



MICHELLE ROBERTS
REAL ESTATE TEAM

YOU'RE UNDER CONTRACT! What Happens Next?

CONGRATULATIONS! Your home is officially under contract and pending sale at this time. I'm sure that you are now wondering what the next steps are. Hopefully, the following outline of events will shed some light on the upcoming process:

1. The Home, Termite and Radon Inspections

Under normal circumstances, the first thing that will take place is the home inspection, termite inspection and radon test (done at the same time). This will be scheduled by the buyers' agent and the Centralized Showing Service will set up the appointment. It is highly encouraged that you are not present in the home when the home inspection takes place. The future homeowners will most likely accompany the home inspector as he/she inspects the home. This process normally takes approximately 3 hours to complete. During this time, the buyers will take a more critical look at your home. We encourage you to make any easy repairs or repairs to known defects prior to the home inspection. In other words, take a critical look at your home to see if there is anything that you can do to make this process as smooth as possible. This might include simple homeowner-based repairs such as:

- Changing of defective light bulbs
- Caulking in the bathroom and kitchen areas
- Changing of furnace filters (cold air returns)
- Adjusting doors so that they lock and shut correctly
- Making sure that sinks and tubs drain properly (Drano)
- Filling in and touching up any rotten wood
- Making sure deck boards and raisins are tight and secure

To further help give you an idea of what is inspected, here is a link to a sample home inspection report: [LINK](#).

The radon test usually occurs over a period of 2-3 days and electrical equipment or a canister is left in your home during this period. The home inspector will schedule a showing approximately 2- 3 days after the home inspection in order to come back and retrieve the radon test equipment.

2. The Due Diligence Negotiation

This is the point that we negotiate repairs of the home and anything else the buyer may wish to ask for. Please keep in mind that the buyers are not restricted to ask for just repairs to be made. They can ask for virtually anything they want, but keep in mind that this is a negotiation. Things that might be requested are:

- They may ask for a subset of repairs to made to the home
- They may ask for all repairs on the inspection report to be made
- They may ask for cash considerations at closing in lieu of repairs
- They might ask for the home to be treated for pests and/or termites
- They may ask, for example, that you install a new hot water heater to replace an old unit

3. The Appraisal

During the due diligence period, the buyer is finalizing their financing (assuming it is not a cash sale). One of the primary hurdles to clear in this process is the appraisal. The lender will set up the appraisal and the appointment



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will be scheduled by the Centralized Showing Service. You do not need to leave your home during the appraisal. The majority of the time homes do appraise for the negotiated purchase price or higher and we never see the actual appraisal or hear anything about what the home appraised for. There is the occasion, however, when a home does not appraise, and this presents a problem since the lender will only lend up to the appraised value the home.

- a. **Example:** If the agreed upon purchase price of the home is \$500,000, the appraisal needs to come in for at least this amount. If the appraisal comes in lower - say \$490,000 - then there is essentially a \$10,000 gap in the financing. In this case, the difference will need to be paid in cash at the closing table. Sometimes the appraiser will consult with us as listing agents for advice on how we priced the home. If this is the case, we will try our hardest to justify the price of the home. If we are not given this opportunity or the home simply does not appraise with or without our justification, there are a few options to be considered:
 - i. **Option 1:** You can agree to lower your sales price to the appraised value. You need to put yourself in the situation of the buyers..... Would you willingly overpay for a home knowing that you walk into this significant investment from day one in a negative equity situation? Some do because they love the home, however, most of the time this is not the case.
 - ii. **Option 2:** We can negotiate with the buyer on a mutually agreeable compromise. Per our example above, you can try and agree to meet in the middle with each contributing \$5000 towards the difference.
 - iii. **Option 3:** The buyer has the right to walk away. If it gets to this point, please keep in mind that you might very well run into the same exact situation down the road when another offer comes through. For obvious reasons we do not want to get to this point.

4. The Due Diligence Date

This is the date (by 5PM) by which all due diligence negotiations need to be finalized. Up until this day and time, the buyer has the legal right to walk away from the transaction for ANY reason and all they are liable for is the due diligence money previously provided you and any expenses they incurred in the home inspection and lending processes. This rarely happens, but in some cases it does, so we need to stay on top of everything to the best of our ability prior to this date. After 5PM on the due diligence date, the earnest money further secures the transaction. If the buyer were walk away from the deal at this point, they lose their earnest money in addition to all other expenses incurred. It is extremely rare for a transaction to fall apart after the due diligence date.

5. Preparing for Closing and the Final Walkthrough

After the due diligence date has come and gone, you should be in good shape to move on to closing. In preparation, you will need to arrange for and make any and all repairs to the home that were negotiated as part of the due diligence agreement. You will also need to plan for your move. This will involve leaving the home in a clean, good and serviceable condition – the same or better than the day that the contract was ratified. You will need to remove all personal property from the home and remove any and all trash prior to closing. It is also a nice gesture, but not required, to make an effort to fill holes on the walls after items are removed.

Approximately 1-2 days prior to the closing date, the buyers will likely schedule a final walkthrough. At this point they will inspect the home to make sure everything was completed as described in the paragraph above.



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6. Closing

Closing will normally take place at the attorney choice of the buyers and the transaction is consummated once the deed is recorded by the attorney — normally around 3PM on the day of closing. Your only obligations are to make sure that you are able deliver clear title to the home - the attorney will handle this via a title search and will let us know if there are any known issues - and are available to sign the deed of trust over to the buyers. You have several options when it comes to signing the deed and closing disclosures:

- You can attend closing and sign at the prescribed time as chosen by the buyers
- You can sign at the attorney's office at most any point within 2-3 days of the assigned closing date
- You can sign remotely in front of a notary and overnight the paperwork back and forth
- You can appoint a Power of Attorney to sign on your behalf (i.e. your agent can sign for you)

Once again, congratulations for being under contract at this time. Please do not hesitate to let us know if you have any questions about anything that is outlined in this document. We look forward to the opportunity to guide you through the rest of this process and will be in regular contact with you throughout.

Sincerely,

Michelle Roberts