



MY HOUSE IS UNDER CONTRACT – WHAT HAPPENS NOW?

Posted by Mary Anne Walser, REALTOR

CONGRATULATIONS! You have a contract on your home. You have a willing and able buyer and you have come to terms on the sale of the home. What happens between now and closing?

Unless the buyer is purchasing “as is” (usually not the case) the buyer has a **“DUE DILIGENCE PERIOD”** – typically somewhere between 7 and 14 days. During that time the buyer can terminate the contract for any reason or no reason at all. The buyer can simply send a notice of termination and the deal is over – you are left with an unsold house and a search for the next buyer.

But do not worry – it does not often happen like that. Instead, the buyer will have an **INSPECTION** – by a certified home inspector. The inspector’s job is to find anything and everything that is wrong with the place, so don’t be surprised or offended. Also, the standard inspection report is about 30 pages long – so don’t panic about that either. It contains a lot of OTHER information in addition to any “problems” the inspector has found with your home.

After the inspection, the buyer will provide the inspection report to you and ask you to fix items that the inspector says need to be fixed. They might ask for EVERYTHING, so be prepared for that – but more often the buyer will pick what is most important to THEM. You can either agree to fix these items, or you can negotiate a dollar amount to compensate for the things you don’t want to fix. You don’t have to agree to do ANYTHING, but it’s best to be as reasonable as you can – because again, during this period, the buyer is able to TERMINATE the contract for any reason or no reason at all.

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Once the due diligence period ends, the buyer cannot back out of the contract (except under a different, applicable contingency – financing or appraisal, for instance). If they back out prior to closing and no other contingency gets them out of the contract, they lose their earnest money. You, the Seller, can then claim that earnest money OR you can sue for damages. But rest assured – a vast majority of the time buyers do NOT back out once the due diligence expires.

There may also be the aforementioned **FINANCING and/or APPRAISAL** contingency associated with the contract. The financing contingency gives the buyer an OUT from the contract if they are unable to obtain financing. The period can be anywhere from 7 days to 30 days. As a seller, you have likely insisted on a prequalification letter from a lender – so you know the buyer at least HAS talked to a lender – and have negotiated as short a period as possible.

The appraisal contingency is sometimes a longer contingency. Sellers attempt to negotiate as short a period as possible, of course, but the problem is that many lenders are ordering multiple appraisals – sometimes even the day prior to closing. So imagine the buyer's dilemma. They think that the property has appraised and there's no problem – and then the lender orders ANOTHER appraisal and it comes in low. As a seller, all we can do is keep in contact with the buyer's agent and make sure that at least the first appraisal is ordered in a timely manner. There's no way to know in advance if the lender is going to order multiple appraisals. It is not the norm, but it can and does happen.

Say the property does NOT appraise for the contract price – it appraises for less. In that instance, if we are still within the appraisal contingency period, the buyer can (and will) ask the seller to sell the property for the lower price. If the seller refuses, the buyer can walk from the contract. But if the seller AGREES to sell for the lower price, the buyer is bound (unless another contingency applies). One sticky issue here can be when the seller has agreed to pay for some of the buyer's

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closing costs. Say the contract is for \$100,000, seller paying \$5,000 of the buyer's closing costs, and the appraisal comes in at \$95,000. Well, that's what the buyer is REALLY paying, right? Because they are effectively getting \$5,000 back. STILL, the buyer has the right to insist that the seller lower the purchase price AND keep the closing costs in.

What happens NOW?!?! All contingency periods are up. We are waiting for closing.

Time to have all your utilities disconnected as of the day of closing, except for water. It is common to leave water on for three days after closing. The reason for this is that the buyer must present a closing statement to get water service – and, of course, they won't have the statement until the day of closing. In addition to scheduling the disconnection of utilities, do not forget to put in a change of address with the postal service – www.usps.gov – and notify your credit card companies, magazine subscriptions, and the like of your new address.

What can you leave in the place?

Best to leave nothing except what was agreed to in the contract (with the exception of any manuals for left appliances or the neighborhood directory). If you want to leave anything else, or think the buyer might want you to, get your agent to get the okay from the buyer. A typical issue here is that you cannot leave old paint cans unless the buyer says it is okay, for instance. (Paint is not always easy to dispose of). Then, hire someone to do one last, final, deep cleaning. All that is required under the contract (unless there is a special stipulation) is that the home be left "broom clean" – floors and carpets swept, horizontal surfaces wiped down, ovens and fireplaces cleaned, etc. But you don't

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want to have an issue the day of closing over dirt; simpler to pay someone to do one last sweep.

Then, to closing it is! Your job at that point is to bring all keys and remotes to the closing table. Most of the documents will be signed by the buyer – you will have only a few. You can give the buyer a forwarding address and/or email if you so choose – but that is by no means required. You can always ask them to contact your agent if mail arrives for you after closing. If you have gain from the transaction, you will be given a check at the closing table or you can have it wired directly to an account (this can be arranged ahead of time).

**And you are done!! CONGRATULATIONS!!!
You have sold your home in a difficult market!**

P.S. - You should follow



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