

# **“Contracts”**

**(MD Course #103-2634-F)**

**(DC Course #PC8511)**



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# CONTRACTS

## COURSE WORKSHEET

Course Objective: Upon successfully completing this course, each student will have a basic understanding of contracts and the various types of contracts used in real estate transactions.

### I. Definition of a Contract

- a. Voluntary agreement between two or more parties to do something, or not to do something.
  - b. Issues - Pre-formation, Formation, Post-formation
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### Pre-formation - Elements of a Contract

- a. Voluntary: There cannot be any undue pressure, stress, or duress on the parties.
  - b. Legally Competent Parties: Must be of legal age (Maryland at least 18 - exception - husband and wife, one is at least 18 and the other is a minor, real estate contract is binding on both) and mentally competent (cannot be declared mentally incompetent by medical professional or court).
  - c. Legal Purpose: A contract cannot be for an illegal purpose.
  - d. Consideration: Something of value, usually the property for money.
  - e. Offer and Acceptance: There must be agreement on all terms and conditions - meeting of the minds.
  - f. Reality of Consent: No undue influence, duress, fraud or misrepresentation.
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### Formation - Classification of Contracts

- a. Express: The terms are stated, either orally or in writing.
- b. Implied: Not stated orally or in writing, but by the parties' actions or conduct
- c. Unilateral: Only one party is bound - example, an Option to Purchase
- d. Bilateral: All parties are bound by the contract.

- e. Executory: Contract is signed, but has not settled.
  - f. Executed: All terms have been met and settlement has occurred.
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#### Classification of Contracts (continued)

- a. Valid: Has all of the required elements - fully enforceable in court.
  - b. Void: Lacks one or all of the required elements - not legally enforceable.
  - c. Voidable: Appears to have all required elements - may be rescinded or disaffirmed.
  - d. Enforceable: Parties can be made to comply with the terms of the contract.
  - e. Unenforceable: Cannot be enforced in court - oral contract for the sale of real estate (parol evidence rule)
  - f. Statute of Frauds: Contract for the sale of real property must be in writing to be enforceable.
  - g. Statute of Limitations: Timeframe within which legal action must be taken.
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#### Post-formation - Discharge, Withdrawal, Breach

Discharge: Contract ends.

- a. Complete Performance: All terms have been met - goes to settlement.
  - b. Partial/Substantial Performance: May go to settlement if parties agree.
  - c. Mutual Agreement of the Parties: Mutual rescission.
  - d. Destruction of the property
  - e. Death or Insanity of a Principal
  - f. Operation of Law: Bankruptcy, signatures of minors, alteration of contract without the written consent of all parties.
  - g. Expiration: Agreement lapsed and an extension was not granted.
  - h. Impossibility of Performance: An action required in the contract cannot be accomplished legally.
  - i. Time is of the Essence: Due dates have not been met.
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## Withdrawal

- a. Assignment: Rights and/or duties are transferred to another party.
  - b. Novation: Substitution of new parties.
  - c. Novation: Substitution of a new contract for the old contract.
  - d. Withdrawal of the offer at anytime before it is accepted.
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Breach: Violating the terms of the contract without legal excuse.

### Remedies for Breach Contract:

- a. Liquidated Damages: Parties agree in the contract to an amount of damages to be paid if the contract is breached.
  - b. Punitive Damages: Intended to punish the defaulting party.
  - c. Compensatory Damages: To restore the injured party's economic loss.
  - d. Specific Performance: To force the defaulting party to comply with the terms of the contract.
  - e. Equitable Title vs. Legal Title: An ownership interest, but not a possessory one.
  - f. Vendor and Purchasers Risk Act: Seller bears the risk of loss after contract acceptance until settlement, or buyer takes possession, whichever occurs first.
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## II. Types of Contracts - Employment Contracts

Listing agreements, buyer representation agreements and management agreements - must state a beginning and ending date - cannot automatically extend itself - must state the compensation - must state requirement for earning compensation - must state whether broker is authorized to share compensation with other brokers or receive compensation from other brokers.

- a. Listing Agreements: Seller hires a broker to procure a ready, willing and able buyer.
  1. Exclusive Right to Sell Listing Agreement - Seller hires one broker - no matter who procures the buyer, broker is entitled to a commission.
  2. Exclusive Agency Listing Agreement - Seller hires one broker - if the seller procures the buyer, no commission is paid.



3. Open Listing - Seller hires more than one broker - no commission sharing - if seller procures buyer, no commission is paid.
  4. Net Listing - Illegal - Seller wants to net a certain amount - broker can keep anything above that amount.
  5. Multiple Listing Service - Membership organization for brokers to share listing information.
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b. Buyer Representation Agreements: Buyer hires a broker to find a property available for sale, suitable for the buyer.

1. Exclusive Right to Represent Agreement - Buyer hires one broker - if buyer finds a house without the broker, broker is still entitled to a commission.
  2. Exclusive Agency Buyer Agency Agreement - Buyer hires one broker - if buyer finds a house without the broker, no commission is paid.
  3. Open Buyer Representation Agreement - Buyer hires more than one broker - commission is paid to whichever broker finds the house - if the buyer finds the house without the broker, no commission is paid.
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c. Management Agreements: Owner hires broker to manage owner's property. Terms and responsibilities are agreed upon between owner and broker.

### Types of Contracts

#### Sales Contracts

- a. Offer/Sales Contract: Transfer of ownership real estate.
  - b. Binder: Short version of the contract.
  - c. Accept/Reject/Counter: A counter is a rejection of the offer.
  - d. Contingencies: The contract will go to settlement if certain conditions are met, for example, if financing is approved, if the inspection is satisfactory, if third-party approval is received, if the purchaser sells her/his home, if the seller is to find a home of choice. Escape/kick-out clause with the last two examples.
  - e. Amendment/Addendum: Addendum is an addition to the offer - an amendment is a change to the contract.
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Types of Contracts (continued)

Leases

- a. Lease: Temporary transfer of owner's right of possession for consideration.
  - b. Lease Option: Tenant has the right to extend the lease.
  - c. Lease Option to Purchase: Tenant has the right to purchase the property.
  - d. Lease Purchase: Tenant has agreed to purchase the property.
  - e. Land Installment Contract: Seller financing - seller is vendor - buyer is vendee.
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Contract Disclosures

- a. Disclosures: Licensee/related party as principal.
  - b. Lead-based Paint Disclosure: Must be given if the house was built before 1978.
  - c. Buyer's Right of Selection: Lender, title company, etc.
  - d. Agency Disclosures/Consent Forms
  - e. Guaranty Fund: A fund to reimburse a principal for monetary loss caused by licensee or an employee of the licensee.
  - f. Ground Rent: Person owns the house, but not the land.
  - g. Notice to Consumer Regarding Service Providers.
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RESIDENTIAL CONTRACT OF SALE

This is a Legally Binding Contract; If Not Understood, Seek Competent Legal Advice.

THIS FORM IS DESIGNED AND INTENDED FOR THE SALE AND PURCHASE OF IMPROVED SINGLE FAMILY RESIDENTIAL REAL ESTATE LOCATED IN MARYLAND ONLY.

TIME IS OF THE ESSENCE. Time is of the essence of this Contract. The failure of Seller or Buyer to perform any act as provided in this Contract by a prescribed date or within a prescribed time period shall be a default under this Contract and the non-defaulting party, upon written notice to the defaulting party, may declare this Contract null and void and of no further legal force and effect. In such event, all Deposit(s) shall be disbursed in accordance with Paragraph 20 of this Contract.

1. DATE OF OFFER: \_\_\_\_\_

2. SELLER: \_\_\_\_\_

3. BUYER: \_\_\_\_\_

4. PROPERTY: Seller does sell to Buyer and Buyer does purchase from Seller, all of the following described Property (hereinafter "Property") known as \_\_\_\_\_ located in \_\_\_\_\_ City/County, Maryland, Zip Code \_\_\_\_\_, together with the improvements thereon, and all rights and appurtenances thereto belonging.

5. ESTATE: The Property is being conveyed: \_\_\_\_\_ in fee simple or \_\_\_\_\_ subject to an annual ground rent, now existing, in the amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) payable semi-annually, as now or to be recorded among the Land Records of \_\_\_\_\_ City/County, Maryland.

6. PURCHASE PRICE: The purchase price is \_\_\_\_\_ Dollars (\$ \_\_\_\_\_).

7. PAYMENT TERMS: The payment of the purchase price shall be made by Buyer as follows: (a) Buyer [ ] has delivered OR [ ] will deliver within \_\_\_\_\_ Days of the Date of Contract Acceptance an initial Deposit by way of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) at the time of this offer.

(b) An additional Deposit by way of \_\_\_\_\_ in the amount of \_\_\_\_\_ Dollars (\$ \_\_\_\_\_) to be paid \_\_\_\_\_

(c) All Deposits will be held in escrow by: \_\_\_\_\_ If not a Maryland licensed real estate broker, the parties shall execute a separate written escrow deposit agreement that complies with Section 10-802 of the Real Property Article, Annotated Code of Maryland.

(d) The purchase price less any and all Deposits shall be paid in full by Buyer in cash, wired funds, bank check, certified check or other payment acceptable to the settlement officer at settlement.

(e) Buyer and Seller instruct broker named in paragraph (c) above to place the Deposits in: (Check One) [ ] A non-interest bearing account; OR [ ] An interest bearing account, the interest on which, in absence of default by Buyer, shall accrue to the benefit of Buyer. Broker may charge a fee for establishing an interest bearing account.

8. SETTLEMENT: Date of Settlement \_\_\_\_\_ or sooner if agreed to in writing by the parties.

9. FINANCING: Buyer's obligation to purchase the Property is contingent upon Buyer obtaining a written commitment for a loan secured by the Property as follows:

- [ ] Conventional Financing Addendum [ ] USDA Financing Addendum [ ] Owner Financing Addendum
[ ] FHA Financing Addendum [ ] Assumption Addendum [ ] No Financing Contingency
[ ] VA Financing Addendum [ ] Gift of Funds Contingency Addendum [ ] OTHER: \_\_\_\_\_

10. FINANCING APPLICATION AND COMMITMENT: Buyer agrees to make a written application for the financing as herein described within \_\_\_\_\_ ( \_\_\_\_\_ ) days from the Date of Contract Acceptance. If a

Buyer \_\_\_\_\_ / \_\_\_\_\_ Page 1 of 11 10/21 Seller \_\_\_\_\_ / \_\_\_\_\_

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written financing commitment is not obtained by Buyer within \_\_\_\_\_ ( \_\_\_\_\_ ) days from the Date of Contract Acceptance: (1) Seller, at Seller's election and upon written notice to Buyer, may declare this Contract null and void and of no further legal effect; or (2) Buyer, upon written notice to Seller, which shall include written evidence from the lender of Buyer's inability to obtain financing as provided in Paragraph 9 of this Contract, may declare this Contract null and void and of no further legal effect. In either case, the deposit shall be disbursed in accordance with the Deposit paragraph of this Contract. If Buyer has complied with all of Buyer's obligations under this Contract, including those with respect to applying for financing and seeking to obtain financing, then the Release of Deposit agreement shall provide that the deposit shall be returned to Buyer.

**11. ALTERNATE FINANCING:** Provided Buyer timely and diligently pursues the financing described in the **Financing** paragraph, the **Financing Application and Commitment** paragraph, and the **Buyer Responsibility** paragraph, Buyer, at Buyer's election, may also apply for alternate financing. If Buyer, at Buyer's sole option, obtains a written commitment for financing in which the loan amount, term of note, amortization period, interest rate, down payment or loan program differ from the financing as described in the Financing paragraph, or any addendum to this Contract, the Financing Application and Commitment paragraph or any addendum to this Contract shall be deemed to have been fully satisfied. Such alternate financing may not increase costs to Seller or exceed the time allowed to secure the financing commitment as provided in the Financing Application and Commitment paragraph, or any addendum to this Contract.

