



## FRONT RANGE REAL ESTATE PROFESSIONALS LLC

### BUYER ADVISORY

Purchasing a home is an exciting opportunity and we at Front Range Real Estate Professionals LLC (FRREP) thank you for considering our services. There are many facets to this purchase and this advisory attempts to outline some of the many parts to buying a home. This is not a comprehensive or exhaustive document but should be a valuable tool while you embark on the home buying process. As part of our ability to represent you, there are various documents which your agent will prepare for your review and consideration. These include the Broker Disclosure to Buyer and the Exclusive Right to Buy. Please let your agent know if you have any questions.

**FINANCIAL.** It is important to BE READY when you start to shop. The first and very important step is finding a lender or mortgage professional you trust and want to work with (or if you are a cash buyer, be prepared to show proof of funds). We encourage you to find the best possible rate and terms. It is often required you have a pre-qualification or pre-approval letter from a lender prior to looking at properties. This allows you to be ready to make an offer and confirms you are shopping at a price point comfortable for you. Be prepared to provide earnest money to the seller's agent or title company (typically 1% of purchase price). This money is credited to you at closing (the funds are deposited at the time submitted typically within 3 days of going under contract).

Recent litigation has brought to the forefront issues that some states do not handle as well as Colorado. The important parts to note are (a) the requirement of a buyer agency agreement, (b) no longer allowing seller compensation offers for Buyer Brokers in the MLS, and (c) noting that commissions are negotiable. This has always been the case in Colorado but we may see national changes that will necessitate buyers being responsible for all or a portion of buyer agency representation. Your broker welcomes you to raise any questions and will go over this with you when you execute your agency agreement.

**INSPECTION AND PROPERTY CONDITION.** Once you have found the home of your choice, the next step is the inspection. This is a CRITICAL part of purchasing a home. There are several types of inspectors that specialize in particular areas, for example: structural engineers; geotechnical engineers; roofers; plumbers and sewer line scope professionals; electricians; HVAC contractors; environmental professionals; industrial hygienists; surveyors; etc. Buyers are strongly encouraged to perform as many inspections on the property as Buyer deems necessary. If Buyer desires to have multiple inspections performed on the property by additional professionals, Buyer must do prior to the "Inspection Objection Deadline". Your Front Range Team strongly encourages the Buyer, at a minimum, to hire a professional home inspector to conduct an inspection of the physical structure on the property and if the property is not already mitigated for radon, it is strongly advised the buyer test for the presence of radon. While a

home inspector cannot guarantee that the home inspection will identify every single problem with the property, the home inspector should investigate several different components of the property. Additional inspections are advisable and another of great importance is having the sewer line scoped as this can be a costly repair should the line be damaged.

There are many different environmental hazards that may affect the property and/or the Buyer/Buyer's family's health. Such environmental hazards may include, but are not limited to, radon, lead-based paint, expansive soils, landslide or subsidence areas, asbestos, formaldehyde, carbon monoxide, pet urine and/or dander, mold, prior methamphetamine (METH) use, and/or radioactive, toxic or biohazardous materials.

It is always recommended that buyers consider consulting such sites as

<https://cologeosurvey.maps.arcgis.com/apps/webappviewer/index.html?id=5e7484a637c4432e84f4f16d0af306d3> to determine if the property being considered might have been identified as having geological concerns. Additionally, areas of mine "subsidence" can exist (movement of the earth's surface caused by the collapse of underground mine shafts) should be considered. This type of occurrence is not covered by ordinary homeowners insurance. Below are helpful links to investigate whether or not homes of interest are located in these areas.

<https://ges-spatial.maps.arcgis.com/apps/MapSeries/index.html?appid=dce03f88b282442d8ec751fd439e357e>

Further matters to consider are location in a flood zone which might require additional and expensive homeowner's insurance.

