

Buyer Contingencies

Buyer contingencies are pivotal elements that can significantly affect whether an offer is accepted or rejected.

A buyer contingency is a condition or requirement outlined in a purchase offer that must be met for the sale to proceed. Buyer contingencies act as safeguards for potential buyers, providing them with the flexibility to withdraw from a contract without financial repercussions if specific conditions are not met. They serve to protect the buyer's interests and often address crucial aspects of the home-buying process.

COMMON CONTINGENCIES

A home inspection contingency allows the buyer to conduct a professional home inspection. If significant issues or defects are discovered that the seller is unwilling to address or negotiate the buyer can withdraw from the deal.

A financing contingency provides the buyer with an exit option if they fail to secure a mortgage loan under specified terms. If the buyer cannot secure financing, they can back out of the contract without for-

feiting their earnest money.

An appraisal contingency allows the buyer to cancel the deal if the property's appraised value falls short of the agreed-upon purchase price. This can affect the buyer's ability to secure financing and influence the negotiation process.

When a buyer needs to sell their home to finance the purchase of a new one, a sale of the existing home contingency

is employed. If the buyer's home doesn't sell within a set timeframe, they can void the contract.

A title contingency ensures that the property has a clear and marketable title. If issues such as liens, unpaid taxes or disputes arise during the title search, the buyer can withdraw from the transaction.

USING CONTINGENCIES

Including a contingency in

your offer can be a wise decision when:

- You want to protect your interests. The buyer safety net is particularly valuable in situations where substantial investments are at stake.

- There's uncertainty. If there are uncertainties in the home-buying process, such as the need to secure financing or a concern about the property's condition, contingencies can provide peace of mind.

- Market conditions favor buyers. In a buyer's market where inventory is high and competition is low, including contingencies can be more acceptable to sellers.

EVALUATING CONTINGENCIES

If a buyer's contingencies are reasonable and align with industry norms, they are more likely to be accepted by sellers. If the offer is strong, including a few contingencies may be acceptable. A higher purchase price or larger earnest money deposit can offset the seller's potential concerns.

Offers with numerous or unusual contingencies may raise red flags for sellers. They may view such offers as too complex or risky. In a competitive seller's market where multiple offers are common, sellers may be less inclined to accept offers with contingencies, as they have other options without them.

If the contingencies demand extensive repairs or concessions that are unreasonable, sellers may reject the offer.

While buyers need to safeguard their interests, they should also be mindful of market conditions and the seller's perspective. Striking the right balance between protection and attractiveness is key when using contingencies in real estate transactions.





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REAL ESTATE 101



Seller's Tip

Research the financial status of any buyers before accepting their offer. Ask them to submit a pre-approval letter and proof of funds. Contact the buyer's loan officer to verify that the buyer is well-qualified and ask about their debt-to-income ratio. This helps you with later negotiations. **Source:** SoldNest.

HOMESWISE GLOSSARY

Earnest money deposit: The deposit to show that you're committed to buying the home. The deposit usually will not be refunded to you after the seller accepts your offer, unless one of the sales contract contingencies is not fulfilled. **SOURCE:** Federal Trade Commission

AD SPACE