**12. HOME AND/OR ENVIRONMENTAL INSPECTION:** Buyer acknowledges, subject to Seller acceptance, that Buyer is afforded the opportunity, at Buyer's sole cost and expense, to condition Buyer's purchase of the Property upon a Home Inspection and/or Environmental Inspection in order to ascertain the physical condition of the Property or the existence of environmental hazards. If Buyer desires a Home Inspection and/or Environmental Inspection contingency, such contingency must be included in an addendum to this Contract. Buyer and Seller acknowledge that Brokers, agents or subagents are not responsible for the existence or discovery of property defects.

Inspection(s) Addenda Attached	_____	_____	Inspection(s) Declined	_____	_____
	Buyer	Buyer		Buyer	Buyer

**13. INCLUSIONS/EXCLUSIONS:** Included in the purchase price are all permanently attached fixtures, including all smoke detectors. Certain other **now existing items** which may be considered personal property, whether installed or stored upon the property, are included if box below is checked.

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|---|---|---|--|
| <b>INCLUDED</b>                                 | <b>INCLUDED</b>                                     | <b>INCLUDED</b>                                     | <b>INCLUDED</b>                                |
| <input type="checkbox"/> Alarm System           | <input type="checkbox"/> Fireplace Screen Doors     | <input type="checkbox"/> Screens                    | <input type="checkbox"/> Window Fan(s) # _____ |
| <input type="checkbox"/> Built-in Microwave     | <input type="checkbox"/> Freezer                    | <input type="checkbox"/> Shades/Blinds              | <input type="checkbox"/> Wood Stove            |
| <input type="checkbox"/> Ceiling Fan(s) # _____ | <input type="checkbox"/> Furnace Humidifier         | <input type="checkbox"/> Storage Shed(s) # _____    |  |
| <input type="checkbox"/> Central Vacuum         | <input type="checkbox"/> Garage Opener(s) # _____   | <input type="checkbox"/> Storm Doors                |  |
| <input type="checkbox"/> Clothes Dryer          | <input type="checkbox"/> w/remote(s) # _____        | <input type="checkbox"/> Storm Windows              |  |
| <input type="checkbox"/> Clothes Washer         | <input type="checkbox"/> Garbage Disposal           | <input type="checkbox"/> Stove or Range             |  |
| <input type="checkbox"/> Cooktop                | <input type="checkbox"/> Hot Tub, Equipment & Cover | <input type="checkbox"/> T.V. Antenna               |  |
| <input type="checkbox"/> Dishwasher             | <input type="checkbox"/> Intercom                   | <input type="checkbox"/> Trash Compactor            |  |
| <input type="checkbox"/> Drapery/Curtain Rods   | <input type="checkbox"/> Playground Equipment       | <input type="checkbox"/> Wall Mount T.V. Brackets   |  |
| <input type="checkbox"/> Draperies/Curtains     | <input type="checkbox"/> Pool, Equipment & Cover    | <input type="checkbox"/> Wall Oven(s) # _____       |  |
| <input type="checkbox"/> Electronic Air Filter  | <input type="checkbox"/> Refrigerator(s) # _____    | <input type="checkbox"/> Water Filter               |  |
| <input type="checkbox"/> Exhaust Fan(s) # _____ | <input type="checkbox"/> w/ice maker                | <input type="checkbox"/> Water Softener             |  |
| <input type="checkbox"/> Exist. W/W Carpet      | <input type="checkbox"/> Satellite Dish             | <input type="checkbox"/> Window A/C Unit(s) # _____ |  |

ADDITIONAL INCLUSIONS (SPECIFY): \_\_\_\_\_

ADDITIONAL EXCLUSIONS (SPECIFY): \_\_\_\_\_

**14. AGRICULTURALLY ASSESSED PROPERTY:** The *Agricultural Use Assessment* (Assessment) is a reduced property tax assessment for agricultural land. To be eligible for the Assessment, the land must be actively used for agricultural purposes. The *Agricultural Land Transfer Tax* (Tax) is a tax imposed under Section 13-301 et seq. of the Tax-Property Article, Annotated Code of Maryland. **If the Property is assessed in the agricultural use category and the Buyer does not intend to use the Property for agricultural purposes, the Tax may become due and could be substantial.** The Tax is imposed on the deed itself and must be paid before the deed can be recorded. At the time of sale, Seller shall notify Buyer in writing that the transfer may be subject to the Tax. Buyer will be responsible to pay the Tax unless the parties negotiate a different agreement. To avoid paying the Tax, Buyer must continue to use the Property for agricultural purposes and comply with the other requirements of the law. **The Property, or any portion thereof, may be subject to an Agricultural Land Transfer Tax as imposed by Section 13-301 et seq. of the Tax-Property Article, Annotated Code of Maryland, by reason of the Property's having been assessed on the basis of agricultural use. The Tax assessed as a result of this transfer shall be paid by \_\_\_\_\_**

Buyer \_\_\_\_\_ / \_\_\_\_\_

Seller \_\_\_\_\_ / \_\_\_\_\_

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**15. FOREST CONSERVATION AND MANAGEMENT PROGRAM:** Buyer is hereby notified that this transfer may be subject to the Forest Conservation and Management Program imposed by Section 8-211 of the Tax-Property Article, Annotated Code of Maryland. Forest Conservation and Management program taxes assessed as a result of this transfer shall be paid by \_\_\_\_\_.

**16. LEAD-BASED PAINT:**

**A. FEDERAL LEAD-BASED PAINT LAW:** Title X, Section 1018, the Residential Lead-Based Paint Hazard Reduction Act of 1992 (the "Act"), requires the disclosure by Seller of information regarding lead-based paint and lead-based paint hazards in connection with the sale of any residential real property on which a residential dwelling was constructed prior to 1978. Unless otherwise exempt by the Act, the disclosure shall be made on the required federal Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards form. **Seller and any agent involved in the transaction are required to retain a copy of the completed Lead-Based Paint Disclosure form for a period of three (3) years following the date of settlement. A Seller who fails to give the required Lead-Based Paint Disclosure form and EPA pamphlet may be liable under the Act for three times the amount of damages and may be subject to both civil and criminal penalties.**

Buyer acknowledges by Buyer's initials below that Buyer has read and understands the provisions of Paragraph 16.A.  
\_\_\_\_\_/\_\_\_\_\_(BUYER)

**B. RENOVATION, REPAIR AND PAINTING OF PROPERTY:** In accordance with the Lead Renovation, Repair and Painting Rule ("RRP") as adopted by the Environmental Protection Agency ("the EPA"), effective April 22, 2010, if the improvements on the Property were built before 1978, contractor(s) engaged by Seller to renovate, repair or paint the Property must be certified by the EPA where such work will disturb more than six square feet of paint per room for interior projects; more than 20 square feet of paint for any exterior project; or includes window replacement or demolition ("Covered Work"). Before and during any Covered Work project, contractor(s) must comply with all requirements of the RRP.

A Seller who personally performs any Covered Work on a rental property is required to be certified by the EPA prior to performing such Covered Work. No certification is required for a Seller who personally performs Covered Work on the Seller's principal residence. However, Seller has the ultimate responsibility for the safety of Seller's family or children while performing such Covered Work. For detailed information regarding the RRP, Seller should visit <http://www2.epa.gov/lead/renovation-repair-and-painting-program>.

Buyer acknowledges by Buyer's initials below that Buyer has read and understands Paragraph 16.B.  
\_\_\_\_\_/\_\_\_\_\_(BUYER)

**C. MARYLAND LEAD POISONING PREVENTION PROGRAM:** Under the Maryland Lead Poisoning Prevention Program (the "Maryland Program"), any residential dwelling constructed prior to 1978 that is leased for residential purposes is required to be registered with the Maryland Department of the Environment (MDE). If the Property was built prior to 1978 and is now or has been a rental property or may become a rental property in the future, a separate Maryland Lead-Based Paint Disclosure form is attached. Detailed information regarding compliance requirements may be obtained at: <http://www.mde.state.md.us/programs/Land/LeadPoisoningPrevention/Pages/index.aspx>.

Buyer acknowledges by Buyer's initials below that Buyer has read and understands Paragraph 16.C.  
\_\_\_\_\_/\_\_\_\_\_(BUYER)

**17. NOTICE REGARDING DISCLOSURE OF DEFERRED WATER AND SEWER ASSESSMENTS:** Pursuant to Section 14-117(a)(5) of the Real Property Article of the Annotated Code of Maryland, a contract for the resale of residential real property that is served by public water or wastewater facilities for which deferred water and sewer charges have been established by a recorded covenant or declaration shall contain a notice disclosing information about the deferred water and sewer charges. **If a Seller subject to this law fails to comply:**

- (a) **Prior to settlement, Buyer is entitled to rescind in writing the sales contract without penalty or liability. On rescission, Buyer is also entitled to the full return of any deposits made on account of the sales contract. If any deposits are held in trust by a licensed real estate broker, the return of the deposits to a Buyer under this law shall comply with the procedures under § 17-505 of the Business Occupations and Professions Article of the Annotated Code of Maryland. Buyer's right of rescission shall terminate five days after Seller provides to Buyer written notice in accordance with this requirement; and**
- (b) **After settlement, Seller shall be liable to Buyer for the full amount of any fee or assessment not disclosed, unless Seller was never charged a fee or assessment to defray the costs of public water or wastewater facilities by the developer, a successor of the developer, or a subsequent assignee.**

This law does *not* apply in a county that has adopted a disclosure requirement that is substantially similar to this law. (If the Property is served by public water or wastewater facilities for which deferred water and sewer charges have been established by a recorded covenant or declaration: See Notice Regarding Deferred Water and Sewer Charges.)

Buyer \_\_\_\_\_ / \_\_\_\_\_

Seller \_\_\_\_\_ / \_\_\_\_\_

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Buyer acknowledges by Buyer's initials below that Buyer has read and understands Paragraph 17.

\_\_\_\_ / \_\_\_\_\_ (BUYER)

**18. ADDENDA/DISCLOSURES:** The Addenda checked below, which are hereby attached, are made a part of this Contract:

- |  |  |
|--|--|
| <input type="checkbox"/> Affiliated Business Disclosure Notice   | <input type="checkbox"/> MD Non-Resident Seller Transfer Withholding Tax   |
| <input type="checkbox"/> As Is   | <input type="checkbox"/> Notice to Buyer and Seller – Maryland Residential Real Property Disclosure/Disclaimer Act |
| <input type="checkbox"/> Back-Up Contract Addendum   | <input type="checkbox"/> Notice & Disclosure of Deferred Water & Sewer Charges                                     |
| <input type="checkbox"/> Cash Appraisal Contingency  | <input type="checkbox"/> On-Site Sewage Disposal System Inspection   |
| <input type="checkbox"/> Condominium Resale Notice   | <input type="checkbox"/> Property Inspections  |
| <input type="checkbox"/> Conservation Easement   | <input type="checkbox"/> Property Subject to Ground Rent   |
| <input type="checkbox"/> Disclosure of Licensee Status   | <input type="checkbox"/> Purchase Price Escalation   |
| <input type="checkbox"/> Disclosure of Leased Items Addendum   | <input type="checkbox"/> Sale, Financing, Settlement or Lease of Other Real Estate                                 |
| <input type="checkbox"/> Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards | <input type="checkbox"/> Seller Contribution   |
| <input type="checkbox"/> First-Time Maryland Home Buyer Transfer & Recordation Tax                     | <input type="checkbox"/> Seller's Purchase of Another Property   |
| <input type="checkbox"/> Homeowners Association Notice   | <input type="checkbox"/> Solar Panel   |
| <input type="checkbox"/> Kickout   | <input type="checkbox"/> Short Sale  |
| <input type="checkbox"/> Local City/County Certifications/Registrations                                | <input type="checkbox"/> Third Party Approval  |
| <input type="checkbox"/> Local City/County Notices/Disclosure  | <input type="checkbox"/> Water Quality   |
| <input type="checkbox"/> Maryland Lead Poisoning Prevention Program Disclosure                         |  |

Other Addenda/Special Conditions:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**19. WOOD DESTROYING INSECT INSPECTION:** Buyer, at Buyer's expense, (if VA, then at Seller's expense) is authorized to obtain a written report on the state regulated form from a Maryland licensed pest control company that, based on a careful visual inspection, there is no evidence of termite or other wood-destroying insect infestation in the residence or within three (3) feet of the residence; and damage due to previous infestation has been repaired. The provisions of this paragraph also shall apply to: (1) the garage or within three (3) feet of the garage (whether attached or detached); (2) any outbuildings located within three feet of the residence or garage; and (3) a maximum of ten (10) linear feet of the nearest portion of a fence on Seller's Property within three feet of the residence or garage. If there is evidence of present infestation as described above, or if damage caused by present or prior infestation is discovered, Seller, at Seller's expense, shall repair any damage caused by present or prior infestation and have the present infestation treated by a licensed pest control company. If the cost of treatment and repair of such damage exceeds 2% of the purchase price, Seller may, at Seller's option, cancel this Contract, unless Buyer, at Buyer's option should choose to pay for the cost of treatment and repairs exceeding 2% of the purchase price, then this Contract shall remain in full force and effect. If such report reveals damage for which the cost of treatment and repair exceeds 2% of the purchase price, Seller's decision regarding treatment and repair of damage shall be communicated in writing to Buyer within five (5) days from receipt of the report, after which Buyer shall respond to Seller in writing with Buyer's decision within three (3) days from receipt of Seller's notification of Seller's decision. If Seller does not notify Buyer in writing of Seller's decision within five (5) days from receipt of report, Buyer may, at Buyer's option, pay for the cost of treatment and repairs exceeding 2% of the purchase price. If Buyer does not want to pay for the cost of treatment and repairs exceeding 2% of the purchase price, Buyer may terminate this Contract upon written notice delivered to Seller. In the event this Contract is terminated under the terms of this paragraph, the Deposit(s) shall be disbursed in accordance with the Deposit paragraph of this Contract.

