

# DUE DILIGENCE CHECK LIST FOR RESIDENTIAL REAL ESTATE CONTRACTS

## FOR SALE BY OWNERS

If you are buying real estate, you should consider doing at least the following to make sure that your property is not already riddled with problems:

	TO DO	Description	Who You are using	Date Due/ Completed
1.	<b>General Home Inspection</b>	A home inspection from a qualified firm is an absolute <b>must..</b> Be sure to have this, and the other relevant items below, completed before the Inspection Objection Deadline in the contract.	Name:  Phone #:	Due:  Completed:
2.	<b>Radon Test</b>	All homes in Colorado are at risk for radon. You should have a radon test done to determine the levels and if a mitigation system is needed. If there already is a mitigation system, do a new radon test to confirm that the system is working properly.	Name:  Phone #:	Due:  Completed:
3.	<b>Lead Inspection and Test</b>	Older homes are at risk for having lead paint, lead pipes, and lead solder. Even some newer homes are at risk for the lead solder and lead containing brass fixtures. It would be prudent to retain a qualified firm to check for lead.	Name:  Phone #:	Due:  Completed:
4.	<b>Asbestos Inspection and Test</b>	Most older drywall, texture and furnaces have asbestos. It may also be in floor and ceiling tiles and in some cement. Even some newer materials contain a small percentage of asbestos. Therefore, have a qualified firm check for asbestos. There are significant regulations on removing old asbestos so if it is present and you want to remodel, this may add substantial costs. If it was not properly remediated, you may still have asbestos in the home which could expose you and family members to a very dangerous substance.	Name:  Phone #:	Due:  Completed:
5.	<b>Land Survey</b>	At the very least, you should hire a survey firm to do an Improvement Location Certificate. This may identify encroachment or other issues. A complete ALTA pin survey (ALTA is the American Land Title Association) would be even better. But it is much more expensive. When this comes in, are there encroachments? Are there other problems?	Name:  Phone #:	Due:  Completed:
6.	<b>Appraisal</b>	It is advisable for you to hire a certified appraiser to verify the value of the property. In the event you are paying cash, you do not have to have an appraisal. If you are using a lender, it will be required. A full appraisal is recommended even if you are paying cash to make sure you are not overpaying for the property.	Name:  Phone #:	Due:  Completed:



7.	<b>Title Insurance</b>	Title insurance is always recommended. Before you order a title commitment, shop for the best price. Sometimes the premium you pay will vary by hundreds of dollars between companies. When you order the title commitment, you should ask for a copy of all documents that will be on the title policy listed as exceptions. Also, ask the title company to remove the standard exceptions and what their requirements will be, as well as the additional premium, for this to happen. Also, if your property is subject to an HOA or has covenants, it is recommended that you consult with the title company and your attorney to determine what special endorsements you should consider buying from the title insurance company to protect you from past covenant violations.	Name:  Phone #:	Due:  Completed:
8.	<b>HOA, Covenants, Resolutions, Bylaws, Reserves</b>	If you are buying a property, always find out if it is subject to a Homeowner's Association. If so, this poses very unique and potentially significant issues. You should consult with your attorney on this. You and your attorney should get copies of the covenants, resolutions, and bylaws from the HOA. You should check cocourts.com to see how often the HOA has sued residents and why. You should make sure how much the monthly fees are and if they are likely to go up. You should see what the HOA has in its reserve account, what percentage of dues go into reserve, and see how much deferred maintenance is waiting to be paid for from the reserves or future assessments. You should also ask the HOA to provide a copy of all notices of violations of covenants concerning this property.	Name:  Phone #:	Due:  Completed:
9.	<b>Special Tax Districts</b>	You should consult an attorney to review all the special tax districts that have taxing authority over the property. If you are moving into a new development, this is a very significant issue because if there are not ultimately sufficient other homeowners over which to spread the infrastructure and other taxes, you could be subject to very large and unexpected taxes. You can find out all the special taxing districts who can tax your property by looking on the county assessor's web site and finding the assessor's statement concerning your prospective new property.	Name:  Phone #:	Due:  Completed:
10.	<b>Utilities</b>	Check with the utility companies (gas, water, sewer, electric) to determine what the average monthly energy bills have been. If it is abnormal, this could indicate a significant problem. You should also verify what internet is available in the area to determine if you will be satisfied.	Name:  Phone #:	Due:  Completed:
11.	<b>Environmental Issues</b>	If your property is near any commercial or industrial properties, including gas stations, you should get legal advice on what to do. You can also contact the Colorado Department of Public Health and Environment and get records from them regarding any contamination or spills in the area.	Name:  Phone #:	Due:  Completed:
12.	<b>Warranties</b>	Request the Seller to provide you all the original warranty information on anything under warranty, such as appliances, furnaces, etc. Also, there are home warranty companies who will sell you a home warranty and they will pay for any covered appliance that fails for	Name:  Phone #:	Due:  Completed:



