



“DID YOU DISCLOSE?”



3 Hours of Risk Continuing Education by Live/Classroom/Zoom Delivery

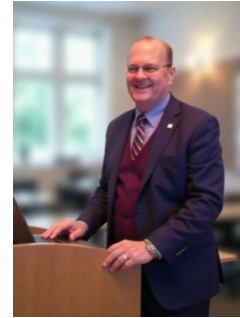
Approved by the Nevada Real Estate Division on behalf of the Commission

Participant Outline

JOSEPH R. FITZPATRICK

MEET JOE:

Joe Fitzpatrick graduated from The University of Nevada, Las Vegas in 1985 and began his career with Coldwell Banker in Margate, Florida, listing and selling real estate. Joe went on to manage the North Miami office and opened Century 21 Fitzpatrick Realty with family. The firm became the top-ranked Century 21 company in Broward County, Florida.



In 1991, Joe returned to Las Vegas where he began teaching and authoring real estate courses. He also continued on as Vice-President of Century 21 MoneyWorld, which was consistently ranked among the top 10 Century 21 firms in the world where he led the education division among other duties.

Joe has authored and published over 30 real estate licensing textbooks and courses available on Amazon.com and which have been approved for utilization in several states. He made a few stops along the way including being the Education Director at LVR. You may recognize his voice from other online sites. Living through sellers' markets and buyer's markets, Joe has experienced interest rate fluctuations of 17.5% and 2%. He knows what it takes to stay successful in the business no matter what the market conditions may be.

Joe opened Fitzpatrick Real Estate School in both Nevada and Arizona, and continues to practice real estate in addition to his other responsibilities. We trust you will find Mr. Fitzpatrick's courses to be informative, interesting, and entertaining too.

CE Agreement

The student participant must:

- not miss more than 10 minutes of a 3-hour course; 15 minutes for internet connection issues.
- direct their attention to the instruction being provided and refrain from engaging in activities unrelated to the instruction and distracting.
- always have their cameras on and pointed to the student while the class is in session, excluding breaks.
- in Zoom, display the name under which they registered.
- must always have audio muted except when speaking to the group.
- participate and respond when asked to by the instructor.
- conduct themselves as they would in an in-person classroom setting.
- be appropriately dressed for a classroom setting.
- refrain from engaging in any activity that would be distracting to the instructor or fellow attendees such as using electronic/computer devices unrelated to the instruction, cell phone use, having conversations with other people, walking around, driving/riding in a vehicle, cooking, cleaning, etc.
- complete the course evaluation immediately upon the conclusion of the course.

I. Introduction

- A. Icebreaker: “What’s the strangest disclosure issue you’ve had in a deal?”
- B. Furnace (heater) not working in Las Vegas. 115°. Disclose?
- C. Course objective: Did you disclose everything in the transaction you are supposed to disclose? Is it possible you could be disciplined for failure to disclose? Then, there are those items we are not even required to disclose. This could be confusing. We will provide you a refresher to set it all straight!

II. Licensee’s Disclosure Obligations

NRS and NAC 645

NRS 645.194 Real Estate Division required to prepare booklet concerning certain disclosures required in sale of residential property.

- 1. The Division shall prepare a booklet that provides relevant information concerning the disclosures that are required by federal, state and local laws and regulations by a buyer and a seller in a transaction involving the sale of residential property.
- 2. The Division shall make copies of the booklet prepared pursuant to subsection 1 available to licensees which the licensee must distribute to prospective buyers and sellers in the sale of residential property in accordance with the regulations adopted by the Commission.
- 3. The Commission shall approve the format and content of the information that must be included in the booklet.
- 4. As used in this section, “residential property” has the meaning ascribed to it in [NRS 113.100](#).