**20. DEPOSIT:** If the Deposit is held by a Broker as specified in Paragraph 7(c) of this Contract, Buyer hereby authorizes and directs Broker to hold the Deposit instrument without negotiation or deposit until the parties have executed and accepted this Contract. Upon acceptance, the initial Deposit and additional Deposits (the "Deposit"), if any, shall be placed in escrow as provided in Paragraph 7(e) of this Contract and in accordance with the requirements of Section 17-502(b)(1) of the Business Occupations and Professions Article, Annotated Code of Maryland. If Seller does not execute and accept this Contract, the initial Deposit instrument shall be promptly returned to Buyer. The Deposit shall be disbursed at settlement. In the event this Contract shall be terminated or settlement does not occur, Buyer and Seller agree that the Deposit shall be disbursed by Broker only in accordance with a Release of Deposit agreement executed by Buyer and Seller. In the event Buyer and/or Seller fail to complete the real estate transaction in accordance with the terms and conditions of this Contract, and either Buyer or Seller shall be unable or unwilling to execute a Release of Deposit agreement, Buyer and Seller hereby acknowledge and agree that Broker may distribute the Deposit in accordance with the provisions of Section 17-505(b) of the Business Occupations and Professions Article, Annotated Code of Maryland.

Buyer \_\_\_\_\_ / \_\_\_\_\_

Seller \_\_\_\_\_ / \_\_\_\_\_

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**21. DEED AND TITLE:** Upon payment of the purchase price, a deed for the Property containing covenants of special warranty and further assurances (except in the case of transfer by personal representative of an estate), shall be executed by Seller and shall convey the Property to Buyer. Title to the Property, including all chattels included in the purchase, shall be good and merchantable, free of liens and encumbrances except as specified herein; except for use and occupancy restrictions of public record which are generally applicable to properties in the immediate neighborhood or the subdivision in which the Property is located and publicly recorded easements for public utilities and any other easements which may be observed by an inspection of the Property. Buyer expressly assumes the risk that restrictive covenants, zoning laws or other recorded documents may restrict or prohibit the use of the Property for the purpose(s) intended by Buyer. In the event Seller is unable to give good and merchantable title or such as can be insured by a Maryland licensed title insurer, with Buyer paying not more than the standard rate as filed with the Maryland Insurance Commissioner, Seller, at Seller's expense, shall have the option of curing any defect so as to enable Seller to give good and merchantable title or, if Buyer is willing to accept title without said defect being cured, paying any special premium on behalf of Buyer to obtain title insurance on the Property to the benefit of Buyer. In the event Seller elects to cure any defects in title, this Contract shall continue to remain in full force and effect; and the date of settlement shall be extended for a period not to exceed fourteen (14) additional days. If Seller is unable to cure such title defect(s) and is unable to obtain a policy of title insurance on the Property to the benefit of Buyer from a Maryland licensed title insurer, Buyer shall have the option of taking such title as Seller can give, or terminating this Contract and being reimbursed by Seller for cost of searching title as may have been incurred not to exceed 1/2 of 1% of the purchase price. In the latter event, there shall be no further liability or obligation on either of the parties hereto; and this Contract shall become null and void; and all Deposit(s) shall be disbursed in accordance with the Deposit paragraph of this Contract. In no event shall Broker(s) or their agent(s) have any liability for any defect in Seller's title.

**22. CONDITION OF PROPERTY AND POSSESSION:** At settlement, Seller shall deliver possession of the Property and shall deliver the Property vacant, clear of trash and debris, broom clean and in substantially the same condition as existed on the Date of Contract Acceptance. Buyer reserves the right to inspect the Property within five (5) days prior to settlement. **EXCEPT AS OTHERWISE SPECIFIED IN THIS CONTRACT, INCLUDING THIS PARAGRAPH, THE PROPERTY IS SOLD "AS IS."** The obligations of Seller as provided in this paragraph shall be in addition to any Disclosure and Disclaimer Statement as required by Section 10-702, Real Property Article, Annotated Code of Maryland and any provision of any inspection contingency addendum made a part of this Contract (See Property Inspections Notice).

**23. ADJUSTMENTS:** Ground rent, homeowner's association fees, rent and water rent shall be adjusted and apportioned as of date of settlement; and all taxes, general or special, and all other public or governmental charges or assessments against the Property which are or may be payable on a periodic basis, including Metropolitan District Sanitary Commission, Washington Suburban Sanitary Commission, or other benefit charges, assessments, liens or encumbrances for sewer, water, drainage, paving, or other public improvements completed or commenced on or prior to the date hereof, or subsequent thereto, are to be adjusted and apportioned as of the date of settlement and are to be assumed and paid thereafter by Buyer, whether assessments have been levied or not as of date of settlement if applicable by local law. **Any heating or cooking fuels remaining in supply tank(s) at time of settlement shall become the property of Buyer.**

**24. SETTLEMENT COSTS:** Buyer agrees to pay all settlement costs and charges including, but not limited to, all Lender's fees in connection herewith, including title examination and title insurance fees, loan insurance premiums, all document preparation and recording fees, notary fees, survey fees where required, and all recording charges, except those incident to clearing existing encumbrances or title defects, except if Buyer is a Veteran obtaining VA financing, those prohibited to be paid by a Veteran obtaining VA financing, which prohibited charges shall be paid by Seller. If Buyer is a Veteran obtaining VA financing, Buyer's Broker may not charge a flat fee to Buyer nor to Seller per VA Reg. Part 38 CFR 36.4313(b). Seller is advised that should Seller not be able to attend Settlement as scheduled, Seller may be subject to additional charges from the settlement company to cover the reasonable additional costs of accommodating Seller's request. In such event, Seller is advised to contact the title company to determine what charges may apply.

**25. TRANSFER CHARGES:**

**A. IN GENERAL.** Section 14-104(b) of the Real Property Article, Annotated Code of Maryland provides that, unless otherwise negotiated in the contract or provided by State or local law, the cost of any recordation tax or any State or local Transfer Tax shall be shared equally between the Buyer and Seller.

**B. FIRST-TIME BUYER.** Under Section 14-104(c) of the Real Property Article, the entire amount of recordation and local transfer tax shall be paid by the Seller of property that is sold to a first-time Maryland homebuyer, unless there is an express agreement that the recordation tax or any state or local transfer tax will not be paid entirely by the Seller.

**RECORDATION AND LOCAL TRANSFER TAX.** If the Buyer is a first-time Maryland homebuyer, Buyer and Seller **expressly agree**, in accordance with Section 14-104(c) of the Real Property Article, Annotated Code of Maryland, that payment of recordation tax and local transfer tax shall be shared equally between the Buyer and Seller unless a "First-time Maryland Homebuyer Transfer and Recordation Tax Addendum" is attached, which contains a different express agreement.

**STATE TRANSFER TAX:** Under Section 13-203(b) of the Tax-Property Article, Annotated Code of Maryland, the amount of state transfer tax due on the sale of property to a first-time Maryland homebuyer is reduced from 0.50% to 0.25% and shall be paid entirely by the Seller. Buyer is hereby notified that to ensure receipt of the above reduction, Buyer should so indicate on Page 10 of this Contract and complete the required affidavit at settlement indicating that the Buyer is a first-time Maryland homebuyer.

**26. BROKER LIABILITY:** Brokers, their agents, subagents and employees do not assume any responsibility for the condition of the Property or for the performance of this Contract by any or all parties hereto. By signing this Contract, Buyer and Seller acknowledge that they have not relied on any representations made by Brokers, or any agents, subagents or employees of Brokers, except those representations expressly set forth in this Contract.

Buyer \_\_\_\_\_ / \_\_\_\_\_

Seller \_\_\_\_\_ / \_\_\_\_\_

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- 27. BROKER'S FEE:** All parties irrevocably instruct the settlement officer to collect the fee or compensation and disburse same according to the terms and conditions provided in the listing agreement and/or agency representation agreement. Settlement shall not be a condition precedent to payment of compensation.
- 28. SELLER RESPONSIBILITY:** Seller agrees to keep existing mortgages free of default until settlement. All violation notices or requirements noted or issued by any governmental authority (including without limitation, any permit violation notices), or actions in any court on account thereof, against or affecting the Property at the date of settlement of this Contract, shall be complied with by Seller and the Property conveyed free thereof. The Property is to be held at the risk of Seller until legal title has passed or possession has been given to Buyer. If, prior to the time legal title has passed or possession has been given to Buyer, whichever shall occur first, all or a substantial part of the Property is destroyed or damaged, without fault of Buyer, then this Contract, at the option of Buyer, upon written notice to Seller, shall be null and void and of no further effect, and the deposits shall be disbursed in accordance with the Deposit paragraph of this Contract.
- 29. BUYER RESPONSIBILITY:** If Buyer has misrepresented Buyer's financial ability to consummate the purchase of the Property, or if this Contract is contingent upon Buyer securing a written commitment for financing and Buyer fails to apply for such financing within the time period herein specified, or fails to pursue financing diligently and in good faith, or if Buyer makes any misrepresentations in any document relating to financing, or takes (or fails to take) any action which causes Buyer's disqualification for financing, then Buyer shall be in default; and Seller may elect by written notice to Buyer, to terminate this Contract and/or pursue the remedies set forth under the Default paragraph of this Contract.
- 30. HOMEOWNER'S ASSOCIATION:** The Property is not part of a development subject to the imposition of mandatory fees as defined by the Maryland Homeowner's Association Act, unless acknowledged by attached addendum.
- 31. GROUND RENT:** If the Property is subject to ground rent and the ground rent is not timely paid, the ground lease holder (i.e., the person to whom the ground rent is payable) may bring an action under Section 8-402.3 of the Real Property Article, Annotated Code of Maryland. As a result of this action, a lien may be placed upon the property. If the Property is subject to ground rent, Sections 14-116 and 14-116.1 of the Real Property Article provide the purchaser, upon obtaining ownership of the Property, with certain rights and responsibilities relative to the ground rent. (If the Property is subject to ground rent: See Property Subject to Ground Rent Addendum.)
- 32. SALE/SETTLEMENT OR LEASE OF OTHER REAL ESTATE:** Neither this Contract nor the granting of Buyer's loan referred to herein is to be conditioned or contingent in any manner upon the sale, settlement and/or lease of any other real estate unless a contingency for the sale, settlement and/or lease of other real estate is contained in an addendum to this Contract. Unless this Contract is expressly contingent upon the sale, settlement and/or lease of any other real estate, Buyer shall neither apply for nor accept a financing loan commitment which is contingent upon or requires as a pre-condition to funding that any other real estate be sold, settled and/or leased.
- 33. LEASES:** Seller may neither negotiate new leases nor renew existing leases for the Property which extend beyond settlement or possession date without Buyer's written consent.
- 34. DEFAULT:** Buyer and Seller are required and agree to make full settlement in accordance with the terms of this Contract and acknowledge that failure to do so constitutes a breach hereof. If Buyer fails to make full settlement or is in default due to Buyer's failure to comply with the terms, covenants and conditions of this Contract, the initial Deposit and additional Deposits (the "Deposit") may be retained by Seller as long as a Release of Deposit Agreement is signed and executed by all parties, expressing that said Deposit may be retained by Seller. In the event the parties do not agree to execute a Release of Deposit Agreement, Buyer and Seller shall have all legal and equitable remedies. If Seller fails to make full settlement or is in default due to Seller's failure to comply with the terms, covenants and conditions of this Contract, Buyer shall be entitled to pursue such rights and remedies as may be available, at law or in equity, including, without limitation, an action for specific performance of this Contract and/or monetary damages. In the event of any litigation or dispute between Buyer and Seller concerning the release of the Deposit, Broker's sole responsibility may be met, at Broker's option, by paying the Deposit into the court in which such litigation is pending, or by paying the Deposit into the court of proper jurisdiction by an action of interpleader. Buyer and Seller agree that, upon Broker's payment of the Deposit into the court, neither Buyer nor Seller shall have any further right, claim, demand or action against Broker regarding the release of the Deposit; and Buyer and Seller, jointly and severally, shall indemnify and hold Broker harmless from any and all such rights, claims, demands or actions. In the event of such dispute and election by Broker to file an action of interpleader as herein provided, Buyer and Seller further agree and hereby expressly and irrevocably authorize Broker to deduct from the Deposit all costs incurred by Broker in the filing and maintenance of such action of interpleader including but not limited to filing fees, court costs, service of process fees and attorneys' fees, provided that the amount deducted shall not exceed the lesser of \$500 or the amount of the Deposit held by Broker. All such fees and costs authorized herein to be deducted may be deducted by Broker from the Deposit prior to paying the balance of the Deposit to the court. Buyer and Seller further agree and expressly declare that all such fees and costs so deducted shall be the exclusive property of Broker. If the amount deducted by Broker is less than the total of all of the costs incurred by Broker in filing and maintaining the interpleader action, then Buyer and Seller jointly, and severally, agree to reimburse Broker for all such excess costs upon the conclusion of the interpleader action.

