

MY HOUSE IS UNDER CONTRACT. WHAT HAPPENS NOW?



CONGRATULATIONS! You have a contract on your home. You have a willing and not able yet buyer and you have come to terms on the sale of the home. What happens between now and closing?

1. TIME SENSITIVE.

First thing first. All contracts are all time sensitive, so certain things have to happen with that in mind. The contract has to be sent to the closing agent, buyer and seller decide who selects the closing agent and who pays for their services. That agreement is part of the contract. Once decided, a contract is sent and a file is established. The buyer then has a certain period of time usually 3 to 5 days to put the Earnest Money deposit at the closing agent for your transaction.

2. DUE DILIGENCE PERIOD. In due diligence period is typically somewhere between 7 and 14 days but can be different. During that time the buyer can terminate the contract for any reason or no reason at all. The buyer can simply send a notice of termination and the deal is over. You are left with an unsold house and a search for the next buyer. But do not worry, it does not often happen like that. Instead, the buyer will have an inspection.

3. INSPECTION. This is done by a certified home inspector or someone the buyer selects. The inspector's job is to find anything and everything that is wrong with the place, so don't be surprised or offended. Also, the standard inspection report is about 30 pages long – so don't panic about that either. It contains a lot of OTHER information in addition to any “problems” the inspector has found with your home.

4. POST INSPECTION, the buyer will provide the inspection report to you and ask you to fix items that the inspector says need to be fixed. They might ask for EVERYTHING, so be prepared for that – but more often the buyer will pick what is most important to THEM. You can either agree to fix these items, or you can negotiate a dollar amount to compensate for the things you don't want to fix. You don't have to agree to do ANYTHING, but it's best to be as reasonable as you can – because again, during this period, the buyer is able to TERMINATE the contract for any reason or no reason at all.

5 FINANCIAL / APPRAISAL. There may also be the aforementioned FINANCING and/or APPRAISAL contingency associated with the contract. The financing contingency gives the buyer an OUT from the contract if they are unable to obtain financing. The period can be anywhere from 7 days to 30 days. As a seller, you have likely insisted on a prequalification letter from a lender so you know the buyer at least HAS talked to a lender and have negotiated as short a period as possible. Once the due diligence period ends, the buyer cannot back out of the contract (except under a different, applicable contingency – financing or appraisal, for instance). If they back out prior to closing and no other contingency gets them out of the contract, they may lose their earnest money. You, the Seller, may then claim that earnest money OR you can sue for damages. But rest assured, a vast majority of the time buyers do NOT back out once the due diligence expires.



The appraisal contingency is sometimes a longer contingency. Sellers attempt to negotiate as short a period as possible, of course. As a seller, all we can do is keep in contact with the buyer's agent and make sure that at least the first appraisal is ordered in a timely manner. There's no way to know in advance if the lender is going to order multiple appraisals. It is not the norm, but it can and does happen.

What is an Appraisal? An appraisal is a written estimate of a property's market value completed by an appraiser. The value is based upon a market analysis of recent sales prices for similar properties in the area, and the property's physical condition.

What happen if is doesn't Appraise for the contract price? If it appraises for less. In that instance, if we are still within the appraisal contingency period, the buyer can (and will) ask the seller to sell the property for the lower price. If the seller refuses, the buyer can walk from the contract. But if the seller **AGREES** to sell for the lower price, the buyer is bound (unless another contingency applies). One sticky issue here can be when the seller has agreed to pay for some of the buyer's closing costs. Say the contract is for \$100,000, seller paying \$5,000 of the buyer's closing costs, and the appraisal comes in at \$95,000. Well, that's what the buyer is **REALLY** paying, right? Because they are effectively getting \$5,000 back. **STILL**, the buyer has the right to insist that the seller lower the purchase price **AND** keep the closing costs in.



Property Does appraise for the contracted price then the financial contingency is no longer in play since the value of the contracted offer is supported by the appraisal.

What happen if the appraisal is for more then the contracted price? Well this is a mute point because we have agreed to sell the home for the agreed upon price. Contract are written for understanding not fairness.

What happens NOW? All contingency periods are up! So are we ready to close, RIGHT! Not Yet.

We Need Loan commitment.

We are very close to closing but the bank is still working on improving the borrower loan. We have agreed in the contract to give the Buyer a fixed period of time to be approved by their lender for the loan. The home has enough value but has the buyer credit worthiness been established to a degree the bank will give them the loan.

What happens if the loan commitment date passes, without getting loan approval from the bank? Then the buyer has not preformed all the commitments they made when submitting their offer. If however they have a verifiable reason and can prove that reason before the loan commitment date then then they can be released from the contract.



The contract is time sensitive document but remember your goal . **TO SELL YOUR HOME**. So there is terms and conditions in the contract to protect both side. But being a little flexible at time can help you achieve your goal of selling your home.



We Have loan commitment! We are in the final stretch.

Time to have all your utilities disconnected as of the day of closing, except for water. It is common to leave water on for three days after closing. The reason for this is that the buyer must present a closing statement to get water service – and, of course, they

won't have the statement until the day of closing. In addition to scheduling the disconnection of utilities, do not forget to put in a change of address with the postal service – www.usps.gov – and notify your credit card companies, magazine subscriptions, and the like of your new address.



What can you leave in the place?

Best to leave nothing except what was agreed to in the contract. (with the exception of any manuals for left appliances or the neighborhood directory). If you want to leave anything else, or think the buyer might want you to, get your agent to get the okay from the buyer

What happens if you decide that you don't want to leave something that was attached and shown at the time the offer was accepted? I am sorry to say that you have to leave it behind. So make sure if there is something that you want to take with you when you move that it is written into the contract.



Remember the day before closing the buyer has the right to walk through the property to make sure that the home is still in the condition it was when their offer was accepted. Anything not present at that time, that was there at acceptance has to be replaced to the satisfaction of the buyer at seller expense.

You are almost done!!

Then, to closing it is! Your job at that point is to bring all keys and remotes to the closing table. Most of the documents will be signed by the buyer – you will have only a few. You can give the buyer a forwarding address and/or email if you so choose – but that is by no means required. You can always ask them to contact your agent if mail arrives for you after closing. If you have gain from the transaction, you will be given a check at the closing table or you can have it wired directly to an account (this can be arranged ahead of time).

CONGRATULATIONS!!! You have sold your home

I just want to let you know each and every referral that you send to me is truly appreciated, but there more then that! For each referral I will donate in your name \$250 dollars to the charity. My goal is to raise \$25,000 by the end of the year. So please help me help those that