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Home purchase agreement example

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A real estate purchase agreement is an instrument that is employed when individuals partake in the purchase & sale of a residential dwelling. This can be applicable to a single-family home, condo (or another type of common-interest community property), duplex, etc. Once a buyer shows interest in a residence for sale, they will submit an offer in the form of this agreement. Listed below is the content of the agreement is the prospective buyer's desired contractual terms, such as their proposed purchase price, provisional repairs, protective contingencies, and the amount of earnest money they are willing to deposit. The seller will typically be given a time limit to either accept, deny or counteroffer the submission. If accepted, the seller shall sign the offer creating a binding purchase agreement that will start the process of transferring the property.

Otherwise, they may counter with an alternative proposition that includes the terms that they are more comfortable with (also using this very agreement). Can a Seller Back Out of a Purchase Agreement? Once a purchase agreement for the sale of residential property has been signed and is in escrow, participants are legally bound to uphold the commitment registered within its form. If the seller has a change of heart and would like to back out of the agreement, they may have some options to do so. While the Contract is still under review, a lot of times after an agreement has been signed, it will be held under a 60-day reviewing period where attorneys can comb through the contract for errors. After this period passes, however, if the seller backs out without having a legal reason, then there could be consequences. If the seller backs out of the deal, they may lose their earnest money deposit. If the seller backs out of the deal, they may also face legal action from the buyers who will not agree to include this addendum within the content of the purchase agreement. Breach of Contract - When finalizing the sales documents, both parties will typically record certain contingencies that allow them to terminate the contract if they are not met prior to closing. Put in a Request to the Buyer - If all else fails, contact the purchasing party explaining the reasons why you would like to terminate the agreement. You never know, a buyer could have compassion for your situation and agree to void the contract. It never hurts to ask. If the seller is unable to lawfully withdraw from the contract and still refuses to continue with the sale, they can face legal consequences and be held liable to compensate the buyer for an array of damages. What are the Common Contingencies in a Purchase Agreement? A contingency is essentially a clause within the contract that stipulates that if a certain requirement is not met, then the contract is void or open to further negotiations. These contingencies can be directly inserted within the content of the purchase agreement or attached to the contract in the form of an addendum. When creating your purchase agreement/offering, it is important to include any contingencies that will provide security for the transaction. Listed below are some of the more customary contingencies that buyers/sellers will want to include within the purchase agreement: Appraisal - Required by most banks, this clause states that an appraisal must be conducted before the transfer of property can occur. If the estimated value of the home is lower than the agreed-upon sales price, then the buyer must either terminate the contract, renegotiate the purchase price, or switch lenders in order to secure financing. Flood Hazard Disclosure - Most financial institutions require flood hazard disclosures for properties located in designated flood zones. Sellers of homes in flood-prone areas must disclose this information. Seismicity Contingency - In California, seismicity contingencies are usually more prone to accept offers that do not include this.) Homeowners Insurance - Insurance companies will sometimes refuse to provide coverage to high-risk properties that are located within certain regions of the country (flood zones, wildfire zones, earthquake fault zones, etc.). This contingency allows purchasers to back out of the agreement if they are unable to insure the property. Inspection - This type of contingency mandates that after entering into an agreement for the sale of a home, the buyer will have a certain period of time to have a professional perform a property inspection. If the inspection report indicates that there is a significant material defect contained within the property, the buyer has the right to cancel the agreement or propose a new deal with the seller. Kick-Out Clause - A compromise for the above-mentioned home sale contingency, this grants the seller the authority to proceed with the marketing of their property while under contract with the buyer. If the seller finds another buyer who does not require that they sell their home first in order to purchase the seller's, they can then end the current sales contract and move forward with the new buyer who doesn't implement the home sale contingency. Title - This requests that the seller provide confirmation that