

ANSWER KEYS TO CONVENTIONAL CASE STUDIES 1, 2, 3 AND TO BUYER ESTIMATED COST TO BUY AND SELLER'S CLOSING COST ESTIMATE:

Conventional Case Study # 1

You have been showing Mr. and Mrs. Bill Williams a property; they have located the home they wish to buy at 1750 Claiborne. You take them back to your office and obtain the following information. They wish to write an offer of \$100,000 on the property. They will be paying for a 5% down payment, credit report \$52, appraisal fee \$295, one half of the title insurance (their portion \$290), lender's coverage \$75, recording fees \$26, survey \$200, underwriting fee \$150, one half of the closing fee \$100, termite inspection \$30, tax service fee \$30, property inspections \$250, and flood certificate \$25. They are getting a 7.5 % 30 year loan. The homeowners insurance will be approximately the sales price times 0.0050 annually and taxes are \$150 per month. They will be closing on the 15th day of next month. Bill works for MCI and earns \$35,000 a year. Susan works for an advertising firm and her annual salary is \$36,500. They have a car payment of \$295 and a truck payment of \$460. They also have 2 credit cards with balances of \$750 and \$900. (Credit card payments are 5% of the balance, monthly.) They have savings of \$12,500. They will put \$1,500 earnest money down. Do the following: qualify the buyers and complete a buyer estimated cost to buy. Then calculate their estimated monthly payments.

CONVENTIONAL QUALIFICATION

1	Total monthly income	\$ 5,958.00	
2	Times installment debt ratio	36%	#1 x #2 = #3
3	Total allowable monthly debt obligations	\$ 2,144.88 837.50	
4	Minus actual mo. installment payments	\$ 837.50	
5	Allowable monthly PITI payment	\$ 1,307.38	#3 minus #4 = #5
6	Mortgage debt ratio limit	28%	
7	Maximum monthly PITI payment	\$ 1,668.24	#1 x #6 = #7
8	Maximum monthly PITI payment	\$ 1,307.38	smaller of #5 or #7
9	Monthly taxes & ins. @ .22 of payment	\$ 287.62	Payment x 22%
10	Maximum monthly P & I payment	\$ 1,019.76	#8 - #9
11	Divided by amortization factor	.00699	(see below)
12	Maximum mortgage loan amount	\$ 145,888.00	#10 divided by #11
13	Divided by loan to value ratio	95%	#12 / ratio
14	Maximum affordable home price	\$ 153,566.00	

The factor used in #9 of 0.22 is generally close for an estimate of taxes and insurance. When you do a closing statement and calculate payments on a particular property for a buyer, use the values available for the taxes and insurance. Don't forget special taxes if any! The amortization factors are: 7.5% 30-year loan is 6.99 per thousand (0.00699) 7% 15-year loan is 8.99 per thousand (0.00899). Once you complete the 7.5% loan calculate maximum affordable home price for a 15 year 7% loan.

Conventional Case Study # 2

Rick Waterman has been employed at the same job for 8 years. He is currently making \$38,500 per year. His wife Sarah has been a housewife for several years, but 7.5 months ago she started a catering business from her home. It's doing quite well. She earns \$1,500 per month on average. They have a payment on the new van they purchased for her catering business of \$330 a month. Rick drives a 4.5-year-old truck that was financed for 60 months with payments of \$235. They have a total credit card debt of \$800. They live in a home they paid \$35,000 for and they owe \$12,500 on it. They have savings of \$8,000. They want to buy the maximum amount of house they can qualify for. They don't want to pay PMI insurance. They plan to make a 20% down payment. Based on an interest rate of 7.5 % for 30-years, what can they afford? Using the same information based on a 7% loan for 15-years, what can they buy?