Buyer \_\_\_\_\_ / \_\_\_\_\_

Seller \_\_\_\_\_ / \_\_\_\_\_

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**35. MEDIATION OF DISPUTES:** Mediation is a process by which the parties attempt to resolve a dispute or claim with the assistance of a neutral mediator who is authorized to facilitate the resolution of the dispute. The mediator has no authority to make an award, to impose a resolution of the dispute or claim upon the parties or to require the parties to continue mediation if the parties do not desire to do so. Buyer and Seller agree that any dispute or claim arising out of or from this Contract or the transaction which is the subject of this Contract shall be mediated through Maryland REALTORS® or its member local boards/associations in accordance with the established Mediation Rules and Guidelines of Maryland REALTORS® or through such other mediator or mediation service as mutually agreed upon by Buyer and Seller, in writing. Unless otherwise agreed in writing by the parties, mediation fees, costs and expenses shall be divided and paid equally by the parties to the mediation. If either party elects to have an attorney present that party shall pay his or her own attorney's fees.

Buyer and Seller further agree that the obligation of Buyer and Seller to mediate as herein provided shall apply to all disputes or claims arising whether prior to, during, or within one (1) year following the actual contract settlement date or when settlement should have occurred. Buyer and Seller agree that neither party shall commence any action in any court regarding a dispute or claim arising out of or from this Contract or the transaction which is the subject of this Contract, without first mediating the dispute or claim, unless the right to pursue such action or the ability to protect an interest or pursue a remedy as provided in this Contract, would be precluded by the delay of the mediation. In the event the right to pursue such action, or the ability to protect an interest or pursue a remedy would be precluded by the delay, Buyer or Seller may commence the action only if the initial pleading or document commencing such action is accompanied by a request to stay the proceeding pending the conclusion of the mediation. If a party initiates or commences an action in violation of this provision, the party agrees to pay all costs and expenses, including reasonable attorneys' fees, incurred by the other party to enforce the obligation as provided herein. The provisions of this paragraph shall survive closing and shall not be deemed to have been extinguished by merger with the deed.

**36. ATTORNEY'S FEES:** In any action or proceeding between Buyer and Seller based, in whole or in part, upon the performance or non-performance of the terms and conditions of this Contract, including, but not limited to, breach of contract, negligence, misrepresentation or fraud, the prevailing party in such action or proceeding shall be entitled to receive reasonable attorney's fees from the other party as determined by the court or arbitrator. In any action or proceeding between Buyer and Seller and/or between Buyer and Broker(s) and/or Seller and Broker(s) resulting in Broker(s) being made a party to such action or proceeding, including, but not limited to, any litigation, arbitration, or complaint and claim before the Maryland Real Estate Commission, whether as defendant, cross-defendant, third-party defendant or respondent, Buyer and Seller jointly and severally, agree to indemnify and hold Broker(s) harmless from and against any and all liability, loss, cost, damages or expenses (including filing fees, court costs, service of process fees, transcript fees and attorneys' fees) incurred by Broker(s) in such action or proceeding, providing that such action or proceeding does not result in a judgment against Broker(s).

As used in this Contract, the term "Broker(s)" shall mean: (a) the two (2) Brokers as identified on Page 11 of this Contract; (b) the two (2) named Sales Associates identified on Page 11 of the Contract; and (c) any agent, subagent, salesperson, independent contractor and/or employees of Broker(s). The term "Broker(s)" shall also mean, in the singular, any or either of the named Broker(s) and/or Sales Associate(s) as identified or, in the plural, both of the named Brokers and/or Sales Associates as identified.

This Paragraph shall apply to any and all such action(s) or proceeding(s) against Broker(s) including those action(s) or proceeding(s) based, in whole or in part, upon any alleged act(s) or omission(s) by Broker(s), including, but not limited to, any alleged act of misrepresentation, fraud, non-disclosure, negligence, violation of any statutory or common law duty, or breach of fiduciary duty by Broker(s). The provisions of this Paragraph shall survive closing and shall not be deemed to have been extinguished by merger with the deed.

**37. NOTICE OF BUYER'S RIGHT TO SELECT SETTLEMENT SERVICE PROVIDERS:** Buyer has the right to select Buyer's own title insurance company, title lawyer, settlement company, escrow company, mortgage lender or financial institution as defined in the Financial Institutions Article, Annotated Code of Maryland. Buyer acknowledges that Seller may not be prohibited from offering owner financing as a condition of settlement.

**38. PROPERTY OWNER'S TITLE INSURANCE:** Buyer, at Buyer's expense, may purchase owner's title insurance at either "standard" or "enhanced" coverage and rates. The coverage afforded by such title insurance would be governed by the terms and conditions thereof, and the premium for obtaining such title insurance coverage would be determined by the extent of its coverage. For purposes of owner's title insurance policy premium rate disclosures by Buyer's lender, Buyer and Seller agree that enhanced rates (if available) shall be quoted by Buyer's lender. Buyer understands that nothing herein obligates Buyer to obtain any owner's title insurance coverage at any time, including at settlement, and that the availability of owner's title insurance coverage is subject to the underwriting criteria of the title insurer.

**39. AUTHORIZATION TO PROVIDE TILA-RESPA INTEGRATED DISCLOSURES:** Buyer and Seller hereby authorize the lender, title company, escrow agent, and/or their representatives to disclose and provide copies of the closing disclosure(s)

Buyer \_\_\_\_\_ / \_\_\_\_\_

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Seller \_\_\_\_\_ / \_\_\_\_\_

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and/or other settlement statement to the real estate licensees involved in the transaction at the time these documents are provided to Buyer and Seller.

**40. LIMITED WARRANTY: NOTICE TO BUYER:** IF A WARRANTY PLAN IS BEING OFFERED WITH THE PURCHASE OF THE PROPERTY, IT MAY BE A LIMITED WARRANTY. SINCE SUCH WARRANTY PLANS DO NOT COVER STRUCTURAL DEFECTS AND MAY NOT COVER PRE-EXISTING DEFECTS, BUYER SHOULD REQUEST THE REAL ESTATE AGENT TO PROVIDE BUYER WITH ANY BROCHURE WHICH DESCRIBES THE PLAN IN ORDER TO DETERMINE THE EXTENT OF COVERAGE PROVIDED BY THE WARRANTY.

\***41. PROPERTY INSURANCE BROCHURE:** An informational brochure published by Maryland REALTORS® titled "The New Reality of Property Insurance — What You Should Know" is available to explain current issues relative to obtaining insurance coverage for the Property to be purchased and may be obtained on Maryland REALTORS® website.

**42. FLOOD DISCLOSURE NOTICE:**

**A. FLOOD INSURANCE PREMIUMS:** The Property or part of the Property may be located in an area established by the government as a "flood plain" or otherwise in an area where flood insurance could be required by Buyer's mortgage lender as a condition of granting a mortgage. In addition, construction on the Property could be prohibited or restricted. The National Flood Insurance Program ("NFIP") provides for the availability of flood insurance but also establishes flood insurance policy premiums based on the risk of flooding in the area where properties are located. Due to amendments to federal law governing the NFIP those premiums are increasing, and in some cases will rise by a substantial amount over the premiums previously charged for flood insurance. As a result, Buyer should not rely on the premiums paid for flood insurance on the Property as an indication of the premiums that will apply after Buyer completes the purchase. In considering the purchase of this Property, Buyer should consult with one or more carriers of flood insurance for better understanding of flood insurance coverage, the premiums that are likely to be required to purchase such insurance and any available information about how those premiums may increase in the future. The only requirement for purchasing flood insurance from the NFIP is that you live in a community that participates (via floodplain regulations) in the NFIP. The same requirement applies to the mandatory purchase of flood insurance. Detailed information regarding flood insurance coverage may be obtained at: <http://www.fema.gov/national-flood-insurance-program>.

**B. FLOOD INSURANCE RATE MAPS:** The State of Maryland in conjunction with the Federal Emergency Management Agency has been systematically updating flood insurance rate maps. The Property may be affected. Buyer is advised to contact the Maryland Department of the Environment and consult a flood insurance carrier to inquire about the status of the Property. Detailed information regarding updated maps may be obtained at: <https://www.mdfloodmaps.net>.

**43. GUARANTY FUND: NOTICE TO BUYER:** BUYER IS PROTECTED BY THE REAL ESTATE GUARANTY FUND OF THE MARYLAND REAL ESTATE COMMISSION, UNDER SECTION 17-404 OF THE BUSINESS OCCUPATIONS AND PROFESSIONS ARTICLE OF THE ANNOTATED CODE OF MARYLAND, FOR LOSSES IN AN AMOUNT NOT EXCEEDING \$50,000 FOR ANY CLAIM.

**44. SINGLE FAMILY RESIDENTIAL REAL PROPERTY DISCLOSURE NOTICE:** Buyer is advised of the right to receive a "Disclosure and Disclaimer Statement" from Seller (Section 10-702 Real Property Article, Annotated Code of Maryland).

**45. MARYLAND NON-RESIDENT SELLER:** If the Property is not the Seller's principal residence and the Seller is a non-resident individual of the State of Maryland or is a non-resident entity which is not formed under the laws of the State of Maryland or qualified to do business in the State of Maryland, a withholding tax from the proceeds of sale may be withheld at the time of settlement except as otherwise provided by Maryland law. (See Maryland Non-Resident Seller Transfer Withholding Tax Addendum.)

**46. INTERNAL REVENUE SERVICE FILING:** Buyer and Seller each agree to cooperate with the settlement officer by providing all necessary information so that a report can be filed with the Internal Revenue Service, as required by Section 6045 of the IRS Code. To the extent permitted by law, any fees incurred as a result of such filing will be paid by the Seller.