NRS 645.252 Duties of licensee acting as agent in real estate transaction. A licensee who acts as an agent in a real estate transaction:

- 1. Shall disclose to each party to the real estate transaction as soon as is practicable:
 - (a) Any material and relevant facts, data or information which the licensee knows, or which by the exercise of reasonable care and diligence should have known, relating to the property which is the subject of the transaction.
 - (b) Each source from which the licensee will receive compensation as a result of the transaction.
 - (c) That the licensee is a principal to the transaction or has an interest in a principal to the transaction.
 - (d) Except as otherwise provided in [NRS 645.253](#), that the licensee is acting for more than one party to the transaction. If a licensee makes such a disclosure, he or she must obtain the written consent of each party to the transaction for whom the licensee is acting before he or she may continue to act in his or her capacity as an agent.

NRS 645.253 Licensees affiliated with same brokerage: Additional duties when assigned to separate parties to real estate transaction or property management agreement. If a real estate broker assigns different:

- 1. Licensees affiliated with his or her brokerage to separate parties to a real estate transaction, the licensees are not required to obtain the written consent required pursuant to paragraph (d) of subsection 1 of [NRS 645.252](#). Each licensee shall not disclose, except to the real estate broker, confidential information relating to a client in violation of [NRS 645.254](#).

2. Licensees affiliated with his or her brokerage who hold permits to engage in property management to separate parties to a property management agreement, the property managers are not required to obtain the written consent required pursuant to paragraph (d) of subsection 1 of [NRS 645.6057](#). Each property manager shall not disclose, except to the real estate broker, confidential information relating to a client in violation of [NRS 645.6057](#).

NRS 645.254 Additional duties of licensee entering into brokerage agreement to represent client in real estate transaction. A licensee who has entered into a brokerage agreement to represent a client in a real estate transaction:

1. Shall exercise reasonable skill and care to carry out the terms of the brokerage agreement and to carry out his or her duties pursuant to the terms of the brokerage agreement;
2. Shall not disclose confidential information relating to a client for 1 year after the revocation or termination of the brokerage agreement, unless he or she is required to do so pursuant to an order of a court of competent jurisdiction or is given written permission to do so by the client;
3. Shall seek a sale, purchase, option, rental or lease of real property at the price and terms stated in the brokerage agreement or at a price acceptable to the client;
4. Shall present all offers made to or by the client as soon as is practicable, unless the client chooses to waive the duty of the licensee to present all offers and signs a waiver of the duty on a form prescribed by the Division;
5. Shall disclose to the client material facts of which the licensee has knowledge concerning the transaction;
6. Shall advise the client to obtain advice from an expert relating to matters which are beyond the expertise of the licensee; and
7. Shall account for all money and property the licensee receives in which the client may have an interest as soon as is practicable.

NRS 645.259 Liability of licensee for misrepresentation made by client; failure of seller to make required disclosures is public record. A licensee may not be held liable for:

1. A misrepresentation made by his or her client unless the licensee:
 - (a) Knew the client made the misrepresentation; and
 - (b) Failed to inform the person to whom the client made the misrepresentation that the statement was false.
2. Except as otherwise provided in this subsection, the failure of the seller to make the disclosures required by [NRS 113.130](#) and [113.135](#) if the information that would have been disclosed pursuant to [NRS 113.130](#) and [113.135](#) is a public record which is readily available to the client. Notwithstanding the provisions of this subsection, a licensee is not relieved of the duties imposed by paragraph (a) of subsection 1 of [NRS 645.252](#).

NRS 645.315 Conditions and limitations on certain advertisements; required disclosures; prohibited acts; regulations.

1. In any advertisement through which a licensee offers to perform services for which a license is required pursuant to this chapter, the licensee shall include his or her license number and:
 - (a) If the licensee is a real estate broker, disclose the name of any brokerage under which the licensee does business; or
 - (b) If the licensee is a real estate broker-salesperson or real estate salesperson, disclose the name of the brokerage with whom the licensee is associated.
2. If a licensee is a real estate broker-salesperson or real estate salesperson, the licensee shall not advertise solely under the licensee’s own name when acting in the capacity as a broker-salesperson or salesperson. All such advertising must be done under the direct supervision of and in the name of the brokerage with whom the licensee is associated.

