PART I TRANSFER AND FINANCING OF REAL PROPERTY

SECTION I DISCLOSURES REQUIRED OF A SELLER AND/OR A REAL ESTATE BROKER/AGENT

While these disclosures relate mainly to residential property resales, some may also be applicable to the initial sale of subdivided interests as noted in this section and further discussed in Section IV. Remember that sellers and real estate agents must make the disclosures necessary to avoid fraud, misrepresentation or deceit.

A. Disclosures Upon Transfer of Residential Property

This section deals with the major disclosures required by the California Civil Code (commencing at Section 1102). Subject to the exemptions listed below, these requirements apply when real property of 1 to 4 dwelling units is transferred by sale, exchange, installment land sale contract, ground lease coupled with improvements, lease with an option to purchase, or any other option to purchase.

In this discussion, the term "seller" means the transferor, the term "buyer" or "purchaser" means the transferee, and the term "transaction" includes the sale or transfer of the property.

These requirements also pertain to the resale of a manufactured home (as defined in Section 18007 of the Health and Safety Code) or a mobilehome (as defined in Section 18008 of the Health and Safety Code) even if classified as personal property, provided that the manufactured or mobilehome is located on real property and is intended for use as a residence.

The following transfers are *exempt* from these disclosure requirements:

- The sale of new homes as part of a subdivision project where a public report must be delivered to the purchaser or a public report is not required. However, when such new homes are sold through a real estate broker, the broker owes the buyer a duty to disclose any material facts which affect the value, desirability and intended use of the property;
- Foreclosure sales:
- Court ordered transfers:
- Transfers by a fiduciary in the administration of a decedent's estate, a guardianship, conservatorship, or trust except where the trustee is a former owner of the property;

- Transfers to a spouse or to a person or persons in the lineal line of consanguinity;
- Transfers resulting from a judgment of dissolution of marriage, or of legal separation, or from a property settlement agreement incidental to such a judgment;
- Transfers from one co-owner to another;
- Transfers by the State Controller for unclaimed property;
- Transfers resulting from failure to pay taxes; and
- Transfers to or from any governmental entity.

(CAL. CIV. §§ 1102, 1102.2, 1102.3)

1. Termination Right.

Should delivery of any of these disclosures or an amended disclosure occur after execution of an offer or of a purchase agreement, the buyer has three days after delivery of the disclosure in person or five days after delivery by deposit in the United States mail to terminate the offer or the agreement by delivering a written notice of termination to the seller or the seller's agent. (CAL. CIV. §1102.3)

2. Real Estate Transfer Disclosure Statement

The Real Estate Transfer Disclosure Statement (TDS) describes the condition of a property and, in the case of a sale, must be given to a prospective buyer as soon as practicable and before transfer of title. In the case of a transfer by a real property sales contract (as defined in Civil Code Section 2985) by a lease coupled with an option to purchase, or by a ground lease coupled with improvements, the TDS is to be delivered before the execution of any of the foregoing.

The seller and any broker(s)/agent(s) involved are to participate in the disclosures. If more than one broker/agent is involved, the broker/agent obtaining the offer is to deliver the disclosures to the prospective buyer unless the seller instructs otherwise.

Delivery to the prospective buyer of a report or opinion prepared by a licensed engineer, land surveyor, geologist, structural pest control operator, contractor, or other expert (dealing with matters within the scope of the professional's license or expertise) may limit the liability of the seller and the real estate broker(s)/agent(s) when making required disclosures. The overall intention is to provide meaningful disclosures about the condition of the property being sold or transferred.

(CAL. CIV. § 1102.4)

The following is the format of the Transfer Disclosure Statement:

REAL ESTATE TRANSFER DISCLOSURE STATEMENT

THIS DISCLOSURE STATEMENT CONCERNS THE REAL PROPERTY SITUATED IN THE CITY OF, STATE OF				
CALIFORNIA, DESCRIBED AS THIS STATEMENT IS A DISCLOSURE OF THE CONDITION OF THE ABOVE DESCRIBED				
PROPERTY IN COMPLIANCE WITH SECTION 1102 OF THE CIVIL CODE AS OF, 20 IT IS NOT A WARRANTY OF ANY KIND BY THE				
SELLER(S) OR ANY AGENT(S) REPRESENTING ANY PRINCIPAL(S) IN THIS				
TRANSACTION, AND IS NOT A SUBSTITUTE FOR ANY INSPECTIONS OR				
WARRANTIES THE PRINCIPAL(S) MAY WISH TO OBTAIN.				
1				
COORDINATION WITH OTHER DISCLOSURE FORMS				
This Real Estate Transfer Disclosure Statement is made pursuant to Section 1102 of the Civil Code. Other statutes require disclosures, depending upon the details of the particular real estate transaction (for example: special study zone and purchase-money liens on residential property).				
Substituted Disclosures: The following disclosures have or will be made in connection with this real estate transfer, and are intended to satisfy the disclosure obligations on this form, where the subject matter is the same:				
$\hfill \square$ Inspection reports completed pursuant to the contract of sale or receipt for deposit.				
□ Additional inspection reports or disclosures:				
II				

SELLER'S INFORMATION

The Seller discloses the following information with the knowledge that even though this is not a warranty, prospective Buyers may rely on this information in deciding whether and on what terms to purchase the subject property. Seller hereby authorizes any agent(s) representing any principal(s) in this transaction to provide a copy of this statement to any person or entity in connection with any actual or anticipated sale of the property.

THE FOLLOWING ARE REPRESENTATIONS MADE BY THE SELLER(S) AND ARE NOT THE REPRESENTATIONS OF THE AGENT(S), IF ANY. THIS INFORMATION IS A DISCLOSURE AND IS NOT INTENDED TO BE PART OF ANY CONTRACT BETWEEN THE BUYER AND SELLER.

Seller ___ is ___ is not occupying the property.