**47. NOTICE TO BUYER CONCERNING THE CHESAPEAKE AND ATLANTIC COASTAL BAYS CRITICAL AREA:** Buyer is advised that all or a portion of the property may be located in the "Critical Area" of the Chesapeake and Atlantic Coastal Bays, and that additional zoning, land use, and resource protection regulations apply in this area. The "Critical Area" generally consists of all land and water areas within 1,000 feet beyond the landward boundaries of state or private wetlands, the Chesapeake Bay, the Atlantic Coastal Bays, and all of their tidal tributaries. The "Critical Area" also includes the waters of and lands under the Chesapeake Bay, the Atlantic Coastal Bays and all of their tidal tributaries to the head of tide. For information as to whether the property is located within the Critical Area, Buyer may contact the local Department of Planning and Zoning, which maintains maps showing the extent of the Critical Area in the jurisdiction. Allegany, Carroll, Frederick, Garrett, Howard, Montgomery and Washington Counties do not include land located in the Critical Area.

Buyer \_\_\_\_\_ / \_\_\_\_\_

Seller \_\_\_\_\_ / \_\_\_\_\_

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**48. WETLANDS NOTICE:** Buyer is advised that if the Property being purchased contains waters of the United States, or if the Property contains land and/or waters regulated by the State, including, but not limited to, wetlands, approval from the U.S. Army Corps of Engineers (Corps) and/or the Maryland Department of the Environment (MDE) will be necessary before starting any work, including construction, if the work includes the discharge of dredged or fill material into a regulated area, or certain other activities conducted in a regulated area. The Corps has adopted a broad definition of waters of the United States, which occur throughout the Chesapeake Bay Region, as well as other portions of the State. The land and waters regulated by the State include tidal wetlands, nontidal wetlands and their buffers, and streams and their 100-year nontidal floodplain. For information as to whether the Property includes waters of the United States or land and/or waters regulated by the State, Buyer may contact the Baltimore District of the Corps and/or MDE. Buyer may also elect, at Buyer's expense, to engage the services of a qualified specialist to inspect the Property for the presence of Corps-or MDE-regulated areas, including wetlands, prior to submitting a written offer to purchase the Property; or Buyer may include in Buyer's written offer a clause making Buyer's purchase of the Property contingent upon a satisfactory wetlands inspection.

**49. FOREST CONSERVATION ACT NOTICE:** If the Property is a tract of land 40,000 square feet or more in size, Buyer is notified that, unless exempted by applicable law, as a prerequisite to any subdivision plan or grading or sediment control permit for the Property, Buyer will be required to comply with the provisions of the Maryland Forest Conservation Act imposed by Section 5-1601, et seq. of the Natural Resources Article, Annotated Code of Maryland, including, among other things, the submission and acceptance of a Forest Stand Delineation and a Forest Conservation Plan for the Property in accordance with applicable laws and regulations. Unless otherwise expressly set forth in an addendum to this Contract, Seller represents and warrants that the Property is not currently subject to a Forest Conservation Plan, Management Agreement or any other pending obligation binding the owner of the Property under said Act; further, Seller represents and warrants that no activities have been undertaken on the Property by Seller in violation of the Forest Conservation Act.

**50. NOTICE CONCERNING CONSERVATION EASEMENTS:** If the Property is encumbered by a Conservation Easement as defined in Section 10-705 of the Real Property Article, Annotated Code of Maryland, the contract must contain a notice concerning the easement, which is contained in an attached addendum. This Paragraph does not apply to the sale of property in an action to foreclose a mortgage or deed of trust. (If the Property is encumbered by a Conservation Easement: See Conservation Easement Addendum.)

**51. FOREIGN INVESTMENT TAXES-FIRPTA:** Section 1445 of the United States Internal Revenue Code of 1986 provides that a Buyer of residential real property located in the United States must withhold federal income taxes from the payment of the purchase price if (a) the purchase price exceeds Three Hundred Thousand Dollars (\$300,000.00) and (b) the seller is a foreign person. Unless otherwise stated in an addendum attached hereto, if the purchase price is in excess of Three Hundred Thousand Dollars (\$300,000.00), Seller represents that Seller is not a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined by the Internal Revenue Code and applicable regulations) and agrees to execute an affidavit to this effect at the time of settlement.

**52. CRIMINAL ACTIVITY AND SEXUAL OFFENDERS:** Buyer may contact the state, county or municipal police departments in which the Property is located or check the "Sex Offender Registry" at the Maryland Department of Public Safety and Correctional Services website in order to ascertain criminal activity in the vicinity of the Property or the presence of registered sexual offenders who live or work within the vicinity of the Property. Buyer acknowledges that Buyer is solely responsible to inquire of such matters before signing this Contract. Buyer shall have no right to cancel this Contract based upon criminal activity or the presence of registered sexual offenders in the vicinity of the Property. Buyer further acknowledges that no real estate licensee involved in the sale or purchase of the Property, whether acting as the agent for Seller or Buyer, has any duty nor assumes any duty or responsibility to ascertain criminal activity or the presence of registered sexual offenders in the vicinity of the Property.

**53. MILITARY INSTALLATIONS:** This Section does not apply in Allegany, Carroll, Frederick, Garrett, Howard, Montgomery, and Washington Counties. Buyer is advised that the Property may be located near a military installation that conducts flight operations, munitions testing, or military operations that may result in high noise levels.

**54. NOTICE TO THE PARTIES:**

(A) NO REPRESENTATIONS: Brokers, their agents, subagents and employees, make no representations with respect to:

(1) Water quantity, quality, color, or taste or operating conditions of public and/or private water systems;

(2) Location, size or operating condition of on-site sewage disposal systems;

(3) The extensions of public utilities by local municipal authorities, existence or availability of public utilities, and any assessments, fees or costs for public utilities which might be imposed by local municipal authorities or private entities, should public utilities be extended or available to the subject Property. (Buyer should consult the Department of Public Works to determine the availability of proposed future extensions of utilities.);

(4) Lot size, exact location. If the subject Property is part of a recorded subdivision, Buyer can review the plat upon request at the Record Office. If the subject Property is not part of a recorded subdivision, Buyer may verify exact size and location through a survey by a licensed engineer or land surveyor, at Buyer's expense;

Buyer \_\_\_\_\_ / \_\_\_\_\_

Seller \_\_\_\_\_ / \_\_\_\_\_

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(5) Existing zoning or permitted uses of the Property, including, without limitation, whether any improvements to the Property required permit(s) and, if so, whether such improvements, were completed pursuant to permit(s) issued and/or whether any permit(s) issued were complied with. Buyer should contact the appropriate local government agency and/or a licensed engineer to verify zoning, permit issuance/status, and permitted uses;

(6) Whether properly licensed contractors have been used to make repairs, renovations and improvements to the Property.

(B) NO ADVISING: Brokers/agents are not advising the parties as to certain other issues, including without limitation: soil conditions; flood hazard areas; possible restrictions of the use of property due to restrictive covenants, leases, subdivision, environmental laws, easements or other documents; airport or aircraft noise; planned land use, roads or highways; and construction materials and/or hazardous materials, including without limitation flame retardant treated plywood (FRT), radon, radium, mold spores, urea formaldehyde foam insulation (UFFI), synthetic stucco (EIFS), asbestos, polybutylene piping and lead-based paint. Information relating to these issues may be available from appropriate governmental authorities. This disclosure is not intended to provide an inspection contingency.

(C) COMPENSATION OF VENDORS: Buyer and Seller each assume full responsibility for selecting and compensating their respective vendors.

(D) PROTECTION OF HOMEOWNERS IN FORECLOSURE ACT NOTICE: BUYER AND SELLER ACKNOWLEDGE THAT, UNDER SECTION 7-310 OF THE REAL PROPERTY ARTICLE OF THE ANNOTATED CODE OF MARYLAND, IF THE MORTGAGE ON THE PROPERTY IS AT LEAST 60 DAYS IN DEFAULT ON THE DATE OF CONTRACT ACCEPTANCE, SELLER HAS THE RIGHT TO RESCIND THE CONTRACT WITHIN 5 DAYS AFTER THE DATE OF CONTRACT ACCEPTANCE. ANY PROVISION IN THIS CONTRACT OR OTHER AGREEMENT THAT ATTEMPTS OR PURPORTS TO WAIVE ANY OF THE SELLER'S RIGHTS UNDER SECTION 7-310 IS VOID.

**55. PROPERTY TAX NOTICE - 60 DAY APPEAL:** If any real property is transferred after January 1 and before the beginning of the next taxable year to a new owner, the new owner may submit a written appeal as to a value or classification on or before 60 days after the date of the transfer.

**56. NON-ASSIGNABILITY:** This Contract may not be assigned without the written consent of Buyer and Seller. If Buyer and Seller agree in writing to an assignment of this Contract, the original parties to this Contract remain obligated hereunder until settlement.

**57. PARAGRAPH HEADINGS:** The Paragraph headings of this Contract are for convenience and reference only, and in no way define or limit the intent, rights, or obligations of the parties.

**58. COMPUTATION OF DAYS:** As used in this Contract, and in any addendum or addenda to this Contract, the term "days" shall mean consecutive calendar days, including Saturdays, Sundays, and holidays, whether federal, state, local or religious. A day shall be measured from 12:00:00 a.m. to and including 11:59:59 p.m. in the Eastern Time Zone. For the purposes of calculating days, the count of "days" shall begin on the day following the day upon which any act or notice as provided in this Contract, or any addendum or addenda to this Contract, was required to be performed or made.

**59. ENTIRE AGREEMENT:** This Contract and any addenda thereto contain the final and entire agreement between the parties, and neither they nor their agents shall be bound by any terms, conditions, statements, warranties or representations, oral or written, not herein contained. The parties to this Contract mutually agree that it is binding upon them, their heirs, executors, administrators, personal representatives, successors and, if permitted as herein provided, assigns. Once signed, the terms of this Contract can only be changed by a document executed by all parties. This Contract shall be interpreted and construed in accordance with the laws of the State of Maryland. It is further agreed that this Contract may be executed in counterparts, each of which when considered together shall constitute the original Contract.

**60. BUYER AND SELLER MAY CONDUCT THE TRANSACTION ELECTRONICALLY USING ELECTRONIC SIGNATURES:** Buyer and Seller hereby acknowledge that pursuant to Section 21-101 et seq. of the Commercial Law Article, Annotated Code of Maryland, Buyer and Seller may conduct the transaction electronically using electronic signatures. If a mortgage or settlement company requires wet signatures, all parties agree to promptly re-sign all the documents.

**61. ELECTRONIC DELIVERY:** The parties agree that this Contract offer shall be deemed validly executed and delivered by a party if a party executes this Contract and delivers a copy of the executed Contract to the other party by facsimile transmittal or delivers a digital image of the executed document by electronic transmittal.

