

CONTINGENCIES

Real estate contingencies in a home purchase contract are "walk-away" clauses that let you back out of the deal and get your earnest money back if certain conditions aren't met.

Think of a contingency as an "if-then" proposition. For example: "If I'm able to sell my current home, then I'll buy yours." Knowing common contingencies prepares you to make a competitive homebuying offer that protects your interests and entices sellers.

Financing (Mortgage) Contingency

A mortgage contingency gives you an out if you don't qualify for a home loan. Unless you're buying a home with cash, a mortgage contingency is necessary even if you're preapproved for a mortgage. Preapproval is important, but it's not an absolute guarantee. After a home is under contract, your loan still must go through a final stage of underwriting.

Home Sale Contingency

Under a home sale contingency, your offer is subject to the successful sale of your current house. In a seller's market, including this contingency puts your offer at a serious disadvantage because sellers have so many offers from which to choose. All other things being equal, a seller is more likely to select an offer without this stipulation.

Homeowner Association Contingency

This contingency allows the buyer time to review items such as the association rules and regulations along with bylaws and covenants, conditions and restrictions, association meeting notes for the last two years, board of directors meeting notes for the last six months and association financial statements for the prior two years and the current operations budget.

Appraisal Contingency

When a home appraises for less than the offer amount, your financing may fall through, or you may have to put more money down to buy the property. A property appraisal contingency lets you back out if the appraisal comes in low.

Inspection Contingency

A home inspection contingency lets you negotiate the sales price, ask for repairs, or walk away from the sale based on the inspection results.

Information Verification Contingency

Under the verification contingency the buyer is given time to verify all information provided from the seller is accurate. In a sellers' market, removing this automatic contingency may make your offer more desirable.

All contingencies are attached to timelines within the contract and must be strictly followed.