



Sunday Column

By Cher Miculka, 2021 Chairman

7/25/21

3 types of contract contingencies you should know about

Interested in an extra layer of protection when buying or selling property? Make sure you know about contingencies. Sometimes these are clauses written into your real estate contract or addenda to your contract that condition the contract upon the occurrence of a certain event. A contingency may give the parties the right to back out of the contract under certain circumstances and might give you time to manage certain parts of the transaction before closing. Here are three common types of contingencies you may want to consider.

Third-party financing

A third-party financing contingency can benefit buyers. If buyers can't obtain financing and properly notify the seller within the time frame outlined in the agreement, they will be relinquished from penalties, including forfeiture of earnest money and the obligation to purchase the property.

Selling one home before buying another

If you need to sell your property before buying another, the Texas Real Estate Commission (TREC) has a contract addendum that permits buyers to terminate a contract if they can't sell their present property before closing on a new home. The time frame is negotiable. If the buyer can't meet the terms of the contingency, the contract will terminate, and the earnest money is refunded to the buyer. Alternatively, the buyer can waive the contingency. However, if a property garners a lot of interest, many sellers will think twice before accepting an offer subject to the buyers selling their home.

TREC's addendum also protects sellers who agree to this contingency. If a seller receives a second offer and accepts it as a back-up contract, the seller may notify the first buyer of this second contract. At that point, the initial buyer can either terminate the first contract or waive the contingency.

Back-up offers

Sometimes, a buyer is interested in a property but finds out the seller has a contract with another buyer. Since there's a chance that deal could fall through, the second buyer can make an offer contingent on the first contract failing to close. TREC also has a contract addendum for this type of contingency.

Sellers usually like these contingencies because it makes it easy to pursue another buyer if the first one doesn't work out. If the first deal does not terminate by the date specified or closes, the second buyer can move on without having invested extra time or money because the back-up contract terminates, and the earnest money is refunded to the second buyer.

Don't be afraid to ask your REALTOR® about the transaction process and how contingencies can help in your situation. Your REALTOR® is there to help you with every step along the way.

For more information on buying, selling, or leasing your home in the San Antonio or surrounding areas, visit SABOR.com and use a REALTOR®.

###