\_\_\_\_\_  
Buyer's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Seller's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Buyer's Signature

\_\_\_\_\_  
Date

\_\_\_\_\_  
Seller's Signature

\_\_\_\_\_  
Date

DATE OF CONTRACT ACCEPTANCE: \_\_\_\_\_

Check if First-Time Maryland Homebuyer

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**Contact Information:**

BUYER / NAME(S): \_\_\_\_\_  
MAILING ADDRESS: \_\_\_\_\_  
\_\_\_\_\_

SELLER / NAME(S): \_\_\_\_\_  
MAILING ADDRESS: \_\_\_\_\_  
\_\_\_\_\_

Information provided for reference only:

LISTING BROKERAGE COMPANY NAME: \_\_\_\_\_  
BROKER OF RECORD NAME: \_\_\_\_\_ LICENSE NUMBER: \_\_\_\_\_  
SALES ASSOCIATE NAME: \_\_\_\_\_ LICENSE NUMBER: \_\_\_\_\_  
OFFICE ADDRESS: \_\_\_\_\_  
OFFICE PHONE: \_\_\_\_\_ BROKER/SALES ASSOCIATE MLS ID: \_\_\_\_\_  
SALES ASSOCIATE PHONE: \_\_\_\_\_ SALES ASSOCIATE E-MAIL: \_\_\_\_\_

ACTING AS:  LISTING BROKER AND SELLER AGENT; OR  
 INTRA - COMPANY AGENT WITH BROKER AS DUAL AGENT

SELLING BROKERAGE COMPANY NAME: \_\_\_\_\_  
BROKER OF RECORD NAME: \_\_\_\_\_ LICENSE NUMBER: \_\_\_\_\_  
SALES ASSOCIATE NAME: \_\_\_\_\_ LICENSE NUMBER: \_\_\_\_\_  
OFFICE ADDRESS: \_\_\_\_\_  
OFFICE PHONE: \_\_\_\_\_ BROKER/SALES ASSOCIATE MLS ID: \_\_\_\_\_  
SALES ASSOCIATE PHONE: \_\_\_\_\_ SALES ASSOCIATE E-MAIL: \_\_\_\_\_

ACTING AS:  SELLER AGENT; OR  
 SUBAGENT; OR  
 BUYER AGENT; OR  
 INTRA - COMPANY AGENT WITH BROKER AS DUAL AGENT

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# GCAAR Sales Contract

## TIME IS OF THE ESSENCE AS TO ALL TERMS OF THIS CONTRACT.

This SALES CONTRACT ("Contract") is made on \_\_\_\_\_ ("Date of Offer")  
 between \_\_\_\_\_ ("Buyer")  
 and \_\_\_\_\_ ("Seller") who,  
 among other things, hereby confirm and acknowledge by their initials and signatures herein that by prior disclosure in this real estate  
 transaction \_\_\_\_\_ ("Listing Company") represents Seller,  
 and \_\_\_\_\_ ("Selling Company") represents  Buyer OR  Seller.  
 The Listing Company and Selling Company are collectively referred to as "Broker." (If the Broker is acting as a dual representative for  
 both Seller and Buyer, then the appropriate disclosure form is attached to and made a part of this Contract.) In consideration of the mutual  
 promises and covenants set forth below, and other good and valuable consideration the receipt and sufficiency of which is acknowledged,  
 the parties agree as follows:

1. **REAL PROPERTY:** Buyer will buy and Seller will sell for the sales price ("Sales Price"), Seller's entire interest in the real property (with all  
 improvements, rights and appurtenances) described as follows ("Property"):

Street Address \_\_\_\_\_  
 Unit # \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
 Condominium/Cooperative Project Name \_\_\_\_\_  
 Parking Space(s) # \_\_\_\_\_ Storage Unit(s) # \_\_\_\_\_  
 Legal Description: Lot(s) \_\_\_\_\_ Block/Square \_\_\_\_\_ Section \_\_\_\_\_  
 Subdivision \_\_\_\_\_ Tax Account # \_\_\_\_\_

2. **JURISDICTIONAL ADDENDUM:** The following Jurisdictional Addendum, if ratified and attached, is made a part of this Contract.  
 Jurisdictional Addendum for  District of Columbia  Montgomery County, MD

3. **PRICE AND FINANCING:** (All percentages refer to percent of Sales Price.)

**A. Down Payment**

**B. Financing**

- |  |         |
|--|---------|
| 1. First Trust (if applicable)                             | _____ % |
| 2. Second Trust (if applicable)                            | _____ % |
| 3. Seller Held Trust<br>(if applicable, addendum attached) | _____ % |

**TOTAL FINANCING**

**SALES PRICE** \_\_\_\_\_ %

\$ \_\_\_\_\_

C. **First Deed of Trust** Purchaser will  Obtain OR  Assume a  Fixed OR an  Adjustable rate First Deed of Trust loan of the  
 following type:

- |                                       |                       |
|---------------------------------------|-----------------------|
| <input type="checkbox"/> Conventional | See Addendum Attached |
| <input type="checkbox"/> FHA          | See Addendum Attached |
| <input type="checkbox"/> VA           | See Addendum Attached |

**This contract is not contingent on Financing.**  
 Other: \_\_\_\_\_

D. **Second Deed of Trust** Purchaser will  Obtain OR  Assume a  Fixed OR an  Adjustable rate Second Deed of Trust loan.

E. **Assumption** Assumption fee, if any, and all charges related to the assumption will be paid by the Buyer. If Buyer assumes Seller's loan(s):  
 (i) Buyer and Seller  will OR  will not obtain a release of Seller's liability to the financial institution or U.S. Government for the  
 repayment of the loan by Settlement, (ii) Buyer and Seller  will OR  will not obtain substitution of Seller's VA entitlement by  
 Settlement. Balances of any assumed loans, secondary financing and cash down payments are approximate.

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4. **DEPOSIT:** Buyer's deposit ("Deposit") in the amount of \_\_\_\_\_ shall be held by \_\_\_\_\_ ("Escrow Agent"). Buyer  has delivered OR  will deliver the Deposit within \_\_\_\_\_ days after Date of Ratification. (If the Property is in Maryland and Broker is the Escrow Agent, the Deposit must be delivered to Escrow Agent within 3 days of the Date of Ratification.) The Deposit will be placed in an escrow account of the Escrow Agent after Date of Ratification in conformance with the laws and regulations of the appropriate jurisdiction and/or, if VA financing applies, as required by Title 38 of the U.S. Code. This account may be interest bearing and all parties waive any claim to interest resulting from the Deposit. The Deposit will be held in escrow until: (i) credited toward the Sales Price at Settlement; (ii) all parties have agreed in writing as to its disposition; (iii) a court of competent jurisdiction orders disbursement and all appeal periods have expired; or, (iv) disposed of in any other manner authorized by the laws and regulations of the appropriate jurisdiction. Seller and Buyer agree that Escrow Agent will have no liability to any party on account of disbursement of the Deposit or on account of failure to disburse the Deposit, except in the event of the Escrow Agent's gross negligence or willful misconduct.
5. **FUNDS DUE AT SETTLEMENT:** The balance of the funds due at Settlement from Buyer and/or Seller will be paid on or before the Settlement Date. Buyer and/or Seller shall verify with Settlement Agent how funds due at Settlement are to be paid. An assignment of funds shall not be used without prior written consent of all parties to the transaction.
6. **SETTLEMENT:** Seller and Buyer will perform in accordance with the terms of this Contract ("Settlement") on \_\_\_\_\_ ("Settlement Date") except as otherwise provided in this Contract. Buyer selects \_\_\_\_\_ ("Settlement Agent") to conduct the Settlement. Buyer agrees to contact the Settlement Agent within 10 Days after the Date of Ratification to schedule Settlement and to place a title order.
7. **PROPERTY MAINTENANCE AND CONDITION:** Except as otherwise specified herein, Seller will deliver the Property at Settlement vacant, free and clear of trash and debris, broom clean and in substantially the same physical condition to be determined as of  **Date of Offer** OR  **Date of home inspection** OR  **Other:** \_\_\_\_\_. Failure to select an option in the preceding sentence shall be deemed an agreement to select the Date of Offer option. Seller will have all utilities in service through Settlement or as otherwise agreed. Seller will have smoke detectors and carbon monoxide detectors installed and operational prior to Settlement in accordance with the requirements of the jurisdiction in which the Property is located. Buyer and Seller will not hold Broker liable for any breach of this paragraph.

Buyer acknowledges, subject to Seller acceptance, that this Contract may be contingent upon home inspection(s) and/or other inspections to ascertain the physical condition of the Property. If Buyer desires one or more inspection contingencies, such contingencies must be included in an addendum to this Contract.

This Contract is contingent upon home inspection(s) and/or other inspections. (Addendum Attached)  
OR

Buyer declines the opportunity to make Contract contingent upon home inspection(s) and/or other inspections.

Buyer acknowledges that except as otherwise specified in this Contract, the Property, including electrical, plumbing, existing appliances, heating, air conditioning, equipment and fixtures shall convey in its **AS-IS CONDITION** as of the date specified above. Buyer further acknowledges that neither Brokers and/or their agents nor subagents are responsible for Property defects.

8. **ACCESS TO PROPERTY:** Seller will provide Broker, Buyer, inspectors representing Buyer and representatives of lending institutions for Appraisal purposes reasonable access to the Property to comply with this Contract. In addition, Buyer and/or Buyer's representative will have the right to make a final inspection within 5 days prior to Settlement and/or occupancy, unless otherwise agreed to by Buyer and Seller.
9. **INCLUSIONS/EXCLUSIONS:** The Property includes the personal property and fixtures as defined and identified in the attached Inclusions/Exclusions Disclosure and Addendum.
10. **HOME WARRANTY:**  Yes OR  No  
Home warranty policy paid for and provided at Settlement by:  Buyer OR  Seller  
Cost not to exceed \$ \_\_\_\_\_. Warranty provider to be \_\_\_\_\_.
11. **BUYER'S REPRESENTATIONS:** Buyer  will OR  will not occupy the Property as Buyer's principal residence. **Unless specified in a written contingency, neither this Contract nor the financing is dependent or contingent on the sale and settlement or lease of other real property.** The Selling Company  is OR  is not authorized to disclose to the Listing Company, Seller and any lender the appropriate financial or credit information statement provided to the Selling Company by Buyer. Buyer acknowledges that Seller is relying upon all of Buyer's representations, including without limitation, the accuracy of financial or credit information given to Seller, Broker or the Lender by Buyer.

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12. **WOOD-DESTROYING INSECT INSPECTION:** Buyer at Buyer's expense (except under VA financing, then at Seller's expense) may choose to obtain a wood-destroying insect ("WDI") inspection of the Property by a licensed pest control firm. If Buyer elects to do so, Buyer will furnish to Seller a written report from the licensed pest control firm showing that all dwelling(s) and/or garage(s) within the Property are free of visible evidence of any live WDI, and free from visible WDI damage. Any treatment for live WDI and/or repairs for WDI damage recommended in the licensed pest control firm's report will be made at Seller's expense. Said treatment shall be completed by a licensed pest control firm and said repairs shall be completed by a contractor licensed in the appropriate jurisdiction. Seller will provide written evidence of such treatment and/or repair prior to Settlement which shall satisfy the requirements of this Paragraph.
13. **LEAD-BASED PAINT REGULATIONS:** Federal law requires sellers of properties built before 1978 to provide buyers with the required federal disclosure regarding lead paint (GCAAR form "Lead Paint--Federal Disclosure") and the EPA pamphlet "Protect Your Family from Lead in Your Home". In addition, for District of Columbia properties built before 1978, sellers are required to provide buyers the District of Columbia Lead Disclosure (GCAAR form "Lead Paint--DC Disclosure"). A seller who fails to provide the required local and federal lead-based paint forms, including the EPA pamphlet, may be liable under the law for three times the amount of damages and may be subject to both civil and criminal penalties. Seller and any agent involved in the transaction are required to retain a copy of the completed lead-based paint disclosure forms for a period of six (6) years following the date of Settlement. If the dwelling(s) was built prior to 1978 or if the building date is uncertain and the Property is not exempt from the Residential Federal Lead-Based Paint Hazard Reduction Act of 1992, this Contract is voidable by Buyer until Buyer acknowledges receipt of the required federal lead-based paint form, including the EPA pamphlet, and DC Lead Disclosure if applicable, and has either taken the opportunity to incorporate a Lead-Based Paint Inspection contingency or waived such right. Buyer retains the right to unconditionally, and without risk of loss of Deposit or other adverse effects, declare Contract void until said acknowledgement occurs. Seller and Buyer acknowledge by their respective initials below that they have read and understand the provisions of this paragraph.

Seller's Initials \_\_\_\_\_ / \_\_\_\_\_ Buyer's Initials \_\_\_\_\_ / \_\_\_\_\_

Completed Lead-Based Paint forms are attached.  Yes  No  N/A

In accordance with the Lead Renovation, Repair and Painting Rule ("RRP") as adopted by the Environmental Protection Agency ("the EPA"), effective April 22, 2010, if the improvements on the Property were built before 1978, contractor(s) engaged by Seller to renovate, repair or paint the Property must be certified by the EPA where such work will disturb more than six square feet of lead-based paint per room for interior projects, more than 20 square feet of lead-based paint for any exterior project, or includes window replacement or demolition ("Covered Work"). Before and during any Covered Work, contractor(s) must comply with all requirements of the RRP. A seller who personally performs any Covered Work on a rental property is required to be certified by the EPA prior to performing such Covered Work. No certification is required for a seller who personally performs Covered Work on a seller's principal residence. However, seller has the ultimate responsibility for the safety of seller's family or children while performing such Covered Work. For detailed information regarding the RRP, Seller should visit <http://www2.epa.gov/lead/renovation-repair-and-painting-program>. The Seller and Buyer acknowledge that they have read and understand the provisions of this section.

