

Tips for Sellers: Contract Contingencies

You have just received an offer on your house. However, the offer includes a couple of contingencies. What is in your best interest? Only you can make that decision.

Contingencies commonly found in a sales contract:

- 1) Financing contingencies – A buyer can be pre-approved for a mortgage but unforeseen circumstances can render the pre-approval null and void.
- 2) Appraisal contingencies – The property must appraise for at least the amount stated on the purchase agreement in order for the buyer to obtain a mortgage.
- 3) Home Inspection – Inspections protect a buyer from purchasing a home without being aware of possible or potential defects. An inspection can also protect the seller by documenting that the buyer was aware of potential problems prior to closing.

One should establish a date by which the contingency must be removed. Contingencies should not remain open-ended. If one receives an offer with an unusual contingency, consider offering a “right of first refusal” clause. This will allow one to keep the property on the open market. Should you receive another acceptable offer, you must notify the first buyer and require that the contingency be removed or the contract will be withdrawn.

Some contingencies that can be easily countered:

- 1) Sale of the buyer’s current home – Waiting for the sale and closing of a potential buyer’s home can be nerve racking. One can encourage the contingency buyer to obtain a bridge loan for his equity. Then the buyer can close on your house but usually will not face payments on the bridge loan until his house sells.
- 2) Contingencies outside the control of the buyer can become problematic. These contingencies often are related to funding, such as a future financial settlement coming to the buyer. Ask the buyer to consider finding interim financing. A “right of first refusal” becomes invaluable if one accepts this type of contingency offer.