

## Real Estate Contingencies

### Understanding How They Protect Buyers and Sellers During Transactions

**R**eal estate contingencies are an essential part of most home-buying and selling transactions, offering critical protections for both parties.

These conditions ensure that certain requirements are met before the deal becomes final. Whether you're a first-time buyer or an experienced seller, understanding contingencies is key to navigating a smooth transaction.

#### **FINANCING CONTINGENCY**

One of the most common contingencies is the financing contingency, which ensures the buyer secures a mortgage before the sale is finalized. If the buyer cannot obtain a loan within a specified timeframe, the contingency allows them to back out of the contract without losing their earnest money deposit.

For sellers, this means the sale may fall through if the buyer's financing is denied. Working with pre-approved buyers can reduce this risk and streamline the process.

#### **INSPECTION CONTINGENCY**

An inspection contingency protects buyers by allowing



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them to negotiate repairs or withdraw from the deal if a professional home inspection reveals significant issues.

Common findings include plumbing leaks, electrical hazards or structural damage. Depending on the contract, the seller may agree to make repairs, offer a credit or lower the sale price to address the problems.

Skipping the inspection contingency can make an offer more attractive in competitive markets, but it leaves buyers vulnerable to unexpected repair costs after closing.

#### **APPRAISAL CONTINGENCY**

The appraisal contingency ensures the property's value aligns with the agreed-upon sale price. If the appraisal comes in lower than expected, the buyer can renegotiate the price or walk away from the deal. Lenders often require this contingency to avoid over-financing a property.

Sellers can mitigate appraisal risks by pricing their home competitively and providing documentation of upgrades or improvements that add value.

#### **SMOOTH TRANSACTION**

Both buyers and sellers must carefully navigate contingencies to protect their interests and avoid delays. For buyers, it's essential to understand the deadlines for satisfying contingencies, as missing these dates can result in losing the deposit or breaching the contract. Clear communication with your real estate agent and lender ensures the process stays on track.

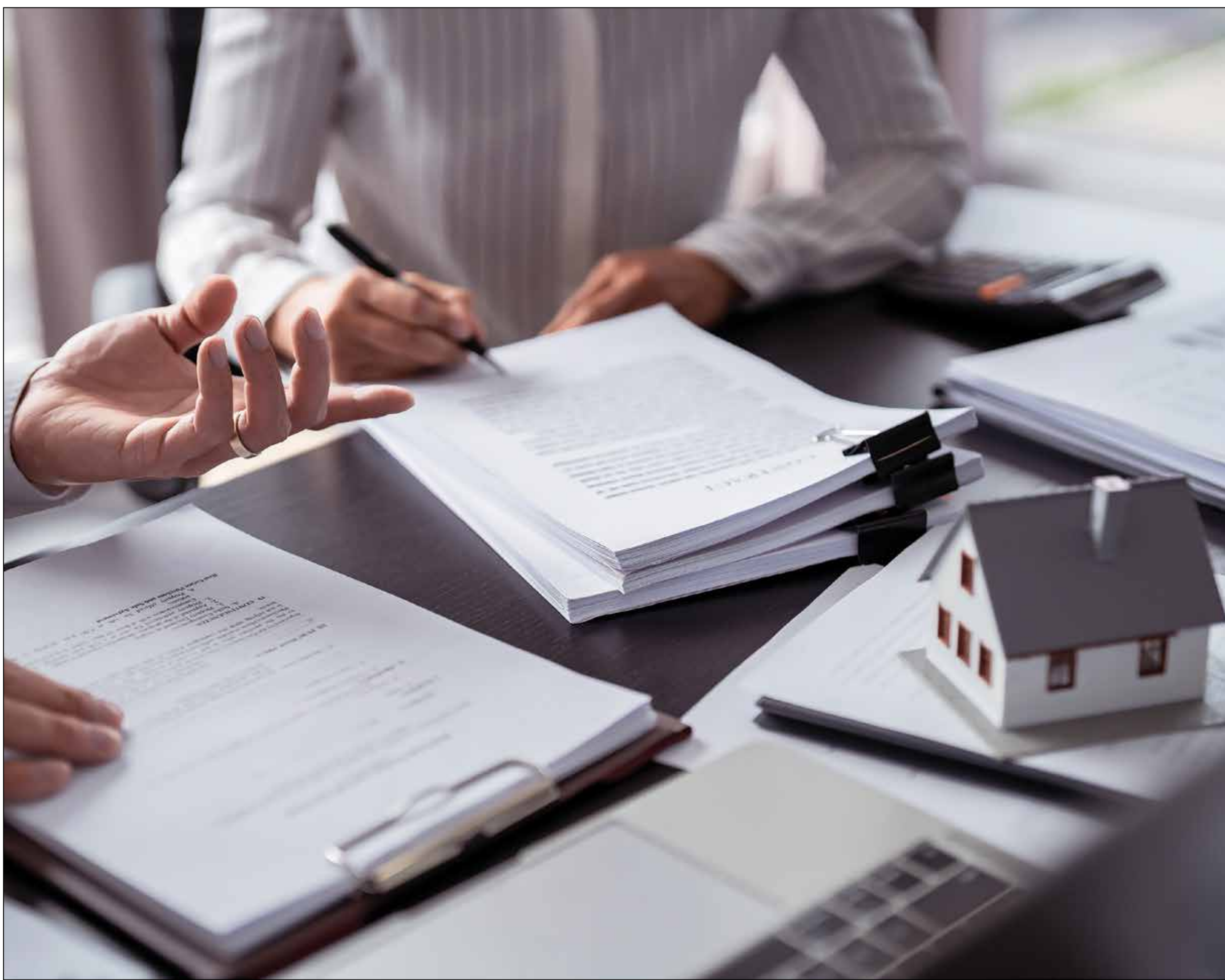
Sellers should review contingency clauses closely and consult with their agent to

minimize risks.

In hot markets, sellers may receive offers with fewer contingencies, but they should weigh the benefits of a faster sale against potential drawbacks, such as accepting a lower price or taking on more risk if the deal falls through.

Real estate contingencies provide peace of mind and fairness in what can be a high-stakes transaction.

By understanding their purpose and working closely with your agent, you can make informed decisions that lead to a successful sale or purchase.



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### REAL ESTATE 101



### HOMEWISE GLOSSARY

#### Don't Overlook Contingencies

While waiving contingencies can make your offer more competitive, it increases risk. Always weigh the benefits of a stronger offer against the potential financial and legal consequences of skipping these protections.

**Contingency:** A contingency is a condition included in a real estate contract that must be met before the sale can proceed. Common contingencies protect buyers and sellers by addressing financing, inspections or other critical elements of the transaction.

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