



What is the Agency Law Disclosure and when is it handed to the seller?

A: The **Agency Law Disclosure**, also known as the **Disclosure Regarding Real Estate Agency Relationships**, sets out the “rules of agency” that control the conduct of real estate licensees when dealing with members of the public. The Agency Law Disclosure form restates pre-existing agency codes regarding agency relationships of brokers and principals in all real estate transactions.

The disclosure form also defines and explains the terms the real estate industry commonly uses to express:

- the *agency relationships* of brokers to the various parties in a real estate transaction (such as a seller or buyer);
- *broker-to-broker relationships*; and
- the *employment relationship* between brokers and their agents.

Brokers present the **Agency Law Disclosure** form to all parties for signing as soon as practicable (ASAP). This means each broker is required to provide the disclosure to their client (buyer or seller) *before* entering into a listing agreement or preparing a purchase agreement offer. Additionally, the buyer’s agent needs to provide the disclosure to the seller (or

landlord) as a signed addendum to agreements for the buying or leasing for a term greater than one year of all types of real estate.

Failure of an agent to provide their client with the Agency Law Disclosure for the first time prior to entering into a listing agreement or preparing a purchase agreement violates California disclosure laws. As a consequence, the broker will lose their fee on a sale, if challenged. The broker cannot avoid the loss of their fee by later attaching the disclosure as an addendum to a purchase agreement or escrow instructions signed by the seller.

In addition to the Agency Law Disclosure, brokers are also required to declare through an **agency confirmation provision** the agency relationships each broker determines they have with the principals in a transaction, whether acting as the sole agent of one principal or as a dual agent.

The agency confirmation provision is included in all documents used to negotiate real estate purchases (except five or more residential units, such as an apartment complex) and leases with a term exceeding one year. The principals consent by signing the document containing the provision.