3. The Commission shall by regulation establish the conditions and limitations under which a licensee may advertise under a nickname.

NRS 645.633 Additional grounds for disciplinary action: Improper trade practices; violations of certain orders, agreements, laws and regulations; criminal offenses; other unprofessional and improper conduct; reciprocal discipline; violations relating to property management; log of complaints.

g) Accepting, giving or charging any undisclosed commission, rebate or direct profit on expenditures made for a client.

NAC 645.605 Considerations in determining certain misconduct by licensee. ([NRS 645.050](#), [645.190](#), [645.633](#)) In determining whether a licensee has been guilty of gross negligence or incompetence under paragraph (h) of subsection 1 of [NRS 645.633](#) or conduct which constitutes deceitful, fraudulent or dishonest dealing under paragraph (i) of that subsection, the Commission will consider, among other things, whether the licensee:

1. Has done his or her utmost to protect the public against fraud, misrepresentation or unethical practices related to real estate or time shares.

2. Has ascertained all pertinent facts concerning any time share or property for which the licensee accepts an agency.

3. Has attempted to provide specialized professional services concerning a type of property or service that is outside the licensee’s field of experience or competence without the assistance of a qualified authority unless the facts of such lack of experience or competence are fully disclosed to his or her client.

4. Has disclosed, in writing, his or her interest or contemplated interest in any property or time share with which the licensee is dealing. The disclosure must include, but is not limited to, a statement of:

(a) Whether the licensee expects to receive any direct or indirect compensation, dividend or profit from any person or company that will perform services related to the property and, if so, the identity of the person or company;

(b) The licensee’s affiliation with or financial interest in any person or company that furnishes services related to the property;

(c) If the licensee is managing the property, his or her interest in or financial arrangement with any person or company that provides maintenance or other services to the property;

(d) If the licensee refers one of his or her clients or customers to another person or company, such as a contractor, title company, attorney, engineer or mortgage banker, the licensee’s expectation of a referral fee from that person or company; and

(e) If the licensee receives compensation from more than one party in a real estate transaction, full disclosure to and consent from each party to the real estate transaction. A licensee shall not accept compensation from more than one party in a real estate transaction, even if otherwise permitted by law, without full disclosure to all parties.

5. Has kept informed of current statutes and regulations governing real estate, time shares and related fields in which he or she attempts to provide guidance.

6. Has breached his or her obligation of absolute fidelity to his or her principal’s interest or his or her obligation to deal fairly with all parties to a real estate transaction.

7. Has ensured that each agreement for the sale, lease or management of property or time shares is contained in a written agreement that has been signed by all parties and that his or her real estate broker and each party to the real estate transaction has a copy of the written agreement.

8. Has obtained all changes of contractual terms in writing and whether such changes are signed or initialed by the parties concerned.

9. Understands and properly applies federal and state statutes relating to the protection of consumers.

10. Has acquired knowledge of all material facts that are reasonably ascertainable and are of customary or express concern and has conveyed that knowledge to the parties to the real estate transaction.

11. Has impeded or attempted to impede any investigation of the Division by:

- (a) Failing to comply or delaying his or her compliance with a request by the Division to provide documents;
- (b) Failing to supply a written response, including supporting documentation, if available;
- (c) Supplying false information to an investigator, auditor or any other officer of the Division;
- (d) Providing false, forged or altered documents; or
- (e) Attempting to conceal any documents or facts relating to a real estate transaction.

NAC 645.637 Disclosure of relationship as agent or status as principal. ([NRS 645.050](#), [645.190](#), [645.252](#)) In each real estate transaction involving a licensee, as agent or principal, the licensee shall clearly disclose, in writing, to his or her client and to any party not represented by a licensee, the relationship of the licensee as the agent of his or her client or the status of the licensee as a principal. The disclosure must be made as soon as practicable, but not later than the date and time on which any written document is signed by the client or any party not represented by a licensee, or both. The prior disclosure must then be confirmed in a separate provision and must be maintained by the real estate broker in his or her files relating to that transaction.

