



SHINE BRIGHT

ADDENDUM, AMENDMENT, WHAT'S THE DIFFERENCE ?

"On the face of it, the two words can seem interchangeable – especially to home buyers and sellers with limited contract experience. But as savvy real estate professionals know, there is a vast difference between an 'addendum' and an 'amendment' as they apply to real estate contracts.

An **addendum** – there's significance in the first three letters – **adds** something to an existing document, and it becomes part of the original document once it has been accepted by all parties. It is essentially an explanatory note citing certain requirements that were not specified in the original document. Once accepted by both buyer and seller, the addendum becomes a part of the legal and binding contract.

An **amendment**, on the other hand – (amend means modify) – makes **changes** to an existing contract for the purpose of correcting or improving the original document. It typically includes supplementary information that was not spelled out in the original agreement.

While both an addendum and an amendment can alter the content or terms of a purchase agreement, it's a matter of when you apply it that dictates which is used.

Let's say, for example, that your buyer submits an offer on a home with the expectation of operating a home-based business on the property – but it's not yet clear whether local ordinances will allow that. In such a case, you might prepare an addendum to the contract stating that the purchase is contingent upon verification that the buyers may operate a business in the home. The addendum becomes part of the original offer submitted, and if the offer is accepted, it becomes part of the agreed terms.

But say that you've gotten the purchase agreement accepted, all parties have signed, and you're moving forward toward closing. Then the appraisal comes in at a few thousand dollars lower than the agreed-upon price. The buyer wants the seller to drop the price, but the seller balks. If they can come to an agreement somewhere in the middle in order to save the deal, then the contract is amended and the transaction continues.

In short, an addendum is used to clarify and require agreement on items that were not a part of the original contract – while an amendment changes something that was part of the original agreement. Understanding the difference can protect your clients and increase the odds that more transactions can move forward to closing.

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