Seller's Initials \_\_\_\_\_ / \_\_\_\_\_ Buyer's Initials \_\_\_\_\_ / \_\_\_\_\_

14. **FINANCING APPLICATION:** If this Contract is contingent on financing, Buyer will make written application for the Specified Financing and any Lender required property insurance no later than 7 days after the Date of Ratification. Buyer grants permission for the Selling Company and the Lender to disclose to the Listing Company and Seller general information about the progress of the loan application and loan approval process. If Buyer fails to settle except due to any Default by Seller, then the provisions of the DEFAULT paragraph shall apply. Seller agrees to comply with reasonable Lender requirements except as otherwise provided in the LENDER REQUIRED REPAIRS paragraph of the applicable financing contingency addendum.
15. **DAMAGE OR LOSS:** The risk of damage or loss to the Property by fire, act of God, or other casualty remains with Seller until the execution and delivery of the Deed of conveyance to Buyer at Settlement.
16. **TITLE:** The title report and survey, if required, will be ordered pursuant to the terms in Settlement Paragraph. If such report and survey are not available on the Settlement Date, and were ordered as required, Settlement may be delayed for up to 10 Business Days to obtain the title report and survey after which date this Contract, at the option of Seller, may be declared void, and the Deposit will be refunded in full to Buyer. Fee simple title to the Property, and everything that conveys with it, will be sold free of liens, except for any loans assumed by Buyer. Title is to be good of record, marketable, and insurable by a licensed title insurance company with no additional risk premium. Title may be subject to easements, covenants, conditions and restrictions of record in existence as of Date of Ratification ("Required Condition"). If, as determined by the Settlement Agent, title is not in the Required Condition by the Settlement Date, said date shall automatically be extended by 30 days ("Extended Settlement Date"), and Seller shall promptly take all action necessary to place title in the Required Condition prior thereto at Seller's expense. If title is not in the Required Condition by the Extended Settlement Date, then Buyer may Deliver Notice to Seller declaring this Contract void.

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Broker or any agents, subagents or employees of Broker, and Settlement Agent are not advising the parties as to certain issues, including without limitation: land use; lot size and exact location; and possible restrictions of the use of the Property due to restrictive covenants, easements, zoning, subdivision, or environmental laws. Broker or any agents, subagents or employees of Broker, and Settlement Agent are hereby expressly released from all liability for damages by reason of any defect in the title.

The manner of taking title may have significant legal and tax consequences. Buyer is advised to seek the appropriate professional advice concerning the manner of taking title. Seller will convey the Property by Special Warranty Deed or by Personal Representative's Deed in the event Seller is a decedent's estate. Seller will sign such affidavits, lien waivers, tax certifications, and other documents as may be required by the Lender, title insurance company, Settlement Agent, or government authority, and authorizes the Settlement Agent to obtain payoff or assumption information from any existing lenders.

Unless otherwise agreed to in writing, Seller will pay any governmental special assessments and will comply with all orders or notices of violations of any county or local authority, condominium unit owners' association, and/or homeowners' association or actions in any court on account thereof, against or affecting the Property on the Settlement Date. The parties authorize and direct the Settlement Agent to provide a copy of the Combined Settlement Statement to Seller, Buyer, Listing Company, Selling Company, Homeowner/Condominium Association, Relocation Company and/or any third-party payees reflected on the Settlement Statement.

The parties acknowledge that, under certain circumstances, when a property is substantially renovated or modified or its usage is changed, a Certificate of Occupancy or a Final Inspection Certification may be required prior to use and occupancy of the property. Additional information on these requirements can be obtained at <https://code.dccouncil.us/dc/council/code/sections/6-641.09.html> for properties located in the District of Columbia and at [https://codelibrary.amlegal.com/codes/montgomerycounty/latest/montgomeryco\\_md/0-0-0-3515#JD\\_8-28](https://codelibrary.amlegal.com/codes/montgomerycounty/latest/montgomeryco_md/0-0-0-3515#JD_8-28) for properties located in Montgomery County, MD. In the event a local authority requires the issuance of a Certificate of Occupancy or a Final Inspection Certificate, the Seller agrees to provide evidence thereof.

17. **POSSESSION DATE:** Unless otherwise agreed to in writing between Seller and Buyer, Seller will give possession of the Property at Settlement, including delivery of keys, fobs, and codes, if any. If Seller fails to do so and occupies the Property beyond Settlement, Seller will be a tenant at sufferance of Buyer and hereby expressly waives all notice to quit as provided by law. Buyer will have the right to proceed by any legal means available to obtain possession of the Property. Seller will pay any damages and costs incurred by Buyer including reasonable Legal Expenses.
18. **FEES:** Fees for the preparation of the Deed, that portion of the Settlement Agent's fee billed to Seller, costs of releasing existing encumbrances, Seller's legal fees and any other proper charges assessed to Seller will be paid by Seller. Fees for the title exam (except as otherwise provided), survey, recording (including those for any purchase money trusts) and that portion of the Settlement Agent's fee billed to Buyer, Buyer's legal fees and any other proper charges assessed to Buyer will be paid by Buyer. Fees to be charged will be reasonable and customary for the jurisdiction in which the Property is located. (Recording and Transfer Taxes are covered in the appropriate jurisdictional addendum.)
19. **BROKER'S FEE:** Seller irrevocably instructs the Settlement Agent to pay the Broker compensation ("Broker's Fee") at Settlement as set forth in the listing agreement and to disburse the Broker's Fee offered by the Listing Company to the Selling Company as set forth in the multiple listing service as of the Date of Offer, and any remaining amount of the Broker's Fee to the Listing Company.
20. **ADJUSTMENTS:** Proratable charges, including but not limited to, rents, taxes, water and sewer charges, front foot benefit and house connection charges, condominium/cooperative unit owners' association and/or homeowners' association regular periodic assessments, are to be adjusted to the Settlement Date. Any heating or cooking fuels remaining in supply tank(s) at Settlement will become the property of Buyer. Taxes are to be adjusted according to the information provided by the collector of taxes. If a loan is assumed, interest will be adjusted to the Settlement Date and Buyer will reimburse Seller for any existing escrow accounts.
21. **DISPUTES:** In the event of any dispute between Seller and Broker and/or Buyer and Broker resulting in Broker or any agents, subagents or employees of Broker being made a party to such dispute, including but not limited to, any litigation, arbitration, or complaint and claim before the applicable Real Estate Commission, whether as defendant, cross-defendant, third-party defendant or respondent, Seller and Buyer, jointly and severally, agree to indemnify and hold Broker and any agents, subagents and employees of Broker harmless from any liability, loss, cost, damage or expense (including but not limited to, filing fees, service of process fees, transcript fees and Legal Expenses), resulting therefrom, provided that such dispute does not result in a judgment or decision against Broker, Broker's agents, subagents or employees for acting improperly.

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**22. LEGAL EXPENSES:**

- A. In any action or proceeding between Buyer and Seller based, in whole or in part, upon the performance or non-performance of the terms and conditions of this Contract, including but not limited to, breach of contract, negligence, misrepresentation or fraud, the prevailing party in such action or proceeding shall be entitled to receive reasonable Legal Expenses from the other party as determined by the Court or arbitrator.
- B. In the event a dispute arises resulting in Broker (as used in this paragraph to include any agent, subagent or employee of Broker) and/or Settlement Agent being made a party to any litigation by Buyer or by Seller, the parties agree that the party who brought the Broker and/or Settlement Agent into litigation shall indemnify Broker and/or Settlement Agent for all of its reasonable Legal Expenses incurred, unless the litigation results in a judgment against Broker and/or Settlement Agent.

**23. PERFORMANCE:** Delivery of the required funds and executed documents to the Settlement Agent will constitute sufficient tender of performance. Funds from this transaction at Settlement may be used to pay off any existing liens and encumbrances, including interest, as required by lender(s) or lien holders.

**24. SELLER RESPONSIBILITY:** Seller agrees to keep existing mortgages free of default through Settlement. All violations of requirements noted or issued by any governmental authority, or actions in any court on account thereof, against or affecting the Property at Settlement, shall be complied with by Seller and the Property conveyed free thereof.

**25. DEFAULT: Buyer and Seller agree to perform at Settlement in accordance with the terms of this Contract and acknowledge that failure to do so constitutes a breach hereof.** If Buyer fails to complete Settlement for any reason other than Default by Seller, at the option of Seller, the Deposit may be forfeited as liquidated damages (not as a penalty) in which event Buyer will be relieved from further liability to Seller. If Seller does not elect to accept the Deposit as liquidated damages, the Deposit may not be the limit of Buyer's liability in the event of a Default. If the Deposit is forfeited, or if there is an award of damages by a court or a compromise agreement between Seller and Buyer, Broker may accept and Seller agrees to pay Broker one-half of the Deposit in lieu of the Broker's Fee, (provided Broker's share of any forfeited Deposit will not exceed the amount due under the listing agreement).

If Seller fails to perform or comply with any of the terms and conditions of this Contract or fails to complete Settlement for any reason other than Default by Buyer, Buyer will have the right to pursue all legal or equitable remedies, including specific performance and/or damages.

If either Seller or Buyer refuses to execute a release of Deposit ("Release") when requested to do so in writing and a court finds that such party should have executed the Release, the party who so refused to execute the Release will pay the expenses, including without limitation, reasonable Legal Expenses, incurred by the other party in the litigation. Seller and Buyer agree that Escrow Agent will have no liability to any party on account of disbursement of the Deposit or on account of failure to disburse the Deposit, except in the event of the Escrow Agent's gross negligence or willful misconduct. The parties further agree that the Escrow Agent will not be liable for the failure of any depository in which the Deposit is placed and that Seller and Buyer each will indemnify, defend and save harmless the Escrow Agent from any loss or expense arising out of the holding, disbursement or failure to disburse the Deposit, except in the case of the Escrow Agent's gross negligence or willful misconduct.

If either Buyer or Seller is in Default, then in addition to all other damages, the defaulting party will immediately pay the Broker's Fee in full, as well as the costs incurred for the title examination, Appraisal, and survey.

**26. DISCLOSURES TO THE PARTIES: Buyer and Seller should carefully read this Contract to be sure that the terms accurately express their respective understanding as to their intentions and agreements. By signing this Contract, Buyer and Seller acknowledge that they have not relied on any representations made by Brokers, or any agents, subagents or employees of Brokers, except those representations expressly set forth in this Contract. Further, Brokers, their agents, subagents or employees of Broker, and Settlement Agent do not assume any responsibility for the performance of this Contract by any or all parties hereto. Broker can counsel on real estate matters, but if legal advice is desired by either party, such party is advised to seek legal counsel. Buyer and Seller are further advised to seek appropriate professional advice concerning the condition of the Property or tax and insurance matters.** The following provisions disclose some matters which the parties may investigate further. These disclosures are not intended to create a contingency. Any contingency must be specified by adding appropriate terms to this Contract. The parties acknowledge the disclosures contained herein and that Broker or any agents, subagents and employees of Broker, and Settlement Agent make no representations nor assume any responsibility with respect to the following:

- A. **PROPERTY CONDITION** Various inspection services and home warranty insurance programs are available. Broker is not advising the parties as to certain other issues, including without limitation: condition of real or personal property, water quality and quantity (including but not limited to, lead and other contaminants); sewer or septic; public utilities; soil condition; flood hazard areas; airport or aircraft noise; roads or highways; and construction materials and/or hazardous materials, including without limitation, flame-retardant treated plywood (FRT), radon, urea formaldehyde foam insulation (UFFI), mold, polybutylene pipes, synthetic stucco (EIFS), underground storage tanks, defective Chinese drywall, asbestos and lead-based paint. Information relating to these issues may be available from appropriate government authorities.

