you agree to try to resolve the dispute through mediation first.

#### **29. Special Clauses**

If any additional forms or paperwork are part of the Agreement, they need to be checked off or written in here  
If you want your lawyer's advice, request and sign an Attorney Review Addendum BEFORE you sign the Agreement.  
You'll have to initial each page and sign at the end  
If anything changes, you'll have to sign or initial everything again.

### **The Bottom Line**

**You'll have to initial each page and sign at the end. If anything changes, you'll have to sign or initial everything again**

### **Remember...**

The Agreement of Sale is only an OFFER to buy until the Seller accepts it in writing. Even if you offer a high price, on time, with all the proper paperwork, and have already paid a deposit, the Seller can legally say no. You have no right or claim to the property until Closing.

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