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Contracts 101

– A 4-Hour CE Course –

Student Guide

Sponsored by the

Tennessee Real Estate Educational Foundation

2026 Tennessee Real Estate Educational Foundation.

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Course Introduction and Learning Objectives

Introduction

This course will resolve common problems, misconceptions and misunderstandings related to the Tennessee REALTORS® (TR) Purchase and Sale Agreement (RF401), and provide guidance to its proper use as well as related Tennessee REALTORS® forms. Students will practice filling out a sample contract and will learn how to explain its various provisions to a buyer or seller.

Course Overview

- Review Changes for 2026
- RF101 Exclusive Right to Sell
- RF141 Exclusive Buyers Representation
- RF401 Purchase & Sale Agreement
- Loan & Inspection Obligations + Notifications
- Timelines & Performance Dates
- Disclosures

Learning Objectives

Upon completion of the course, students will be able to:

- Explain the meaning and significance of the various Timelines, Dates, Notices, and Actions required by both parties as found in the TR Purchase and Sale Agreement (RF401).
- Assist purchasers in choosing among Inspection and Repairs options in the TR Purchase and Sale Agreement (RF401), assist them in filling in the inspection-related sections of the form, and explain this section correctly to either buyers or sellers. [Inspection-related provisions include the wood infestation reports.]
- Correctly identify any required disclosures (and disclaimers) that must be included in or accompany the TR Purchase and Sale Agreement (RF401) in various given situations.
- Explain to customers and clients what items should and should not be included under special stipulations in the TR Purchase and Sale Agreement (RF401).
- Recognize and advise consumers correctly as to the preprinted items in the TR Purchase and Sale Agreement (RF401).
- Properly complete the TR Purchase and Sale Agreement on behalf of a prospective purchaser, and clearly explain the significance of each contract section.

Checking What We Already Know

Choose the best answer to the following questions.

1. When should you review and explain the TAR Purchase and Sale Agreement (RF401) with buyers?

a. After the offer is submitted
b. Before they make an offer
c. When the offer is accepted

2. When should you review and explain the TAR Purchase and Sale Agreement (RF401) to sellers?

a. Before they receive an offer
b. When they receive an offer
c. After they accept an offer

3. Which of the following statements is TRUE?

a. It's most important to be familiar with the TAR Purchase and Sale Agreement (RF401) form because you can address every issue by altering the boilerplate language.
b. Most TAR forms are rarely used.
c. It's important to be familiar with the function of all TAR forms so you understand how they work together to address different issues.

4. Which of the following is NOT an example of ambiguous language?

a. Seller to provide Buyer with $500 credit
b. Seller will provide Buyer with $500 credit at closing towards Buyer's closing costs
c. Portion of closing costs to be paid by Seller
d. Buyer to take possession as determined prior to closing

5. Which of the following is the most acceptable method of delivering an offer?

a. In person
b. By fax
c. By email
d. All of the above equally acceptable, with proper documentation

6. Which of the following statements is TRUE?

a. The Buyer always gets to select the Title Company
b. The Seller always gets to select the Title Company
c. In situations where the sale is being funded by a federally insured loan, the Buyer gets to choose the Title Company if the Buyer is paying for the title insurance policy
d. In situations where the property is being funded by a federally insured loan, the Seller gets to choose the Title Company if the Buyer is paying for the title insurance policy

7. Which of the following inspections is NOT legally permissible and not permitted under the Inspection Section?

a. Home inspection performed by a licensed home inspector
b. Home inspection performed by a licensed contractor
c. Home inspection performed by Buyer

8. One primary function of the TAR Purchase and Sale Agreement (RF401) is to
a. Reduce risk and liability for REALTORS® and brokers
b. Confuse REALTORS® and brokers
c. Address every possible situation that might arise during a transaction

9. The TAR Counter Offer (F8) states, "all terms and conditions proposed in previous counter offers, if any, are not included in this counter offer unless restated herein."
a. True
b. False

10. Per the TAR Purchase and Sale Agreement, when a Buyer is terminating the contract due to Home Inspection OR financial contingency, both Buyer and Seller must sign the Trust Money Disbursement and Release form?
a. True
b. False

11. When Trust Money is either not received by the Holder or not honored for any reason, it is the Seller or Seller's Agent that notifies the Buyer/Buyer's agent?
a. True
b. False

Section 1: 2026 Forms Updates & Contract Basics

Form Categories

There are two (2) separate sets of forms provided by Tennessee REALTORS®:

- RF = Residential Forms
- CF = Commercial Forms

Every form contains a “digital identifier” at the bottom of each page noting the authorized user’s name. This identifier cannot be filled in by hand. Unauthorized use of any of the Tennessee REALTORS® forms may result in legal sanctions brought against the user by Tennessee REALTORS®.

What Makes a Contract Legal?

A contract is a legally binding agreement between two or more people. There are promises to pay money, transfer property or to do or not do something exchanged between the parties.

For a contract to be legally binding, it must have all of the following:

- Legal Purpose
- Legally Competent Parties
- Agreement by Offer and Acceptance
- Consideration
- Consent

Representation

Two (2) documents can create Agency in Tennessee (Ref. T.C.A. § 62-13-401):

- Listing Agreement
- Buyers Representation Agreement

> **Do you have either form signed to accurately disclose your status on the RF302 Confirmation of Agency?**

2026 Forms Changes Overview

The following forms have been updated or added for 2026. Always refer to the 2026 Tennessee REALTORS® Forms Changes Packet for full details.

- RF101 – Exclusive Right to Sell Listing Agreement (Updated in 2026)
- RF141 – Exclusive Buyers Representation Agreement (Updated in 2026)
- RF401 – Purchase & Sale Agreement (Updated in 2026)
- RF620 – Compensation Addendum/Amendment (NEW in 2026)
- RF702 – Cooperative Compensation between Listing & Selling Broker (Updated in 2026)
- RF707 – Additional Contract Language (Updated in 2026)

Section 2: RF101 – Exclusive Right to Sell Listing Agreement

NOTE: No changes to the core RF101 form structure for 2026, but key field guidance has been updated.

