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PROACTIVE PROBLEM SOLVING

The market conditions for real estate in the last two years have been, well, a little nuts. Following pandemic challenges, we've seen inventory drop and prices shoot up, which has created an extremely competitive market for both buyers and sellers. Sellers may experience multiple-offer situations, and buyers are having to compete more aggressively than ever. There is intense pressure, so when things don't work out as planned and the contract terminates, it can be heart-wrenching. However, both buyers and sellers can equip themselves to deal with some of the most common challenges that can interrupt or completely halt the sales process. Read on to find out the top reasons why homes fall out of contract (or terminate).

1. The inspector finds items that need to be repaired

A critical repair is one of many surprises that can show up while a home is "under contract", meaning the window of time between when an offer to purchase a home is accepted and when the keys are handed over at closing. After an offer is accepted, a buyer typically has a short time frame to hire a professional to conduct an inspection.

Home inspectors look at roofing, cooling and heating systems, as well as the electrical and plumbing of the house. They also may commonly flag issues with grout or tile, tears in the carpet, or countertops that need to be resealed – in other words, smaller repairs that could be handled by the seller without too much cost or effort.

Based on the inspection results, a buyer may ask for certain items to be fixed prior to the sale or for the seller to reduce the price to cover the cost of making repairs. If an agreement with the seller can't be reached, this is one of the first opportunities in the contract period when a buyer may be able to back out without losing their earnest money. In this very competitive market, a buyer might wish to waive the inspection altogether, which might not be in the buyer's best interest. In this case, the buyer might waive the right to object to *individual* issues discovered in the inspection but preserve the right to terminate the contract based on the inspection as a whole.

To avoid surprises, sellers could consider getting an inspection before listing a home so issues can be fixed up front or so sellers can be prepared to offer concessions in the contract. And of course, sellers can and should identify and make minor functional and/or cosmetic repairs themselves before ever listing the property for sale.

2. The home is appraised for less than the offer price

Did you know that cash buyers do not have to have an appraisal? Ordering (and paying for) an appraisal is at their discretion. However, buyers who need loans must follow their lender's requirements, which almost certainly include getting an appraisal of the property.

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When setting the listing price for a home, agents take several factors into consideration, including looking at recent comparable properties' sales. But today's competitive market means the seller may get offers that are far above the list price.

The challenge is that most lenders won't finance a home for more than the appraised value. If the appraisal comes in below the offered sale price, either a seller would have to agree to lower the sales price or a buyer would have to pay cash for the difference (called the "appraisal gap").

To make sure the buyer is protected, his/her agent can include a contract provision that allows a buyer to back out of the deal if the appraisal comes in short and a new agreement can't be made. A seller may be able to contest an appraisal if an agent is able to show comparable properties that sold for a higher price or demonstrate that the home received multiple offers at or above the asking price.

3. The buyer's financing falls through before the home can close

After the inspection and appraisal, both parties can feel more optimistic that the contract will close successfully. Fewer options remain that allow buyers to back out without losing their earnest money, which can reassure sellers that the buyer is serious about the deal. But when a buyer's financing falls through, a contract can be derailed, even just days before closing.

Early in the contract process, buyers should turn in all their financial paperwork to their mortgage professional so all that's left during the contract are the inspection, appraisal and final verification of income. The mortgage professional may need an updated credit score shortly before closing, so buyers should avoid purchasing new furniture on a credit card or buying a new car. These actions could change their credit score, impact their ability to qualify for the loan for which they applied, or impact the loan terms.

Some contracts have addenda to protect the buyer from unexpected emergencies such as a job loss that may jeopardize loan qualification. While there are some circumstances a buyer won't be able to predict, having as much of the loan process completed prior to putting in an offer can help set buyers up for fewer complications down the road.

Sellers can protect themselves by asking buyers who are making offers to provide proof of funds and pre-approval loan status before accepting an offer. And in a multiple offer situation, it isn't uncommon for a seller to simply rule out buyers who have loan contingencies and focus only on cash offers. So if the buyer needs a loan, the buyer should be pre-approved and able to document that the financing is in place.

Falling out of contract can be anything from inconvenient to catastrophic for buyers, sellers and real estate agents. Buyers and sellers can set themselves up for success by working with a real estate professional, and planning and preparing carefully for anticipated problems!

news.remax.com

REAL ESTATE BY THE NUMBERS

Hotchkiss Hotel sold! You may know the building as the "Hotchkiss Hotel" which recently sold for \$1.13 million! Construction was completed by Enos T. Hotchkiss over 120 years ago in 1897 and today the building is on the National Register of Historic Places. The building is faced with fired bricks sourced from clay pits near the Delta County Fairgrounds. The original hotel housed 50 guests; today, the building houses multiple businesses on the first floor, and rental apartments upstairs. The new owner intends to find a tenant for the restaurant space formerly known as PJ's, in an effort to keep that local and important community gathering spot a viable business.