CONVENTIONAL QUALIFICATION

		30 year 7.5 %	15 year 7%
1	Total monthly income	\$ 3,208.33	\$ 3,208.33
2	Times installment debt ratio	36%	36%
3	Total allowable monthly debt obligations	\$ 1,154.99	\$ 1,154.99
4	Minus actual mo. installment payments	\$ 370.00	\$ 370.00
5	Allowable monthly PITI payment	\$ 785.00	\$ 785.00
6	Mortgage debt ratio limit	28%	28%
7	Maximum monthly PITI payment	\$ 898.33	\$ 898.33
8	Maximum monthly PITI payment	\$ 785.00	\$ 785.00
9	Monthly taxes & ins. @ 0.22 of payment	\$ 172.70	\$ 172.70
10	Maximum monthly P & I payment	\$ 612.30	\$ 612.30
11	Divided by amortization factor	.00699	.00899
12	Maximum mortgage loan amount	\$ 87,597	\$ 68,109
13	Divided by loan to value ratio	80%	80%
14	Maximum affordable home price	\$ 109,496	\$ 85,136

The factor used in #9 of 0.22 is generally close for an estimate of taxes and insurance. When you do a closing statement and calculate payments on a particular property for a buyer, use the data available for the taxes and insurance. Don't forget special taxes! The amortization factors are for a 7.5 % 30-year loan is 6.99 per thousand (0.00699) and for a 7% 15-year loan is 8.99 per thousand (0.00899). After you complete the 7.5% loan calculations; calculate for a 15 year 7% loan.

NOTE:

Remember you can not use the wife's income as she is self employed for less than 2 years. You do not count the truck payment against them as they only owe 6 months on it.

Conventional Case Study # 3 – Net to Seller

You have made calculations for the buyer, change hats. Perform an **Estimated Net to Seller** worksheet. It is on the same property. The sellers' names are: James J. Hedgeworth and wife, Stephanie K. They are going to pay their share of the title insurance, the real estate brokerage fee of 6%, one half of the closing fee, the mortgage loan balance owing on the property of \$53,200 with interest at 8%, prorated taxes, attorney fees \$45, and recording the release \$9.50. Always calculate interest for 3-5 days more than the actual day of closing. For these sellers' net we will assume that our closing date is June 26. Do your calculations accordingly.

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BUYER ESTIMATED COST TO BUY

PROPERTY ADDRESS: 1750 Claiborne
 SALES PRICE \$ 100,000.00
 LESS 1ST MORTGAGE \$ 95,000.00
 Less Other (if applicable) \$ _____
 INITIAL INVESTMENT (down payment) \$ 5,000.00

ESTIMATED LOAN AND CLOSING COSTS:
 Loan Origination Fee/Discount points- _____% of loan \$ _____
 Credit Report \$ 52.00
 Appraisal Fee \$ 295.00
 **Mortgage Registration tax (loan x .0026) KS only \$ 247.00
 ½ Title Insurance \$ 290.00
 Lender's Coverage title ins. \$ 75.00
 Closing Fee \$ 100.00
 Recording Fees \$ 26.00
 Survey \$ 200.00
 Underwriting and/or Document Prep fee \$ 150.00
 Attorney Fees \$ _____
 ½ closing fee \$ _____
 Home Warranty Plan \$ _____
 Termite Inspection \$ 30.00
 Tax Service Fee \$ 30.00
 Health Dept Insp. (well/septic) \$ _____
 Independence Property Inspection \$ 250.00
 Other (flood) \$ 25.00
 TOTAL ESTIMATED COSTS \$ 1,770.00

ESTIMATED PREPAID COSTS, RESERVES, AND PRORATES:
 Mortgage Interest days 19.52 per diem x 15 \$ 292.80
 Homeowners Insurance (14 months) \$ 584.00
 PMI insurance if applicable \$ _____
 PMI Renewal (2 months) \$ _____
 General & Special Tax Reserves \$ 450.00 3 months reserve
 Home owners association if applicable \$ _____
 Other \$ _____
 TOTAL ESTIMATED PREPAIDS \$ 1,326.80
 Exclusive buyer agency fee if not paid from transaction \$ _____

ESTIMATED CASH INVESTMENT \$ 8,096.80
 ESTIMATED MONTHLY INVESTMENT/PAYMENT:
 Type of mortgage Conv term 30 years. Rate of interest 7.5 % (Estimated)
 Principal & Interest \$ 664.05
 Homeowners Insurance \$ 41.71
 General & Special Taxes \$ 150.00
 PMI \$ _____
 Homeowners association (if applicable) \$ _____
 Other \$ _____
 TOTAL ESTIMATED MONTHLY PAYMENT \$ 855.76