the property's title is free and clear of any liens or encumbrances before finalizing the transaction. It also stipulates that the buyer has the right to review all documentation concerning the property's title before the closing date. If an issue with the title arises, they will have the option of terminating the purchase agreement. What is an Addendum? An addendum is an additional form that can be attached to the purchase agreement. It can provide supplementary terms to the contract that alter the course of the previously arranged agreement or simply just add at the time of its inception. As mentioned in the previous section, a contingency can come in the form of an addendum. Here are several different types of addendums that can be implemented, some of which include: Seller's Property Information Statement - This provides the seller with a chance to disclose known defects about the property. Environmental Assessment - This requires the seller to hire a professional to test the soil for environmental hazards. Lead-based Paint Disclosure - This requires the seller to disclose any lead-based paint found on the property. Seller's Right to Buy Another House - This gives the seller the right to buy another house during the selling process. Individual who has completed the required salesperson course for their state (this course will vary in the number of hours needed to pass depending on the state). After passing the course, they are instructed to take the mandatory state exam in order to demonstrate that they have sufficient knowledge of the local real estate laws and protocol. They must then join an agency that is overseen by a broker in order to legally serve clients who seek assistance with their selling or purchasing needs. A Realtor is someone who has fulfilled all the requirements needed to become a licensed real estate agent and is also affiliated with the National Association of REALTORS®. Becoming a member of this organization means that you are held to a higher standard than your average salesperson, as you have to follow a certain code of ethics that is enforced by the association. In short, it is an extra credential that further legitimizes the agent and grants them access to the group's various resources that can help facilitate a sale. How to Find a Listing Agent As most homeowners looking to sell their property are busy with their careers, families, and other obligations, they do not have the time nor the experience/knowledge to sell their own property by themselves. Luckily, there are agents who specialize in the sale of residential real estate who can help ease the process and maximize your final proceeds. A listing agent can perform the following tasks: Pricing the Home Advertising the Property Coordinating Negotiating & Accepting Offers Managing the Essential Paperwork Preparing the Necessary Disclosures But you can't just hire anybody who has a license, you are going to want to recruit an agent who is qualified and has extensive knowledge in the market you're selling in. There are many ways to find a good listing agent. One way is to ask friends, family, or colleagues if they know any agents that they could recommend for hire. Driving around the neighborhood and taking note of signs for agents who are prominently displayed on the various "for sale" signs along the road. Attending open houses of similar properties to network with the agents showing the homes. Going online and visiting websites of local real estate agencies (each website should include a directory of all the available listing agents in the area). Some agencies that can be found throughout the country include: RE/MAX Coldwell Banker Century 21 Keller Williams Realty Reviewing Their Record - When deciding whether or not you are going to sign with an agent, make sure that you first check their credentials. Try to verify the following info: How long have they been actively selling real estate? Are they doing it full-time or part-time? How many homes have they sold in the past year? Are they receiving top market prices? Do they sell within an efficient time frame? Are they proficient in selling homes within your neighborhood? Do they belong to a respected agency? It is suggested that you interview a minimum of three (3) agents prior to entering into a listing agreement. Be cautious of hiring an agent who gives you a significantly higher estimate for the value of your home than other agents you've interviewed, they may just be trying to entice you to list with them. Real Estate Agent vs. FSBO "For Sale by Owner", or FSBO, is the act of selling a residential property without the assistance of a realtor/real estate agent. Although the majority of home sellers enlist the help of a real estate agent, that does not mean selling a home on your own is an inconceivable task. It does, however, require a lot more time, research, and work for the seller (marketing your home can be a full-time job). When considering the idea of selling your property on your own versus with an agent, you should first assess the pros & cons associated with both approaches: Benefits of selling your own property: Not having to pay a listing agent's commission (which can usually range from 4-7% of the sale price). Having complete control over the pricing strategy and presentation of the property. Selling