III. Key Disclosure Topics

A. SRPD (Seller’s Real Property Disclosure Statement)

- Purpose: Put all known conditions in writing.
- Covers property systems, appliances, repairs, environmental conditions, neighborhood.
- Always encourage full and honest completion.

B. Lead-Based Paint (1978 rule)

- Required by federal law for homes built before 1978.
- Buyer must receive EPA pamphlet, disclosure form, and 10-day inspection right.
- Noncompliance = federal fines, rescission of contract.
- <https://www.youtube.com/watch?v=aFclpO6ia5o> (5 min 45 sec)

C. Environmental Hazards

- Radon, asbestos, mold, meth contamination, groundwater contamination.
- Practical tip: Always recommend professional testing rather than offering personal opinion.

• **Property Conditions**

Although you will not be expected to identify environmental hazards in the home, or to be an expert in construction or home inspection, we offer this brief introduction to some of the more common issues that can have an effect on a resident’s health and may even lead to death.

- **Asbestos.** Asbestos is used in the manufacture of construction materials. It is used because the fibers are resistant to heat, and asbestos is often used as an insulator. It is also used to make construction products more durable. For years, asbestos was used in the making of ceiling and floor tiles as well as electrical and building insulation. Asbestos fibers can be ingested in the human body and can lead to serious health issues including fatal lung disease.

- **Carbon Monoxide.** This odorless, colorless gas results as a byproduct of burning certain fuels including gasoline. Operating an automobile, lawnmower, gas generator, etc. in a poorly ventilated area can trap carbon monoxide and harm humans. For \$20.00 or less, a homeowner can purchase a carbon monoxide detector.
- **Electromagnetic Fields (EMFs).** EMFs are generated by the movement of electrical currents and are emitted from above ground power lines. There is much skepticism about whether these fields are actually harmful. Power companies argue there is no link from the EMFs to health issues, but science suggests resulting symptoms include headaches, anxiety, suicide, depression, nausea, fatigue, and loss of libido.
- **Lead and Lead-based Paint.** Lead pipes and joints can be found in older homes. With time, the lead deteriorates and gets into the water supply. Lead-based paint can be found in homes built prior to 1978. It was common for young children to pick at the dry chips of paint and eat them, causing brain damage and death. There is actually a federal disclosure form required in every residential real estate transaction if the home was built prior to 1978. This disclosure lists all of the potential harm that could come about as a result of ingestion.
- **Leaking Underground Storage Tanks.** These tanks are commonly found at gas stations and where other petroleum products are stored underground. They can also be found in older homes for the storage of oil used for heat. After many years, the tanks rust and deteriorate leaking the petroleum into the ground and ground water.
- **Mold.** Mold is an environmental hazard that has gained significant attention by consumers. Some molds are harmless while others can cause health matters when inhaled, disturbed, or touched. Toxic black mold called “stachybotrys” is of particular concern. The general types of symptoms caused by toxic black mold include respiratory problems, skin inflammation, hemorrhage, irritation of the mucous membranes, damage to internal organs, mental impairment, tiredness, nausea, and immune system suppression.
- **Radon.** Radon is a colorless, odorless, and radioactive gas. It is released from the movement of materials below the ground and can enter the home through the foundation and other crevices. Radon can lead to lung cancer.
- **Urea Formaldehyde Insulation.** This insulator starts out in a gaseous state and can be blown in between the walls. Inhalation can lead to serious health matters.
- VIDEO <https://www.youtube.com/watch?v=iTuj3kvw2Q8> 4:18

D. Material Facts

- Definition: A defect in the subject property that negatively causes a loss of value or total desirability of the property.
- Examples: foundation issues, past flooding, unpermitted additions, zoning changes, road projects.
- **Failure to Disclose**
 - increasing litigation regarding a licensee’s obligation to disclose material and relevant facts
 - Remember, “A licensee who acts as an agent in a real estate transaction shall disclose to each party to the real estate transaction as soon as is practicable any material and relevant facts, data or information which the licensee knows, or which by the exercise of reasonable care and diligence should have known, relating to the property which is the subject of the transaction.”