The associate preparing this "Buyer Estimated Cost to Buyer" believes these figures to be correct. However, these are estimates and are not guaranteed to be complete or accurate and are subject to possible changes. I/We acknowledge receiving a copy of this form. All figures are based on approximate closing date of _____

 Buyer Date Buyer Date

Associate: _____

SELLER CLOSING COST ESTIMATE

PROPOSED SALES PRICE	\$ <u>100,000.00</u>
PROPOSED CLOSING COSTS (BELOW)	\$ <u>7,674.39</u>
PAY OFF OLD LOAN(S) APPROXIMATE	\$ <u>53,200.00</u>
FINANCING CARRIED BY SELLER	\$ <u>n/a</u>

CLOSING COSTS:

1.	½ OF Owner's title policy (rate from title company)	\$ <u>290.00</u>
2.	Real Estate Brokerage Fee @ _____ %	\$ <u>6,000.00</u>
3.	½ of closing fee	\$ <u>100.00</u>
4.	Loan discount fee paid to lender @ _____ %	\$ _____
5.	Termite Inspection	\$ _____
6.	Mechanical inspection	\$ _____
7.	Health Department Inspection (Septic/water well)	\$ _____
8.	Structural Engineer Inspection	\$ _____
9.	Estimated cost of contract/appraisal requirements	\$ _____
10.	Compliance inspection fee	\$ _____
11.	Home Warranty Plan	\$ _____
12.	Loan Costs Paid by Seller per contract	\$ _____
13.	Survey	\$ _____
14.	Flood Determination Letter	\$ _____
15.	Prepayment penalty	\$ _____
16.	Attorney's fees	\$ <u>45.00</u>
17.	Recording fees	\$ <u>9.50</u>
18.	Messenger or delivery fees	\$ _____
19.	Interest proration for present mortgage 11.66 per diem	\$ <u>349.80</u> (26 days of June/used + 4)
20.	Prorated General Taxes from 1/1 to 6/26	\$ <u>880.00</u> (\$150 per/mo thru closing)
21.	Prorated Special Taxes from _____ to _____	\$ _____
22.	Taxes for prior years	\$ _____
23.	Loan costs or buyer costs to be paid by seller (per contract)	\$ _____
24.	Other _____	\$ _____
25.	Other _____	\$ _____

Total Estimated Costs \$ 7,674.30

Estimated credits: \$ _____
ESTIMATED NET TO SELLER \$ 39,125.70

POSSIBLE OTHER FUNDS TO SELLER:

Impound or escrow balance (refunded 3-6 weeks after closing) \$ (from mortgagee)
 (This may be included in the mortgage company pay off)
 Other _____ \$ _____

 SELLER DATE SELLER DATE

 LICENSEE DATE

CONTRACT FOR PURCHASE AND SALE OF REAL ESTATE

In consideration of the mutual agreements herein, it is mutually agreed that Seller will sell to Buyer and Buyer will buy from Seller, the following property on the following terms and conditions:

1. **BUYER:** Bill Williams and wife Alisa Williams

2. **SELLER:** Jeffrey McBride and wife Barbara McBride

3. **PROPERTY ADDRESS:** 1750 Claiborne
(CITY, STATE, ZIP CODE) Actual city, state and zip of property
LEGAL DESCRIPTION Lot one (1), Bock six (6) Section one (1) Clear Creek Village

4. **PURCHASE PRICE:** Buyer shall purchase and pay to Seller as consideration for the above described real property the amount of: One Hundred Thousand and no/100----- Dollars \$ 100,000.
In a manner as follows:

EARNEST MONEY: \$ 5,000

(See paragraph 5)

NEW MORTGAGE PROCEEDS: \$ 95,000

(See paragraph 6) (Does not include mortgage insurance)

MORTGAGE ASSUMED: (See paragraph 11) \$ n/a

Type loan _____ Lender _____ Present interest rate _____%

Approximate present payment \$ _____ per month including _____

Assumption rate _____ Assumption fees shall be paid by _____

OTHER: (See paragraph 30) \$ n/a

APPROXIMATE BALANCE DUE from Buyer at closing \$ -0-

subject to adjustments and prorations (not including closing costs or pre-paid items)

Seller agrees to pay loan costs prohibited to be paid by Buyer on government loans up to \$ 7,450

