NEGOTIATION AFTER INSPECTION: AEA, The New Form on the Block



NEGOTIATION AFTER INSPECTION: Three Form Options

Request for Repair (RR)	Seller Response and Buyer Reply to Request for Repair (RRRR)	Amendment of Existing Agreement Terms (AEA)
<form></form>	<image/>	ADJUSTICATION: ADJUSTIC

THE TRADITIONAL WAY-FORM RR

STEP 1

- Buyer lists repair requests, ask for pest control repairs, credits or reduction in price, or any combination in Form RR.
- Buyer typically attaches inspection report(s) to justify requests.

STEP 2

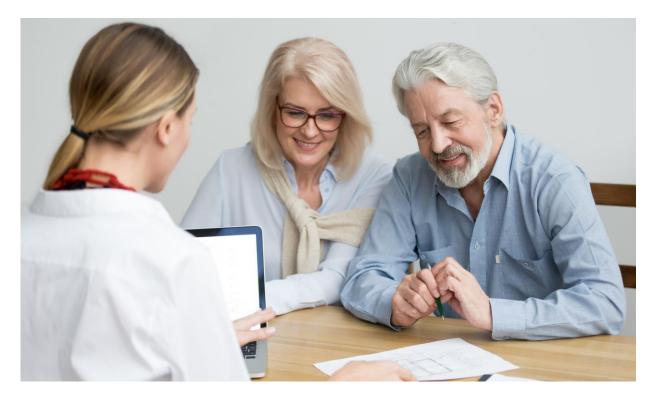
- Seller agrees to all or none of buyer's requests OR "counters" back on Form RRRR.
- Seller agreement is conditional.
- Buyer must remove physical inspection contingency (and maybe other contingencies) and provide release to seller.

STEP 3

 If buyer agrees, buyer must sign RR form (Section 3). This signature, by itself, removes the specified contingencies, even if buyer does not sign a contingency removal form (CR).

THE TRADITIONAL WAY-ALTERNATIVE

Use Form RRRR for Step 2, Seller Response



- Seller can specify specific terms by using the RRRR form
- As with the RR, the seller's response is conditional
- Buyer must minimally remove inspection contingency (and maybe others)
- Buyer must agree to release Seller

THE TRADITIONAL WAY-ALTERNATIVE

Use Form RRRR for Step 3, Buyer Reply

- Buyer can:
 - Accept seller's changes,
 - Alter them in some small way or
 - Withdraw and start over with a new RR form
- If buyer agrees, buyer's signature removes the specified contingencies, and nothing further is needed
- If buyer makes changes to the seller's response, seller must sign below to show agreement
- If seller does not sign, there is no binding agreement



No REQUIRED TIME TO RESPOND Buyer Request or Seller Response

- Neither Form RR, Form RRRR, or even Form RPA, requires a response to any requests
- The request proposal can be signed at any time to create a binding agreement



NEW FORM: AEA

- Amendment of Existing Agreement Terms (AEA) can be used, like an addendum, to modify the contract
- Like an addendum, the AEA is a blank form and the terms must be written

CALIFORNIA ASSOCIATION OF REALTORS®	AMENDMENT OF EXISTING AGREEMENT TERMS No (C.A.R. Form AEA, 12/17)
Residential Lease or Month-to-Month	ent") the terms and conditions of the following existing Agreement: Purchase Agreement, Rental Agreement, Obther("Agreement"), roperty known as
in which and	is referred to as ("Buyer/Tenant") is referred to as ("Seller/Landlord").
1	

NEW FORM: AEA A Different Approach to Negotiating Repairs

• Unlike the RR and RRRR forms, the AEA does not have pre-printed terms.

*Terms must be written. If used to negotiate repairs, a seller will ordinarily want a buyer to remove some or all contingencies as part of the agreement similar to Form RR.

- Unlike the RR and RRRR forms, the AEA is an offer that expires if not timely signed.
- The AEA is like the offer paragraph in the RPA.

NOTE

*Brokers or agents may have an established clause-library to make insertion of language easier.

NEW FORM: AEA Benefits of AEA in Negotiating Repairs

- The AEA does not have attachments such as inspection reports; it is just a bottom-line agreement
- With no inspection reports attached, it is less likely to impede the loan process for a buyer or impose additional requirements on the seller due to underwriting demand
- Since the AEA expires if not timely signed, the chance of a late signing impacting the parties is eliminated



USING AEA AFTER USING THE RR FORM

- To avoid a previously used form RR (or RRRR) from becoming part of the contract, it should be revoked or withdrawn in writing
- But revoking/withdrawing on the AEA may alert the lender to any inspection reports attached to the RR



ADDITIONAL RESOURCES

QUICK GUIDE

Negotiating After Inspection: There's a New Form on the Block

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