

## CONSUMER GUIDE: OVERCOMING ROADBLOCKS TO A SALE OR PURCHASE

A signed real estate purchase agreement is not a guarantee of a home sale. A recent [REALTORS® Confidence Index Survey](#) showed that transactions today are experiencing about a 5% fallout rate. Deals can fall through for any number of reasons. Whether you're a buyer or seller, prepare yourself for the most common potential pitfalls so your transaction closes smoothly.

**Pitfall: Financing falls through.** Buyers can be pre-approved before making an offer but then get denied the loan before closing. Factors that can contribute to a last-minute denial: a ding on their credit, major expenses like a new car purchase, a reduction in salary that changes their debt-to-income ratio or changes in lender guidelines or terms that make the loan no longer affordable.

**Solution:** Buyers should avoid sudden job changes or major purchases before closing. If financing becomes an issue, sellers might consider offering an extension to enable the buyers to obtain alternative financing or find a cosigner/guarantor for the loan.

**Pitfall: The buyer's inspection finds a surprise flaw.** There are no perfect homes, but there may be issues like foundation problems or code violations that are nonnegotiable deal-breakers for buyers.

**Solution:** If you're a seller, consider having a presale inspection and making repairs before you put your home on the market, and disclose any material property condition issues (it's required by law in many states). Buyers: Work with your agent to determine whether items in the inspection report are a minor issue you can live with, a negotiation point that might lead to a seller repair or credit, or a deal breaker.

**Pitfall: The appraisal doesn't match the sales price.** Sometimes the appraisal comes back lower than the purchase agreement amount. The lender will only provide a mortgage based on the appraised value.

**Solution:** Sellers should work with their agent to price the property properly. During the appraisal process, your agent should have a good line of communication with the appraiser, providing information on the property and comparable properties that support the price. (However, never pressure the appraiser to meet the sales price.) If the appraisal comes in lower than the contract price, the sellers may choose to lower the price, or the buyers may choose to make up the difference in cash. If they believe it's strongly warranted, buyers may want to ask the lender for a reconsideration of value.

**Pitfall: The title is clouded.** Unresolved liens or encumbrances on the property, or legal disputes regarding ownership, will need to be resolved before the home sale can continue.

**Solution:** Sellers should clear the title before listing the property. A title search will verify the property's chain of ownership and uncover any potential liens or encumbrances. Buyers typically pay for lender title insurance, which protects the lender from any losses from claims; some buyers also choose to get an owner's title policy to protect them from undiscovered liens, errors or fraud.

**Pitfall: Buyer's home doesn't sell.** This could be an issue if the sellers have accepted a home-sale contingency in the contract.

**Solution:** Sellers should talk with their agent upfront about how flexible they can be on the closing date. Buyers may want to look into bridge financing to fund the closing before their old home sells.

There are also human reasons a deal may fall through. Buyers may realize they don't love the home as much as they initially thought, or another home may come on the market that they love more. Sellers' circumstances may change, and they may no longer want to move. One party may find the other side too difficult to deal with. During the attorney-approval-and-inspection period, either side can cancel the deal without penalty. But with an open mind and a willingness to negotiate, parties can often resolve differences. A real estate agent who's a REALTOR® can help you keep the transaction on track.

***Your real estate agent will help you navigate the purchase or sale of your home; for legal advice, consult an attorney licensed in your state. Not all real estate professionals are REALTORS®. Only those who are members of the National Association of REALTORS® may use the term REALTOR®, and they are obligated under NAR's Code of Ethics to work in your best interest. Please visit [facts.realtor](https://www.factsrealtor.com) for more information and resources.***