Key Fields to Complete

- Brokerage name as listed with TREC and brokerage address
- Full legal name(s) of seller(s)
- Address where seller lives (may differ from the property address)
- Property address, city, zip, and county as it appears on the deed
- Personal property to be excluded — be specific; note any propane tanks
- Listing period commencement date (the day both parties sign)
- If doing “Coming Soon,” use the date you will begin marketing
- Acceptable forms of payment from the buyer
- Total compensation amount the seller agrees to pay

Compensation

The RF101 states the TOTAL amount the seller will pay. If sharing compensation with a cooperating broker, use the RF702 Cooperative Compensation between Listing & Selling Broker to document that arrangement.

> **UPDATED IN 2026: RF702 Cooperative Compensation between Listing & Selling Broker supersedes prior compensation sharing language.**

Adverse Facts

Adverse Facts are defined per T.C.A. § 62-13-102(2) as: “Conditions or occurrences generally recognized by competent licensees that have a negative impact on the value of the real estate, significantly reduce the structural integrity of improvements to real property or present a significant health risk to occupants of the property.”

Related Forms – RF101

- RF702 – Cooperative Compensation between Listing & Selling Broker
- RF151 – Listing/Buyer Representation Mutual Release Agreement
- RF111 – Co-Listing Agreement (Between Two Firms)
- RF201 – Property Condition Disclosure
- RF203 – Property Condition Exemption Notification
- RF204 – Property Condition Disclaimer Statement
- RF209 – Lead Based Paint Disclosure for Purchase
- RF304 – Disclaimer Notice (You are an expert in real estate, not all the other things)
- RF711 – Vendor List
- RF302 – Confirmation of Agency Status

- RF303 – Notification of Change in Status or Agency Relationship
- RF301 – Working with a Real Estate Agent
- RF715 – Additional Signature Blocks for Residential Agreements

REMEMBER: You are NOT an attorney. Do not write legal verbiage in Special Stipulations without broker approval. Use the +ADD CLAUSE button for pre-approved office and system clauses. If you need something not already listed, message your broker.

Section 3: RF141 – Exclusive Buyers Representation Agreement

> **UPDATED IN 2026: A full section was removed from RF141 in 2026. Use the RF304 for further language regarding that content.**

Key Fields to Complete

- Amount of buyer's broker compensation
- RF482 Escrow Agreement — if applicable
- If the buyer authorizes disclosure of any information, note in the designated section

VA Loan Note

Circular 26-24-14 (June 11, 2024) and Circular 26-24-15 (July 19, 2024) contain temporarily allowable provisions relating to VA loan buyer representation compensation. Confirm current rules apply before advising VA buyers.

Related Agreements

- RF143 – Non-Exclusive Buyer Representation Agreement
- RF145 – Buyer's Touring Agreement
- RF151 – Listing/Buyer Representation Mutual Release Agreement
- RF141 – Exclusive Buyers Representation Agreement

The "Don't Go Rogue on Me" section: If the buyer "cheats" on you by going directly to another agent or purchasing without you, they still owe a commission to the firm per the exclusive agreement.

Related Forms – RF141

- RF301 – Working with a Real Estate Agent
- RF482 – Escrow Agreement
- RF707 – Additional Contract Language
- RF715 – Additional Signature Blocks for Residential Agreements

Section 4: RF401 – Purchase & Sale Agreement (Drafting the Contract)

Learning Objective

Upon completion of this section, students will be able to recognize and advise consumers correctly as to the preprinted items in the TR Purchase and Sale Agreement (RF401) and properly complete the agreement on behalf of a prospective purchaser.

Preprinted Items – Talking Points

> **The biggest lesson you can learn related to filling out contracts is one you learned a long time ago – color inside the lines! Your goal is to fill in the existing picture, NOT draw a new one!**

- The preprinted portions of the TR Purchase and Sale Agreement (RF401) create obligations for the parties. To correctly explain them to clients and customers, you must understand them yourself! ALL preprinted items should be thoroughly explained to buyers and sellers, especially when the item requires action on their part.
- Do NOT strike through ANY portion of preprinted language. You should address any changes in the Special Stipulations section or another appropriate TR form (i.e., the RF651 Counter Offer).
- Some fixtures are preprinted as included in the sale. If your seller does not wish to include them, you must note this specifically in writing – never assume anything. Items included in the Listing Agreement or MLS/MLS info sheet are NOT part of the binding agreement between the parties.
- Pay special attention to notices required in the preprinted language and be sure to use the appropriate Notice form, if applicable.

Key Fields – RF401

- Buyer(s) full legal name
- Seller(s) full legal name
- Property address, city, zip, county
- Instrument number (found on the deed)
- Items that convey or do not convey – BE SPECIFIC; do not repeat items already listed. Check for propane tanks.
- Purchase price – numerical dollar amount AND spelled out dollar amount

Section 2.A – Financial Contingency: Loan Obligations (Lines 63–85)

This section outlines the buyer's obligations when financing. Key deadlines include:

- Within 3 days of Binding Agreement Date (BAD): Buyer must make loan application and pay for credit report. Buyer notifies seller via RF656 Notification.
- Within 14 days of BAD: Buyer must provide evidence of hazard insurance, Intent to Proceed with lender, and that the appraisal has been ordered. Seller may issue written demand if not received.

- Loan Denial: Buyer must notify seller immediately via RF656 Notification. Seller may issue written demand for loan denial documentation.

The LTV (Loan-to-Value) field is not for cash purchases or THDA loans. Confirm loan type before completing.