Range	Oven	Microwave	
Dishwasher	Trash Compactor	Garbage Dis	posal
Washer/Dryer Hookups		Rain Gutters	
Burglar Alarms	Smoke Detector(s)	Fire Alarm	
TV Antenna	Satellite Dish	Intercom	
Central Heating	Central Air Cndtng.	Evaporative	Coole
Wall/Window Air Cndtng.	Sprinklers	Public Sewer	r Syst
Septic Tank	Sump Pump	Water Softer	ner
Patio/Decking	Built-in Barbecue	Gazebo	
Sauna			
Hot Tub Locking	Pool Child	Spa Lockii	
Safety Cover*Security Gate(s)	Resistant Barrier*	Safe Number Rem	ty Cor note C
,	Automatic Garage Door Opener(s)*		
Garage:Attached	Not Attached	Carport	
Pool/Spa Heater:Gas	Solar	Electric	
Water Heater:Gas	Water Heater Anchored, Braced, or Strapped*	Private Utility Other	or or
Water Supply:City	Well		
Gas Supply:Utility	Bottled		
Window Screens	Window Security Bars		
	Quick Release Mechanism on Bedroom Windows*		
Exhaust Fan(s) in	_220 Volt Wiring in	_ Fireplace(s)	in _
Gas Starter F	Roof(s): Type:	_ Age:	(a

B. Are you (Seller) aware of any significant defects/malfunctions in any of the following? $_$ Yes $_$ No. If yes, check appropriate space(s) below.
Interior WallsCeilingsFloorsExterior WallsInsulationRoof(s)WindowsDoorsFoundationSlab(s)DrivewaysSidewalksWalls/FencesElectrical SystemsPlumbing/Sewers/SepticsOther
Structural Components (Describe:
) If any of the above is checked, explain. (Attach additional sheets if necessary): _
* This garage door opener or child resistant pool barrier may not be in compliance with the safety standards relating to automatic reversing devices as set forth in Chapter 12.5 (commencing with Section 19890) of Part 3 of Division 13 of, or with the pool safety standards of Article 2.5 (commencing with Section 115920) of Chapter 5 of Part 10 of Division 104 of, the Health and Safety Code. The water heater may not be anchored, braced, or strapped in accordance with Section 19211 of the Health and Safety Code. Window security bars may not have quick-release mechanisms in compliance with the 1995 Edition of the California Building Standards Code.
C. Are you (Seller) aware of any of the following:
Substances, materials or products which may be an environmental hazard such as, but not limited to, asbestos, formaldehyde, radon gas, lead-based paint, fuel or chemical storage tanks, and contaminated soil or water on the subject property
2. Features of the property shared in common with adjoining landowners, such as walls, fences, and driveways, whose use or responsibility for maintenance may have an effect on the subject property
3. Any encroachments, easements or similar matters that may affect your interest in the subject propertyYesNo
4. Room additions, structural modifications, or other alterations or repairs made without necessary permitsYesNo
5. Room additions, structural modifications, or other alterations or repairs not in compliance with building codesYesNo
6. Fill (compacted or otherwise) on the property or any portion thereofYesNo
7. Any settling from any cause, or slippage, sliding, or other soil problemsYesNo
8. Flooding, drainage or grading problemsYesNo

9.	Major damage to the property or any of the structures from				
	fire, earthquake, floods, or landslidesYesNo				
10.	Any zoning violations, nonconforming uses, violations of "setback" requirements				
11.	Neighborhood noise problems or other nuisancesYesNo				
12.	CC&R's or other deed restrictions or obligationsYesNo				
13.	Homeowners' Association which has any authority over the subject propertyYesNo				
14.	Any "common area" (facilities such as pools, tennis courts, walkways, or other areas co-owned in undivided interest with others)				
15.	Any notices of abatement or citations against the propertyYesNo				
16.	Any lawsuits by or against the seller threatening to or affecting this real property, including any lawsuits alleging a defect or deficiency in this real property or "common areas" (facilities such as pools, tennis courts, walkways, or other areas co-owned in undivided interest with others)Yes _No				
	ne answer to any of these is yes, explain. (Attach additional sheets if essary.)				
	er certifies that the information herein is true and correct to the best of the er's knowledge as of the date signed by the Seller.				
Sell	er Date				
Sell	er Date				
	III				
	AGENT'S INSPECTION DISCLOSURE				
(То	be completed only if the Seller is represented by an agent in this transaction.)				
AS REA ACC	E UNDERSIGNED, BASED ON THE ABOVE INQUIRY OF THE SELLER(S) TO THE CONDITION OF THE PROPERTY AND BASED ON A ASONABLY COMPETENT AND DILIGENT VISUAL INSPECTION OF THE CESSIBLE AREAS OF THE PROPERTY IN CONJUNCTION WITH THAT UIRY, STATES THE FOLLOWING:				
□A	gent notes no items for disclosure.				
□A	gent notes the following items:				

Agent (Broker Representing Seller) _	(Please	By Print) (Associate	Date e Licensee	
		or Broker-	Signature)	
		IV		
,	AGENT'S INSPEC	TION DISCLOS	URE	
(To be completed onlagent above.)	y if the agent wh	o has obtained t	he offer is other than the	
THE UNDERSIGNED DILIGENT VISUAL PROPERTY, STATES	INSPECTION OF	THE ACCESS	SLY COMPETENT AND SIBLE AREAS OF THE	
□ Agent notes no item	ns for disclosure.			
□ Agent notes the follow	owing items:			
Agent (Broker				
Representing Seller) _	В		Date	
	(Please Print) (Associate Licensee or Broker-Signature)			
		V	griaturoj	
BUYER(S) AND SELLER(S) MAY WISH TO OBTAIN PROFESSIONAL ADVICE AND/OR INSPECTIONS OF THE PROPERTY AND TO PROVIDE FOR APPROPRIATE PROVISIONS IN A CONTRACT BETWEEN BUYER AND SELLER(S) WITH RESPECT TO ANY ADVICE/INSPECTIONS/DEFECTS				
I/WE ACKNOWLEDGE RECEIPT OF A COPY OF THIS STATEMENT				
Seller	Date	Buyer	Date	
Seller	Date	Buyer	Date	
Agent (Broker				
Representing Seller)		By	Date	
	(Please Print)	(Associate	 Licensee	
Agent (Broker		(
Obtaining the Offer)		By	Date	
		(Please	Print) (Associate Licensee	
			or Broker-Signature)	