		the period of the warranty. This may be prudent to buy if the appliances are old. Make sure you find a reputable company.		
13.	<b>Building Permits</b>	Consult the city or county in which your property is located and get a copy of all building permits ever purchased for the property. Then compare this with the SELLER'S PROPERTY DISCLOSURE to make sure that the sellers obtained all the right permits before having work done. If the seller did not, you should get legal advice on what to do. You may have a problem selling a property that has had work done without a permit.	Name:  Phone #:	Due:  Completed:
14.	<b>Zoning</b>	Meet with the zoning department of the city or county in which your property is located and ask for a copy of all notices of zoning or other violations concerning the property. If there were ever any issued, you should get legal advice. You should also make sure that the zoning is correct on the property.	Name:  Phone #:	Due:  Completed:
15.	<b>Mold</b>	You may want to have a mold test done even if you do not see any mold. Talk to your home inspector about this. Mold contamination and its remediation can be a major problem and expense.	Name:  Phone #:	Due:  Completed:
16.	<b>Neighbors</b>	Sometimes there are very bad neighbors adjacent to a property with barking dogs or who harass or ??? This may be more difficult to research. You could go to some of the neighbors and ask. You can also do what is suggested in #17 below and go the law enforcement and get all the law enforcement contacts on the property from the records department.		Due:  Completed:
17.	<b>Meth Labs</b>	Sellers are required to tell you if there was a meth lab on the property. You should not rely on the seller to do this but should also go to the local police, fire and/or sheriff departments which have jurisdiction and get a copy of all the law enforcement contacts that have happened at this property. Go to the records department. In addition, building permits may give insight to this problem if permits were issued, see if the DEA was involved or a remediation permit was issued. The DEA has public records for clandestine labs on its web site at: <a href="http://www.justice.gov/dea/clan-lab/co.pdf">http://www.justice.gov/dea/clan-lab/co.pdf</a>		Due:  Completed:
12.	<b>Review of Title Commitment</b>	Once the title commitment comes in from the title company, make sure you review it carefully - can seller fulfill the requirements? Are there exceptions to the title policy that you do not want? Do you want to add some endorsements to give you added protection?		Due:  Completed:
13.	<b>Review of Closing Documents</b>	Ask the closer to send you the closing documents as early as possible. They need to be reviewed. Is your name(s) accurate on the Deed? Are you getting the correct type of deed (e.g., Warranty Deed)? Are the exceptions listed on the Warranty Deed the same as the ones on the title commitment? If you are buying with a spouse, are you taking title correctly, such as joint tenants? Is the mechanic's lien indemnification agreement appropriate and not over-broad? Does your lender's good faith estimate closely match what the lender is actually charging you at closing?		Due:  Completed:
14.	<b>Insurance</b>	Shop for homeowner's insurance and be sure to order an insurance policy to be in place effective at closing.	Name:	Due:



		You should consult with your insurance agent on what amount of insurance and the various endorsements you should have in place. If you are in a flood plain, your lender will require that you have flood insurance.	Phone #:	Completed:
15.	<b>Lender</b>	Shop for a loan by applying for a loan from more than one lender. The rates and terms may very well be substantially different but you will need to pick one lender once you get their good faith estimate. The lender will need a copy of your signed contract.	Name:  Phone #:	Due:  Completed:
16.	<b>After Purchase</b>	Follow up after the purchase on several matters: 1. Warranty Deed Received- the closer will see to it that this document and the Deed of Trust are recorded in the real estate records at the office of the county clerk and recorder. You should receive the original Warranty Deed in a few weeks after closing. Mark your calendar for 30 days and if you have not received the original Warranty Deed (or other type of deed if you are not receiving a warranty deed) by then, call the closer and ask for it. When you get the Warranty Deed, you should confirm that it has the recording information on it at the top (a reception number and a recording date). 2. Title Policy Received - the title company will provide to you the original title policy. Mark your calendar and if you have not received the original title insurance policy by then, call the title company and ask for it. Keep this policy permanently, even after you transfer the property some day. 3. Insurance Policy Received - the insurance company will provide you an original insurance policy. Mark your calendar for 30 days and if you have not received the original homeowner's insurance policy by then, call the insurance agent and ask for it. Keep this policy permanently, even after you transfer the property some day. 4. Assessor Records Check - in about 60 days after closing, go on the county assessor's web site to make sure that your name as the owner correctly appears there. If not, contact the assessor's office and find out why. 5. Clear Title Check - anytime about 60 days or more after closing, call any title company and order and O&E (i.e. an Owner's and Encumbrances search) on your property. This search costs \$5 and will tell you if the prior owner's deed of trust has been released and if the public records shows you as the new owner and your deed of trust is the only encumbrance on the property.		Due:  Completed:  Due:  Completed:  Due:  Completed:  Due:  Completed:
17.	<b>Sex Offenders</b>	If you have concern about sex offenders next door, contact your local law enforcement both in person and via their web site and do a search for sex offenders in the area. You may be surprised how many are already registered all over the city.		Due:  Completed:
17.	<b>Legal Advice</b>	If you do all of the above, you may have questions for your attorney. Do not hesitate to call. The costs of legal advice may pale in comparison to the potential costs if you incur any of the above potential problems.	Pearman Law Firm, P.C. 4195 Wadsworth Blvd. Wheat Ridge, CO 80033  303-991-7600	



18.	<b>Other</b>	List any other important matters here:		Due:  Completed:
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*If you are buying a commercial property, call your attorney for advice on environmental issues and additional items not on this residential check list.*