Section 2.B – Financial Contingency Waived (Lines 86–101)

When the buyer is waiving the financing contingency:

- Within 5 days of BAD: Buyer must provide proof of funds via RF656 Notification.
- Seller may issue written demand for proof of funds if not received.

Appraisal Contingencies

Buyer selects one of the appraisal contingency options. The RF656 Notification is used for the Buyer's notice. The Seller may issue a written demand if the deadline is missed.

Concessions (Lines 136–151)

Be specific – who is paying for: (1) title search, (2) mortgagee's policy, and (3) owner's policy? There are a ton of items already preprinted. Do not try to modify the text.

Examples for asking for concessions:

- SELLER SHALL PAY UP TO $X TOWARDS BUYERS EXPENSES OUTLINED ON LINES 136-144.
- SELLER SHALL PAY UP TO $X TOWARDS BUYERS EXPENSES & TITLE EXPENSES OUTLINED ON LINES 136-151.
- SELLER SHALL PAY TOWARDS BUYERS EXPENSES OUTLINED ON LINES 136-144, NOT TO EXCEED $X
- SELLER SHALL NOT PAY TOWARDS (INSERT WHATEVER THEY SAY THEY WON'T PAY TOWARDS)

Always confirm with your broker what language is acceptable in your market.

Earnest Money / Trust Money

(Ref. T.C.A. § 62-13-312, #9 and TREC Rule 1260.02-.09)

- Include company name, address, phone number, and a point of contact for the holding firm.
- The Brokers Act requires release of funds within 21 days. Title/Escrow Companies do not have the same rules.
- If trust money is NOT received or not honored, the Listing Broker/Holder notifies the Buyer/Buyer's agent.
- RF656 Notification – used for Seller's Written Demand if trust money is not received.

Closing Date & Possession

The Closing Date is a “Drop Dead” performance date – it is NOT an “on or before” date. Related forms:

- RF657 – Closing Date/Possession Date Amendment
- RF626 – Temporary Occupancy Agreement for Buyer Prior to Closing
- RF627 – Temporary Occupancy Agreement for Seller After Closing

Tax Proration

Check the county where the property is located to see when their next reassessment is. Reference: Tennessee Controller of the Treasury | Property Assessments and MCGTN.ORG/ASSESSOR/GREENBELT for greenbelt information.

Title

(Updated July 1, 2023 & Complete Rewrite in 2025)

The Grantee section requires the full legal name(s) of the person(s) or entity to be on the deed. RF656 Notification is used for Buyer’s Notice related to title matters.

Lead-Based Paint – RF209

(Ref. T.C.A. § 66-5-201; 202; 203; 209; 212; 213) – Used for properties built BEFORE 1978.

- The SELLER shall disclose if they have knowledge or no knowledge of the existence of lead-based paint (LBP).
- The BUYER shall then select the box on Line 28 or Line 30 to either have testing done for LBP hazards, or waive the opportunity to do such assessments/inspections.
- Don’t forget to have the BUYER initial and check the appropriate box on Lines 35 or 38.

Home Warranty

Note the amount, name of the warranty company, and which firm is ordering the plan (Seller or Buyer).

Assignment

BUYERS ARE NO LONGER ALLOWED TO “ASSIGN” THE PROPERTY WITHOUT SELLER’S WRITTEN CONSENT. Use RF707 #26 to address assignment.

Binding Agreement

Buyers and Sellers bind the agreement with their acceptance from both sides – not the agents. Agents start the timer on the Binding Agreement Date.

UPDATED 5/5/2026: If an additional document does not start with a (5) or a (6), it does not get attached to the RF401. Only forms from the 500 or 600 series should be attached.

FAX, COPIES, AND E-SIGNATURES ARE ALLOWABLE. (Updated 3/31/2026)

Skill Practice: Completing the Offer

After reviewing the TR Purchase and Sale Agreement (RF401), students will divide into groups. Using the following set of circumstances, each group will fill out the TR Purchase and Sale Agreement (RF401) AND reference any other additional forms if needed. A representative from each group will be asked to present a portion of the offer as they would assist the buyer in filling it out.

After working with Steve and Dottie Anderson for some time showing them property, they have decided to purchase Col. David Nelson's 20-year-old home at 428 Main, which is a three bedroom, two bath brick home in Anytown, USA. They are willing to offer $145,000 for the home, assuming that they successfully close on the sale of their home at 428 E. Main in Yourtown, USA, upon which they have a contract scheduled to close in two weeks. They would like to purchase the home using the VA entitlement that was earned by Mrs. Anderson while serving in the Navy. They would like to put down as little as possible and prefer to have the current owner pay for all their costs from the lender.

They need a response on this offer by tomorrow, as they like the house at 528 E. Main equally as well and want to make sure that they are able to secure one of these two homes. They are particularly interested in the swing set that Col. Nelson has in his back yard, as well as the gas grill.

The Andersons are unfamiliar with the typical arrangements that agents make for clients for appraisals, inspections, etc. and are leaving those things up to your judgment. However, they very much want to have possession at time of closing and would like to close in thirty days.

The name of your company is ABC Realty. You suggest – and your client agrees – to offer 1% of the offered price as trust money, with your firm holding it in an escrow account.

Skill Practice: What's Our Agreement?

Chad, an agent with Community Real Estate, was very excited to work with a new buyer that he had met at an open house. In order to be well prepared, he met Eric at the office to discuss the buying process and identify Eric's housing needs. After talking with Eric and Eric's lender, Chad realized that he would need to structure an offer with the seller paying the buyers' closing costs and title expenses.

After looking for a month, Eric found the "perfect" home. Chad wrote the offer with a purchase price of $215,000, sale to include the washer, dryer, refrigerator. He also included language in Paragraph 2D of the Purchase and Sale Agreement that the "seller shall pay Buyer Expenses not to exceed $5000" and also addressed the title expenses on the appropriate line in Paragraph 2.D.3. He submitted the offer to the seller's agent Jane, at Get with it Realty, with a time limit of the next day at 5:00 p.m.

