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conditions within the first 21 days.

These contingencies are in place to protect the buyer's cash deposit, which is delivered once the contract is ratified by the buyer and seller. The competitive nature of these markets has caused a shift in the normal time frames, reducing the time to close from 30 days to 21 days, and even to 15 days in some cases.

Along with shorter closing time frames, it is also now normal not to have any contingencies for appraisal nor loan. Not having these contingencies means that the buyer will not be able to negotiate back on the appraised value. Furthermore, if the appraisal comes in lower than the agreed-upon price, the buyer may not be able to back out of the contract without risking the deposit, even if the loan delivered is not to the buyer's liking.

Not having a loan contingency also implies that the seller may keep the buyer's deposit if they back out of the contract, even if it is because the buyer wasn't able to get a loan.

With a non-conforming/Jumbo Loan, every lender/investor has their own proprietary underwriting guidelines and will

not do a complete underwrite on the borrower until the borrower is in contract to purchase. Therefore, not having these contingencies in place can be a very scary thing, especially because there are thousands of dollars in deposit on the line.

Feel free to contact me if you want to learn more about how the contingencies can affect your ability to purchase real estate in a seller's market.

*As always, your mortgage guy,
Viral (Vic) Joshi
Home of Real Mortgage Advice*

Viral (Vic) Joshi
"Home of REAL Mortgage Advice"

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My mission is to help buyers qualify for the best loan available for their circumstance. I spend a generous amount of time with each client to educate them about how the mortgage industry works, through free "Mortgage 101" consultations, so they can make good decisions and get the best loan possible. I've revamped my website to give clients the best resources to supplement my consultations.

When I'm not doing loans, I'm an avid scuba diver and certified Rescue Diver. Eventually I'd like to become a dive instructor, so I can share the joys of this ocean sport with others.

I give back to the Monterey Bay Aquarium, Divers Alert Network (DAN), and the National Outdoor Leadership School (NOLS). I'm also a longtime Warriors fan with season tickets that I frequently share with associates and clients.



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Vic's Mortgage Report

"Home of REAL Mortgage Advice"

"Is the Party Over?"

Hi Friends,

Mortgage interest rates continue to be near the all-time low levels we have experienced since June of 2020. We hit bottom on rates on 1/4/2021 and again on 1/28/2021. The torrid stock market has caused some interest rate volatility along with increased inflationary pressure; we saw mortgage rates increase .25% on one day on 2/16/2021. If you are thinking of refinancing, we may be close to the last time you can capture these all-time low mortgage rates. After 12 months of being at or near these historic lows, the party will have to end, eventually.

The housing market is very hot right now because of a lack of inventory coupled with historically low interest rates. I want to emphasize one of the areas impacted by the current seller's market: the loan contingency in the purchase contract.

What Is a Loan Contingency Clause?

A contingency clause gives parties the right to back out of the contract under certain circumstances that must be negotiated between the buyer and seller.

It can be very difficult to purchase in

competitive markets with multiple offers, many of which may be all cash. Unfortunately, this is a common dilemma many are faced with in the Bay Area, as well as in other parts of California. In the more competitive markets and at higher property prices, it is common to see sellers expect buyers to write offers with no loan contingencies and no appraisal contingencies.

The standard California Residential Purchase Agreement, RPA, comes with built-in contingency periods of 17 days for the appraisal, and 21 days for the loan contingency.

The normal time to close for a purchase transaction is 30 days. The standard contract allows the buyer to have an appraisal completed within the first 17 days, and the loan to be cleared of all

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