

## What to Expect When Buying or Selling a House

**Most residential real estate transactions** begin when someone interested in selling their home signs a **Listing Agreement** with a local real estate company. The Listing Agreement will obligate the Company to market the home for sale, will establish the commission that is to be paid when the home sells, and will provide that the real estate company is the exclusive agent for a stated period of time. Before presenting the seller with a listing agreement, the real estate agent from the real estate company will have examined the home, checked on recent sales prices for comparable homes in the area, asked some questions about the “history” of the home, and offered an opinion about the likely range of sales prices.

At about the same time the listing agreement is signed, the seller will also sign a **Residential Disclosure Report**. This report asks a number of questions about the condition of the home, the repair history of the home, and whether the seller has knowledge of problems with particular parts of the home. State law requires that this report be completed and signed by the seller and furnished to the buyer in a timely manner.

When a buyer is willing to purchase the home on terms acceptable to the Seller, a **Real Estate Purchase and Sales Agreement** (“contract”) is signed by both the buyer and the seller. Among other provisions, the contract will state the purchase price, the amount of the deposit, the amount of the mortgage, the closing date, the items of personal property (such as the refrigerator, microwave, stove, washer/dryer) included as part of the sales price, and any rights of way, easements or other encumbrances on title that run with the land.

Most contracts contain an inspection contingency. An inspection contingency is a period of time (i.e. seven days) during which the buyer may inspect the property and report the results of the inspection back to the seller. Typically, the buyer hires a licensed inspector who will conduct a thorough inspection of the property and provide a written report to the buyer. If the buyer would like for the seller to correct any issues discovered during the inspection, the buyer must notify the seller prior to the expiration of the inspection notification date and request that the seller fix the outstanding issues. Often, buyers and sellers may renegotiate the purchase price or the items of the inspection the seller is willing to address. Alternatively, if the buyer is completely dissatisfied with the results of the inspection, so much so that the buyer does not wish to purchase the property, the buyer may cancel the contract by giving timely notice to the seller.

Most contracts also contain a Financing Contingency. A Financing Contingency (mortgage contingency) states that the buyer has a certain period of time (i.e. thirty days) during which the buyer must secure an unconditional mortgage commitment from a lender (a bank or a mortgage company).

If the buyer cannot secure financing within the Financing Contingency period, the buyer must request for the seller to grant an "extension". In the event the buyer cannot secure an unconditional mortgage commitment, the buyer must promptly notify the seller to cancel the contract.

On occasion there also is a contingency that allows the prospective Buyer to cancel the contract if the Buyer is unable to sell his/her existing home by a specified date, common referred to as a "Hubbard Clause".

If the inspection contingency and financing contingency are met, and the buyer secures an unconditional mortgage commitment, the next step is to schedule a closing date. The Closing Date is date on which the buyer will officially purchase the property from the seller. The real estate agents will schedule a "walk through", a brief inspection of the property prior to closing so that the buyer has the opportunity to review the condition of the property.

Prior to closing, the attorneys will work with one another to determine the "adjustments" that need to be made in favor of the buyer and of the seller. For example, if there is oil in the seller's tank, the attorneys will schedule for a reading of the tank so that the seller is compensated for the oil that the buyer is purchasing. Other items that are often adjusted are the taxes and sewer bills. The seller's attorney will also work with the Seller's current mortgage company (if applicable) to obtain the dollar amount of the current mortgage(s) that need to be paid by the seller at the time of closing so that the attorneys can be sure that the seller's mortgage company is paid in full from the closing proceeds.

Once the buyer and seller agree on the final numbers, a closing occurs. Prior to closing, it is common for the buyer's attorney to meet with the buyer for approximately thirty minutes to sign mortgage documents. Prior to closing, it is common for the seller's attorney to meet with the seller for approximately thirty minutes so that the seller can sign the "deed" - the document that transfers ownership from the seller to the buyer, and other documents pertaining to the property. After the buyer and seller have signed their documents, the buyer's attorney and seller's attorney, and the buyer and seller (if they wish) meet to exchange money and the deed. The buyer gives the seller money and in exchange, the seller gives the buyer the deed and keys to the property.