At 4:00 p.m. the next day, Chad received a counteroffer #1 from the seller, and it stated: “Sales price to be $220,000 with no credit towards closing costs.”

Chad called Eric and after careful consideration, countered immediately with the following: “Sales price to be $221,000.”

Chad emailed the last counter over to Jane. When she showed it to the seller, he was thrilled to see the higher sales price and checked that he accepted it. Jane notified Chad that the counter offer was accepted.

During the inspection period, Chad and Jane were talking and it came up that the seller was paying all the Buyer Expenses listed in Paragraph 2.D. and title expenses listed in Paragraph 2.D.3. Jane said “Oh no, we countered that out of the deal.” Chad then shared that when he sent the last counter over with only the higher price, leaving off that the seller said no closing costs, all terms reverted to the original offer.

Was Chad correct in not restating the request for the Seller to contribute to the Buyer’s expenses on his last counter?

What should Jane have done when she received Chad’s last counter to protect her seller?

Section 5: Loan & Inspection Obligations + Notifications

RF656 Notification Form

The TR Notification (RF656) form serves as a notification form for all notices required in the Purchase and Sale Agreement (RF401). This form assists licensees in creating a paper trail of their compliance.

Key RF656 notifications and their triggers:

- Buyer's Notice – Change Lenders
- Seller's Written Demand – Lender Info & Credit Report (within 3 days)
- Seller's Written Demand – Insurance, Intent to Proceed & Appraisal Ordered (within 14 days)
- Buyer's Notice – Loan Denial
- Seller's Written Demand – Loan Denial Documentation
- Buyer's Notice – Proof of Funds (within 5 days for waived contingency)
- Seller's Written Demand – Appraisal
- RF656 #12 – Inspection Period Waiver
- RF656 #13 – Repair/Resolution notifications
- RF656 #16 – Buyer Can Withdraw Their Offer

Forms of Notice

The following are acceptable forms of notice:

- In person
- Prepaid overnight delivery service
- Fax
- USPS registered/certified mail
- Email

TEXTING IS NOT A FORM OF NOTICE.

Section 6: Timelines & Performance Dates

Learning Objective

Upon completion of this section, students will be able to explain the meaning and significance of the various Timelines, Dates, Notices, and Actions required by both parties as found in the TR Purchase and Sale Agreement (RF401).

Definition of Days (Section 17 – Other Provisions)

The TR Purchase and Sale Agreement (RF401) states in Paragraph 15E.: "the term day(s) used throughout this Agreement shall be deemed to be calendar day(s) ending at 11:59 p.m. local time unless otherwise specified in this Agreement. Local time shall be determined by the location of the Property. In the event a performance deadline, other than the Closing Date, Date of Possession, Completion of Repair Deadline, and Offer Expiration date, occurs on a Saturday, Sunday or legal holiday, the performance deadline shall be extended to the next following business day. Holidays as used herein are those days deemed federal holidays pursuant to 5 U.S.C. §6103. In calculating any time period under this Agreement, the commencement date shall be the day following the initial date (e.g., Binding Agreement Date)."

Example: The Buyer must make their loan application and pay for credit report three (3) days after the binding agreement date. So, if the binding agreement date is Thursday, then Friday is Day 1, Saturday is Day 2, Sunday is Day 3. In accordance with Paragraph 15E, this performance deadline will move to the next business day. As this is not a drop dead date, it automatically rolls to 11:59 p.m. on Monday and Buyer has until 11:59 pm on Monday to make their loan application and pay for credit report.

Drop Dead Dates

The following dates do NOT roll forward if they fall on a weekend or holiday – they are absolute:

- Closing Date
- Completion of Repair Deadline
- Date of Possession
- Offer Expiration Date

TIMELY PERFORMANCE IS AN ESSENTIAL OBLIGATION UNDER A CONTRACT.

Federal Holidays (5 U.S.C. § 6103(a))

The following are legal public holidays that affect performance deadline calculations:

- New Year's Day, January 1
- Birthday of Martin Luther King, Jr., the third Monday in January
- Washington's Birthday, the third Monday in February
- Memorial Day, the last Monday in May
- Juneteenth, June 19
- Independence Day, July 4
- Labor Day, the first Monday in September

- Columbus Day, the second Monday in October
- Veterans Day, November 11
- Thanksgiving Day, the fourth Thursday in November
- Christmas Day, December 25

Preprinted Deadlines

Preprinted deadlines are just as important as those you write in! If it's in the contract, it must be done by the date specified. Failing to meet deadlines may constitute a breach. An agent that allows a deadline to pass unnoticed may have a complaint filed against them with TREC and/or the local board as well as possibly facing a lawsuit.

It is imperative to discuss the pre-printed deadlines in the TR Purchase and Sale Agreement (RF401) with buyer clients BEFORE submitting an offer. If, for any reason, they will be unable to meet a required pre-printed deadline, this should be noted clearly BEFORE an offer is made or counteroffer is submitted. For seller clients, you must discuss pre-printed deadlines and filled-in dates.

Failure to meet a contractual deadline may result in:

- Breach of contract
- Forfeiture of trust money
- Unenforceable performance
- Liability for civil damages

When a preprinted deadline needs to be changed, you should first check to see if the issue is addressed by another TR form. If not, the EXACT verbiage should be copied with only the number of days for performance changed. By altering the verbiage within the attorney-approved Purchase and Sale Agreement (RF401), you could end up making the party's performance unenforceable.

Helpful Tools

- RF708 – Purchase and Sale Agreement Checklist: Use this to assist in meeting contractual deadlines and keep all parties informed of obligations.

