



Understanding the Contract to Purchase Real Estate

Obviously the purchase and sales contract is the most important document in the entire transaction. In simplest terms the sales contract outlines what each party in the transaction is responsible for. It defines the contingencies of the contract. Think of contingencies as checkpoints throughout the transaction. The first contingency is the home inspection. The next major one is the mortgage contingency. Both of these actions have to be performed within a certain time, and done a certain way for the contract to remain valid and the parties out of a default situation. The purchase and sales contract outlines these parameters and discusses penalties for not following the proper procedures.

We will go into great detail together about what your responsibilities in the contract are. Rhode Island is a pretty friendly state when it comes to real estate contracts. Nothing is really left to chance; and nearly anything can be adjusted with an addendum to the contract.

The beginning of the contract details buyer and seller information, the amount of the sale, the amount of deposit the buyer is putting down and when the closing is projected to take place. The mortgage contingency, which is the date in which the buyer has to have secured a mortgage by, is entered with the maximum number of points and the maximum interest rate the buyer can be held to. It is written into the contract how many days the buyer has before he/she has to formally apply for mortgage and what to do with that information once it has been obtained.

The contract follows time in the respect that the inspection contingency comes after the mortgage. In very clear language the contract tells how long one has to perform inspections, what those inspections will be, and how the negotiating after the home inspection will be conducted.

Default by either side is explained in the contract and penalties which can be levied. Even information regarding everything from lead paint to radon gas and special taxes are there for the buyer's and seller's education.

There are places to add additional information that isn't already pre-written into contract, and the contract becomes bona fide once all buyers and sellers have signed it and a deposit has been received.

While not difficult to understand, the purchase and sales contract contains a lot of important information which must be understood by both buyer and seller. It is the job of the real estate agents to explain these details to his/her client so there are no lapses in performance which could lead to penalties.

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