

Possible Causes for a “Dead” Transaction

Nowhere is Murphy’s Law more prevalent than in real estate, simply because when you consider the length and complexity of any transaction, there are usually several opportunities for something – anything – to go wrong. The list below is NOT comprehensive; it’s simply the most commonly-cited reasons for a “dead” transaction.

A borrower can face enough challenges during the qualification stage alone to jeopardize the transaction if he or she:

- *Falsifies information on the loan application.*
- *Submits inaccurate personal or financial data to the lender.*
- *Has any late payments in previous 12 months on credit report.*
- *Assumes additional debt after date of loan application.*
- *Experiences change in employment status.*
- *Co-borrower (if any) experiences change in employment status.*
- *Income verification lower stated on loan application.*
- *Overtime income disallowed for underwriting purposes.*
- *Charges large purchase on credit before closing.*
- *Experiences severe financial setback during escrow.*
- *Lacks motivation.*
- *Gift donor revokes payment.*
- *Cannot locate divorce decree.*
- *Cannot locate petition or discharge of bankruptcy.*
- *Cannot locate tax returns.*
- *Cannot locate bank statements.*
- *Fails to provide verification of rent.*
- *No longer qualifies for a home loan due to rise in interest rates.*
- *Loan terms adjust to higher rates, points or fees.*
- *Does not disclose child support payments on application.*
- *Is a foreign national.*
- *Has declared bankruptcy within the last 2 years.*
- *Debt-to-income ratio exceeds 50%.*
- *Does not have steady 2-year employment history.*

- *Submits handwritten pay stubs.*
- *Switches to job requiring probation period before closing.*
- *Switches to job from salary to 100% commission-based income.*
- *Receives disapproval of the house from family or friends.*
- *Believes the property has been misrepresented.*
- *Expend funds due at closing.*
- *Does not properly document additional gift money.*
- *Does not provide cashier's check to title company for closing costs and down payment.*

As in any real estate transaction, both the buyer and the seller usually share the risk, especially with success so dependent on a myriad of factors outside the control of EITHER party.

A transaction is usually in danger of dying if the seller :

- *Loses motivation to sell.*
- *Cannot find a suitable replacement property.*
- *Will not allow appraiser inside property.*
- *Will not allow inspectors inside property in a timely manner.*
- *Fails to clear up liens against the property.*
- *Owens less than 100% of property as previously disclosed.*
- *Underestimates difficulty in obtaining partners' authorization.*
- *Leaves town without assigning Power of Attorney.*
- *Delays projected move-out date.*
- *Fails to complete repairs agreed to in contract.*
- *Goes into foreclosure on the property during escrow.*
- *Misrepresents home & neighborhood information to the buyer.*
- *Does not disclose all hidden or unknown defects.*
- *Miscalculates completion date of new home.*
- *Has too many cost overruns on new home construction.*
- *Does not pass final inspection on new property.*
- *Does not appear for closing.*

Oftentimes the agent of the buyer or seller is responsible for undermining the progress of any transaction, either inadvertently or otherwise if he or she:

54. Has no client control over buyer or seller.
55. Delays access to property for inspection and / or appraisal.
56. Has limited information on their client's financial position.

- 57. Does not submit completed paperwork to the lender in time.
- 58. Has little or no experience in this type of property transaction.
- 59. Takes time off unexpectedly during transaction or is unreachable.
- 60. Does not work in good faith with other parties to the transaction.
- 61. Does not provide sufficient service on behalf of their clients.

Considering that the property is the essence of real estate, the transaction can be annulled if it:

- 62. Contains septic system not approved by state or county.
- 63. Has substantial termite report damage.
- 64. Was misrepresented as to size and condition.
- 65. Was destroyed prior to closing of transaction.
- 66. Has been deemed structurally unsound.
- 67. Has been deemed uninsurable for homeowners insurance.
- 68. Has been incorrectly zoned.
- 69. Encroaches on surrounding property.

While certainly not the most visible party of a transaction, the escrow / title company acts as the clearinghouse for virtually every document involved in the process, which can present a variety of issues if the company:

- 70. Fails to notify lender/agents of unsigned / unreturned documents.
- 71. Fails to obtain information from beneficiaries, lien holders, insurance companies or lenders in a timely manner.
- 72. Allows principals to leave town without providing necessary signatures.
- 73. Misplaces or misrepresents paperwork.
- 74. Does not forward valuable information in a timely manner.
- 75. Does not coordinate transaction tasks efficiently.
- 76. Does not deal with minor issues in a flexible manner.
- 77. Does not discover liens or other title problems until the last minute.

As the source of the valuation of the property, the appraiser may not be approved by the lender if he or she:

- 78. Is not familiar with the local market.
- 79. Has a prior record of falsifying appraisals.
- 80. Does not adhere to appraisal submission schedule.
- 81. Cannot cite any available comparable sales.

- 82. Is not already on the lender's "approved list."
- 83. Skews property value either too high or too low to be supportable.
- 84. Requires a second or "review" appraisal.

Often overlooked, the property inspection is critical to any successful closing, but in some instances, it can prove detrimental if the inspector:

- 85. Is too busy to schedule inspection when needed.
- 86. Is too strict about condition of property.
- 87. Is not available when needed.
- 88. Provides a report that alarms the buyer and sale is cancelled.