Default

In the event that any party exercises its right to terminate due to the default of the other pursuant to the terms of this Agreement, the terminating party retains the right to pursue any and all legal rights and remedies against the defaulting party following termination.

If BUYER fails to perform: Trust money is forfeited as damages to the Seller and applied as a credit against Seller's damages. The Seller may sue the Buyer for damages or specific performance.

If SELLER fails to perform: Trust money is returned to the Buyer. The Buyer may sue the Seller for damages or specific performance.

Binding Agreement Date (BAD)

The Binding Agreement Date should be filled in by the last offeror (the person to receive the acceptance of the final counter offer or their agent). This allows the agent to add the date on which it was actually received. All timelines start on the next day for purposes of calculating days.

Exercise: What Happens Next

For the following situations, explain what might happen next, including the parties' options.

Scenario 1
The parties execute the RF401. Ten days later, the seller's agent still has not received notification that the buyer applied for the loan, the lender's contact information or that the Buyer has paid for credit report.

Scenario 2
The buyer has an inspection completed that reveals some problems with the property. The buyer's agent mentions to the listing agent that a repair proposal is coming. Five days after expiration of the inspection period (See paragraph 8.D of the RF401), the listing agent still has not received the repair proposal.

Scenario 3
The RF401 states that the buyer will deliver a check for $5000 trust money to the listing agent no later than 2 days after BAD. At the end of the third day, the listing agent has not received the check.

Scenario 4
Three days before closing, the lender contacts the buyer and says there's a .5% difference in the rate on the Closing documents from the Loan Estimate and the closing needs to be pushed back three days. The seller is livid as this will delay the closing of the new home they are purchasing.

Scenario 5
16 days after Binding Agreement Date, the Seller has not received written notice that the Buyer has made loan application and paid for the credit report or notice that the Buyer has Hazard Insurance.

Scenario 6
5 days after Binding Agreement Date seller has still not received Notification that Buyer has made loan application and paid for credit report.

Scenario 7
21 days after Binding Agreement Date, seller has not received Notification that Buyer has acknowledged Intent to Proceed with lender and/or evidence of Hazard Insurance.

Section 7: Inspections and Repairs

Learning Objective

Upon completion of this section, students will be able to assist purchasers in choosing among Inspection and Repairs options in the TR Purchase and Sale Agreement (RF401), assist them in filling in the inspection-related sections of the form, and explain this section correctly to either buyers or sellers.

Home Inspection Definition

(Ref. T.C.A. § 62-6-302(3)(A)) "Home inspection" means a visual analysis for the purpose of providing a professional opinion of the condition of a residential building, ancillary buildings, any reasonably accessible installed components and the operation of the building's systems, including any controls normally operated by the owner of the building, for the following components:

- Heating systems
- Cooling systems
- Electrical systems
- Plumbing systems
- Structural components
- Foundations
- Roof coverings
- Exterior and interior components
- Any other site aspects that affect the residential dwelling

Home Inspectors are licensed and regulated by a regulatory board of the Tennessee Department of Commerce & Insurance. Tenn. Code Ann. §62-6-301(5) defines a home inspector as "any person who is licensed under this part as a home inspector and who engages in the business of performing home inspections and writing home inspection reports."

Clients and customers should be encouraged to use a licensed home inspector. Although buyers may inspect the property themselves, this may not carry the same weight in the eyes of the seller as a report from a licensed home inspector.

Septic & Well Inspections

(TREC Rule 1260-02-.37) The buyer may ask the seller to provide a septic letter and/or a well test at Seller's expense. Address the request in the Special Stipulations section of the RF401.

Related forms:

- RF208 – Subsurface Sewage Disposal System Permit Disclosure
- RF710 – Request for Information from the Tennessee Department of Environment and Conservation Division of Ground Water Protection
- RF714 – Water Supply and Waste Disposal Notification

Costs for Inspections

All inspections are performed at the Buyer's expense unless otherwise specified in the Special Stipulations section of the Purchase and Sale Agreement. The termite inspection costs are the responsibility of the Buyer.

> Historically, most VA loan borrowers weren't allowed to pay for termite inspections. However, in June 2022, the VA updated its regulations to allow all borrowers to cover termite inspection reports when the inspection is required. TREATMENT and any Repair of Damage are to be negotiated during the Resolution Period.

Inspection Options (Section 8.D)

"Inspections" includes ALL inspections and reports related to the condition of the property. The termite inspection is included. If the buyer waives inspections, they could "except" the termite inspection or any other specific inspection by inserting the "exception" in the Special Stipulations paragraph. The "exception" field is no longer provided in the RF401. If the box is checked, ALL INSPECTIONS are waived.

Miss the inspection period deadline = Buyer does not get to walk or negotiate.

Inspection Contingency – Repair/Replacement Proposal (RF654)

Paragraph 8.D.(3), Buyer Inspection & Resolution, allows the Buyer and Seller to mutually agree upon a certain number of days to resolve repairs and replacements. There can be an unlimited amount of Repair/Replacement Proposals between the Buyer and Seller.

- The BUYER will send an RF654 Repair/Replacement Proposal to Seller with a list of items to be REPAIRED and/or REPLACED.
- The SELLER can send a Counter Proposal to Buyer with a list of items they agree to.
- This Proposal begins the "Resolution Period."
- In any event the parties agree to negotiate repairs in good faith. The Seller must respond to the list. He does not have to agree to fix anything, but he cannot simply remain silent. Failure to respond at all could give the buyer a claim for breach of contract and failure to act in good faith.
- Buyer reserves the right to withdraw the written list or Repair/Replacement Proposal during the Resolution Period via the Notification form or equivalent written notice. Upon withdrawal, Buyer shall be deemed to have accepted the Property in its present "AS IS" condition and Seller shall have no obligation to make repairs.

