You’re Under Contract — Now What Should You Do & Expect?

Getting under contract is the beginning of a process that imposes different demands on the seller and buyer.

If you’re the seller, the property disclosures you filled out at listing time need to be delivered to the buyer, but mostly you’ll be responding to actions by the buyer.

First up, you’ll probably need to respond to an Inspection Objection Notice submitted by the buyer. Here are some “big ticket” inspection items that you might face:

1) cleaning or servicing of your forced air furnace or, worst case, replacement if the inspector detects carbon monoxide emissions from a cracked heat exchanger. 2) mitigation of radon, if a radon test produced an average reading over the EPA action level of 4.0 pCi/L. 3) cleaning or repair of your sewer line if the sewer scope shows root intrusion or, worse, collapse of your sewer line. The buyer may ask you to reduce the purchase price or pay some of his closing costs as an alternative to making the requested repairs.

Furnace replacement can cost $3,000 and up, radon mitigation $800 and up, and sewer replacement can cost several thousand dollars — you’ll want to view the sewer scope and get your own quotes before your listing agent prepares an “Inspection Resolution” in which both parties agree to what the seller will do or pay for.

There are other opportunities for the buyer to make demands of the seller or terminate the contract — title problems, HOA documents, etc. — but the only one you’re likely to face is the Appraisal Objection if the home fails to appraise for the contract price. This is when you want a good Realtor on your side, because you could well hold firm and get the buyer to pay full price anyway. (I’ve been quite successful at this.)

If you’re the buyer, here are your big to-do’s:

1) deliver the earnest money to the listing brokerage or title company, as spelled out in the contract. Your check will be deposited immediately and credited toward your cash at closing.

2) select and schedule a good inspector. Your buyer’s agent will give you several proven inspectors to choose from. Your inspector can probably handle the radon test, but you’ll need to schedule a separate sewer scope. I suggest $99 Rooter.

3) attend the inspection to learn first-hand as much as you can about the house you expect to own. Your agent needn’t attend, but he’ll receive a PDF of the inspector’s report and work with you to prepare your inspection demands. Note: the inspector will detail every little and big thing he finds wrong with the house. Resist the temptation to demand that all those things be fixed by the seller! Ideally you can expect that every “health & safety” item be handled — radon, electrical, plumbing, sewer, cracked heat exchanger on furnace, etc. — but the seller has no obligation to do anything. If he has a better offer in back-up position, he may well refuse to fix anything, hoping you’ll terminate the contract. Again, having a skilled agent on your side helps.

Lastly, do NOT do anything to change your credit score, such as buying new furniture on credit. This column is abbreviated due to space limitations. I’ve written much more at www.JimSmithBlog.com.