

CONSTRUCTION FINANCING AND APPRAISAL CONTINGENCIES ADDENDUM

This Addendum is made on _____, to a sales contract ("Contract") offered on _____, between _____ ("Buyer") and _____ ("Seller") for the purchase and sale of Property: _____

1. **DEED(S) OF TRUST** Buyer shall pay upfront and/or monthly mortgage insurance premiums as required by lender guidelines.

2. FINANCING CONTINGENCY

This Contract is Contingent on the following type of financing:

USDA Conventional VA FHA

- A. This Contract is contingent until 9 p.m. _____ Days after Date of Ratification ("Financing Deadline") upon Buyer obtaining and delivering to Seller a written commitment(s) or conditional commitment(s), as the case may be, for the financing described in the PRICE AND SPECIFIED FINANCING paragraph of this Contract.
- B. If this contingency has not been satisfied by the Financing Deadline, this contingency will continue up to and including Settlement Date. However, upon expiration of the Financing Deadline, Seller may at Seller's option Deliver Notice to Buyer that Buyer has 3 Days to void the Contract. If Buyer does not void the Contract within 3 Days following Delivery of Seller's Notice, this contingency is removed and the Contract will remain in full force and effect with no Financing Contingency.
- C. This Contract will become void if, prior to satisfaction of this contingency, Buyer receives a written rejection from the lender or lenders to whom Buyer has applied pursuant to Paragraph 3 for the Specified Financing and Delivers a copy of the written rejection to Seller on or before Settlement Date.
- D. Buyer will be in Default whether or not this Contingency has been removed if Settlement does not occur on Settlement Date for any reason other than Default by Seller.
- E. If this Contingency has expired, or has not been removed or satisfied, any delay of the Settlement Date necessary to comply with Buyer's lender's obligations pursuant to the TILA-RESPA Integrated Disclosure rule, is not a Default by Buyer; but Seller may declare the Contract void in writing.
- F. Nothing herein shall prohibit the parties from mutually agreeing to terms acceptable to both parties in writing.

3. **APPRAISAL CONTINGENCY** This Contract is contingent **OR** is not contingent upon an Appraisal pursuant to this paragraph. Buyer shall have until 9 p.m. _____ Days (minimum of 21 days recommended) following the Date of Ratification to obtain an Appraisal ("Appraisal Deadline"). In the event that neither box is checked, this Contract is contingent upon an Appraisal pursuant to this paragraph and the Appraisal Deadline is the Financing Deadline set forth above. Buyer shall provide Notice to Seller by the Appraisal Deadline, as follows:

A. Conventional Financing.

1. The Appraisal is equal to or greater than the Total Purchase Price. This contingency has been satisfied and removed. The parties shall proceed to Settlement; **OR**
2. The Appraisal is equal to or greater than the Total Purchase Price. However, Buyer elects not to proceed with consummation of this Contract because Property does not satisfy the lender(s) requirements, the Appraisal does not allow for the Specified Financing or Property is inadequate collateral. Such Notice must be accompanied by a written denial of the financing showing written evidence of the lender(s)'s decision concerning Property. Buyer must provide such written evidence concurrently with Buyer's Notice of election not to proceed; **OR**
3. The Appraisal is not equal to or greater than the Total Purchase Price and Buyer elects not to proceed with consummation of this Contract unless Seller elects to lower the Total Purchase Price to the appraised value. Buyer's Notice shall include a copy of the written statement setting forth the appraised value of Property. It will be Seller's option to lower the Total Purchase Price to the appraised value and the parties shall proceed to Settlement at the lower Total Purchase Price. If Seller does not make this election, the parties may agree to mutually acceptable terms. Each election must be made by Notice within three Days after Notice from the other party. The parties will immediately sign any appropriate amendments. If the parties fail to agree, this Contract will become void; **OR**
4. Buyer elects to proceed with consummation of this Contract without regard to the Appraisal. The parties shall proceed to Settlement.
5. If Buyer fails to give Seller Notice by the Appraisal Deadline, this contingency will continue, unless Seller at Seller's option gives Notice to Buyer that this Contract will become void. If Seller delivers such Notice, this Contract will become void at 9 p.m. on the third day following Delivery of Seller's Notice, unless prior to such date and time Buyer delivers the required Notice.

OR

B. FHA, VA or USDA Financing.

1. **Amendatory Clause:** It is expressly agreed that notwithstanding any other provisions of this Contract, Buyer shall not be obligated to complete the purchase of Property or to incur any penalty by forfeiture of deposit or otherwise unless Buyer has been given, in accordance with HUD/FHA or VA requirements, a written statement by the Federal Housing Commissioner, Department of Veterans Affairs, or a Direct Endorsement Lender setting forth the appraised value of Property of not less than \$_____. Buyer shall have the privilege and option to proceed with consummation of this Contract without regard to the amount of the appraised value. The appraised value is arrived at to determine the maximum mortgage the Department of Housing and Urban Development ("HUD") will insure. HUD does not warrant the value or the condition of Property. Buyer should satisfy himself/herself that the price and condition of Property are acceptable.

NOTICE: The dollar amount to be inserted in the Amendatory Clause is the Total Purchase Price as stated in this Contract. If Buyer and Seller agree to adjust the purchase price in response to an appraised value that is less than the Total Purchase Price, a new Amendatory Clause is not required.

2. Procedure in the event of a low appraisal: In the event that the written statement setting forth the appraised value of Property (“Written Statement”) indicates a value less than the Total Purchase Price, Buyer shall Deliver Notice to Seller (1) stating that Buyer elects to proceed to Settlement at the Total Purchase Price in the Contract; or (2) requesting that Seller change the Total Purchase Price to a specified lower amount of not less than the appraised value (“Buyer’s Notice”); or (3) voiding this Contract based on the low appraisal. Buyer’s Notice shall include a copy of the Written Statement. In the event Buyer’s Notice requests a price reduction, Notices delivered subsequent to the delivery of Buyer’s Notice shall be treated as follows:

Within 3Days after Notice Delivery from one party, the other party may:

- a) Deliver Notice accepting the terms contained in the other party’s Notice; **OR**
- b) Deliver Notice continuing negotiations by making another offer; **OR**
- c) Deliver Notice that this Contract shall become void at 9:00 p.m. on the 3rd Day following Delivery, unless the recipient Delivers to the other party Notice of acceptance of the last Delivered offer prior to that date and time, in which case, this Contract will remain in full force and effect.

Failure of either party to respond within 3 Days of Notice Delivery will result in this Contract becoming void.

4. SELLER SUBSIDY Seller will pay at Settlement \$ _____ toward Buyer’s charges (including but not limited to loan origination fees, discount points, buy down or subsidy fees, prepaids or other charges) as allowed by lender(s). It is Buyer’s responsibility to confirm with the lender(s) that the entire credit provided herein may be utilized. If lender(s) prohibits Seller from the payment of any portion of this credit, then said credit shall be reduced to the amount allowed by lender(s).

5. FURTHER ASSURANCES At or prior to Settlement, Seller and Buyer, upon request from Lender, shall sign all further documents, do, or cause to be done, all further acts and provide all assurances as may reasonably be necessary or desirable to secure the Specified Financing.

SELLER:

_____/_____

Date Signature

_____/_____

Date Signature

BUYER:

_____/_____

Date Signature

_____/_____

Date Signature

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