

EVERY HOME HAS DEFECTS USA

WHO PAYS FOR PROBLEMS FOUND DURING INSPECTIONS?

We'd all like to buy the perfect home. Unfortunately, it doesn't exist. Even new homes have defects. That's why it's important to have any home you buy inspected by qualified professionals—even if it's brand new.

You'll undoubtedly discover defects during your inspections. In fact, you should hope that any significant defects are uncovered before you remove your inspection contingency from the purchase contract. It's far worse to be surprised after closing by unanticipated repair expenses.

Armed with a complete assessment of the current condition of the property, you can make an informed decision about whether to purchase the property in its present condition. Or, you may want to renegotiate the terms of your contract with the seller. If defects are incurable, you may want to withdraw from the contract altogether.

Your purchase contract should set guidelines for how inspection defects are to be handled. For example, the seller may have had a "termite" inspection completed before marketing the property. If so, the contract might specify which party—buyer or seller—will pay for the required corrective work.

Not all inspection contingencies are the same. Some specify that the buyers have the unilateral right to approve or disapprove inspections. In this case, if the buyers disapprove the inspections, the contract may be cancelable at the buyer's options.

HOUSE HUNTING TIP

Even if your contract allows you to withdraw due to inspections, carefully consider before electing this option. You will already have spent considerable time, effort and money finding and inspecting the property. If the defects are correctable, it's usually worthwhile to try negotiating an agreement with the sellers rather than starting the process over again.

Some inspection contingencies provide for buyers to give the sellers the opportunity to correct defects, rather than just walk away from the deal. In this case, the terms of the contract often become subject to further negotiation.

Before asking a seller for inspection-related concessions, make a list of the significant defects that you discovered during your inspections. Then find out how much it will cost to repair these defects. When you make your request, put it in writing and include a copy of your cost accounting list along with the reports and estimates on which you're basing your request.

You may find that the seller is not willing to negotiating over items that were disclosed to you before you made an offer to purchase the property. It still may be worthwhile to point out that the cost of the previously disclosed items in addition to the newly discovered defects alter the amount you can reasonably pay for the property.

Sellers are wise to consider any reasonable proposal from a well-qualified buyer. If the inspection-related defects are significant, they are likely to be a concern to other buyers. Depending on the law in your state regarding seller disclosures, you may have to provide copies of the buyer's reports to future buyers who are interested in the property.

There are several ways in which sellers can participate in buyers' repair requests. They can have the work done by closing, if time permits. Often contractors will accept payment at closing.

Or they can credit money to buyers as long as the credit is called a credit for buyers' nonrecurring closing costs. Lenders usually limit the amount of such a credit to 3 percent of the purchase price or equal to the actual amount of the nonrecurring closing costs, whichever is less.

THE CLOSING

Some lenders will allow money from the seller to be held in an escrow or trust account so that work can be completed after closing.

SOURCE: Dian Hymer, Inman News Features