to whomever you choose, rather than being limited to those interested in properties listed by an agent. Potential drawbacks of selling your own property: Limited exposure to potential buyers compared to what an agent can bring. Lack of expertise in the local market. Amount of time that will be taken away from your personal and professional life. Liability to follow the state's real estate laws and provide the required disclosures. Handling all the necessary paperwork and approving the buyer. If the buyer has an agent, you will still have to pay their portion of the commission (typically 3% of the sales price). On average, FSBO properties tend to get less money than properties listed with real estate agents. How to Sell Real Estate on Your Own For the majority of the United States population, their home is their biggest asset. When a homeowner decides that they would like to sell their property, it can seem like a very intimidating task. Owners want to make sure they get top dollar for their property and hopefully even make a profit. So, it is important that before you put your dwelling on the market, you really reflect on whether or not you are truly ready to sell. Whether you're looking to sell your property because you would like to upgrade, downgrade, or relocate, this guide can help you take the necessary steps to sell your home without the assistance of a listing agent. Step 1 - Prepping Your Home for the Marketplace When preparing to sell your home, it is important to ensure that the property is presentable for public viewing. Here are some various ways you can make your property look more appealing to prospective buyers: Administer a Deep-Cleaning - The first step should involve you making sure that the interior of the home is immaculate. This can be achieved by: Removing any unwanted clutter. Wiping down all the surfaces. Washing the windows. Vacuuming and mopping the floors. Shampooing carpets that have unsightly stains. List the Various Damages/Deficiencies - Walk through the home and identify any noticeable flaws contained within the dwelling. Next, decide whether or not they are worth fixing or if they are minor enough to ignore. Repairing anything that is functioning properly. Making cosmetic improvements to enhance the visual aesthetic of the home by outfitting the property with: Attractive Furniture Decorative Pieces Complementing Accessories Enhancing the Curb Appeal - Once the inside is taken care of, you should improve the property's external appearance by: Clearing out any unnecessary items in the yard. Having the property freshly landscaped (mow the lawn, weed wack, add fresh mulch to the beds, rack leaves, trim, etc.). Touching up any cosmetic defects found on the structure (chipped paint, dents on the siding, missing shingles, etc.). Removing debris out of the gutters. Paving the driveway. Cleaning the pool and/or hot tub (if applicable). Now that your home is fully prepped for sale, you may want to consider having a professional conduct a pre-inspection - Although it is generally thought that the buyer is responsible for having an inspection performed, it is also considered a good measure for the seller to carry out their own before putting their home on the market. This way, the seller is aware of any major defects prior to entering into an agreement with a prospective buyer and can avoid the hassle of a stalled closing. This also demonstrates a sign of good faith to the buyer. (The ASHI offers a search program that allows individuals to look up certified home inspectors that are available for hire in their area.) Step 2 - Determining the Market Value of Your Home The most important element when getting ready to put your property on the market is settling on an asking price. This measure requires research and a lot of consideration in order to sell your home in a timely manner. Some of the numerous websites that are geared towards the sale of real estate offer pricing tools that can help calculate a rough estimate of what your home is worth, Zillow.com being among one of the more popular. (This should only be used for a basic idea of what the real estate's value is.) Comparative Market Analysis (CMA) - Frequently implemented by agents in the real estate business, this method calculates the value by comparing the residence for sale to other similar properties that have been recently purchased. Typically, the individual performing this task will get the data of at least 3 other comparable homes in the area and adjust the price by adding & subtracting the different features of the property. After running the calculations, you should be able to determine the ballpark figure of what the home is worth. (Although you should only use properties that have sold for your CMA calculations, it doesn't hurt to also study similar properties that are currently on the market.) Hire an Appraiser - Any buyer that has to obtain financing from a lender will most likely have to have an appraisal conducted on the property per request of the mortgage company. Having said that, it is also an option for the seller to have this implemented beforehand in order to get a better feel for what the home is worth. (The average cost of an appraisal can range from \$300-\$400 for a single-family dwelling.) Think about the following questions when