Buyer agrees to pay loan costs in approximate amount of: \$1,525.00

Buyer agrees to pay prepaid items in approximate amount of: \$1,350.00

n/a agrees to pay discount points not to exceed: _____

n/a agrees to pay for Home Warranty Plan (copy attached) in approximate amount of: _____

Title Evidence to be ordered from: (See paragraph 17) (Local title company)

5. **EARNEST MONEY:** Pursuant to paragraph 27, the Buyer does hereby deposit with where money is to be held (Company Name), earnest money in the form of personal check and in the amount of \$ 5,000., as a security that the terms and conditions of this Contract shall be fulfilled by the Buyer. Earnest money shall be deposited within five business days after all parties accept Contract. Said earnest money shall be applied to the purchase price at closing.

6. **NEW FINANCING:** Applicable when the purchase of this property is contingent on the Buyer obtaining a conv. first mortgage loan at an initial interest rate not to exceed 7.5 % plus required Mortgage Insurance or VA Funding Fee, and for a term of 30 years. Buyer shall apply for said loan within seven (7) working days after the Contract is signed by all parties and use every reasonable effort to obtain the above-noted loan. This offer is subject to and contingent upon the Buyer qualifying for and obtaining a mortgage commitment on or before * Buyer shall pay for and cause to be ordered an appraisal and credit report at loan application. If property does not appraise for at least the purchase price, this Contract may be renegotiated or Contract will become null and void; or in the event Buyer is unable to obtain such financing, the Buyer shall promptly furnish written evidence from the lender to Seller or Seller's agent. In either such event, the earnest money, less accrued expenses, shall be refunded to the Buyer, pursuant to paragraph 27, and this transaction will be null and void. Loan costs, prepaid expenses including any mortgage insurance and discount points, if any, shall be paid as specified in paragraph 4. Buyer will have the necessary funds available to close this transaction, payable by cashier's check or certified funds.

7. **APPRAISER/LENDER REQUIREMENTS:** Should lender or appraiser require improvements or repairs, Seller shall have the option to make said repairs and/or improvements, renegotiate the Contract or cancel the Contract. If Seller elects NOT to make said repairs/improvements; Buyer may make said repairs at Buyer's own expense. Buyer shall pay for first inspection of required repairs/improvements. Seller shall pay for any subsequent re-inspections that may be necessary.

8. **CLOSING AND POSSESSION:** The parties agree that time is of the essence and Buyer agrees to make final settlement on or before 15th of (next month). Seller agrees to give possession as follows: _____
Closing and funding

9. AGENCY DISCLOSURE:

Listing Broker/Licensee is functioning as an: () Agent of the Seller () Designated Seller's Agent () Transaction Broker () Disclosed Dual agent (MO only)

Selling Broker/Licensee is functioning as: () Agent of the Seller () Agent of the Buyer () Designated Buyer's Agent () Transaction Broker () Disclosed Dual agent (MO only)

Seller and Buyer acknowledge receipt of the Real Estate Brokerage Relationships brochure.

10. SURVEY: Broker recommends that Buyer acquire a survey on the property being purchased, regardless of lender's survey requirements.

11. EXISTING MORTGAGE FOR ASSUMPTION OR OWNER CARRY: The Seller shall punctually pay and comply with the terms of the existing mortgage, related note, or escrow Contract (Contract for Deed) hereinafter referred to as Instrument, until the date of closing and/or delivery of Deed. If said Instrument is being assumed by the Buyer, the Buyer shall, on and after the date of closing, punctually pay, defend, indemnify and hold Seller free and harmless from all of the terms, conditions and provisions of said Instrument. If Seller is carrying some or all of the purchase price, or if a non-qualifying Instrument is being assumed, acceptance of this Contract is subject to Seller's approval of Buyer upon Buyer providing a current credit report, job verification(s), financial statement and verification of funds within seven (7) working days of Contract acceptance, unless Seller has waived, in writing, said requirements. In such an event, the Seller shall furnish the Buyer, at closing, a copy of any Instrument to be assumed and an assumption statement with respect to the Instrument showing the principal balance, method of payment, interest rate, and sufficient information to show that said Instrument is not in default. If the Instrument requires acceptance of the Buyer by the Instrument holder, and the Instrument holder denies acceptance of the transfer; or, if this Contract (in paragraph 4) is subject to Buyer's assumption of an Instrument at the original interest rate and with the original terms of said Instrument, and said original rate/terms are denied by Instrument holder, then the Buyer shall, prior to closing, have the option of either rescinding this Contract and obtaining a return of the earnest money (less expenses as herein above stated) or accepting the assumption of a modified Instrument and proceeding with the purchase. Interest accruing on above-stated Instrument shall be prorated as of the date of closing. On loan assumptions any reserve or escrow account held by any mortgagee for taxes, special assessments, mortgage insurance and other insurance shall be purchased by Buyer at closing. Assumption of the mortgage loan by buyer does not release seller from liability unless they request and obtain a release of liability from the mortgagee and insurers of the loan, if any. Without such a release, sellers may be liable for any deficiency resulting from a subsequent foreclosure of the mortgage assumed.