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- B. LEGAL REQUIREMENTS** All contracts for the sale of real property must be in writing to be enforceable. Upon ratification and Delivery, this Contract becomes a legally binding agreement. Any changes to this Contract must be made in writing, agreed to by all parties to the Contract, and Delivered to all parties for such changes to be enforceable.
- C. FINANCING** Mortgage rates and associated charges vary with financial institutions and the marketplace. Buyer has the opportunity to select the lender and the right to negotiate terms and conditions of the financing subject to the terms of this Contract.
- D. BROKER** Buyer and Seller acknowledge that the Broker is being retained solely as a real estate agent and not as an attorney, tax advisor, lender, appraiser, surveyor, structural engineer, mold or air quality expert, home inspector or other professional service provider. Broker may from time to time engage in the general insurance, title insurance, mortgage loan, real estate settlement, home warranty and other real estate-related businesses and services. Therefore, in addition to the Broker's Fee specified herein, Broker may receive compensation related to other services provided in the course of this transaction pursuant to the terms of a separate agreement/disclosure.
- E. PROPERTY TAXES** Buyer is advised that the property tax bill could substantially increase following Settlement. For more information on property taxes, contact the appropriate taxing authority in the jurisdiction where the Property is located.
- F. PROPERTY INSURANCE** Obtaining property insurance is typically a requirement of the lender in order to secure financing. Insurance rates and availability are determined in part by the number and nature of claims and inquiries made on a property's policy as well as the number and nature of claims made by a prospective buyer. Property insurance has become difficult to secure in some cases. Seller should consult an insurance professional regarding maintaining and/or terminating insurance coverage.
- G. TITLE INSURANCE** Buyer may, at Buyer's expense, purchase owner's title insurance. The coverage afforded by such title insurance would be governed by the terms and conditions thereof, and the premium for obtaining such title insurance coverage will be determined by the extent of its coverage. Buyer may purchase title insurance at either "standard" or "enhanced" coverage and rates. For purposes of owner's policy premium rate disclosure by Buyer's Lender(s), if any, and Settlement Agent, Buyer and Seller require that enhanced rates be quoted. Buyer understands that nothing herein obligates Buyer to obtain any owner's title insurance coverage at any time, including at Settlement, and that the availability of enhanced coverage is subject to underwriting criteria of the title insurer.
- 27. ASSIGNABILITY:** This Contract may not be assigned without the written consent of Buyer and Seller. If Buyer and Seller agree in writing to an assignment of this Contract, the original parties to this Contract remain obligated hereunder until Settlement.
- 28. FOREIGN INVESTMENT TAXES – FIRPTA:** Section 1445 of the United States Internal Revenue Code of 1986 provides that a buyer of a residential real property located in the United States must withhold federal income taxes from the payment of the purchase price if (a) the purchase price exceeds Three Hundred Thousand Dollars (\$300,000.00) or the purchase price is less than or equal to Three Hundred Thousand Dollars (\$300,000.00) and the property will not be owner occupied, and (b) seller is a foreign person for purposes of U.S. income taxation. A foreign person includes, but is not limited to, a non-resident alien, foreign corporation, foreign partnership, foreign trust or foreign estate (as those terms are defined by the Internal Revenue Code and applicable regulations). In the event Seller is a foreign person (as described above), the Seller will be subject to the withholding provisions of FIRPTA. If Seller is not a foreign person, Seller agrees to execute an affidavit to this effect at Settlement.
- 29. DEFINITIONS:**
- A.** "Appraisal" means a written appraised valuation of the Property.
- B.** "Day(s)" or "day(s)" means calendar day(s) unless otherwise specified in this Contract.
- C.** "Business Days", whenever used, means Monday through Friday, excluding federal holidays.
- D.** For the purpose of computing time periods, the first Day will be the Day following Delivery and the time period will end at 6 p.m. on the Day specified.
- E.** If the Settlement Date falls on a Saturday, Sunday, or legal holiday, then the Settlement will be on the prior Business Day.
- F.** "Date of Ratification" This Contract shall be deemed ratified when the Contract, all addenda and any modifications thereto have been signed and initialed, where required, by all parties, and Delivered to the other party pursuant to the Notices paragraph.
- G.** The masculine includes the feminine and the singular includes the plural. "Buyer" means "Purchaser" and vice versa.
- H.** "Legal Expenses" means attorney fees, court costs, and litigation expenses, if any, including but not limited to, expert witness fees and court reporter fees.
- I.** "Specified Financing" means the financing asset forth in the financing addendum attached hereto.
- 30. NOTICES AND DELIVERY:** "Notice" means a unilateral communication from one party to another. All Notices required under this Contract will be in writing. Notices to Seller shall be effective when Delivered to Seller or Seller's Agent named in the Contract or that Agent's supervising manager. Notices to Buyer shall be effective when Delivered to Buyer or Buyer's Agent of Buyer named in the Contract or that Agent's supervising manager.
- "Delivery" means sent by wired or electronic medium which produces a tangible record of the transmission (such as fax or email which includes an attachment with an actual copy of the executed instruments being transmitted), hand carried, sent by overnight delivery service or U.S. Postal mailing. In the event of overnight delivery service, Delivery will be deemed to have been made on the next Business Day following the sending, unless earlier receipt is acknowledged in writing. In the event of U.S. Postal mailing, Delivery will be deemed to have been made on the third Business Day following the mailing, unless earlier receipt is acknowledged in writing.

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Resale packages may also be Delivered by Seller or Seller's Agent through an electronic link provided by the management association. For the purposes of Delivery of resale packages for Condominiums, Cooperatives and/or Homeowner's Associations as may be required in a separate addendum, Delivery may be made to Buyer or Buyer's Agent named in the Contract or to that Agent's supervising manager.

- 31. **MISCELLANEOUS:** This Contract may be signed in one or more counterparts, each of which is deemed to be an original, and all of which together constitute one and the same instrument. Documents obtained via fax or as a PDF attachment to an email will also be considered as originals. Typewritten or handwritten provisions included in this Contract will supersede all pre-printed provisions that are in conflict.
- 32. **VOID CONTRACT:** If this Contract becomes void and of no further force and effect, without Default by either party, both parties will immediately execute a Release directing that the Deposit be refunded in full to Buyer according to the terms of the DEPOSIT paragraph.
- 33. **ENTIRE AGREEMENT:** This Contract will be binding upon the parties and each of their respective heirs, executors, administrators, successors and permitted assigns. The provisions not satisfied at Settlement will survive the delivery of the Deed and will not be merged therein. This Contract, unless amended in writing, contains the final and entire agreement of the parties and the parties will not be bound by any terms, conditions, oral statements, warranties or representations not herein contained. The interpretation of this Contract will be governed by the laws of the jurisdiction where the Property is located.

Seller	Date	Buyer	Date
Seller	Date	Buyer	Date

\*\*\*\*\*

For informational purposes only:

**Date of Ratification (see DEFINITIONS)**

\_\_\_\_\_

Seller's Address _____	Buyer's Address _____
Seller's Email Address _____	Buyer's Email Address _____
Seller's Telephone Number _____	Buyer's Telephone Number _____
Listing Company's Name and Address: _____ _____	Selling Company's Name and Address: _____ _____
Office # _____	Office # _____
Agent Name _____	Agent Name _____
Agent Cell # _____	Agent Cell # _____
Agent Email Address _____	Agent Email Address _____
Agent License # and Jurisdiction _____	Agent License # and Jurisdiction _____
Broker License # and Jurisdiction _____	Broker License # and Jurisdiction _____
Team Leader/Agent _____	Team Leader/Agent _____

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The New Reality of Property Insurance  
What You Should Know

- Q. How can insurance availability/affordability affect the real estate transaction?
- A. The affordability and availability of insurance affects both buyers and sellers. Buyers will typically be obtaining mortgage financing to pay the purchase price of the property. The lender will require that there be property insurance to cover their interest in the property. If proof of insurance is not available at closing the lender will likely refuse to release the funds and therefore delay or even derail the transaction. If proof of insurance is not available to cover the buyer and seller. Even in a "cash" transaction the buyer may be hesitant to complete a transaction where insurance is not available to cover the buyer's equity in the property.
- Q. When should a buyer apply to obtain an insurance policy to cover the property being purchased?
- A. The interest of both buyers and the sellers now suggests that the buyers should begin their search for insurance no later than the time of the contract to purchase is signed. This helps to assure a firm commitment for the issuance of a policy well in advance of the settlement of the transaction. Waiting until the last days or even weeks before the closing can limit the opportunities of the buyers and sellers to address the affordability and availability issue and, if needed, to find alternatives for difficult to insure properties. There have been many examples of transactions, which have been adversely affected in some manner because of problems associated with insurance availability/affordability.
- Q. What kinds of events/records can affect the ability to obtain insurance on a property being purchased?
- A. A number of factors can affect the availability and cost of homeowner insurance on a property being purchased. For example, they include:
- a. past claims filed on the property (up to previous five years)
  - b. poor insurance score of the prospective purchaser
  - c. past claims filed by the property purchaser on other properties
  - d. physical characteristics of property (e.g., leaky roof, historical)

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e. characteristics of the property's location (e.g., proximity to fire station, regional weather conditions)

Q. How does the insurance company know what claims have been filed in connection with the property?

A. Approximately 90% of all insurance companies contribute information regarding claims to an insurance industry database. When underwriting a new policy the insurance company may obtain a report from this system from one of a couple different sources to determine the property's claims history. This report is most often identified as a *comprehensive loss underwriting exchange* report or a "CLUE Report." The report contains information regarding property claims filed in connection with a particular property and claims filed by a particular insured person. For a fee the current owner of the property may obtain a copy of this report. A copy of the report is available to the property owner through companies such as ChoicePoint, Inc, either by writing to ChoicePoint, Inc. located in Alpharetta, Georgia, or by going to their website, [choicetrust.com](http://choicetrust.com), and A-Plus, either by writing to A-Plus located in Jersey City, New Jersey or calling 800/709-8842.

Q. Should I get a copy of the CLUE Report?

A. While this decision is up to the property owner, it is important to understand the limitations of the report. The report contains only raw information and how that information will affect the insurability of a property isn't explained as a part of the report. Moreover, not all insurance companies use the report and those that do use it don't all use the information in the same way. As a result having the report may not enable you to predict whether a particular company will insure the property. If you want information on how a CLUE Report or other similar report may affect your ability to obtain insurance contact your insurance agent.

Q. Are there factors unique to a buyer that can affect their ability to obtain insurance?

A. Yes, although not used by all insurance companies in determining eligibility for insurance, some companies do review the claims filed by the buyer on properties owned by the buyer during the preceding five years. This is another aspect of the CLUE Report database that focuses upon the insured individual rather than the insured property.

Another more controversial factor is the use of Insurance Scores. Insurance Scores, which are formulas developed by insurance companies in an effort to predict the likelihood of an individual filing claims, are sometimes used to determine to whom or at what price an insurance policy will be issued.

Insurance scores are not standardized within the insurance industry and both how they are calculated and how they are used is generally not known outside of individual insurance companies. If you want additional information on how insurance scoring may affect your ability to obtain insurance contact your insurance agent.

Q. Can an insurer rate my insurance risk based on my credit score?



- A. No. In Maryland, insurance companies are prohibited from using credit scores to determine a property owner's insurance risk.
- Q. If I have questions about insurance practices or the law, who should I contact?
- A. The Maryland Insurance Administration has a consumer complaint line for all forms of insurance. In the case of homeowner's insurance, you would contact the Consumer Complaints Department for Property and Casualty at 410-468-2341.

**Transaction Checklist – Insurance Issues**

- Discuss current insurance market conditions with your insurance agent and any problems you may have in obtaining insurance on the home you are purchasing
- Review offer to purchase to identify insurance issues.
- Contact one or more insurance agents immediately following acceptance of purchase contract by both parties to begin process of obtaining necessary insurance.
- Obtain commitments to issue an insurance policy from an insurance company in writing and carefully review it with your attorney or insurance agent to determine scope of that commitment.
- Be aware of alternative insurance sources that may be available if a problem develops:
  - Know available sources of insurance (i.e., what other insurance companies are in market by calling different insurance agencies in the community)
  - Check with Seller's current insurer to determine if that insurer will continue to insure property with new owner
  - Check with Buyer's current insurer to determine if that insurer will continue to insure buyer in a new property



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