

What are the Important Parts of a Contract?

There are four main parts to every purchase and sale contract in real estate which happen to be the same for all contracting. These include the following:

- 1.) Identifying the Buyer – Identifying the buyer is critical because of the contract liability and in what name the property will be registered, who to sue for “breach of contract”, what type of entity is involved (single, married, divorced, corporate, LLC, trust, etc.) for the purpose of deed registration, what type of deed is needed for the transfer (limited warranty, warranty, quit claim, deed to trustee, etc.), and who is authorized to sign the contract, to name a few reasons.
- 2.) Identifying the Seller – Identifying the seller is also extremely important for almost the same reasons as identifying the buyer - because of the contract liability, does the seller have legal title to the property (issues such as unsettled probate, bankruptcy, divorce, and other issues must be reviewed carefully), who to sue for “breach of contract”, what type of entity is involved (single, married, divorced, corporate, LLC, trust, etc.) to make certain the seller has authorization to execute a new deed, and what type of deed is needed for the transfer (limited warranty, warranty, quit claim, deed to trustee, etc.).
- 3.) Legal Description of the Property – It is most important to have an exact legal description of the property that is involved in the purchase/sale of the contract. If the legal description is not correct, the buyer may have a court action ahead of him to get the correct property in his name, even if it was a simple typo. It is best that the seller copy the page in his title policy that shows the legal description of his property and add it as an addendum to his contract. It is also always best to check it against the public records just in case. Nowhere is this so great an issue than in new developments where the developer purchased a huge track of land and subdivided it into many small home plots or for condo towers. Your closing agent will check your work for you when he does his title work but do it right yourself if you write your own sales contract.
- 4.) The Contract Language, Terms, Clauses, and Addendums – All of the above three necessary parts to a contract would be meaningless if it were not for the contract language, terms, clauses, and addendums. This is where the “rubber hits the road” as they say. The terms of the purchase and sale are more important than the property and the actual property itself because without these “requirements” of the buyer and seller all exchanges of property would revert to “I said, you said” and transfers would be virtually impossible.

In conclusion, your contract to purchase a property is as strong as a deed if filled in and signed properly. Many court cases have ruled on contract validly after a seller changes his mind or something “happens” to disrupt the sale. If you have any questions about writing a contract, contact an attorney who specializes in real estate law.

Dave Dinkel with your Wednesday Minute

A Magic Moment - An attorney recently told me that being a lawyer in ancient times was only privy to the elite who could read. So his profession charged by the word – wouldn't you know! He went on to explain that contracts are so “wordy” for this reason today! I would have never guessed that since I have only paid by the hour - yea!

Don't forget to take a look at these important software programs:

www.ExcelRESoftware.com (Failure-proof your real estate investing)

www.RequiredFLDocs.com (Must-have disclosure documents for every Florida investor)

www.FSBOAutopilot.com (For Sale by Owner Professional selling system to sell any home in one weekend)

www.StopMyForeclosureMess.com (32 Ways to Instantly Stop Foreclosure)