

# 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.*

Barbara Momsen, CRS  
858-207-1220  
[www.BarbaraMomsen.com](http://www.BarbaraMomsen.com)

**RE/MAX**   
**Ranch & Beach**

16730 Bernardo Center Drive  
San Diego, CA 92128  
[BarbaraMomsen@cox.net](mailto:BarbaraMomsen@cox.net)

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**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.*
- *Owns 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:**

- *Has no client control over buyer or seller.*
- *Delays access to property for inspection and / or appraisal.*
- *Has limited information on their client's financial position.*
- *Does not submit completed paperwork to the lender in time.*
- *Has little or no experience in this type of property transaction.*
- *Takes time off unexpectedly during transaction or is unreachable.*
- *Does not work in good faith with other parties to the transaction.*
- *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:**

- *Contains septic system not approved by state or county.*
- *Has substantial termite report damage.*
- *Was misrepresented as to size and condition.*
- *Was destroyed prior to closing of transaction.*
- *Has been deemed structurally unsound.*
- *Has been deemed uninsurable for homeowners insurance.*
- *Has been incorrectly zoned.*
- *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:**

- *Fails to notify lender / agents of unsigned / unreturned documents.*
- *Fails to obtain information from beneficiaries, lien holders, insurance companies or lenders in a timely manner.*
- *Allows principals to leave town without providing necessary signatures.*
- *Misplaces or misrepresents paperwork.*
- *Does not forward valuable information in a timely manner.*
- *Does not coordinate transaction tasks efficiently.*
- *Does not deal with minor issues in a flexible manner.*
- *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:**

- *Is not familiar with the local market.*
- *Has a prior record of falsifying appraisals.*
- *Does not adhere to appraisal submission schedule.*
- *Cannot cite any available comparable sales.*
- *Is not already on the lender's "approved list."*
- *Skews property value either too high or too low to be supportable.*
- *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:**

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