SECTION 1102.3 OF THE CIVIL CODE PROVIDES A BUYER WITH THE RIGHT TO RESCIND A PURCHASE CONTRACT FOR AT LEAST THREE DAYS AFTER THE DELIVERY OF THIS DISCLOSURE IF DELIVERY OCCURS AFTER THE SIGNING OF AN OFFER TO PURCHASE. IF YOU WISH TO RESCIND THE CONTRACT, YOU MUST ACT WITHIN THE PRESCRIBED PERIOD.

A REAL ESTATE BROKER IS QUALIFIED TO ADVISE ON REAL ESTATE. IF YOU DESIRE LEGAL ADVICE, CONSULT YOUR ATTORNEY.

(CAL. CIV. § 1102 et. seq.)

3. Local Option Real Estate Transfer Disclosure Statement

A city or county may require that the seller provide specific information about the neighborhood or community: The Civil Code requires that such local disclosure statements be in the following format:

LOCAL OPTION

REAL ESTATE TRANSFER DISCLOSURE STATEMENT

THIS DISCLOSURE STATEMENT CONCERNS THE REAL PROPERTY SITUATED IN THE CITY OF, COUNTY OF,
STATE OF CALIFORNIA, DESCRIBED AS THIS
STATEMENT IS A DISCLOSURE OF THE CONDITION OF THE ABOVE-
DESCRIBED PROPERTY IN COMPLIANCE WITH ORDINANCE NO
OF THE
CITY OR COUNTY CODE AS OF,
20
IT IS NOT A WARRANTY OF ANY KIND BY THE SELLER(S) OR ANY
AGENT(S) REPRESENTING ANY PRINCIPAL(S) IN THIS TRANSACTION,
AND IS NOT A SUBSTITUTE FOR ANY INSPECTIONS OR WARRANTIES THE
PRINCIPAL(S) MAY WISH TO OBTAIN.
I

SELLER'S INFORMATION

The Seller discloses the following information with the knowledge that even though this is not a warranty, prospective Buyers may rely on this information in deciding whether and on what terms to purchase the subject property. Seller hereby authorizes any agent(s) representing any principal(s) in this transaction to provide a copy of this statement to any person or entity in connection with any actual or anticipated sale of the property.

THE FOLLOWING ARE REPRESENTATIONS MADE BY THE SELLER(S) AS REQUIRED BY THE CITY OR COUNTY OF ______ AND ARE NOT THE REPRESENTATIONS OF THE AGENT(S), IF ANY. THIS INFORMATION IS A DISCLOSURE AND IS NOT INTENDED TO BE PART OF ANY CONTRACT BETWEEN THE BUYER AND SELLER.

1

(Example: Adjacent la harvest.)	and is zone	d for tir	mber producti	on which may be subject to
Seller certifies that the Seller's knowledge as				d correct to the best of the
Seller				Date
Seller				Date
			II	
AND/OR INSPECTION	ONS OF OVISIONS SPECT TO	THE P IN A ANY A	PROPERTY A CONTRACT DVICE/INSPE	BETWEEN BUYER AND CTIONS/DEFECTS.
Seller		Date	Buyer	Date
Seller		Date	Buyer	Date
Agent (Broker Representing Seller) Agent (Broker	(Please Pri	_	(Associa	Date ite Licensee r-Signature)
Obtaining the Offer)			By	Date
			(Pleas	e Print) (Associate Licensee or Broker-Signature)

A REAL ESTATE BROKER IS QUALIFIED TO ADVISE ON REAL ESTATE. IF YOU DESIRE LEGAL ADVICE, CONSULT YOUR ATTORNEY.

(CAL. CIV. § 1102.6a)

2. _

NOTE: On and after January 1, 2006, should a city or county not adopt a different or additional local disclosure form, then the required "airport influence area," disclosure shall be made consistent with a current airport influence map. If there is not an available current airport influence map, a written disclosure of an airport located within two statute miles of the subject property shall satisfy this disclosure requirement.

When providing the above disclosure, the seller, the seller's agent(s), or the expert retained for such purpose shall determine whether the property is within the jurisdiction of the San Francisco Bay Conservancy and Development Commission, as defined in Section 66620 of the Government

Code. If the property is within the Commission's jurisdiction, the report shall contain the following notice:

NOTICE OF SAN FRANCISCO BAY CONSERVATION AND DEVELOPMENT COMMISSION JURISDICTION

This property is located within the jurisdiction of the San Francisco Bay Conservation and Development Commission. Use and development of the property within the commission's jurisdiction may be subject to special regulations, restrictions, and permit requirements. You may wish to investigate and determine whether they are acceptable to you and your intended use of the property before you complete your transaction.

(CAL. BUS. & PROF. § 11010; CAL. CIV. §§ 1102.6a, 1103.4, 1353)

4. Natural Hazards Disclosure

Unless the transfer of the property is subject to an exemption from this disclosure, the seller or the seller's agent for this purpose must make appropriate disclosures if the property is in one or more of the following zones or areas:

- **Zone A or Zone V** (**special flood hazard area**) as designated by the Federal Emergency Management Agency. The seller's agent, or the seller, if acting without an agent, must make this disclosure if:
 - The seller, or the seller's agent has actual knowledge that the property is in a special flood hazard area; or
 - The local jurisdiction has compiled a list of parcels that are in a special flood hazard area and has posted at the offices of the county recorder, county assessor, and county planning agency a notice that identifies the location of the parcel list.

