



**ADDENDUM CONCERNING RIGHT TO TERMINATE DUE TO LENDER'S APPRAISAL**

Use only if the Third Party Financing Addendum is attached to the contract and the transaction does not involve FHA insured or VA guaranteed financing



**CONCERNING THE PROPERTY AT:** \_\_\_\_\_  
(Street Address and City)

The financing described in the Third Party Financing Addendum attached to the contract for the sale of the above-referenced Property does not involve FHA or VA financing. (Check one box only)

(1) **WAIVER.** Buyer waives Buyer's right to terminate the contract under Paragraph 2B of the Third Party Financing Addendum if Property Approval is not obtained because the opinion of value in the appraisal does not satisfy lender's underwriting requirements.

If the lender reduces the amount of the loan due to the opinion of value, the cash portion of Sales Price is increased by the amount the loan is reduced due to the appraisal.

(2) **PARTIAL WAIVER.** Buyer waives Buyer's right to terminate the contract under Paragraph 2B of the Third Party Financing Addendum if:

(i) Property Approval is not obtained because the opinion of value in the appraisal does not satisfy lender's underwriting requirements; and

(ii) the opinion of value is \$ \_\_\_\_\_ or more.

If the lender reduces the amount of the loan due to the opinion of value, the cash portion of Sales Price is increased by the amount the loan is reduced due to the appraisal.

(3) **ADDITIONAL RIGHT TO TERMINATE.** In addition to Buyer's right to terminate under Paragraph 2B of the Third Party Financing Addendum, Buyer may terminate the contract within \_\_\_\_\_ days after the Effective Date if:

(i) the appraised value, according to the appraisal obtained by Buyer's lender, is less than \$ \_\_\_\_\_; and

(ii) Buyer delivers a copy of the appraisal to the Seller.

If Buyer terminates under this paragraph, the earnest money will be refunded to Buyer.

\_\_\_\_\_  
Buyer

\_\_\_\_\_  
Seller

\_\_\_\_\_  
Buyer

\_\_\_\_\_  
Seller

(1) This is a full waiver. Meaning no matter what the appraisal comes back at, your buyer will pay the difference between the accepted offer price & the appraisal amount. Be very careful when selecting this box and ensuring that your buyer has proper funds to make up any difference.

(2) This is a partial waiver. In blank ii, you will usually put the list price of the home. Meaning if the appraised value comes in BELOW the price you put in box ii, you still have the right to back out and retain earnest money. If the appraisal comes back in higher than the amount listed in box ii, BUT STILL LOWER than your offer price your buyer must pay the difference between the accepted price & the appraisal amount.

Example: A house is listed at \$300,000. Your client offers \$310,000, BUT puts in \$300,000 in box 2 of the partial waiver. The appraisal comes back at \$305,000. Your buyer must now pay the \$5,000 appraisal difference.

Example: A house is listed at \$300,000. Your client offers \$310,000, BUT puts in \$300,000 in box 2 of the partial waiver. The appraisal comes back at \$295,000. Because it didnt hit at least the partial waiver amount of \$300,000, your buyer has the right to back out and retain earnest money or you may negotiate further with the seller.

(3) Additional Right to Terminate, while rarely used, creates an additional appraisal-based termination right beyond the protections already contained in the Third Party Financing Addendum. By selecting this option, the parties are specifically acknowledging and agreeing for a second time that the buyer may terminate if the appraisal comes in below the amount inserted in the blank, provided the buyer delivers the appraisal to the seller within the stated timeframe.

This can be used when the appraisal is not expected back until very close to closing, since the standard Third Party Financing Addendum termination rights in regards to property approval expire 3 days before the closing date specified. It may also be useful when a buyer is putting a large amount down and the lender may still approve the loan despite a low appraisal, but the buyer still wants a contractual exit option tied specifically to value.