Financing and Appraisal Contingency

A financing contingency (also called a "mortgage contingency") gives you time to apply for and obtain financing for the purchase of the property. This protection allows you to back out of the contract and reclaim your earnest money in the event you're unable to secure financing. It will state a specified number of days that the buyer has to obtain financing – and financing with the specific terms you want. The buyer has until this date to terminate the contract (or request an extension that must be agreed to in writing by the seller); otherwise, the buyer automatically waives the contingency and becomes obligated to purchase the property – even if a loan is not secured.

An appraisal contingency protects you to ensure the property is valued at a minimum, specified amount. If the property does not appraise for at least the specified amount, the contract can be terminated and the earnest money, in many cases, is refunded. An appraisal contingency may include terms that permit you to proceed with the purchase even if the appraisal is below the specified amount, typically within a specified number of days after you receive the notice of appraisal value. The seller might have the opportunity to lower the price to the appraisal amount. The contingency specifies a release date, on or before which you must notify the seller of any issues with the appraisal; otherwise, the contingency will be deemed satisfied, and you will not be able to back out of the transaction.