

SOUND OFF *Patty McManus*

What are the costs and benefits of waiving contingencies?

Contingencies are put in place to protect a buyer from losing their deposit money in the event a transaction does not take place.

There are different types of contingencies. These contingencies include building inspection, septic inspection and mortgage commitment.

There are many benefits of having a building inspection. The building inspector is hired as a representative of the buyer and is looking for deficiencies with the property. Building inspectors have knowledge about all of the components of the home as well



as the mechanical systems. If building inspectors suspect an issue with something they have limited knowledge about, or if they suspect something needs further investigating, they will

recommend that you seek a specialist in that field. If you consider the number of “big ticket” items that could potentially present problems, the price of the building inspection is well worth the investment.

The septic inspection is also very important. A septic system could be newer and still have major problems. Many times, there are no visible signs of septic issues until the inspector opens the tank, examines the fields and exposes the distribution boxes. Waiving this contingency could ultimately cost the buyer tens of thousands of dollars.

The mortgage commitment contingency is also a high priority contingency. When the contracts are signed, the mortgage contingency date is in that contract. This date cannot pass without either a commitment letter issued by the buyer’s lender or an extension granted by the seller. If the date passes without either of those actions, the buyer’s deposit money is in jeopardy.

There are occasions that waiving contingencies can give buyers the upper hand in negotiations. This is usually when we are dealing with multiple offers on distressed, usually foreclosed prop-

erties. In these instances, buyers are usually paying cash and assuming that there will be a significant amount of funds needed to restore the property to a livable condition. Buyers in these situations are usually experienced and very knowledgeable about what they are getting into.

Personally, I never recommend contingencies be waived. They are there for your protection and it is wise to exercise your right to have them.

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