(CAL. GOV'T § 8589.3)

- An area of potential flooding shown on a map as an area which will be inundated if a dam fails. The seller's agent, or the seller if acting without an agent, must make this disclosure if:
 - o The seller, or the seller's agent, has actual knowledge that the property is within a delineated inundation area; or
 - The local jurisdiction has compiled a list of parcels that are in the inundation area and has posted at the offices of the county recorder, county assessor, and county planning agency a notice that identifies the location of the list.

(CAL. GOV'T § 8589.4)

- A designated very high fire hazard severity zone. The seller and the seller's agent must make this disclosure if:
 - The seller, or the seller's agent, has actual knowledge that the property is in a designated very high fire hazard severity zone; or
 - The local agency has received a map of such properties which includes the seller's property and has posted at the offices of the county recorder, county assessor, and county planning agency a notice that identifies the location of the map and any changes to it.*

(CAL. GOV'T § 51183.5)

- A designated wildland area ("state responsibility area") that may contain substantial forest fire risks and hazards. The seller *and the seller's agent* must make this disclosure if:
 - o the seller or the seller's agent has actual knowledge that the property is in a designated wildland fire zone; or
 - the city or county has received a map of such properties which includes the seller's property and has posted at the offices of the county recorder, county assessor, and county planning agency a notice that identifies the location of the map and any changes to it.*

(CAL. PUB. RES. § 4136)

- An earthquake fault zone. These zones are over earthquake faults and are usually about one quarter mile in width. The seller's agent, or the seller if acting without an agent, must disclose that the property is in one of these zones if:
 - o the seller, or the seller's agent, has actual knowledge that the property is within a delineated earthquake fault zone; or
 - the city or county has received a map of such properties which includes the seller's property and has posted at the offices of the county recorder, county assessor, and county planning agency a notice that identifies the location of the map and any changes to it.*

(CAL. PUB. RES. § 2621.9)

- A seismic hazard zone. In an earthquake, properties in one of these zones may be subject to strong ground shaking, soil liquefaction, or landslide. The seller's agent, or the seller if acting without an agent, must disclose that the property is in one of these zones if:
 - o the seller, or the seller's agent, has actual knowledge that the property is within a delineated seismic hazard zone; or

 the city or county has received a map of such properties which includes the seller's property and has posted at the offices of the county recorder, county assessor, and county planning agency a notice that identifies the location of the map and any changes to it.*

(CAL. PUB. RES. § 2694)

* NOTE: If, when looking at the map, a reasonable person cannot tell with certainty whether the property is in the zone, the seller or seller's agent must mark "YES" on the disclosure form, unless there can be attached to the form an expert's report, prepared pursuant to Civil Code Section 1102.4(c), indicating that the property is **not** located in the zone.

These disclosures must be made on the Natural Hazard Disclosure Statement (NHDS) or on the Local Option Real Estate Transfer Disclosure Statement (Local Option Disclosure), if the local jurisdiction has mandated use of a Local Option Disclosure for the same disclosure purposes and the information and warnings are substantially the same as on the NHDS.

The seller or his or her agent may elect to use the services of a third party consultant to complete the NHDS in lieu of completing the NHDS themselves. The use of a third party consultant does not relieve the seller or his/her agent from the obligation to deliver NHDS to the buyer.

(CAL CIV. §§ 1103, 1103.1, 1103.2, 1103.3, 1103.4)

The following is the required format for the NHDS:

NATURAL HAZARD DISCLOSURE STATEMENT

This statement applies to th	e following property:

The transferor and his or her agent(s) or a third-party consultant disclose the following information with the knowledge that even though this is not a warranty, prospective transferees may rely on this information in deciding whether and on what terms to purchase the subject property. Transferor hereby authorizes any agent(s) representing any principal(s) in this action to provide a copy of this statement to any person or entity in connection with any actual or anticipated sale of the property.

The following are representations made by the transferor and his or her agent(s) based on their knowledge and maps drawn by the state and federal governments. This information is a disclosure and is not intended to be part of any contract between the transferee and transferor.

THIS REAL PROPERTY LIES WITHIN THE FOLLOWING HAZARDOUS AREA(S):

	CIAL FLOOD HAZARD			"A" or "V") de	signated
available	No	Do information from		know	and not local
	EA OF POTENTIAL F suant to Section 8589.				undation
available	No	Do information from	not	know	and not local
or 51179 the main	Y HIGH FIRE HAZARE of the Government (tenance requirements No	Code. The ov	vner of this	property is su	ubject to
RISKS A Code. TI of Section Addition services Departm agreeme	DLAND AREA THAT MAND HAZARDS pursunder owner of this proper on 4291 of the Public Republic, it is not the state to any building or streent of Forestry and Fent with a local agency	ant to Section try is subject esources Coonate's response ucture locate ire Protection	on 4125 of to the main de. sibility to p d within the n has enter	the Public Rentenance requiporovide fire poes wildlands under the public Rente public Re	esources rements rotection less the operative
	ıblic Resources Code No				
Resource	RTHQUAKE FAULT Z es Code. _ No	ONE pursua	ant to Section	on 2622 of th	e Public
A SEIS Resource	SMIC HAZARD ZON es Code.	E pursuant	to Section	2696 of the	e Public
Yes (Lar	ndslide Zone) Y	es (Liquefacti	ion Zone) _		-
No	_ Map not yet release	d by	ta		

THESE HAZARDS MAY LIMIT YOUR ABILITY TO DEVELOP THE REAL PROPERTY, TO OBTAIN INSURANCE, OR TO RECEIVE ASSISTANCE AFTER A DISASTER.

THE MAPS ON WHICH THESE DISCLOSURES ARE BASED ESTIMATE WHERE NATURAL HAZARDS EXIST. THEY ARE NOT DEFINITIVE INDICATORS OF WHETHER OR NOT A PROPERTY WILL BE AFFECTED BY A NATURAL DISASTER. TRANSFEREE(S) AND TRANSFEROR(S) MAY WISH TO OBTAIN PROFESSIONAL ADVICE REGARDING THOSE HAZARDS AND OTHER HAZARDS THAT MAY AFFECT THE PROPERTY.

