Disclosure Reports

Effective June 1, 1998, Assembly Bill 6X required a Natural Hazards Disclosure Statement to be used in certain real estate transfers in which the real property is improved with one to four dwellings, the property required a Real Estate Transfer Disclosure Statement and the property is located on a natural hazard area.

What areas are considered natural hazard areas?

Below are some natural hazard areas:

- Zone A of flood insurance rate maps issued by the Federal Emergency Management Agency pursuant to the National Flood Insurance Act of 1968.
- An area that may be at risk of forest fire or brush fire.
- An earthquake fault zone (usually about 1/4 of a mile radius).
- A seismic hazard zone (risk of damage by ground shaking, landslide or soil liquefaction).
- An area which will flood if a dam breaks.

A property must be marked as being in a natural hazard area unless a form prepared by an expert according to Civil Code Section 1102.4 © is attached, if a person looking on a map cannot tell with certainty if the property is in a natural hazard area or not.

What is the liability?

Liability comes from not disclosing available and/or known information, and the failure to disclose results in material damages. If it can be proven that the information was known and/or reasonably available to the seller or the seller's agent, then a liability case can be established if the information could have prevented the material damages.

When do you get a disclosure report?

As a realtor, you can order the report at any time, but you might be responsible for payment of the report in the event of a cancellation. However, many companies only collect if the escrow closes, and some companies even require the return of the report if there is a cancellation. Most realtors order the report through escrow, upon the escrow agent's receiving their instructions from the escrow officer.

Who pays for the disclosure report?

Usually the seller pays, although this is not required by law.