pricing your home: Am I in a Rush to Sell? - The owner must decide what is more important, selling the property quickly or holding out for a higher number. If the owner is in a rush to get rid of the home, they should ask for an amount no higher than the estimated value that they calculated when pricing the property. Listing your home right now can even drive up the price, as you will probably receive multiple offers and be able to use that leverage when haggling with interested parties. If there is no hurry to sell, the owner can start high and then periodically reduce the price until a sale is achieved. But keep in mind, the longer the home is on the market, the less desirable it becomes. Take Photos - Before placing your home on the market, it is crucial to take high-quality photos of the property. Hiring a professional photographer can be a worthwhile investment. Good lighting is essential to showcasing the best features of the home. Take Interior Shots - A professional photographer can even create a virtual tour that allows online visitors a 360-degree view of the property's interior layout. If you are looking to save money, you can make the decision to take the pictures yourself as long as you have a high-definition camera and the confidence in your abilities. But remember, this is the most significant element when promoting your property, as most people base their opinions on the property's appearance in the photos. Write a Description - It is important that you write a detailed summary that describes the home for sale and all its selling points. Take your time when crafting the description, as it will need to be included in every ad that you post. Be Sure to include an enticing headline and your personal contact information so that interested parties can reach you. Details about the home that you may want to consider covering in your description include: Additional upgrades (gym, office, den, etc.) Age Amenities (pool, hot tub, fireplace, etc.) Appliances Attached/Basement Cabinets Condition Landscaping Features Location Proximity to Schools Shopping Centers Public Transportation System Recent Renovations Storage Space Yards/Patio Area Other notable details that might catch the eye of potential buyers. Step 3 - Marketing Your Property for Sale Online Signage - Placing "For Sale By Owner" signs around the property is a great way to attract attention. Consider upgrading to larger signs that are visible from a distance. Yard Signs - Place large signs in the front yard that clearly indicate the property is for sale. Window Decals - Apply decals to the windows that say "For Sale". Social Media - Post listings on social media platforms like Facebook, Instagram, and Twitter. Local Classifieds - Advertise in local newspapers and magazines. Real Estate Websites - Create profiles on real estate websites like Zillow, Trulia, and Redfin. Open Houses - Host open houses where potential buyers can visit the property without appointment. Virtual Tours - Offer virtual tours of the property to interested parties. Referrals - Ask friends and family if they know anyone who might be interested in buying a home. Networking - Attend local events and networking opportunities to meet potential buyers. Direct Mail - Send direct mail pieces to nearby neighborhoods. Signage - Place "For Sale" signs in prominent locations around the property. Professional Photography - Hire a professional photographer to take high-quality photos of the property. Staging - Stage the property to make it more appealing to potential buyers. Price Reductions - Monitor the market and be prepared to reduce the price if the property hasn't sold within a reasonable timeframe. Flexibility - Be flexible with showings and negotiation. Persistence - Stay motivated and persistent throughout the selling process. Patience - Understand that finding the right buyer may take time. Research - Gather information about the local market and pricing trends. Legal Advice - Consult with a real estate attorney for guidance on contracts and legal matters. Multiple Listings Service (MLS) - List the property on the MLS to increase visibility to potential buyers. Broker Commissions - Be transparent about the commission structure and negotiate accordingly. Timing - Choose the right time to list the property based on market conditions. Targeted Marketing - Focus on reaching specific demographics or buyer personas. Follow-Up - Keep in touch with potential leads and respond promptly to inquiries. Transparency - Be honest about the property's condition and history. Flexibility in Terms - Consider offering favorable terms to serious buyers. Local Connections - Leverage local networks and referrals. Consistent Presence - Maintain a consistent presence in the local market through various channels. Positive Reputation - Build a positive reputation as a reliable and trustworthy seller. Adaptability - Be adaptable to changes in the market and buyer preferences. Communication - Maintain open communication with all parties involved in the selling process. Documentation - Keep thorough records of all transactions and communications. Professionalism - Conduct yourself professionally throughout the entire process. Patience and Persistence - Remember that selling a home can be a lengthy process, requiring patience and persistence.