Offer Strategy & Contingencies

How to write a strong offer without surprises (and what the common contingencies really do).

Every purchase is a balance of price, terms, timing, and risk. This guide explains the moving parts in an offer and the protections buyers typically use. Specific timelines and forms vary by contract and property, so we will tailor this to your situation.

Start with your priorities:

Before we write anything, we get aligned on what matters most to you:

- Location and neighborhood must-haves vs. nice-to-haves.
- Property type and condition: move-in ready vs. renovation tolerance.
- Your ideal closing date and flexibility (work, school, travel, lease timing).
- Risk tolerance: how much uncertainty you are comfortable with (inspection/appraisal/financing).

Price strategy: what you're really deciding:

Price is important, but it is only one lever. We will use comparable sales and current market conditions to decide how aggressive to be.

- Comparable sales (recent closed sales) and current competition (active/pending listings).
- How fast homes are selling and how often sellers are negotiating.
- How much you want to win the home vs. how much you want to 'win the deal.'
- Are you emotionally invested with the property or are willing to walk away if the offer is not accepted?

Offer structure: the terms that sellers care about:

Sellers often choose the offer that feels most certain. Key terms include:

- Deposit (earnest money): shows good faith and is held by escrow.
- Contingencies: the buyer's contractual 'outs' while you investigate and finalize the deal.
- Loan and appraisal terms (if financing): proof you can close and the lender can approve the value.
- All cash: Seller's are motivated by all cash offers and quick closings.
- Requests for credits/repairs: best handled strategically after inspections unless the home has obvious issues.
- Timing: close date, rent-back (if any), and any deadlines the seller needs.

Understanding Buyer Representation & Agent Compensation and how it factors in to the Offer:

- Because of a recent lawsuit-changes and new industry rules, buyer-agent compensation is now handled with more upfront transparency.
- Buyers typically sign a written representation agreement before touring homes that spells out how their agent will be paid.

- The key shift is this: the buyer is now responsible for their agent's compensation unless it's negotiated otherwise.
- Buyers can negotiate with the seller to pay the buyer-agent compensation (or provide a credit/concession that covers it) as part of the offer, and the seller can accept, counter, or decline—so it's now a negotiable term, similar to price, repairs, and other concessions.

- **The big contingencies, explained:**

Contingencies protect you while you complete your due diligence and your financing. You can often cancel during the contingency period based on the contract terms, without losing your deposit.

- Inspection contingency: time to complete inspections and review the results.
- Loan contingency: time for the lender to approve your loan (income, assets, credit, conditions).
- Appraisal contingency: protection if the home does not appraise at the purchase price.
- HOA document review (if applicable): time to review rules, budget, reserves, and key disclosures.
- Title review: time to review the preliminary title report (easements, liens, CC&Rs, recorded items).
- Natural Hazare Disclosure (NHD) review: time to review the NHD report so you understand whether the property is in any mapped hazard zones (flood, fire, earthquake/seismic, or dam inundation), since that can affect insurance, safety planning, and your comfort level before you remove contingencies.
- **Property Insurance (Coverage Approval) Contingency:** Before you remove contingencies, it must be confirmed that you can secure acceptable homeowners insurance that meets your lender's requirements—in California (due to the payout of claims for fires), many insurers have removed themselves from the property insurance market, while other have tightened underwriting, paused new policies, or issued non-renewals, and some buyers end up needing the CA FAIR Plan as a last-resort option. The practical impact on negotiations is that insurance becomes a real deal term: if coverage is limited or costly, we address it early, build time for quotes into your contingency window, and—if needed—negotiate accordingly; sellers may agree to concessions, or they may decline.

Deposit (earnest money): what it does and when it's at risk:

The deposit is typically due shortly after acceptance (typically in 3 days, per the contract). It is held by the escrow holder and later applied toward your closing costs and/or down payment.

- Where it goes: to escrow (a neutral third party), not directly to the seller.
- When it's safest: during your contingency period, when you still have contractual cancellation rights.
- When risk increases: after contingencies are removed in writing and you later cancel without a contractual basis.

Acceptance: what it means and what happens next:

Once the seller accepts and you receive the fully signed agreement, you have an accepted contract. From there, the clock starts on key dates (deposit timing, inspection timing, and contingency deadlines, etc.).

- We confirm all deadlines and create a simple checklist so nothing is missed.
- Escrow is opened and the file is created.

- Disclosures and reports begin arriving (seller disclosures, HOA docs if applicable, preliminary title report, etc.).

Escrow: what it is and why it exists:

Escrow is a neutral third party that coordinates the paperwork and money. Escrow holds funds, receives documents, tracks instructions, and helps ensure the transfer is completed correctly.

- Estimated closing statement: you can request an early estimate so you understand expected cash to close.
- Wire instructions: escrow provides wiring instructions; always verify by calling escrow using a trusted phone number.
- Title coordination: escrow works with title to provide the preliminary title report and finalize recording.
- Escrow and Title can be negiotated between agents.

Due diligence: what we review during the contingency period:

This is your investigation window. The specific length varies by contract, but the purpose is the same: verify the property, documents, and financing details before removing contingencies.

- Buyer home inspection: evaluates major systems and identifies defects and safety items.
- Termite/pest inspection: checks for active infestation and conditions that may require treatment or repairs.
- Pool inspection (optional): verifies equipment and condition if there is a pool/spa.
- Roof inspection (optional): useful if age/condition is unclear or the general inspector flags concerns.
- Appraisal (if financing): confirms value for the lender and can affect loan approval and negotiations.
- HOA documents (if applicable): CC&Rs, rules, budget, reserves, minutes, and key disclosures.
- Preliminary title report: vesting, liens, easements, CC&Rs, and other recorded items; we review what matters and why.
- Seller disclosures and additional reports: review carefully and request clarification when needed.

I review these items with you and help you prioritize what matters most.

Negotiations after inspections:

If issues come up, we decide the best path based on seriousness, cost/complexity, and leverage:

- Request repairs (specific, safety-related, or functional items).
- Request a credit toward closing costs (common for items you may prefer to address yourself).
- Adjust price if the inspection reveals major unexpected conditions.
- Proceed as-is if findings are minor and already reflected in the price.

Closing: the finish line:

Closing is when final documents are signed, final funds are delivered, and the transaction is completed.

- Final review: confirm the settlement statement/closing disclosure and final cash-to-close amount.

- Final walk-through: typically shortly before closing to confirm condition and agreed repairs.
- Signing: you sign escrow and lender documents (timing depends on lender/escrow scheduling).
- Funds: escrow receives your funds to close per escrow instructions (wire or cashier's check).
- Recording: deed records at the County Recorder's Office; once recorded, the sale is officially completed (timing varies).

Possession and keys:

Possession is when you get the right to occupy the property. It is commonly after confirmation of recording, unless the contract includes a rent-back or other agreement that changes the date/time.

- Keys: delivered after closing/recording (or per the contract).
- Utilities: schedule transfers in coordination with closing and the seller's shut-off dates.
- Security: plan to re-key or change locks after possession.
- Rent-back (if any): if the seller stays after closing, possession and keys follow the rent-back terms.

Questions come up fast during escrow. When they do, text/call and we'll walk through them.

Want more insight for Strategies and Contingencies?

Text/call Tracy Scott: (760) 840-7441 | info@tracyascott.com