

REAL ESTATE

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SOUND OF

What are your thoughts on waiving contingencies?



A: In our fast-moving market, it's crucial to remove all contingencies along with your highest and best offer at the get-go. However, this does not mean you simply tell your buyer to write non-contingent without explaining what that means and the ramifications should they not perform. Three contingencies buyers should waive in order to compete and how to be sure they are in a good position to do so:

1. **Loan Contingency:** A buyer should be comfortable enough to remove their loan contingency — if their lender confirms that they are a strong enough borrower for the price they are offering. It's not up to the agent.

2. **Appraisal Contingency:** a few aspects to consider — the lender will loan up to 80% of the appraised amount. How does the home compare to similar sales and how many offers are being submitted? Speak with their lender to get their opinion on the borrower.

3. **Home Inspection Contingency:** Typically a full set of inspections will be provided. Be sure the buyer reads them, and if they have questions, obtain your own inspectors or contractors to look at the house before the offer date.

As the agent, you must be sure your buyer understands what this all means to them.

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A: The waiving of contingencies in a purchase offer is a significant choice. When a non-contingent offer is accepted by a seller, the buyer's earnest money deposit (customarily 3% of the purchase price) becomes non-refundable.

The buyer is agreeing to purchase the property in its "as is" condition, relying primarily upon the seller's inspection reports and disclosures to be fully informed as to the condition of the house.

Were the real estate market a more level playing field, waiving of contingencies would not be advisable. Contingencies give buyers the opportunity to conduct their own inspections and ensure that the property appraiser for the price they are paying for it.

Our current "bull" market essentially requires buyers to forego the safety net of contingencies and commit fully to closing their escrow without the certainty afforded by them.

Sadly, it is virtually impossible to prevail in a multiple offer situation these days without doing so.

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A: On the buy side, I ensure that buyers know their responsibility to diligently research and discuss with me all reported, gleaned, and potential aspects and issues of the property before waiving their inspection contingency, and if they do so, then be prepared financially and emotionally to embrace any forthcoming repairs.

I also advise sellers to disclose their property information with detail and transparency so that buyers are able to utilize that information meaningfully in their research.

Waiving a loan contingency should be done only after my clients and I discuss the file and opportunity carefully with their lender, who should be confident in the likelihood of the loan funding and closing on time.

It's crucial to use a local, reputable lender to ensure great customer service for my buyers as well as to instill confidence in sellers, who want a smooth escrow. This collaborative approach, with each professional providing expertise, ensures that my clients are well supported every step of the way.

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Long-term mortgage rates rise; 30-year loan reaches 5%

ASSOCIATED PRESS

WASHINGTON — Long-term U.S. mortgage rates continued to climb this week as the key 30-year loan rate reached 5% for the first time in more than a decade amid persistent high inflation.

The average 5% rate on the 30-year mortgage was up from 4.72% last week, mortgage buyer Freddie Mac reported Thursday. The average rates in recent months have been showing the fastest pace of increases since 1994. By contrast, a year ago the 30-year rate stood at 3.04%.

The average rate on 15-year, fixed-rate mortgages, popular among those refinancing their homes, jumped to 4.17% from 3.91% last week.

With inflation at a four-decade high, rising mortgage rates, elevated home prices and tight supply of homes available for sale, the goal of

homeownership has become the most expensive in a generation, Freddie Mac says. And this comes as the spring homebuying season begins.

Home prices are up about 15% over the past year and as much as 30% in some cities. Available homes had been in short supply even before the coronavirus pandemic started just over two years ago.

A government report Wednesday showed that the surging cost of energy pushed up wholesale prices a record 11.2% last month from a year earlier — another sign that inflationary pressure is widespread in the U.S. economy. Energy prices were up 36.7% from March 2021. The wholesale inflation report was issued a day after the Labor Department disclosed that consumer prices in March jumped 8.5% from a year earlier.

Want to contribute to Sound Off?

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