

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



C.A.R.
LEGAL
TOOLS

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

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



NOTE

Buyer or seller agree that the RR form, and if applicable, the RRRR form, is hereby withdrawn and revoked.

ADDITIONAL RESOURCES

QUICK GUIDE

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