Contract Negotiation: Terms & Conditions

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There's a lot to consider before you sign a real estate purchase agreement. If the terms and conditions of the deal aren't acceptable, you might want to pause and think twice, even if the purchase price is more than satisfactory. After all, the price will be moot if the transaction never closes.

The typical residential real estate purchase contract is complicated, densely written and packed with legal jargon, but don't use that fact as an excuse for not reading the entire contract. Take your time and read slowly. Ask questions about anything you don't understand. Be flexible and willing to negotiate. The following five points are among the many items that merit attention:

1. **What are the cutoff dates for inspections and approvals of the inspection reports?** A typical contract provides an opportunity for the buyer to hire all manner of experts to check out the condition of the home. From the buyer's perspective, the more time that's allowed for these once-overs, the better. Sellers, on the other hand, usually want the inspections to be completed and signed off as soon as possible.

2. **Who is responsible for making repairs, if any, as a result of the inspections?** The fact that the buyer orders one of more inspections of the home for informational purposes doesn't obligate the seller to make repairs or modifications as a result of those inspections. In practice, however, inspection reports often are used to negotiate repairs of major problems or safety or environmental hazards that may be noted. The purchase contract should provide some guidance for these negotiations.

3. **Is the seller making any representations or warranties regarding the condition of the property?** In some contracts, the seller warrants that specified major components of the home (e.g., the roof or central heating or cooling system) are in good repair and working order at the close of escrow. Buyers should understand which components of the home are guaranteed and which are being sold "as-is."

4. **Will a home warranty plan be purchased?** A home warranty plan is a sort of limited insurance policy covering the basic major systems and appliances in the home. It may seem like a prize for the buyers, but it's equally important for the sellers and the real estate broker representing the sellers. In fact, these warranty plans are so popular among real estate agents that many of them will pick up the tab for the program in order to insulate themselves from irate buyers.

5. **When is escrow scheduled to close?** Pay attention to this date! If you're selling your home, you'll be expected to move out completely before the property changes hands. You'll want to make sure the closing date doesn't fall before you're able to move into your next residence. If you're buying a home, you'll be able to pick up the keys on the day escrow closes. You'll want to make sure you don't give up your prior residence too soon. Don't cut the dates too close. Many escrows end up closing a day or two later than the contract states—but that can happen only with the mutual agreement of the buyer and seller.