

IMPORTANT: One of the questions I am asked by beginner investors is when you have found the right property and negotiated with the seller, what should you do? **Write a contract!**

Even if you don't have ironed out all the details with the seller yet or you are still negotiating, it is human nature to respond differently to something in writing instead of a verbal offer. Furthermore, if you don't put a contract on a property immediately, someone else will. Without a contract to buy, the seller is able to sell the property to someone else.

When you put a contract on a property, you become **Owner per Contract**, which will give you the control of the property to either wholesale or secure financing (fix and flip or buy and hold.)

I have attached in this module:

- **Sale Contract** – 2 pages (with some basic clauses included, but you might have to add more clauses depending on your situation, as explained in module 3 video)
- **Lead Addendum**
- **Seller's Disclosure Statement**

Sale Contract

Depending on your situation, different clauses might have to be added. But the contract should always contain the following clauses. Add them in the **Special Agreements** section of the second page – these clauses are to be used when you **Buy the Property, not when you Sell.**

- **“Contingent to Business Partner's Approval within 20 days of acceptance of sale contract.”**
- **“Your Entity Name and or Assigns”** on the first line of the contract, where it asks about the Buyer's name on page 1 or **“Buyer reserves the right to assign the property”** under Special Agreements on page 2. NOTE: Banks (Short Sales, REOs) will not allow assignments. Use this clause only if you are dealing directly with the owner or a real estate agent.
- **“Any liens and judgments on title to be satisfactorily negotiated”** – under Special Agreements on page 2. It is usually a “given”, but add just in case.

- **“Seller hereby grants the Buyer all of the necessary rights to list for sale, market, negotiate and enter into a contract to immediately lease or sell the Property to a third party not related to Seller.”** – this clause will give you the right to market the property as owner per contract and clears any possible misunderstandings with the seller if he/she sees the property advertised or marketed.
- **“Seller agrees to amend or withdraw its listing agreement with Seller’s real estate broker, if any, as requested by Buyer.”** – if the property is listed in the MLS
- **“Seller reserves the right to keep the property on the market and accepts this contract as a contingent offer. In the event seller receives a better offer, he will provide the buyer herein a 72-hour(negotiable) first-right-of-refusal notice to perform.”** – to be used if the seller or real estate agent are reluctant in taking the property off the market.
- **“Buyer will deposit an additional escrow money deposit of \$xxx 21 days after acceptance of sale contract.”** – clause to be used when you want to put down only \$1 earnest money and the seller or real estate agent might seem reluctant to the idea. Remember, according to the first clause stated above, you have the contingency to the business partner’s approval within 20 days of acceptance of sale contract. By the 21st day you will have 4 options:
 - a) you have a buyer in place and therefore you can collect earnest money from the buyer to put in escrow for the seller;
 - b) extend the contingency period (and closing date);
 - c) if you are fixing and flipping or buying and holding, you will have financing in place and therefore can secure additional earnest money;
 - d) cancel the contract and back out of the deal if nothing is happening.

When you **Sell the property**, you want to try to keep the Sale Contract simple and straightforward (without clauses and contingencies, besides the ones which are standard on the sale contract.)

Watch out if the buyer uses one of the clauses as stated above: he/she is probably trying to wholesale the property. You cannot get into a deal like that. If that is the case, propose to co-wholesale instead.

Lead Base Paint Addendum

Important on older properties (built in the '70s or prior.) It gives your buyer the option to order a lead base paint inspection or waive the inspection.

This “just in case” addendum protects you in case of claims on older properties.

Seller's Disclosure Statement

Even if you receive a full disclosure statement from whoever you are buying the property from, if you don't keep the property for any length of time, you should sell the property “as is” and clear yourself from any responsibility.

Draw a line across both pages and sign over one line and date underneath. On the second page, right above your signature, write, **“Seller has never resided in the property, therefore he/she will not make any representations. Buyer has to rely on his/her own inspections and the property will be sold in ‘as is’ condition.”**