- Note the wording “or which by the exercise of reasonable care and diligence should have known.”
- not expected to investigate the property like a home inspector or builder
- required to notice visible signs of potential and existing problems
- Duty of further Inquiry

- Failure to disclose (silence) is an act for which licensees may be disciplined by the Commission.
- Exactly what is a “material fact?”
 - defect or circumstance that negatively affects the value or desirability of the property
 - Patent v. Latent Defect
 - material facts must be disclosed
 - seller is required to disclose all known defects in the property by means of a property disclosure statement (SRPD)
 - substantial financial consequences the seller could face by not disclosing any known problems or defects prior to the close of escrow

E. No Stigma Rule (Stigmatized Properties)

- no duty to disclose Death, suicide, homicide, HIV/AIDS status, or felony nearby.
- BUT: Cannot lie if directly asked - best practice: direct them to official sources (police, health dept).

IV. Need For Inspection and Obtaining/Verifying Information

Imagine an agent saying, in response to an attorney’s question regarding disclosing a property defect, “Well, that subject never came up.” That might be an unfortunate answer because agents have a “duty of further inquiry.”

The duty of further inquiry – When representing a seller or a buyer, an agent is required to “discover and disclose” any material fact or material defect of which the agent knows or *should have known*. When do you find out if you should have known? This point deals with the role of being a professional in a fiduciary relationship. The professional is expected to be able to “spot” potential problems or issues and then pursue the answer until it is found.

EXAMPLE: While showing a two-story home, the agent notices a pale, but visible, tan spot on the ceiling of a room on the first floor. Knowing that small tan spots on the ceiling are not generally normal, the agent has just been subjected to the *duty of further inquiry*.

If the agent is representing the sellers, he should ask the sellers about the spot as this suggests a possible plumbing leak and the potential for the presence of mold. If the sellers tell the agent that they had not noticed it previously, the agent needs to tell the sellers that the source should be determined.

If the sellers agree to research and resolve the incident, all is well. If the sellers decide they will paint the spot to match the ceiling, but do not want to incur any additional expense, there is a big problem. The agent has to deal with the other obligation of being a professional and must disclose to the customers (the customers are the persons not represented by the agent in a client/agent relationship) all material facts concerning the property, including any material defects. The agent may want to discuss this with his broker to see if the representation of the seller should be continued. Who knows what other problems the seller is planning to “paint over.”

Agent responsibility to inquire about “red flag” issues – From time to time, an agent will see, or should see, one or more issues that are obvious only if the agent is trained into look for them. These might be called “red flag” issues because of their importance, and agents should construct a mental checklist to ask about these when listing a property or showing a property to a buyer.

A major home inspection company reports that 40% of previously owned homes have one or more of these serious defects. Virtually every home needs some sort of repair, improvement, modification, etc., either to function properly or to be in compliance with building codes.

Here are some of the “red flag” issues that agents should be aware of, and ready to point out and follow up on with buyers and sellers:

- moisture or water in the basement
- cracks in foundation or basement walls; evidence of settling
- failing air-conditioning compressor; sounds noisy or won't start
- environmental hazards including radon, water contamination, asbestos, or lead paint
- underground storage tanks; pipes sticking out of the ground
- defective roofing or flashings; several colors of roofing materials on one roof
- signs of water damage on ceilings or walls
- insect infestation
- standing water outside the structure; evidence of drainage issues
- undersized electrical system
- chimney settling or separation from house; leaning, missing bricks
- evidence of dry-rot damage
- unpermitted structures of any kind

Most of the above conditions can be repaired. It is simply a matter of cost and of whether the buyer or seller does the fixing. Or, it might result in a situation where the seller refuses to fix the issue, and the buyer thinks it too expensive and decides to move on to another property.