Signature of Transferor(s)	Date
Signature of Transferor(s)	Date
Agent(s)	Date
Agent(s)	Date
Check only one of the following:	
☐ Transferor(s) and their agent(s) repres and correct to the best of their knowled transferor(s) and agent(s).	
☐ Transferor(s) and their agent(s) acknown faith in the selection of a third-party represent 1103.7, and that the represent Disclosure Statement are based upon inf third-party disclosure provider as a substite Section 1103.4.	ort provider as required in Civil Code ations made in this Natural Hazard ormation provided by the independent
Neither transferor(s) nor their agent(s) information contained in this statement ar any errors or inaccuracies in the informa statement was prepared by the provider be	nd report or (2) is personally aware of tion contained on the statement. This
Third-Party Disclosure Provider(s)	Date
Transferee represents that he or she has Pursuant to Civil Code Section 1103.8, th Hazard Disclosure Statement do not cons disclosure obligations in this transaction.	e representations made in this Natural
Signature of Transferee(s)	Date
Signature of Transferee(s)	Date
NOTE: Although the form for the nationly for properties described on page disclosure must be made in some manner one of the zones is to be sold or transferred	I of this booklet, the appropriate er when any real property located in

(CAL. CIV. § 1103.2)

5. Mello-Roos Bonds and Taxes

The Mello-Roos Community Facilities Act of 1982 authorizes the formation of community facilities districts, the issuance of bonds, and the levying of special taxes to finance designated public facilities and services. The seller of a property consisting of 1 to 4 dwelling units subject to the lien of a Mello-Roos community facilities district or subject to a fixed lien assessment collected in installments to secure bonds issued pursuant to the Improvement Bond Act of 1915 (Division 10, commencing with Section 8500, of the Streets and Highway Code) must make a good faith effort to obtain from the district a disclosure notice concerning the special tax and must give the notice to a prospective buyer. If a district notice is not obtained, a notice obtained from a non-governmental source may be used, provided that it clearly and accurately describes the related tax liabilities.

(CAL. CIV. § 1102.6b)

6. Property Taxes

New legislation effective January 1, 2006, requires a seller or his or her agent to deliver to the prospective purchaser a disclosure notice that includes both of the following:

(1) A notice, in at least 12-point type or a contrasting color, as follows:

"California property tax law requires the Assessor to revalue real property at the time the ownership of the property changes. Because of this law, you may receive one or two supplemental tax bills, depending on when your loan closes.

The supplemental tax bills are not mailed to your lender. If you have arranged for your property tax payments to be paid through an impound account, the supplemental tax bills will not be paid by your lender. It is your responsibility to pay these supplemental bills directly to the Tax Collector.

If you have any question concerning this matter, please call your local Tax Collector's Office."

(2) A title must be included in at least 14-point type or a contrasting color that reads as follows:

"Notice of Your 'Supplemental' Property Tax Bill."

The disclosure notice requirements of this section may be satisfied by including the required information in the Mello-Roos disclosure (see Part I, Section I, Subsection A, Item 5 – Mello-Roos Bonds and Taxes). Supplemental taxes may be assessed whether a new loan is obtained or an existing loan is assumed to accomplish the purchase of the property, or whether the property is purchased without financing.

(CAL. CIV. §1102.6c)

7. Ordnance Locations

Federal and state agencies have identified certain areas once used for military training and which may contain live ammunition. A seller of residential property (again, 1 to 4 dwelling units) located within one mile of such a potential hazard must give the buyer written notice thereof as soon as practicable before transfer of title. This obligation depends upon the seller having actual knowledge of the hazard.

(CAL. CIV. § 1102.15)

8. Window Security Bars

A seller must disclose on the Real Estate Transfer Disclosure Statement (TDS) or if mandated in the Local Option TDS, the existence of window security bars and any safety release mechanism on the bars.

(CAL CIV. § 1102.16)

9. Industrial Uses

A seller who has actual knowledge must disclose on the Real Estate Transfer Disclosure Statement (TDS) or if mandated in the local option TDS, should the property be adjacent to or zoned to allow an industrial use described in Section 731A of the Code of Civil Procedure, or affected by a nuisance created by such use.

(CAL. CIV. § 1102.17)

10. Methamphetamine Contamination

New legislation effective January 1, 2006, requires local health officers to make an assessment of a property after receiving notification from a law enforcement agency of potential contamination or of known or suspected contamination by a methamphetamine laboratory activity. If the property is determined to be contaminated, an order prohibiting its use or habitation shall be issued. Until the property owner receives a notice from a local health officer that the property identified in an order requires no further action, the property owner shall notify the prospective buyer in writing of the order, and provide the prospective buyer with a copy of the order. The prospective buyer shall acknowledge, in writing, the receipt of a copy of the order.

(CAL. HEALTH & SAFETY § 25400.10 et. seq.)

B. Earthquake Guides

The California Seismic Safety Commission has developed a "Homeowner's Guide to Earthquake Safety." The guide includes information on geologic and seismic hazards, explanations of related structural and nonstructural hazards, recommendations for mitigating earthquake damage, and a statement that safety cannot be guaranteed with respect to a major earthquake and that only precautions such as retrofitting can be undertaken to reduce the risk of various types of damage. The Seismic Safety Commission has also developed a "Commercial Property Owner's Guide to Earthquake Safety." These guides are available at www.seismic.ca.gov or by calling (916) 263-5506.

If a buyer receives a copy of the *Homeowner's Guide* (or, if applicable, the *Commercial Property Owner's Guide*), neither the seller nor the broker(s)/agent(s) are required to provide additional information regarding geologic and seismic hazards, except that sellers and brokers/agent(s) must disclose what they actually know, including whether a property is in an earthquake fault zone.

