

SOUND OFF *Jennifer Rohr*

What is a contingency and why are they important?



In a real estate transaction, contingencies are conditions included in the offer on a home that must be fulfilled before the transaction can move forward and/or close. If a buyer or seller is unable to satisfy a contingency, then the offer on a home may become void.

Contingencies usually include time frames in which a buyer can get her/his earnest money back if the contingency isn't fulfilled before the deadline.

For example, if a buyer schedules a building inspection; typically, within three to five days of fully executed offer and the li-

censed inspector discovers issues or repairs that are needed, the buyer can rescind the offer without penalty. In most circumstances, a seller and buyer will negotiate inspection items.

Very common contingencies consist of building inspection (typically performed within three to five days of accepted offer, real estate contract signing (typically within 10-12 days of accepted offer), an appraisal contingency that the home will appraise at or above the sale price (appraisals typically are ordered after the real estate contracts are fully executed), title contingency (the buyer's

attorney conducts a title search to assure the seller has a clear and equitable title.) and mortgage contingency (the buyer is to obtain her/his financing (typically within 45 days of accepted offer).

Ideally after all of these contingencies are met a closing occurs within 60 days of accepted offer.

Contingencies and their time frames can and are negotiable terms within a real estate transaction.

The buyer and seller need to agree upon the "terms and conditions" of an offer. These items include but are not limited to

inspection contingencies, appraisal contingencies, mortgage contingencies, closing date and sale price.

The most important dates are the inspection contingency, mortgage contingency, appraisal contingency and tile contingency. If any defects are found, the home does not appraise to the sale price, the title is not clear and equitable or the buyer is unable to obtain financing and these contingencies are agreed upon, the buyer can rescind their offer.

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