A new roof repair of dry-rot damage, and a few foundation issues, could cost \$25,000 on a home worth \$200,000, which would scare many buyers off unless the listing price had been discounted by the price of these repairs.

The best protection for your client, even if you represent the seller, is to have a structural inspection or home inspection done by a qualified home inspector, which will cost \$200 to \$500, depending on the inspector and the size of the home. It is good practice to provide your client with a list of qualified inspectors and let them select one to use. If you give them only one choice, and that engagement fails to go well, it could reflect poorly on you.

If repairs are needed, there are three ways to proceed:

- the buyer can ask the seller to fix one, two, or all of the issues.
- the buyer can buy the home “as is,” if the price is right.
- the buyer can ask for a price reduction.

The key for the agent is to make a mental checklist of “red flag” issues and look for them when listing or showing a property.

Technical details – Agents must always be alert to the quality of information they are working with and must be sure that representations made to either clients or customers are correct.

EXAMPLE: An agent is taking a listing and asks the seller if there have been any additions to the home, and if so, were proper permits and inspections obtained. The seller says no, they have not enlarged the home or done anything to it since they bought it. The agent takes measurements of the property and finds that it is approximately 2,800 square feet and this is the number the client has furnished.

While verifying the property tax amount, the agent notices that the tax assessor has the property listed in the tax records at 2,370 square feet. The agent is now subject to the duty of further inquiry. The seller does not have any idea why there is a difference and is happy to just let the matter alone, as it might increase the taxes. What must be done?

Again, the agent should discuss the situation with the broker because there is a potential liability if nothing is done. At the very least, the agent should inform a buyer that there appears to be a discrepancy between the actual square footage and the square footage carried on the tax rolls. This *could* represent the following problems:

- The tax information is wrong and, when corrected, the taxes will probably go higher than either party may be expecting.
- An addition has been made by a previous owner who may not have obtained permits, or who may have used incompetent licensed contractors.

The agent's best solution is to make the disclosure, in writing, to both the seller and the buyer. A future problem, if there is one, should not be the responsibility of agent because the agent has made a full and complete disclosure.

Remember that while the rule of *caveat emptor* (let the buyer beware) is still applicable in some situations, all of the parties in a transaction expect the professionals to look out for them.

Remember that the agent's role as a fiduciary does not turn the agent into an insurance company. The agent has discharged her duty when she has provided the parties with a disclosure of *patent defects* (visible) and has honored her duty of further inquiry when she has done all that is reasonable to discover the answer regarding *latent defects* (hidden or non-visible).

Material Facts Relating to Property Condition or Location

As described earlier, an agent must disclose any *material and relevant facts, data or information* which the agent knows, or which by the exercise of reasonable care and diligence, the agent should have known, relating to the property that is the subject of a transaction

We can articulate a list of seven types of material facts and some associated red flags:

1. Land/soil conditions – An individual agent may be knowledgeable of various land and soil conditions, and therefore be obligated to disclose these facts. Some examples are as follows:
 - Homes in this section of the county have trouble with septic tank leach fields.
 - The well water here is unpalatable.
 - This location is right under the flight path of the air force base.
 - This site used to be a chemical plant that made dioxin.