The square footage or lot size represented on the multiple listing, square footage disclosure and/or other advertisements and disclosures may be approximate figures and may not have been verified. Many properties have not been measured or surveyed for accurate square footage, lot size or boundary line locations. An appraisal will provide more exact measurements but buyer is responsible to verify these items and has the option to hire a licensed civil engineer, appraiser and/or surveyor if buyer is concerned. Surveys or ILCs (Improvement Location Certificate) can be useful and in some instances could be required by title or a lender.

Some counties in Colorado have requirements for a septic system inspection, certification and/or permit. If Buyer is interested in purchasing a property that has a septic system, buyer should check with the appropriate governmental entity (typically the county or Department of Health) to determine if there are any applicable requirements for the septic system. For El Paso County it is required that a licensed and approved septic contractor pump, service and inspected the septic system in order to provide the required El Paso County Title Transfer documents. Typically in this county, this is an item requested in the contract or inspection objection for sellers to handle.

In addition to the above, there may also be other matters that may affect the use and enjoyment of the property. Such other matters may include proper building permits for the improvements to the property; zoning of the property; encroachments onto the property; existing or proposed transportation projects, adjacent development projects, noise and/or odor. Buyer is obligated to thoroughly investigate all matters related to the property.

**HOME WARRANTY.** A home warranty is a product that may be available for purchase at the time of closing that may cover some or all of the repair or replacement costs of several different components of

the home. Typically this requires that the covered items or systems be operational at the time of purchase and might require providing a home inspection. Warranties are typically renewable as well, so buyer might consider continuing the warranty beyond the initial warranty period.

**TITLE WORK.** The Buyer will receive a title commitment after signing the contract and before closing. The title commitment is the document that passes clear and marketable title to the buyer. The title insurance policy is a critical legal document that often includes information about the buyer's ownership rights to the property. The Buyer is strongly encouraged to retain legal counsel to review the title commitment before the "Title Objection Deadline" in the Contract to Buy and Sell Real Estate.

**HOA and Metro Districts.** Condominiums and some townhomes as well as some single family homes have mandatory membership in a homeowner's associations (HOAs) or metro districts which may require fees from homeowners and may impose requirements and restrictions on homeowners. The buyer is encouraged to review and, as needed, seek legal counsel to review the homeowner's association's governing documents and financial viability. Broker is unable to render any opinion on the financial stability, or legality of any homeowner's association. For condominiums important considerations also apply for type of financing (is the community FHA or VA eligible) and H06 insurance coverage for assessments is STRONGLY recommended. It is critical with all areas with an HOA to make sure there are no upcoming assessments that are not included in the required status letter. There is sometimes a gap between the time of assessment and the damage or work necessitating the assessment and insurance may not cover if that occurrence was in advance of purchase.

**TAXATION.** The property may be located in one or more special taxing districts. Special taxing districts are communities that have increased property taxes to pay for debt and/or services. For example, a newer community may have created a special taxing district to pay back debt incurred for roads, curb and gutter, parks, water lines, sewer lines, etc. Buyer should investigate the special taxing districts in which the property is located by contacting the county treasurer, by reviewing the certificate of taxes for the property and by obtaining further information from the board of commissioners, the county clerk and recorder or the county assessor. This and tax rates in general are particularly important because many things can impact tax rate, for instance, was the owner VA or owned the home for 10+ years to eligible for reduced rate, vacant land then developed might be based on land tax rate and or even zoning discounts such as 'AG' land where one must maintain or apply for such zoning. Colorado pays property taxes in arrears so you can expect a credit from seller at closing for their portion of the year where they owned the property.

**POST OCCUPANCY.** Sometimes, sellers request to stay in the property for some set period of time after the sale has been completed. While this is not unusual, this can lead to concerns such as property damage, landscape maintenance, utility bills, pet damage, insurance coverage or other matters. Buyer is strongly encouraged to seek legal counsel before agreeing to allow the seller to maintain possession of the property after closing. Front Range Real Estate Professionals does not handle property management matters so has very limited ability other than preparing Post Closing documents.