EASE INTO CONSERVATION

You might have seen or heard recent press related to the Campbell Ranch in Hotchkiss. This local cattle ranch, located on the floor of the North Fork Valley between Hotchkiss and Paonia, has been owned by the same family for over 100 years, and they are choosing to put 410 acres into a conservation easement.

What, exactly, does this mean?

In real estate terms, an “easement” is, at its most basic, one party’s interest in another party’s property. There are lots of different kinds of easements – we frequently hear about utility easements and shared driveway easements. These easements give rights to those OTHER than the property owner. Sometimes, these easements can affect the value of the property that is burdened by them.

A *conservation* easement, which is voluntarily placed on the property by its owner, preserves a property in a certain way. The word “conservation” means just that; its objectives can include protection of water rights, ecological and environmental qualities, wildlife and habitat, scenic views, forestry and sustainable agriculture. The point is to conserve the current use and qualities of the property. Another common purpose of a conservation easement is to prohibit a property from being developed or subdivided into parcels intended for different use (think: selling a farm to a developer who builds lots of houses on it). Conservation easements “run with the land” which means they are permanent and future owners of the property must comply with the easement.

Other reasons to put property into a conservation easement could include significant federal and state tax benefits with regard to the valuation of the property. As with many conservation easements, because the property can never be developed, over time its value could go DOWN, which could be helpful for estate planning. There is also the potential for a charitable contribution tax deduction as well.

Because of the complexity and permanence of creating a conservation easement, the owner works with a land trust business such as Colorado West Land Trust to plan and execute the easement, develop a management plan to maintain the property, and ensure the transaction will meet IRS and state tax requirements. Thousands of acres on the Western Slope have been placed into conservation easements. To read the story about the Campbell Ranch or other neighbors who have made this commitment, visit www.cowestlandtrust.org.

Kvnf.org

Festivals, Fairs and local summer FUN!



All summer	Big B’s Friday Night Live in Paonia. Live music, camping in the orchard, shuttle to town.
All summer	Summer Music Series Happy Hours in Cedaredge. Bring your lawn chair!
All summer	VOGA agricultural events: tastings, gardening, permaculture education.
Jul. 2-4	Cherry Days in Paonia. Follies, Downtown Day, live music nights, and 4th of July Parade.
Jul. 21-24	Deltarado Days in Delta. LOTS to do: car show, parade, rodeo, BBQ and live music throughout.
Jul. 29-Aug. 6	Delta County Fair & Rodeo in Hotchkiss. 4-H riding/ livestock, broncs, rodeo, roping, live music.
August	Pickin’ in the Park in Paonia: Free Thursday evening live music concerts in the Paonia Town Park.
Sept. 23-25	Mountain Harvest Festival in Paonia celebrates the bounty of the North Fork Valley.
Oct. 7-9	Applefest in Cedaredge celebrates our local fruit growers with crafts, art, music, 5K run, and more!

For more information, visit any of these web sites: paoniacherrydays.com, deltacountyfair.com, vogaco.org, mountainharvestfestival.org, cedaredgeapplefest.com, pickinproductions.com.




THANK YOU!

Our charitable **14th Annual Yard Sale** was held on May 28 to benefit the North Fork Children's Christmas Party, and by all accounts it was a raging success!


Items were loaded into the Paonia Town Hall on the day before the sale, and we had interesting larger donations such as a huge wood wardrobe, office cubicle walls, a basketball hoop, furniture of all sorts, a pergola, chandeliers and lamps, shelving, tools, an air compressor, exercise and gardening equipment. Inside the Town Hall were household goods, arts & crafts supplies, holiday décor, artwork, books, music, fine crystal, jewelry, sporting equipment... you name it!

We're proud to announce that we raised \$3000, which is more than we had raised at the last sale in 2019! We look forward to the actual Christmas party in December. They'll need volunteers, so pencil it in your calendar!


This could not have been done without the help of SO MANY people in the community. WE THANK YOU!




RE/MAX Mountain West



POSTAGE



MLS



EQUAL HOUSING OPPORTUNITY

TO:

If your property is currently listed for sale, this is not intended as a listing solicitation.

COMMUNITY HIGHLIGHT

Have you ever visited the **Pioneer Town Museum** in Cedaredge? Step on to this 5-acre property with 24 buildings and travel back in time to the late 1800s/early 1900s. This museum, created by the Surface Creek Valley Historical Society, offers an interactive and deeply researched journey into life as it was in northern Delta County at the turn of the 19th century.

An Arboretum introduces visitors to native trees. Multiple structures, including grain silos, packing shed, general store and wood cabin are on the National Register of Historic Places. You could even get married at the quaint Chapel of the Cross! The museum is also a Scenic Byways Welcome Center. The Grand Mesa Scenic Byway travels right by the Museum so it's a natural fit to also display history related to the Grand Mesa, just a few miles to the north.

This museum is only open seasonally, from Memorial Day to the beginning of October, so now is the time to check it out. Visit www.pioneertown.org for more information!