2. Pest infestation, toxic mold, and other interior environmental hazards:
 - There are mousetraps all around the home.
 - Roof rats are known to infest homes in this area.
 - This is the worst area in the county for mosquitoes.
3. Accuracy of lot or improvement size, encroachments, or easements affecting use:
 - Electrical wires cross over the swimming pool.
 - The size of the yard is listed at 8,000 square feet in a subdivision where all of the other lots are 6,000 square feet.
4. Condition of electrical and plumbing systems, and of equipment or appliances that are fixtures:
 - Some copper wire has been stolen from the circuit breaker panel.
 - The inside workings of the A/C units have been stolen.
 - The glass panel in the oven door is cracked (and probably leaking).
5. Structural issues, including roof, gutters, downspouts, doors, windows, foundation:
 - The chimney, which rises from a ground-level pad, has separated from the house and is leaning toward the driveway. The windows are all single pane (before 1960).
 - The door between the house and garage has a pet door; this is a fire code violation.
6. Known alterations or additions:
 - This garage has been converted to a bedroom, but the additional area is not reflected on the tax records.
 - One bedroom seems to be added. It has no heating or cooling vents.
7. Location within natural hazard or specially regulated area (potentially uninsurable property):
 - There have been some sinkholes appear down the street.
 - This neighborhood floods each January.

V. HOA Disclosures & Buyer Obligations

- Sellers must provide HOA docs
- Includes: CC&Rs, bylaws, rules, annual financials, budgets, insurance, litigation
- Buyers must review and approve within allotted time
- Issues: rental restrictions, pet rules, parking, assessments

VI. Agency Disclosures & Conflicts

A. Agency Disclosure: Duties Owed

- Required by NRED to disclose:
 - Seller representation, buyer representation, or multiple representation.
 - Must be presented before any other real estate document is signed

B. Agent Acting as Principal

- when licensee is buying/selling for themselves, they must disclose license status **in writing**
- cannot use professional expertise to mislead the other party

C. Multiple Representation (Known as Dual Agency in other states)

- legal in Nevada **with written informed consent from both parties**
- must remain neutral – cannot favor one side
- high liability risk if mishandled

VII. Three, 10-Minute Case Studies

Case Study 1: The Hidden Water Damage

Susan and Michael Reynolds listed their 3-bedroom home in Henderson with Angela, a REALTOR® who has represented them before. During her listing walkthrough, Angela noticed faint brown stains on the family room ceiling and some discoloration in the garage drywall.

When asked, Susan explained: “Oh, that’s from back in 2017 when our roof leaked during a storm. We hired a handyman who patched the roof, and we haven’t had any issues since. No need to make a big deal about it.”

Angela asked if they had any paperwork to show the repairs. Michael admitted, “No, he was a friend who just came by and fixed it.” Susan insisted the stains were “just cosmetic” and didn’t want it mentioned on the Seller’s Real Property Disclosure Statement, fearing it would “scare buyers away.”

When buyers, Mark and Kelly, toured the home, their agent specifically asked Angela if the home had any history of roof or water issues. Angela, trying to avoid conflict with her sellers, shrugged and said: “Not to my knowledge — the roof seems fine.”

Mark and Kelly bought the home and moved in during the summer. By the next rainy season, the patched area leaked again, causing thousands of dollars in drywall and flooring damage.

Guided Questions:

1. Did Susan and Michael (the sellers) have a duty to disclose?
2. Did Angela (the listing agent) violate her disclosure duties?
3. How could the buyers’ agent have better protected their clients?
4. What recourse might the buyers have now?

Case Study 2: The Haunted House on Juniper Street

Realtor Mark represented a quaint, little home in Reno, recently renovated by an out-of-state seller. The property had charm: hardwood floors, a wraparound porch, and a history that stretched back to 1920.

When prospective buyers, Jim and Laura, toured the property, a neighbor approached them casually and whispered: “You know, people say this house is haunted. And there was a suicide here two years ago — right in that upstairs bedroom. Scared off the last buyer.”

Shaken, Jim asked Mark why this hadn’t been mentioned. Mark, surprised, replied: “Honestly, I didn’t know. And even if I did, Nevada law doesn’t require me to disclose stigmas like death or ghosts. What matters is the property’s condition, not its reputation.”

Laura felt unsettled and wondered if the agent was trying to hide something. The buyers hesitated — not because of the physical house, but because of the psychological stigma surrounding it.