**VALUATION.** Broker may provide information concerning the asking or sales prices of properties comparable to the property Buyer wishes to purchase. However, the Broker is not an appraiser and makes no warranties as to the value of ANY property. Buyer is strongly encouraged to obtain an appraisal prior to any Appraisal Deadline in the Contract to Buy and Sell Real Estate to verify the value of the property.

**VENDORS.** The Broker may provide names of vendors such as lenders/mortgage brokers, inspectors, attorneys, accountants, appraisers, engineers, surveyors, or other professionals. However, Broker cannot guarantee that such professional will provide the lowest price or the best service. Buyer is strongly encouraged to interview several different professionals before choosing the professional of their choice. In the event Buyer is unhappy with a professional given to Buyer by the Broker, Buyer should notify the Broker of Buyer's dissatisfaction so that they will not be provided in the future.

**FIRPTA.** Pursuant to current regulations, BUYERS are responsible for ensuring that the SELLER is NOT a foreign entity. Where seller is a foreign entity, should seller not withhold adequate taxes, buyers could be liable for such tax shortfalls.

**HOMEOWNERSHIP.** Buyers are encouraged to re-program garage door openers to include the main garage door opener (as seller might have had programmed to their car) and to change out all of the locks in a home. You will need to transfer UTILITIES into your name/s in advance of closing and arrange for other services such as internet/cable/trash and the like.

There are different roles for real estate agents. At FRREP, we are all REALTORS. Below defines the possible relationships are defined.

**Seller's Agent:** A seller's agent (or listing agent) works solely on behalf of the seller to promote the interests of the seller with the utmost good faith, loyalty and fidelity. The agent negotiates on behalf of and acts as an advocate for the seller. The seller's agent must disclose to potential buyers all adverse material facts actually known by the seller's agent about the property. A separate written listing agreement is required which sets forth the duties and obligations of the broker and the seller.

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**Buyer's Agent:** A buyer's agent works solely on behalf of the buyer to promote the interests of the buyer with the utmost good faith, loyalty and fidelity. The agent negotiates on behalf of and acts as an advocate for the buyer. The buyer's agent must disclose to potential sellers all adverse material facts actually known by the buyer's agent including the buyer's financial ability to perform the terms of the transaction and, if a residential property, whether the buyer intends to occupy the property. A separate written buyer agency agreement is required which sets forth the duties and obligations of the broker and the buyer.

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**Transaction-Broker:** A transaction-broker assists the buyer or seller or both throughout a real estate transaction by performing terms of any written or oral agreement, fully informing the parties, presenting all offers and assisting the parties with any contracts, including the closing of the transaction without being an agent or advocate for any of the parties. A transaction-broker must use reasonable skill and care in the performance of any oral or written agreement, and must make the same disclosures as agents about all adverse material facts actually known by the transaction-broker concerning a property or a buyer's financial ability to perform the terms of a transaction and, if a residential property, whether the buyer intends to occupy the property. No written agreement is required.

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**Customer:** A customer is a party to a real estate transaction with whom the broker has no brokerage relationship because such party has not engaged or employed the broker, either as the party's agent or as the party's transaction-broker.

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Thank you for considering our services. We strive to make your home buying experience a pleasant one. Let us know how we can make the transaction better for you! We are here to help!

Sincerely,

Your FRONT RANGE PROFESSIONALS

Quick Summary of Potential Costs to Buyer (inspection type issues):

- General Home Inspection \$500+ (can be higher for larger homes)
- Radon testing \$125-\$150
- Sewer Scope \$150--\$300
- Septic System (typically requested in an offer for seller to handle) \$750--\$2500 depending on age, condition and if needs to be pumped or repaired
- Well inspection (\$300-\$500)
- Water Quality \$200 depending on who performs the test. Most counties allow individuals to test on their own.
- ILC or Survey – ILC Is the ‘lesser’ type survey \$750-2500 and full survey can be \$2500-\$7000 depending on size of lot and other factors
- Soil/Perc testing \$500-\$1000 (estimate and can vary)
- If a property has been WINTERIZED, buyer might be required to have re-winterized after inspection \$150-\$250