12. TERMITE INSPECTION: The improvements shall be inspected by a licensed termite treatment company selected by the Buyer and at the cost of the Buyer, unless payment by Buyer is prohibited by lender/guarantor/insurer, in which case the Buyer shall select and Seller shall pay for said inspection. If the dwelling garages (attached or unattached) or other improvements are found to have active or inactive termite infestation that was untreated or partially treated, treatment shall be made at Seller's expense by a licensed exterminator of Seller's choice. Buyer has been advised that the termite inspection will be a report of the visual evidence of termite infestation based on inspection of accessible areas only on the date of the inspection. Normally, no inspection will be made in areas that are obstructed or inaccessible. The report will not guarantee that infestation or damage does or does not exist or will not occur.

Buyer may at Buyer's option secure an inspection for visible damage including structural damage as a result of present or past termite activity. A licensed building contractor at Buyer's expense shall make said inspection. If said inspection reveals visible damages, Buyer may request in writing the repair of said damage. Seller shall have the option to make said repairs and/or improvements, renegotiate the Contract or cancel the Contract and return earnest money. If Seller elects NOT to make said repairs/improvements, Buyer may make said repairs at Buyer's own expense. However, if Seller is unwilling to repair Buyer-requested termite damage, Buyer reserves the right to cancel or renegotiate this Contract. These inspections shall take place as soon as possible.

In the event Buyer does not have the premises inspected, then Buyer shall be obligated to purchase property regardless of any termite infestation or termite damage and the Seller and broker are relieved and released of any obligations relating thereto. Seller agrees that Buyer or Buyer's representative may inspect any repairs before the closing date.

13. PROPERTY: The real estate described herein, together with improvements attached thereto, shall include, if any, gas heaters, attic fan and/or ceiling fans, central air-conditioning, all window air-conditioning unit(s), lighting, heating and plumbing equipment and fixtures, bathroom mirrors and attached mirrors, window and porch shades, shutters, storm windows and doors, screens, all window and door coverings now in place, attached curtain and drapery rods, awnings, television antenna and antenna equipment, keys, water softener (if owned), attached outside cooking units, gas lights, automatic garage door equipment including remote transmitters, attached and unattached wall-to-wall carpeting, built-in kitchen appliances, attached shelves, fire, smoke and burglary detection systems (if

owned), mail boxes, installed water well pumps, propane/butane tanks(s) (if owned by Seller), storage buildings, swimming pool and all pool equipment, all flowers, trees and shrubs, and anything else buried, nailed, bolted, screwed, glued or otherwise permanently affixed to the premises, or any improvements thereon, with any exceptions or additions as noted in Miscellaneous paragraph 30.

14. PRORATION OF TAXES AND RESERVES: Seller represents and warrants that all taxes and special assessments shall be paid from the proceeds of the sale as herein provided. All ad valorem taxes, the current annual installment of special assessments, rentals, homeowner's association dues, and interest, if any, shall be adjusted and prorated as of closing date, unless otherwise agreed. General taxes shall be prorated for the calendar year on the basis of taxes for the previous year unless the previous year's assessed valuation was based on a lesser-improved property, in which case said taxes shall be determined from the assessed valuation and the officially-established mill levy prevailing at closing. Special assessments shall be prorated on the basis of the amount (for the calendar year) ascertainable at the time of closing by the closing agent.