Guided Questions:

1. Did the seller or agent have a legal duty to disclose the suicide or rumors of haunting?
2. How should Mark have handled the buyers’ concerns?
3. What’s the difference between a material fact and a stigmatized fact?
4. Should agents *ever* disclose stigmas, even if not required by law?

Case Study 3: The HOA Surprise in Tahoe

Carlos and Maria put an offer on a stylish townhouse in the Lake Tahoe area listed by agent Rebecca. The listing highlighted the community’s amenities: pool, tennis courts, and well-manicured landscaping. What the listing *didn’t* mention was that the homeowners’ association was in the middle of a heated legal battle with the original builder over faulty stucco and water intrusion. Homeowners had already been assessed \$3,000 each to help fund the legal costs, with talk of further assessments looming.

Agent Rebecca knew about the litigation but figured, “That’s the HOA’s problem — not mine.” The sellers also minimized the issue, saying, “It’s not settled yet, so why scare buyers?”

At closing, Carlos and Maria received the standard HOA resale disclosure package, but it was vague and didn’t clearly explain the pending lawsuit. Six months later, the HOA announced a special assessment of \$8,500 per unit to cover escalating attorney fees.

Carlos and Maria were furious, feeling blindsided. They contacted their attorney, claiming Agent Rebecca and the sellers should have disclosed the pending litigation.

Guided Questions:

1. Was pending HOA litigation a required disclosure?
2. Who was responsible for disclosing — the seller, the HOA, or the listing agent?
3. Did Rebecca meet her obligations as a REALTOR®?
4. What protections could have helped the buyers avoid this surprise?

Quiz (not graded)

Final Discussions/Evaluations/Certificates

**DID YOU DISCLOSE?
QUIZ (as a Group, not graded)**

1. Which of the following is a ground for license suspension or revocation?
 - A. failing to advertise in a newspaper
 - B. representing more than one party in a transaction without written consent
 - C. forgetting to renew your driver's license
 - D. accepting referrals from another licensee

2. Nevada licensees must disclose in writing:
 - A. any personal opinions about neighborhood desirability.
 - B. all advertising costs.
 - C. material defects that affect consideration in the transaction.
 - D. all past property owners.

3. The Seller's Real Property Disclosure Statement is:
 - A. legally required by state statute in every transaction.
 - B. optional, but strongly recommended to reduce liability.
 - C. only required if the home is over 20 years old.
 - D. completed by the sellers only.

4. Lead-based paint disclosure is required for:
 - A. all residential properties
 - B. only homes with known lead contamination
 - C. homes built before 1978
 - D. commercial properties only

5. Which of the following is considered a *material fact* requiring disclosure?
 - A. Seller believes the home is “bad luck.”
 - B. A zoning change is planned for the neighborhood.
 - C. A previous occupant had HIV.
 - D. Neighbors complain about barking dogs.

6. Which fact is a licensee *not* required to disclose?

- A. a murder occurred in the home
- B. the roof leaks during heavy rain
- C. the property is located in a flood zone
- D. an unpermitted addition was built

7. What is the duty of further inquiry?

- A. Investigating all past owners of the property.
- B. Asking questions when “red flag” issues are noticed.
- C. Reviewing every HOA meeting minutes.
- D. Performing a home inspection personally.

8. Which of the following documents are sellers required to provide regarding HOAs?

- A. HOA governing documents, financials, rules, and litigation information.
- B. A list of all past HOA presidents.
- C. Neighborhood gossip about the HOA board.
- D. Personal contact information of HOA members.

9. When must the Duties Owed form be presented?

- A. at closing
- B. prior to any other real estate document being signed
- C. only if multiple representation is intended
- D. within 10 days of contract signing

10. If a licensee is acting as a principal in their own transaction, they must:

- A. keep their license status private.
- B. disclose their license status in writing.
- C. avoid using a written purchase contract.
- D. only disclose if asked directly.