

Why Do Home Sales Fall Apart?

In heated real estate markets, buyer's remorse tends to be the leading reason home sales collapse. Nervous buyers, after they're told they got the house, have second thoughts and back out.

Imagine this. A hot new listing hits the market. The owner has prepared the home for sale: it shows beautifully. The owner and her agent set a reasonable list price of \$325,000, hoping it will attract multiple bidders.

The seller decided to wait for one week after the broker open house to listen to offers. Fifteen offers materialized, all for significantly more than the \$325,000 asking price.

The winners were ecstatic until they awoke the next morning. They suddenly realized that they had far exceeded their comfort level for how much they should be paying for a home.

When an offer is accepted, a good faith deposit from the buyers is usually part of the agreement. This deposit is applied toward the purchase price if the sale goes through. But, the deposit money could be retained by the sellers under certain circumstances, such as backing out of a deal for a reason not provided for in the contract.

First Time Tip: Should you suffer a severe case of remorse, your best bet is to discuss this with the seller, or their agent, as soon as possible. Ask to be released from the contract and ask for your deposit back. The seller may have the right to your deposit, or part of it, depending on the terms of your contract and where you're buying. But, if the sellers have numerous back-up buyers waiting in line to buy if the first buyers drop out, your chances of a release without financial penalty are high.

In the above situation, the seller was happy to release a nervous buyer so that a more eager buyer could proceed with the sale. A failed sale is never a pleasant experience, but it's usually best to have a deal fall apart sooner rather than later.

Two other common deal-breakers are inspections and financing.

Most buyers have homes thoroughly inspected as a condition of the purchase. No home is completely free of defects. Minor defects are often overlooked by buyers. But major, unexpected defects, can cause a roadblock that under some circumstances kills the deal entirely.

Many buyers and sellers attempt a resolution to property problems if the buyers still want the house and the defects can be fixed. The solution may involve financing assistance from the seller. Or the seller may actually fix the problems.

Disclosure laws vary, but in many states (like California), defects discovered during inspections must be disclosed to other buyers. It behooves sellers to work out a resolution with the first buyer because future buyers will also be concerned about the problem.

Financing can also cause a deal to collapse if the buyers are unable to qualify for a mortgage. Sellers can protect themselves by making sure the buyers are pre-approved for the mortgage they'll need. If they're not already pre-approved, the counteroffer should require that the buyer be pre-approved within 5 to 10 days of contract acceptance or the deal can be canceled.



Two other financing issues can wreak havoc with a home sale. If the appraisal comes in low, the lender won't approve the mortgage for the amount requested. Or, if the lender objects to something in the property title search, this could cause the loan to be turned down. Buyers don't like backup offers. But it may be worthwhile to accept backup if you're the first backup in a multiple offer competition.