Resolution Period

If the parties do not meet a mutual written resolution in the agreed-upon time frame, the Agreement is terminated or they have the option to extend the Resolution Period (before the end of the Resolution Period) through a mutually agreed upon Amendment – TR RF653 Amendment to Purchase and Sale Agreement.

Once both parties are in agreement to repairs on the Repair/Replacement Proposal(s), those agreed repairs need to be reduced to the Repair/Replacement Amendment (RF655) and signed by all parties. This is an amendment to the Purchase and Sale Agreement and therefore should be supplied to the Lender.

Resolution Period – RF655 Repair/Replacement Amendment

Before the Resolution Period ends: The BUYER & SELLER sign the RF655 Amendment on the final items agreed to be REPAIRED and/or REPLACED. The "Completion of Repairs Deadline" (Line 24) notes how many days before Closing the items need to be completed. This is a "Drop Dead" Performance Date.

Waive Resolution (Pass/Fail Inspection Contingency)

This checkbox is used when the Buyer would like to still complete "Inspections," but will not enter into a Resolution Period. The Buyer will accept the property AS-IS ("Pass"), or Terminate ("Fail").

Buyer waives the option to request items to be repaired and/or replaced under D(3) above and there shall be no Resolution Period. Buyer retains the right to perform Buyer's Inspections and to timely furnish Seller with a list of written specified objections and immediately terminate this Agreement as provided in D(1) above or accept the Property in its present AS IS condition as provided under D(2) above.

Buyers may cancel the contract based on any items disapproved in the inspection report or any defects disclosed by the seller.

"As Is" Properties

Buyers:

- Are entitled to make any and all desired inspections.
- Can cancel the contract based on any items disapproved in the inspection report or any defects disclosed by the seller.
- Offering a property "as is" does not obligate buyers to accept the property "as is" until they've completed all desired evaluations and inspections.

Sellers:

- May offer a property "as is" because they do not wish to make any repairs or because they are unaware of what problems may exist.
- Are still required to fully disclose any property defects of which they have knowledge via the Tennessee Residential Property Condition Disclosure (RF201), unless exempt.
- It is especially important that Sellers answer honestly when a buyer inquires about a specific issue.

In the event a Seller offers a property "as is" and a Buyer agrees to waive their statutory right to a TN Residential Property Condition Disclosure, a TN Residential Property Condition Disclaimer form (RF204) may be used. The ONLY time this form may be used is when the Buyer of property agrees to waive their statutory rights to a Residential Property Condition Disclosure.

Completion of Repairs Deadline & Final Inspection

It is important to familiarize yourself with lender requirements in your area related to appraisals and inspections. Know what lenders expect to receive before they order the required items for the loan obligations.

In Tennessee, a wood destroying insect infestation inspection report is a warranty for 90 days of the accuracy of any representations made in the report. After 90 days, a new report must be obtained to reduce the liability for the parties involved.

RF660 – Final Inspection: Used to properly document the Buyer's final inspection before closing. The Buyer can now terminate if the Seller did not complete repairs on time. Buyer's notice is sent to Seller via RF656 Notification.

Workshop: Inspections and Repairs

Students will workshop the following situations, using the RF401 and other related forms, if applicable.

Scenario 1:
The buyer is making an offer contingent on inspections. They are willing to pay for the inspection, which they expect to have completed within 10 days. If repairs are needed, they are willing to negotiate with the seller. How would you address this in the offer?

Scenario 2:
The buyers obtain an inspection report identifying needed replacement of the HVAC system, estimated at $2500. They want the seller to replace the system before they will proceed with the transaction. How would you proceed if you represent the buyer?

Scenario 3:
You represent the seller. The buyer requests repairs to the roof, estimated at $1500. The seller is willing to pay no more than $500 towards the needed repairs. How would you proceed?

Scenario 4:
You represent the buyer, who wants to submit an offer on a two-year-old home. They want to close quickly and an existing home warranty is transferable. They opt not to perform any

inspections but notice water damage on an upstairs ceiling during a walkthrough after the contract is accepted. What are the buyer's options?

Section 8: Special Stipulations

Key Rules for Special Stipulations

- The preprinted portions of the Purchase and Sale Agreement (RF401) have been approved by the TR forms committee and TR attorneys.
- Handwritten provisions prevail! When you write something in the special stipulations section, it should be consistent with the rest of the TR Purchase and Sale Agreement (RF401). Whenever possible, use the same verbiage included in the preprinted portion, referencing the specific line number(s), only changing what is absolutely necessary.
- Before writing something into the special stipulations section, you should FIRST check to make sure the issue is not addressed by another TR form.
- NEVER include phrases such as TBD, actual costs, negotiable in blanks or in the Special Stipulations paragraph. Always be as specific as possible, especially when it comes to dates, amounts and actions required of either party. If you do not, then the contract may not be enforceable.
- Additional Contract Language (RF707) exists to assist you in addressing items in this section.
- The special stipulations section can be appropriately used to make simple changes to a preprinted item, such as a required deadline, if the line number is referenced and exact verbiage reprinted, with only the number of days changed.
- The special stipulations section should NEVER be used to write a new contract.
- If you do not have enough space in Stipulations, use the RF621 Addendum to the Purchase and Sale Agreement.

RF707 – Additional Contract Language

RF707 provides examples of appropriate, pre-approved language to use in the special stipulations section for common issues. Review RF707 before writing your own language – the answer may already be there.

> You are NOT an attorney, so you cannot write legal verbiage here without broker approval first. Use the +ADD CLAUSE button to include pre-approved office and system clauses. Need help approving or writing something not already listed? Message your broker.

Skill Practice: Special Stipulations

Students should divide into groups to address the following list of scenarios. In your groups, decide whether the item should be addressed in the special stipulations section and, if so, how. If the item should NOT be addressed in this section, identify how it would be addressed by an alternative form or section of the RF401. Choose a representative, who should be prepared to share the group's answers with the entire class.