Delivery of a booklet is required in the following transactions:

- Transfer of any real property improved with a residential dwelling built prior to January 1, 1960 and consisting of 1 to 4 units any of which are of conventional light-frame construction (*Homeowner's Guide*); and
- Transfer of any unreinforced masonry building with wood-frame floors or roofs built before January 1, 1975 (Commercial Property Owner's Guide).

In a transfer of residential dwellings consisting of 1 to 4 units, the following structural deficiencies and any corrective measures taken, which are within the seller's actual knowledge, are to be disclosed to prospective buyers:

- Absence of foundation anchor bolts;
- Unbraced or inappropriately braced perimeter cripple walls;
- Unbraced or inappropriately braced first-story walls;
- Unreinforced masonry perimeter foundation;
- Unreinforced masonry dwelling walls;
- · Habitable room or rooms above a garage; or
- Water heater not anchored, strapped, or braced.

Certain exemptions apply to the obligation to deliver the booklet when transferring either a dwelling of 1 to 4 units or a *reinforced* masonry

building. These exemptions are essentially the same as those that apply to delivery of the Real Estate Transfer Disclosure Statement. (See Part I, Section I, Subsection A, Item 2 – Real Estate Transfer Disclosure Statement.)

(CAL. PUB. RES. §\$2621 et. seq., 2690 et. seq.; CAL. BUS. & PROF. §\$ 10147, 10149; CAL. CIV. §\$2079.8, 2079.9; CAL. GOV'T §\$ 8875 et. seq., 8893.2, §8897 et. seq.)

C. Smoke Detector Statement of Compliance

Whenever a sale (or exchange) of a single family dwelling occurs, the seller must provide the buyer with a written statement representing that the property is in compliance with California law regarding smoke detectors. Some local ordinances impose more stringent smoke detector requirements than state law. Therefore, local city or county building or public safety departments should be consulted regarding smoke detector requirements.

The State Building Code mandates that all existing dwelling units have a smoke detector installed in a central location outside each sleeping area. In a two-story home with bedrooms on both floors, at least two smoke detectors would be required.

New construction, or any additions, alterations or repairs exceeding \$1,000 and for which a permit is required, must include a smoke detector installed in each bedroom and also at a point centrally located in a corridor or area outside of the bedroom(s). This standard applies for the addition of one or more bedrooms, no matter what the cost.

In new home construction, the smoke detector must be hard-wired, with a battery backup. In existing dwellings, the detector may be battery operated.

(CAL. HEALTH & SAFETY § 13113.8; CAL. BUILDING CODE § 1210; STATE FIRE MARSHALL REGULATIONS 740 et. seq.)

D. Disclosure Regarding Lead-Based Paint Hazards

Many housing units in California still contain lead-based paint. This paint was banned for residential use in 1978. Lead-based paint can peel, chip, and deteriorate into contaminated dust, thus becoming a hazard. A child's ingestion of the lead-laced chips or dust may result in learning disabilities, delayed development or behavior disorders.

The federal Real Estate Disclosure and Notification Rule (the Rule) requires that owners of "residential dwellings" built before 1978 to disclose to their agents and to prospective buyers or lessees/renters the known presence of or any information and any reports about lead-based paint and/or lead-based paint hazards (e.g., location and condition of the painted surfaces, etc.). The

Rule defines a residential dwelling as a single-family dwelling or a single-family dwelling unit in a structure that contains more than one separate residential dwelling unit, and in which each such unit is used or occupied or intended to be used or occupied, in whole or in part, as the residence of one or more persons.

Properties affected by the Rule are termed "target housing." Target housing does *not* include pre-1978 housing which is:

- Sold at a foreclosure sale (but a subsequent sale of such a property is covered);
- A "0-bedroom dwelling" (e.g., a loft, efficiency unit or studio);
- A dwelling unit leased for 100 or fewer days (e.g., a vacation home or short-term rental), provided the lease cannot be renewed or extended;
- Housing designated for the elderly or handicapped, unless children reside or are expected to reside there;
- Leased housing for which the requirements of the Rule have been satisfied, no pertinent new information is available, and the lease is renewed or renegotiated; or
- Rental housing that has been inspected by a certified inspector and found to be free of lead-based paint.

Sellers and lessors of units in pre-1978 multifamily structures must provide a buyers or lessees with any available records or reports pertaining to lead-based paint and/or lead-based paint hazards in areas used by all the residents (e.g., stairwells, lobbies, recreation rooms, laundry rooms, etc.). If there has been an evaluation or reduction of lead-based paint and/or lead-based paint hazards in the entire structure, the disclosure requirement extends to any available records or reports regarding the other dwelling units.

The Rule requires that a seller of target housing offer a prospective buyer 10 days to inspect for lead-based paint and lead-based paint hazards. The 10 days to inspect can be increased, decreased, or waived by written agreement between buyer and seller. The Rule does not require a seller to pay for an inspection or to remove any lead-based paint/hazards, but gives a buyer the opportunity to have the property inspected. A list of certified lead inspectors and contractors is available by calling the California Department of Health Services at 1-800-597-LEAD.

The federal Environmental Protection Agency (EPA) publishes a pamphlet entitled, "Protect Your Family From Lead In Your Home," which is available at http://www.epa.gov/opptintr/lead/leadprot.htm. This pamphlet describes ways to recognize and reduce lead hazards. The Rule

requires that a seller or lessor/landlord of target housing deliver this pamphlet to a prospective buyer or lessee/tenant before a purchase, lease or rental agreement is formed.

The Rule further requires that the seller's or lessor's/landlord's Lead-Based Paint or Lead-Based Paint Hazards Disclosures; the Lead Warning Statement; and the prospective buyer's or lessee's/tenant's acknowledgment of receipt of that information; the offer of inspection period (or waiver of same); and the EPA pamphlet each be included in an attachment to the transaction documentation. The Seller or lessor/landlord, the prospective buyer or lessee/tenant, and the agent(s) must each sign and date the attachments. The retention period for sellers or lessors/landlords and agent(s) of this document is three years from completion of the sale or transfer, or from commencement of the lease/rental.

