



# TRAINING TIP OF THE WEEK

## APPRAISAL LANGUAGE PROBLEMS

In a Seller's market, Buyers are pulling out all the stops to try and ensure that their offer is selected by the Seller. However, I have seen a recent uptick in unclear or ambiguous addenda language touching on the appraisal condition.

### EXAMPLE:

Buyer submits an offer with a Purchase Price of \$500,000 and includes Addendum #1 that reads, "In the event of a low appraisal, Buyer shall pay \$2,000 above the appraised value." Seller accepts the offer. The transaction is going along smoothly until the Buyer receives their low appraisal at \$475,000, a full \$25,000 less than the Purchase Price. Buyer's agent is now arguing that the Purchase Price is \$477,000 (\$475,000 + \$2,000 above appraised value). The listing agent is adamant that the Purchase Price is still \$500,000.

### What is the Purchase Price?

If we look at the creative language used by the Buyer, it reads, "In the event of a low appraisal, Buyer shall pay \$2,000 above the appraised value." Note, is there anything in this language that automatically changes the Purchase Price, which is a defined term in the REPC? No. Now the intent of the Buyer's agent may have been to adjust the Purchase Price based on a low appraisal, but there is nothing in the language itself that changes the Purchase Price. I would say the Purchase Price is still \$500,000.

Please make sure that the intent of your addenda language matches the language itself. If the intent is to have the Purchase Price reduced to match the appraised value, plus a dollar amount, then the language in the REPC needs to say this.

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If you ever have any contract questions, please feel free to call the UAR's Legal Hotline at 801-676-5211 on Monday, Wednesday, or Friday from 8:30 a.m. to 4:00 p.m.

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