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FAR/BAR FINANCING CONTINGENCY

THE ONE THING

If you do not use the FAR/BAR financing contingency before the Loan Approval Period expires, you lose its protection. Calendar the deadline and send written notice: move forward, terminate, or request more time.

BUILD THE CONTINGENCY

Choose the right payment method

A cash transaction may still use a mortgage, but the deposit is not protected if the buyer cannot obtain financing.

Complete the loan terms

Identify the loan type, amount, term and rate. If the rate is blank, FAR/BAR uses the prevailing rate, but a specific maximum can better protect affordability.

Apply promptly

The default application deadline is five days. The buyer must use good-faith, diligent effort and timely provide the lender's requested documents, fees and information.

Use the correct rider

Attach the applicable FHA/VA rider. Federal loan programs may provide protections that cannot simply be waived in the contract.

KEEP EVERYONE INFORMED

- The buyer must keep the seller and brokers informed about the loan application and property-related approval conditions.
- The contract authorizes status discussions with the lender and closing agent, including whether the appraisal is complete and whether requested documents were supplied.
- Calendar an internal review about one week before the Loan Approval Period expires.

BEFORE THE DEADLINE

- If approved, or satisfied with the ability to obtain the loan, the buyer should provide written notice that the transaction is moving forward.
- If unable to obtain approval after diligent effort, the buyer may terminate in writing before the Loan Approval Period expires and recover the deposit if not otherwise in default.
- If more time is needed, request a written extension before the deadline and give the seller a concrete reason and evidence of progress.
- If the buyer does nothing, the financing protection is lost and the transaction proceeds as a cash deal; the seller may also obtain a short termination window.
- Property-related conditions, particularly condominium eligibility, insurance or reserve issues, can still matter even when the buyer personally qualifies.

REALTOR CHECKLIST

- [ ] Was the financing box selected and completed?
- [ ] Was the application submitted by the deadline?
- [ ] Is the buyer responding promptly to the lender?
- [ ] Has the lender confirmed appraisal and approval status?
- [ ] Is the Loan Approval Period calendared?
- [ ] Was written notice sent before it expired?
- [ ] Is an extension or FHA/VA rider required?

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