1. The buyer wants the seller to have the exterior of the home pressure washed prior to closing.

2. The buyer is purchasing a foreclosed home. The bank (seller) has agreed to allow the buyer to replace three broken windows prior to closing.

3. The buyer would like to have the home inspected for radon.

4. The contract is contingent on the sale of the buyer's existing home in Florida.

Exercise: Stipulation Identification

As the instructor reads through the following list of items, identify whether the item might appropriately be addressed in the special stipulations section. Students will answer by displaying "Yes" or "No".

1. The buyer is obtaining a VA loan.
2. The buyer wants to change the number of days required to submit their loan application.
3. The buyer's offer is contingent on the sale of their existing home.
4. The buyer wants the seller to make sure the house is swept clean and free of debris.
5. The buyer wants the seller to replace the damaged front door.
6. The property includes a large parcel of land and the buyer wants to make the offer contingent on a survey.
7. The buyer wants to make the contract contingent on a test of the exterior injection well.
8. The home is located behind another existing home and the driveway runs alongside the front neighbor's property (although it is a part of the saleable property). The buyer wants assurance their access won't be obstructed.
9. The buyer wants to make the sale contingent on their ability to have the property rezoned.

Students' Choice Exercise

After reviewing the student problems and issues submitted at the beginning of the class, review the most common ones you have chosen and discuss how to correctly address that issue in the TR Purchase and Sale Agreement (RF401) or a related form.

Section 9: Disclosures & Disclaimers

Learning Objective

Upon completion of this section, students will be able to correctly identify required disclosures (and disclaimers) that must be included in or accompany the Purchase and Sale Agreement (RF401) in various given situations.

Talking Points: Disclosures and Disclaimers

- Sellers must fill out the Tennessee Residential Property Condition Disclosure (RF201) form so it can be presented to buyers before they submit an offer. The law states it must be submitted "prior to the acceptance of a real estate purchase contract" – Tenn. Code Ann. §66-5-203. The disclosure must include any defects known to the owner (see Tenn. Code Ann. §66-5-202). It is in the seller's best interests to disclose any adverse facts about the property.
- Buyers should review and sign the Disclosure (RF201) form before making an offer – otherwise they cannot make an informed decision!
- The Tennessee Residential Property Condition Disclosure Disclaimer Statement (RF204) is ONLY used when a buyer has waived their statutory right to the disclosure – this is true regardless of whether or not the property is being offered "as is."
- Sellers offering a property "as is" are still legally required to complete the Disclosure form in the event that the Buyers will not accept the Disclaimer form (RF204). Buyers are only waiving their right to the disclosure – they are NOT waiving their right to perform any inspections.
- The Tennessee Residential Property Condition Exemption Notification form (RF203) is used by licensees to create a "paper trail" of compliance ONLY when the property and/or transaction is exempt (under Tennessee law) from the required disclosures.
- Disclosure issues and the related forms must be used BEFORE an offer is submitted. There are no exceptions other than the exemptions noted in the statute.
- In practice, if the question is "Should I disclose this?" the answer is almost always "YES."
- Please keep in mind that the SELLER should be completing these forms, not the agent. If the Seller has questions about what they should disclose, they should speak with their own attorney.

Necessary Property Condition Disclosure Forms and How to Use Them

One of the following 4 forms must be signed by buyer and seller engaged in a residential sale (depending on the circumstances). Agents should not assist and/or participate in the completion of any of these forms.

1. RF201 – Property Condition Disclosure

This form IS required by law to be presented to buyer and returned signed prior to the binding agreement date of an offer. The seller must fill out this disclosure if they have lived in the home within 3 of the last 5 years.

2. RF203 – Property Condition Exemption

This form is NOT required by law to be given or signed, but IS RECOMMENDED to be used if the seller has not lived in the property or other such reasons as allowed by law named on page two as an FYI to the buyer.

3. RF204 – Property Condition Disclaimer

This form is to be completed by the seller and returned signed by the buyer prior to the binding agreement date if seller is NOT exempt, but intends to sell the property AS IS. Buyer has the right to an inspection if they note as such in the offer. Buyer also has the right to ask the seller to provide the RF201. If buyer makes such a request then the seller must comply.

4. RF205 – Additional Required Residential Disclosures

This form IS required by law in the event the seller is exempt. All sellers must disclose the 6 items listed on this form with a check mark. This must be given to the buyer and returned signed prior to the binding agreement date of the offer.

RF202 – Tennessee Residential Property Condition Disclosure Update

This form is used as the buyer's final declaration that they are accepting the property at closing and that it is in the condition as first seen with no changes, or they accept the changes disclosed by seller on this form. Many times, this declaration is provided by the title company at closing. This form is only necessary if the RF201 has been used for this transaction.

Tennessee Code Annotated § 66-5-212

Disclosure of known percolation tests or soil absorption rates — Disclosure of foundation move — Disclosure of presence of sinkhole

(a) In addition to any other disclosure required by this part, the seller shall, prior to entering into a contract with a buyer, disclose in the contract itself or in writing, including acknowledgement of receipt, the presence of any known exterior injection well and the results of any known percolation test or soil absorption rate performed on the property that is determined or accepted by the department of environment and conservation.

(b) Prior to entering into a contract with a buyer on or after May 20, 2009, the seller shall, where such information is known to the seller, also disclose in the same manner whether any single family residence located on the property has been moved from an existing foundation to another foundation.

(c)(1) In addition to any other disclosure required by this part, the seller shall, prior to entering into a contract with a buyer, disclose in the contract or in writing, including acknowledgment of receipt, the presence of a known sinkhole on the property. The disclosure required by this subdivision (c)(1) applies regardless of whether the sinkhole is indicated through the contour lines on the property's recorded plat map.

