

CHAPTER 1 - CONTRACTS

Notes:

Real estate transactions are ruled by specific documents such as leases, listings and offers to purchase. Such documents spell out the contractual rights and obligations agreed to by parties to certain transactions. Therefore, much of this chapter addresses the general area of law known as contract law. An understanding of contracts is essential in dealing with real estate. In simple terms, *a contract is an agreement enforceable by law.*

Essential Elements for Valid Contracts

Contracts that meet all legal requirements are valid and enforceable, which means that either party can hold the other party responsible for his or her agreement. Three requirements must be met before a contract is valid:



1. Offer and Acceptance

To have a valid contract, there must be a *meeting of the minds (mutual assent)*, nominally evidenced by an offer and acceptance.

An offer is made by an offeror and expresses that person's willingness to enter into a particular agreement. The **offeree** is the *person to whom the offer is made*. When the offer is accepted by the offeree, a contract is formed. Unless the offer specifies a particular period of time for acceptance, it is considered to be held open for acceptance for a reasonable time. A newspaper or online advertisement usually is not regarded as an offer but merely an invitation to negotiate.



If an offer states a time for acceptance but fails to indicate "**time is of the essence**," the courts could allow acceptance after the period for acceptance expires. If "time is of the essence" is stated in the offer, acceptance must generally occur within the period specified or the offer is canceled automatically.

If the offer fails to specify the form for acceptance (letter, telephone call, telegram or even performance), the offer may be accepted in any reasonable manner. Under the Statute of Frauds (below), offers and acceptances for real estate transactions must be in writing. Acceptance does not take place until the offeror is notified, which usually is by delivery of a signed accepted copy of the offer to the offeror.



a) Revocation of Offer

If the offeror did not receive any consideration for making the offer, the offeror can withdraw or revoke the offer any time prior to its acceptance. This applies even when the offeror promised to keep the offer open for a specified period of time. The act of placing an acceptance in the mail is acceptance; however, a mailed revocation of an offer does not take effect until it is received.

If you need further explanation or perspective, remember the valuable online Q&A resource. For this Uniform course, in your browser type www.macrealestate.com/UNIFQ&A.htm or click the link in the Uniform e-book while online.