The Buyer understands that the Buyer is responsible for payment of all ad valorem taxes and special assessments becoming due after the closing date and that Buyer is assuming all unmatured installments of special assessments. Periodic reappraisal, required by law, may result in a change in taxes.

15. INSURANCE: Seller shall maintain current insurance in force until closing date. The Buyer at closing shall furnish insurance policies necessary for the protection of the Instrument holder(s), containing loss clauses in favor of the Instrument holder(s) as their interests may appear. If required and so specified, the insurance policies shall be held by the Instrument holder(s) or escrow agent until said lien is paid in full. Buyer agrees to purchase flood insurance policy if and when required by the lending agency pursuant to federal law. Should possession take place prior to closing, Buyer shall secure hazard insurance for personal property effective on or before possession date.

16. CASUALTY LOSS: In the event of property damage to the premises by fire or other casualty prior to closing, the Seller shall restore same. In the event repairs cannot be completed prior to closing, Buyer and Seller may renegotiate this contract or declare it null and void. If the estimated cost of repair exceeds 10% of the purchase price, either Buyer or Seller may cancel this Contract and all earnest money shall be returned to Buyer, less expenses.

17. TITLE EVIDENCE: The Seller shall cause to be furnished to Buyer a title insurance company's title binder to issue, after closing, a title insurance policy in an amount equal to the full purchase price naming Buyer as the insured. Except for assumptions under paragraph 4, the title binder shall show marketable title vested in Seller, subject to: Easements, encroachments which would be disclosed by survey, rights-of-way of record, trees, plantings and fences thereon; restrictions and protective covenants of record, provided no forfeiture provisions are contained therein; unmatured special assessments, zoning laws, ordinances and regulations; rights of tenants in possession; the liens, if any, described therein; and those exceptions which are standard to American Land Title Association's Form B or as specified herein and, in an assumption, the mortgage securing the loan, which the Buyer is assuming. A copy of the title binder will be furnished to lender, listing broker, and selling broker as promptly as possible. The Seller and Buyer shall each pay one-half the cost of the title policy. In the event the Contract is for new construction the builder/Seller may receive builder discount if any. Buyer shall pay for any lender's/mortgagee's/Instrument-holder, title insurance coverage. Seller shall have reasonable time, not to exceed 30 days from scheduled closing date, to furnish marketable title. The Seller shall be responsible to use due diligence to resolve any title defects at Seller's expense subject to the foregoing exceptions. Should the Seller be unable to furnish marketable title subject to the foregoing exceptions, and should this Contract be terminated due to same, then the earnest money shall be refunded promptly to the Buyer and the Seller shall reimburse to the Buyer the cost of Buyer's accrued loan costs, attorneys' fees for examining title, and title insurance cancellation fees, and all parties shall be released from any further liability hereunder.

18. DEED AND DOCUMENTS FOR CLOSING: In the event a title or abstract company prepares a Deed and Affidavit of No Liens and other necessary documents to complete this transaction, the charge for same, in addition to the cost of closing the transaction, shall be shared equally between the Buyer and Seller, but if Lender prohibits Buyer from doing so, Seller shall pay such costs.

19. REPRESENTATIONS AND RECOMMENDATIONS: It is hereby agreed and acknowledged by the parties hereto that unless otherwise stated in paragraph 30 (Miscellaneous), neither the listing nor selling brokers, or their agents, employees, or associates have made, on their own behalf, any representations or warranties, expressed or implied, with respect to any element of the subject property. Any information furnished to either party through the Multiple Listing Service or in any property condition that party should independently verify report before that party relies on such information. Any representations made herein have been made by the listing/selling brokers based on information supplied by sources believed to be reliable, and brokers and their associates have not assumed any responsibility, directly or indirectly, with respect to any representation or warranties which have been made, if any. Since the selling/listing brokers are acting as brokers only, they shall, under no circumstances, be held liable to

either the Seller or Buyer for performance or lack of performance of any other terms or conditions of this Contract, or for damages arising out of or relating to the contents of this Contract over the performance or non-performance of either of the parties to this Contract. **Again, it is emphasized that if the parties hereto feel representations have been made, they must be set forth specifically and in writing in paragraph 30 (Miscellaneous) if said understood or implied representations are to be effective or enforceable.**

20. INSPECTION: The Buyer has carefully examined the premises and the improvements located thereon, and in making the decision to buy the property, the Buyer is relying wholly and completely upon Buyer's own judgment and the judgment of any contractors or inspectors Buyer may have selected.

perferred A Seller's property condition report is attached and made part of this contract.