(c)(2) As used in this subsection (c), "sinkhole" means a subterranean void created by the dissolution of limestone or dolostone strata resulting from groundwater erosion, causing a surface subsidence of soil, sediment, or rock.

Appendix – Forms Library

The following forms are referenced throughout this course:

- RF401 – Purchase & Sale Agreement
- RF707 – Additional Contract Language
- RF201 – Residential Property Condition Disclosure
- RF202 – Residential Property Condition Disclosure Update
- RF203 – Residential Property Condition Exemption
- RF204 – Residential Property Condition Disclaimer Statement
- RF205 – Residential Property Disclosure
- RF209 – Lead-Based Paint Disclosure for Purchase
- RF620 – Compensation Addendum/Amendment (NEW 2026)
- RF651 – Counter Offer
- RF653 – Amendment to Purchase & Sale Agreement
- RF654 – Repair/Replacement Proposal
- RF655 – Repair/Replacement Amendment
- RF656 – Notification
- RF657 – Closing Date/Possession Date Amendment
- RF660 – Buyer's Final Inspection
- RF702 – Cooperative Compensation between Listing & Selling Broker
- RF708 – Purchase and Sale Agreement Timeline Checklist
- RF712 – Importance of Inspections & Property Survey
- RF714 – Water Supply and Waste Disposal Notification

Appendix A: Tennessee REALTORS® Forms Resource Guide

Form	Is Used...
RF302 – Confirmation of Agency Status	To confirm the required agency disclosures have been made – this is NOT the same as an agency agreement!
RF303 – Notification of Change in Status or Agency Relationship	To confirm a change in agency status
RF143 & RF144 – Buyer Representation Agreement (Non-Exclusive)	As a non-exclusive agency agreement for buyer agency
RF141 & RF142 – Buyer Representation Agreement (Exclusive)	As an exclusive agency agreement for buyer agency
RF145 – Buyer's Touring Agreement	To allow a buyer to tour properties without a full representation agreement
RF654 – Repair/Replacement Proposal	When the sale is contingent on the buyer completing inspections, used as a worksheet to negotiate the repairs
RF655 – Repair/Replacement Amendment	When the parties agree on repairs, those repairs are listed on this amendment
RF657 – Closing Date/Possession Amendment	To make a change to the closing date and/or possession date specified in the RF401
RF651 – Counter Offer	To submit a counter offer – this form should ALWAYS be used instead of scratching out portions of the original offer!
RF401 – Purchase and Sale Agreement	As the standard offer to purchase for residential properties
RF620 – Compensation Addendum/Amendment (NEW 2026)	When cooperative compensation is NOT offered, or the Buyer Broker is negotiating the amount listed in the Buyers Representation Agreement
RF304 – Disclaimer Notice	By licensees to notify parties they are NOT experts on property condition/inspection issues
RF209 – Lead-Based Paint Disclosure	To fulfill statutory requirements for lead-based paint disclosures
RF201 – TN Residential Property Condition Disclosure	By the seller to disclose material facts about a property
RF202 – Seller's Property Update	To update the property condition disclosure

RF305 – Personal Interest Disclosure and Consent	To verify disclosure and obtain written consent when the licensee has a present or contemplated personal interest in the property
RF706 – Interpleader	When a broker must interplead a trust money dispute
RF161 – Agreement to Show Property	To secure the ability to show a home which is for sale by owner to a buyer
RF656 – Notification	To adhere to requirements for notice for certain items within the RF401
RF658 – Authorized to Make Repairs	When the buyer wants to obtain the seller's consent to have access to the property prior to closing for the purpose of completing repairs
RF481 – Trust Money Disbursement and Mutual Release	To establish how trust money will be disbursed and to terminate the agreement
RF707 – Special Stipulations Language	To provide examples of appropriate language to use in the special stipulations sections for common issues
RF623 – Buyer's First Right of Refusal Addendum	Enables seller to give buyer XX hours to remove certain contingencies in the event an acceptable offer is received
RF624 – Seller's Notice to Buyer of Receipt of Acceptable Offer	Form to give notice of acceptable offer and removal (or non-removal) of contingencies
RF711 – Vendor List	When the licensee recommends vendors such as inspectors, lenders, etc.
RF660 – Buyer's Final Inspection	To properly document Buyer's final inspection
RF203 – TN Residential Property Condition Exemption Notification	When a property or transaction is exempt from statutory disclosure requirements
RF204 – TN Residential Property Condition Disclaimer	When the buyer waives their right to receive the Property Condition Disclosure form
RF621 – Addendum to the Purchase and Sale Agreement	Blank form to be used to add items to the purchase and sale agreement
RF625 – FHA/VA Loan Addendum	When the buyer is getting a FHA or VA loan
RF714 – Water Supply and Waste Disposal Notification	When a property is served by a well, septic or other water or waste system
RF708 – Timeline Compliance Checklist for P&S Agreement	As a worksheet to keep up with timelines and deadlines within the RF401
RF208 – Subsurface Sewage Disposal System Permit Disclosure	To request information from governmental agency charged with keeping septic records

RF205 – Additional Required Residential Disclosures	When the property is served by an exterior injection well or when soil absorption rates or percolation tests have been performed. Also includes disclosure for PUDs, sinkholes, house moved from one foundation to another
RF308 – Wire Fraud Warning	To notify parties of wire fraud risks during the transaction
RF101 – Exclusive Right to Sell Listing Agreement (Designated Agency)	As an exclusive right to sell listing agreement for designated seller agency
RF102 – Exclusive Right to Sell Listing Agreement (Seller Agency)	As an exclusive right to sell listing agreement for traditional seller agency
RF482 – Escrow Agreement	When an escrow arrangement is needed in connection with a buyer representation agreement
RF702 – Cooperative Compensation between Listing & Selling Broker	To document compensation sharing between listing and selling brokers