

Real estate contingencies: what are they and why are they so important?

A contingency is a condition in a purchase agreement which states that the agreement is based upon certain events taking place.

An example is the contingency that a newly constructed home has certain types of trees planted before closing can take place. Two common contingencies are that a buyer's existing house be successfully closed, and completion of certain repairs before the buyer can purchase their new house.

Contingencies should contain a time limit in which to complete the task. For instance, the home inspection is based on several different lengths of time or, in a title situation, the seller has a certain time to deliver a marketable title. Once any contingency has been met, the buyer and seller should sign a document removing the contingency from the purchase contract. Keep in mind if the deadline for the contingency arrives and both parties do not sign off on that contingency, this failure to act can serve as acceptance of the contingency. For this reason it is important to keep aware of all deadlines.

Contingencies help prevent problems at closing by eliminating last minute disputes, the buyer's inability to obtain financing, or unfinished repair work.

A tip for the buyer or the seller is that a contingency protects both parties from any surprises and can possibly leave a way to void the contract.

Contingencies should be carefully drafted and can be made specific to your particular transaction. A friend of mine, a much wiser person than I, shared her words of wisdom that I think of every time I draft a contract: "If it ain't in writing, it probably ain't going to happen."

The information provided above is to be used as an informational tool only. If you have any questions pertaining to real estate please feel free to contact Deborah Burton with Deborah Burton Realty, LLC 259-5800.