A real estate agent must ensure that:

- His or her principal (seller/lessor/landlord) is aware of the disclosure requirements;
- The transaction documentation includes the required notifications and disclosures;
- The buyer or lessee/renter receives the EPA pamphlet; and
- In the case of a sale or transfer, the buyer is offered an opportunity to have the property inspected for lead-based paint and lead-based paint hazards.

Violation of the Rule may result in civil and/or criminal penalties. For the purposes of these requirements, real estate "agent" does not include one who represents only the buyer and receives compensation only from the buyer.

To obtain the essential compliance information, a person may call the EPA at 1-800-424-LEAD.

(42 U.S.C. § 4852d; 24 C.F.R.. PART 35; CAL. HEALTH & SAFETY §§ 124125 to 124165)

E. California's Environmental Hazards Pamphlet

As previously discussed in this section, a California seller of residential real property consisting of 1 to 4 dwelling units (with a few exceptions) must give the buyer a Real Estate Transfer Disclosure Statement (TDS). The statement must specify environmental hazards of which the seller is aware (e.g., asbestos, radon gas, lead-based paint, formaldehyde, fuel or chemical storage tanks, contaminated soil or water, etc.). The seller or the seller's agent(s) may give the buyer of real property subject to Section 1102 of the Civil Code or of any other real property, including manufactured housing as

defined in Section 18007 of the Health and Safety Code, a pamphlet entitled, "Environmental Hazards: A Guide for Homeowners, Buyers, Landlords, and Tenants." If the buyer receives the pamphlet, neither the seller nor any agent in the transaction is required to furnish more information concerning such hazards, unless the seller or the agent(s) has/have actual knowledge of the existence of an environmental hazard on or affecting the property.

NOTE: The environmental hazards pamphlet has been maintained and updated by the California Association of REALTORS® for several years. It is available for purchase at http://www.car.org/mall/mall.htm or from Val Forms, a private vendor, at (925) 461-0570.

(CAL. CIV. § 2079.7)

F. Delivery of Structural Pest Control Inspection and Certification Reports

The law does not require that a structural pest control inspection be performed prior to transfer of a real property. However, if required by the purchase contract or by the lender, the seller or the seller's agent(s) must deliver to the buyer a copy of the report and written certification, prepared by a registered structural pest control company, regarding the presence or absence of wood-destroying organisms. Delivery must occur before transfer of title.

If more than one real estate broker is acting as the seller's agent, the broker who obtained the offer is responsible for delivery of the report in person or by mail, unless the seller directs otherwise in writing. The real estate broker responsible for delivery must retain for 3 years a record of the actions taken to effect delivery.

(CAL. BUS. & PROF. §§ 8519 et. seq., 10148; CAL. CIV. § 1099; COMMISSIONER'S REGULATION 2905)

G. Energy Conservation Retrofit and Thermal Insulation Disclosures

State law prescribes minimum energy conservation standards for all new construction. Some local governments also have ordinances that impose additional energy conservation measures on new and/or existing homes. These local ordinances may impose energy retrofitting as a condition of the sale of an existing home. The seller and/or the seller's agent(s) are to disclose to a prospective buyer the requirements of the various ordinances, as well as who is responsible for compliance.

Federal law requires that a "new home" seller (including a subdivider) disclose in every sales contract the type, thickness, and R-value of the

insulation which has been or will be installed. However, if the buyer signs a sales contract before it is known what type of insulation will be installed, or if there is a change in the contract regarding insulation, the seller shall give the buyer the required information as soon as it is available.

(16 C.F.R. PART 460 et. seq.; CAL. PUB. RES. § 25402 et. seq.)

H. Foreign Investment in Real Property Tax Act

Federal law requires that a buyer of real property must withhold and send to the Internal Revenue Service (IRS) 10% of the gross sales price if the seller of the real property is a "foreign person." The primary grounds for exemption from this requirement are: the seller's non-foreign affidavit and U.S. taxpayer I.D. number; a qualifying statement obtained through the IRS attesting to other arrangements resulting in collection of or exemption the tax; or the sales price does not exceed \$300,000 and the buyer intends to reside in the property.

Because of the number of exemptions and other requirements relating to this law, principals and agents should consult the IRS or a qualified tax advisor for more information.

(26 U.S.C. § 1445)

I. Notice and Disclosure to Buyer of State Withholding on Disposition of California Real Property.

In certain California real estate sale transactions, buyers must withhold 3 1/3% of the total sales prices as state income tax and deliver the sums withheld to the State Franchise Tax Board. In applicable transactions, the escrow holder is required by law to notify the buyer of this responsibility.

A buyer's failure to withhold and deliver the required sum may result in the buyer being subject to penalties. If the escrow holder fails to notify the buyer, penalties may be levied against the escrow holder.

Transactions are exempt from withholding if:

- The *total* sales price is less than \$100,000.
- The property qualifies as the seller's or decedent's principal residence under Internal Revenue Service Code Section 121. Generally, a home will qualify as a principal residence if, during the five-year period ending on the date of sale, the seller or the decedent owned *and* lived in the property as their main home for at least two years. Notwithstanding the two-year requirement, the last use of the property must be that of the seller's or decedent's principal residence.

- The transaction must result in either a net loss or a net gain that is not required to be recognized for California income or franchise tax purposes. The seller must complete Form 593-L, "Real Estate Withholding-Computation of Estimated Gain or Loss."
- The property is subject to an involuntary conversion and, therefore, the transaction will qualify for non-recognition of gain for California income tax purposes under Internal Revenue Service Code Section 1033.
- The property is being transferred by certain corporations, partnerships, or other entities which have no permanent place of business in California and/or otherwise qualify for an exemption.
- The property is being transferred by a trustee under a deed of trust or a mortgage with a power of sale, or pursuant to a decree of foreclosure, or by a deed in lieu of foreclosure.

