

# The Purchase Offer - Three Important Clauses

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What should you put in your real estate purchase offer? Consider these three clauses.  
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Many home buyers, and even some investors, seem to approach a real estate purchase offer as just an opening of negotiations. It can be this, of course, but it is also a legally binding contract the moment the seller signs it. You don't get to change the terms after that, or back out of the deal. That is, unless you have the right language in the offer to begin with.

## Purchase Offer Clauses To Protect You

### 1. Inspections

{bot\_wrgoogle}This is perhaps one of the more important clauses in a purchase offer, and is common. But make sure you get the wording right. Ask for help if necessary, but the point is to make it possible to cancel the offer if any inspections show problems you don't want to deal with. Such a clause might read something like this; "This offer is contingent on the buyer's approval of the results of a termite inspection and general home inspection; said inspections to be done at buyer's expense within one week."

A seller or agent may want to limit your option to back out of the deal to findings of "structural damage," or something similar, but stick to the more general "approval of the results" kind of language. You don't want to be bound by the contract if an inspector finds some non-structural problem, like electrical problems or drainage issues in the yard. This clause lets you have inspections done. If anything too negative is found, you can refuse to "approve" of the results. This means you can get your deposit back, or you can renegotiate a lower price based on what you find.

### 2. Assignment

This is a clause for real estate investors. You may need to bring in a partner, for example, even if you didn't initially plan on it. A partner may want to be part of the contract, of course, and he can be if you have the right to assign the contract as a clause in your purchase offer. This usually means putting "and/or assigns" after your name on the offer, but ask the real estate agent or a lawyer what language is used locally.

With such a clause in the offer you can sell your "position" to another investor as well. This means that if you have trouble with financing or otherwise can't close the deal yourself, you can assign the contract to some other investor, who will hopefully pay you a nice fee (if you bought a good deal). Sellers will often accept this clause if you explain that it means you can bring in a partner or otherwise be sure that the sale will go through. In other words, sell it as something that assures the seller this sale will close.

### 3. Financing

What's one of the most common reasons that a real estate purchase doesn't close? Trouble with financing. You may have been prequalified, or even preapproved for a mortgage loan, but this doesn't mean the bank has agreed to a particular loan. Since you spoke to a lender, interest rates may have gone up, rules may have changed, or something negative may have been found on your credit report.

What happens then? Well, if you can't close the deal, you lose the deposit you handed over with the purchase offer. That is, unless you made the offer contingent on getting a loan. The usual language is something like this; "This offer is contingent on the buyer obtaining a firm commitment for suitable financing within ten days." If such general language isn't acceptable to the seller, specify what "suitable" means in terms of interest rate and loan fees or points, but make it something you can live with.

There are many other routine clauses that need to be in your offer. They specify things like when the sale will close and who pays for what. Ask the real estate agent or an attorney about those. But don't forget to also include one or more of the above three clauses as necessary, whether the seller or agent like them or not. A seller has the right to say no to your offer in any case. But you have the right to put any protective clauses you want in a purchase offer.

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