_____ This offer is subject to acceptance by the Buyer of a Seller's property condition report within ___ days.

_____ A Seller's property condition report is not available.

Buyer agrees that the purchase price was negotiated after consideration of all defects in the real estate of which Buyer was aware or reasonably should have been aware. Buyer hereby agrees to hold listing/selling brokers harmless if Seller has failed to disclose any known defect or material fact regarding the property. **Buyer waives any claim for property defects unless Buyer secures, at Buyer's expense, an inspection of the property by one or more qualified inspectors, including but not limited to the roof, structure, all electrical, mechanical, and plumbing equipment, and appliances.**

IN THE EVENT BUYER FOR ANY REASON DOES NOT OBTAIN SAID INSPECTIONS, AS ALLOWED OR STATED ABOVE, BUYER SHALL BE DEEMED TO HAVE ACCEPTED THE CONDITION OF THE PROPERTY AS SATISFACTORY AND SELLER AND SELLER'S BROKER ARE RELIEVED FROM ANY AND ALL LIABILITIES HERETO, except for Seller's obligation as noted in paragraph 22.

These inspections shall be obtained within __ business days of Contract acceptance. These inspections are not intended to identify either cosmetic imperfections or other features of the property that Buyer has already considered in determining the purchase price. Seller shall cooperate in allowing Buyer's inspectors access to the property. If Buyer notifies Seller that it will be necessary to activate any utility in order to perform an inspection, Seller will request activation of that utility.

In the event any inspection results in a report of a defect, then within three business days of receiving the report, Buyer must request in writing as a proposed amendment to the contract that Seller repair or replace the defect. If Buyer does not make such a written request in such time, then Buyer waives any claim in regard to such defect. If Buyer does make such a written request in such time, the Seller must respond in writing within three business days after Seller receives the request. If the parties do not agree in regard to the existence or nature of the defect or the appropriate repair or replacement, then both Buyer and Seller agree to negotiate with one another in good faith to resolve any differences. If the differences are not resolved within 10 business days after buyer receives Seller's response to Buyer's request, then this Contract shall terminate, and the earnest money, less accrued expenses, shall be refunded to the Buyer, pursuant to paragraph 27, and this transaction will be null and void.

Seller agrees to give Buyer reasonable access to the property before the closing date so that Buyer and Buyer's representatives may, at Buyer's expense, re-inspect the property for confirmation of condition or to inspect any repairs made pursuant to this paragraph.

The parties agree and the Buyer represents that once the Contract has in fact been closed that Buyer in all respects again has acknowledged that Buyer has accepted the premises without condition or qualification. Broker(s) shall not be responsible for the conduct of third parties providing specialized services required or permitted by this Contract, including but not limited to lender, title insurance company, escrow agent, closing agent, wood infestation, mechanical, structural or other inspectors or repair personnel, whether those services were arranged by Buyer or Seller or broker on behalf of either. Buyer and Seller are aware of the availability of a home warranty program for which the broker(s) may receive an administrative fee if said program is purchased and both have separately accepted/rejected purchase of the program. Although one program may have been specifically offered to Buyer and/or Seller, the broker(s) involved have made no representations about the quality of the programs offered, and all parties to this Contract understand that they may seek alternate home warranty coverage.

21. ENVIRONMENTAL: Buyer and Seller agree that broker and broker's agents do not have any expertise in evaluating the environmental condition of the property described in paragraph 3, and that broker and broker's agents have made no representation concerning environmental condition except as may be noted in paragraph 30 (Miscellaneous). Buyer or Seller may retain an environmental inspection firm to inspect the property.

If the property is a residential dwelling built prior to 1978, see the attached addendum for a disclosure of information and acknowledgment of lead-based paint and/or lead-based paint hazards as required by regulation.

