

Contingencies Your Home Offer Should Include

When you enter into the buying process, you will be committed despite all the uncertainties involved. By adding contingency clauses into the contract, the buyer feels a sense of protection from the unknown. Contingency clauses state things that need to be met before closing the sale.

- **The protection buyers get from mortgage contingencies**

This is one of the most common contingencies. It provides additional security for the buyer. This contingency states that the buyer will acquire a certain kind of mortgage at or below a certain interest rate for a particular amount of the purchase price (usually 80 percent) on or before a specific date before closing. If the buyer is unable to get a loan according to the terms stated on the contingency, he can withdraw from the contract and the earnest money will be given back to him/her.

- **Protection for sellers**

The security that comes with contingencies protects not only the buyer but the seller as well. If the buyer is unable to secure a loan but fails to inform the seller by the date agreed, the buyer is still obliged to buy the house with or without a loan. Depending on the contingency, the seller can also find a mortgage for the buyer. To provide more protection for the seller, they could do the following: set an earlier date for the deadline so the buyer can't back out at the last minute; negotiate that a significant part of the earnest money will be forfeited if the buyer can't get a loan by the deadline.

- **Appraisal contingency**

Appraisal contingencies work with mortgage contingencies. It can work in two ways: (1) If a buyer cannot get an appraisal that can cover the asking price, the buyer can back out of the sale; (2) If the buyer cannot acquire enough appraisal, the buyer can negotiate for a lower price. If the seller does not agree with it, the buyer can walk away from the sale.

- **Inspection contingency**

This contingency allows the buyer time to inspect the house. Typically, the time frame is 17 days. If the inspection reveals major problems with the house, the buyer can opt to back out.

There are many other contingencies available like insurance contingencies or mold inspection contingencies. Common contingencies vary among states.

Never disregard the fine print. Read it carefully and make sure you understand what you're about to sign. The contract is legally binding. You can't just change your mind once you sign it.



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