There may be other restrictions, limitations, or exceptions for special circumstances. For more information, obtain IRS Publication 523, "Selling Your Home," at www.irs.gov, or contact the IRS toll free at 1-800-829-3676. In addition, withholding may be reduced or deferred when:

- The sale qualifies as an IRS Code Section 1031 exchange. However, withholding will be required on any cash the seller receives.
- The sale is an installment sale and the buyer agrees in writing to withhold on each principal payment including the down payment and on any balloon payment. The buyer must complete Form 593-I, "Real Estate Withholding Installment Sale Agreement."

For further information, contact the Franchise Tax Board and/or a qualified tax advisor.

(CAL. REV. & TAX. § 18662)

J. Furnishing Controlling Documents and Financial Statements Concerning Common Interest Developments (CID's)

The owner (other than a subdivider) of a separate interest in a common interest development (community apartment project, condominium project, planned development, or stock cooperative) must provide a prospective buyer with the following:

• A copy of the governing documents of the development, including any operating rules and a copy of the association's articles of incorporation,

- or if not incorporated, a written statement from an authorized representative that the association is not incorporated;
- If there is an age restriction not consistent with Civil Code Section 51.3, a statement that the age restriction is only enforceable to the extent permitted by law and specifying the applicable provisions of law;
- A copy of the financial documents of the association including financial statement, the operating budget, the most recent reserve study and the assessment and reserve funding disclosure summary form (see Civil Code 1365 and 1365.5);
- A written statement from an authorized representative of the association specifying the amount of the current regular and special assessments, the current fees, as well as any unpaid assessments, late charges, interest, and costs of collection which are or may become a lien against the separate interest and any fines or penalties levied upon the owner and which remain unpaid.
- A copy or summary of any notice previously sent to the owner that sets forth any alleged violation of the governing documents that remains unresolved.
- A copy of any preliminary list of any construction defects and a statement that a final determination of the defects has yet to occur, including whether the list of defects is accurate and complete.
- A disclosure of any settlement agreement or other instrument between the association and the developer regarding construction defects, and the following information in connection therewith:
 - (1) A general description of the defects that the association reasonably believes, as of the date of the disclosure, will be corrected or replaced.
 - 2) A good faith estimate, as of the date of the disclosure, of when the association believes that the defects identified in (1) will be corrected or replaced. The association may state that the estimate may be modified.
 - 3) The status of the claims for defects in the design or construction of the common interest development that were not identified in paragraph (1) whether expressed in a preliminary list of defects sent to each member of the association or otherwise claimed and disclosed to the members of the association."
- Information regarding any approved change in the assessments or fees which are not yet due and payable as of the disclosure date.

NOTE: Upon written request, the association is to provide within 10 days the above information to or as directed by the owner. In addition, some transactional documents require that the owner secure for the prospective buyer copies of minutes of proceedings, which may be obtained from the association by the owner in accordance with Civil Code Section 1365.2.

(CAL. CIV. §§ 1368, 1375, 1375.1(a)(1),(2),(3))

K. Notice Regarding the Advisability of Title Insurance

In an escrow for a sale (or exchange) of real property where no title insurance is to be issued, the buyer (or both parties to an exchange) must receive and sign/acknowledge the following notice as a separate document in the escrow:

"IMPORTANT: IN A PURCHASE OR EXCHANGE OF REAL PROPERTY, IT MAY BE ADVISABLE TO OBTAIN TITLE INSURANCE IN CONNECTION WITH THE CLOSE OF ESCROW SINCE THERE MAY BE PRIOR RECORDED LIENS AND ENCUMBRANCES WHICH AFFECT YOUR INTEREST IN THE PROPERTY BEING ACQUIRED. A NEW POLICY OF TITLE INSURANCE SHOULD BE OBTAINED IN ORDER TO INSURE YOUR INTEREST IN THE PROPERTY THAT YOU ARE ACQUIRING."

NOTE: While the statute does not expressly assign the duty, it is reasonable to assume that delivery of the notice is an obligation of the escrow holder. A real estate broker conducting an escrow pursuant to the exemption set forth in Financial Code Section 17006(a)(4) would, therefore, be responsible for delivery of the notice.

(CAL. CIV. § 1057.6)

L. Certification Regarding Water Heater's Security Against Earthquake

The seller of any real property containing a water heater must certify in writing to a prospective buyer that the water heater has been braced, anchored or strapped to resist falling or horizontal movement due to earthquake motion. The minimum standard for this security is set forth in the California Plumbing Code, which may be more restrictively amended by local or municipal code or ordinance. The certification can be included with the *Homeowner's Guide to Earthquake Safety*, in the Real Estate Purchase Contract or Receipt for Deposit, or with the Real Estate Transfer Disclosure Statement.

(CAL. HEALTH & SAFETY § 19211)

M. Data Base - Locations of Registered Sex Offenders

Written leases or rental agreements for residential real property and contracts (including real property sales contracts as defined in Civil Code Section 2985) for the sale of residential real property of 1 to 4 dwelling units must contain, in not less than eight-point type, a notice as specified in paragraph (1), (2), or (3):

(1) A contract entered into by the parties on or after July 1, 1999, and before September 1, 2005, shall contain the following notice:

Notice: The California Department of Justice, sheriff's departments, police departments serving jurisdictions of 200,000 or more, and many other local law enforcement authorities maintain for public access a database of the locations of persons required to register pursuant to paragraph (1) of subdivision (a) of Section 290.4 of the Penal Code. The database is updated on a quarterly basis and is a source of information about the presence of these individuals in any neighborhood. The Department of Justice also maintains a Sex Offender Identification Line through which inquiries about individuals may be made. This is a "900" telephone service. Callers must have specific information about individuals they are checking. Information regarding neighborhoods is not available through the "900" telephone service.

- (2) A contract entered into by the parties on or after September 1, 2005, and before April 1, 2006, shall contain either the notice specified in paragraph (1) or the notice specified in paragraph (3).
- (3) A contract entered into by the parties on or after April 1, 2006, shall contain the following notice:

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**. 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.

(CAL. CIV. § 2079.10a)