



Contingencies in real estate contracts

In real estate contracts the contingency is a common element. Contingencies are clauses in a contract that give either the buyer or seller a way to get out of the contract if certain conditions or timelines aren't met. A commonly used example is that of a buyer making an offer on a new home before selling his existing home. The buyer needs to sell his present home before being able to get financing on the new one. So he makes his offer *contingent* upon the sale of his existing home. There will always be a time period associated with such a contingency. If the buyer is able to get his present home sold within that time period, the deal can go forward. But if he fails to sell within the specified time period, the seller has the option of getting out of the deal. In most cases, sellers won't accept this kind of contingency, because they will most likely feel that they can find another buyer capable of closing the deal without needing to sell another home first. But new home builders are often willing to accept an offer contingent upon the sale of an existing

home.

Every contract can be unique. The possibilities for contingencies are virtually endless. Some of the more commonly used contingencies would include:

Financing. Contingencies that depend on the buyer being able to obtain financing are very common.

Home Inspections. Probably the most common type of contingency is the "contingent upon satisfactory completion of inspection". There are any number of specific types of inspection for which a contingency might be included in a contract. Some of the more common would include inspection by a qualified home inspector for hidden defects, pest inspections, water and sewage system inspections, inspections dealing with the presence of radon or mold, etc.

Appraisal. It's not unusual for a buyer to have a contingency that allows for a formal appraised value at or above purchase price. Since lenders will nearly always want an appraisal performed too, sellers usually don't have a problem with this.

Remember, just like everything else in real estate contracts, contingencies are negotiable. Always take care before signing that you are comfortable with all contingencies included in your contract. Likewise, take time to think about what contingencies you might like to have added.