

## Recent Changes to the Regional Sales Contract, the VA and FHA Financing Addendum

These changes have unified the forms used in the region. All jurisdictions using the Regional Sales Contract will now also be using the same VA and FHA Financing Addendum.

### 1. Regional Sales Contract:

Paragraph 11 of the Regional Sales Contract has been modified so that all substantive terms pertaining to VA or FHA financing are now consolidated in the appropriate addendum. Instead, the new paragraph allows you to select which financing, if any, applies and reminds you to select the corresponding addendum.

### 2. Financing Contingency Addenda:

The old “VA/FHA Financing Contingency Addendum” (K1332) is no longer. In its stead, two forms were created: the “VA Financing Contingency Addendum” (K1339) and the “FHA Financing Contingency Addendum” (K1340).

#### A. Changes common to both forms:

(1) Contingency: In the old form, “VA/FHA Financing Contingency Addendum”, the Buyer could make the contract contingent or not on the VA or FHA financing. That is no longer an option in these forms. Instead, if you have a client who wishes to apply for VA or FHA financing but not make the contract contingent upon obtaining the financing, then look for the old clause in our clause library online at: [NVAR.com](http://NVAR.com).

(2) Appraisal (the terms were in the Regional Sales Contract and are now in Paragraph 3 of the new addenda): Pursuant to VA and FHA rules, if the appraisal comes back even one dollar short of the agreed upon purchase price, the Buyer has an absolute right to cancel the contract without forfeiting his/her deposit. This right is expressed in Paragraph 3A of each of the new forms. However, in case of a low appraisal, the parties have further options if they wish to re-negotiate the terms of the contract. Those options are outlined in Paragraph 3B of each of the forms. In the event of a low appraisal, the Buyer may (1) elect to proceed at the agreed upon price stated in the contract or (2) request that the Seller reduce the price to an amount no higher than the appraised value.

#### B. Changes VA Financing Addendum:

(1) Termite Inspection: A new provision has been added to the form which not only indicates which buildings will be part of any termite inspection, but also allocates the cost of the termite inspection to the Seller. This allocation of cost reflects the current VA policies for payment of the termite inspection. If your client is relying on VA Financing, make sure you make the appropriate selection in Paragraph 16 of the Regional Sales Contract so that the two provisions are not in conflict. Both should reflect that the Seller is paying for the termite inspection.

#### C. Changes FHA Financing Addendum:

(1) Termite Inspection: A new provision has been added to the form which indicates which buildings will be part of any termite inspection. Please note that this provision differs from its counterpart in the VA Financing Addendum as it does not allocate payment of the costs for the termite inspection. The parties are free to negotiate who pays for the termite inspection.