22. INTERIM MAINTENANCE: Seller agrees to maintain heating (sufficient to avoid frozen water lines), sewer, plumbing and electrical systems, and any appliances and equipment being conveyed, in proper working order, and to maintain the lawn, shrubbery, trees and pool, if any, until possession if possession occurs at or after closing. If possession is given to buyer prior to closing, refer to attached addendum. Buyer will be solely responsible for

obtaining insurance to cover any casualty loss occurring after closing, even if possession is retained by Seller after closing.

23. LIENS: Seller represents and warrants that there are no unpaid (whether recorded or not) chattel mortgages, conditional sales contracts, financing statements, or security agreements affecting any fixture, portion of the premises or item of personal property covered by this Contract. Any existing liens upon the premises that the Seller is required to remove under this Contract may be paid and discharged from the sale proceeds at the closing of the sale.

24. BROKERAGE FEES: The party handling the closing of this transaction is hereby authorized and directed to collect and disburse the brokerage fees at closing.

25. ALTERATIONS: Any alterations of the terms and conditions of this Contract must be agreed to in writing by both Buyer and Seller.

26. SURVIVAL: The provisions of paragraphs 5, 8, 9, 11, 12, 13, 14, 17, 19, 20, 21, 22, 23, 24, 27, and 30 shall survive closing.

DISPOSITION OF EARNEST MONEY: In the event this contract fails to close, the earnest money shall be disbursed according to an agreement signed by both parties. Pursuant to Kansas Statute 58-3061 (g), the broker can only disburse earnest money 1) pursuant to written authorization of buyer and seller; 2) pursuant to a court order; or 3) when a transaction is closed according to the agreement of the parties. Notwithstanding any other terms of this Contract providing for forfeiture or refund of the earnest money deposit, the parties understand that applicable Kansas real estate laws prohibit the escrow agent from distributing the earnest money, once deposited, without the consent of all parties to this agreement. Buyer and Seller agree that failure by either to respond in writing to a certified letter from Broker within seven (7) days of receipt thereof or failure to make written demand for return or forfeiture of an earnest money deposit within thirty (30) days of notice of cancellation of this agreement shall constitute consent to distribution of the earnest money as suggested in any such certified letter or as demanded by the other party hereto. If a dispute arises over disposition of funds or documents deposited with the escrow agent or the listing broker, Seller and Buyer agree that any attorney's fees, court costs and/or other legal expenses incurred by the escrow agent and any broker in connection with such dispute shall be reimbursed from the earnest money or other funds deposited with the escrow agent or listing broker. In addition to forfeiture of earnest money to Seller or return of earnest money to Buyer, Buyer and Seller shall both have the option of enforcing specific performance of this Contract or any other remedy allowed by law or equity.

28. HEIRS AND ASSIGNS: This Contract shall be fully binding upon the parties, their heirs, executors, administrators, successors and assigns (subject to paragraph 31). No assignment shall serve to release or relieve the party assigning from any responsibilities or obligations hereunder.

29. KANSAS LAW APPLIED: This Contract and its validity, construction and performance shall be governed by the laws of Kansas.

30. MISCELLANEOUS:

31. AGREEMENT APPROVAL: This Contract constitutes the entire agreement between the parties and supersedes any previously executed contracts, representations, verbal or written, to buy and/or sell the property. Neither this Contract, nor any interest herein, shall be transferred or assigned by Buyer without the prior written consent of Seller.

Buyer and Seller hereby acknowledge receipt of separate expense itemizations estimating approximate costs to be incurred in acquiring or disposing of this property. Buyer and Seller also acknowledge that they have read the entire Contract and that by signing page four (4) of this four (4) page Contract that they agree to all terms contained therein.

IN WITNESS WHEREOF, said parties hereunto subscribe their names.

**THIS IS A LEGALLY BINDING CONTRACT. IF NOT UNDERSTOOD, SEEK
COMPETENT ADVICE.**

Buyer _____

Seller _____

Print Name Bill Williams

Print Name Jeffrey McBride

Social Security # _____

Social Security # _____

Date _____ Time _____

Date _____ Time _____

Buyer _____

Seller _____

Print Name Alisa Williams

Print Name Barbara McBride

Social Security # _____

Social Security # _____

Date _____ Time _____

Date _____ Time _____

_____ For Office Use Only _____

Agent _____

Agent _____

Firm _____ Phone _____

Firm _____ Phone _____

* this will be the first of next month as closing is the 15 of next month