

The most common grounds for a seller to cancel a purchase agreement are set out in the California Residential Purchase Agreement and Joint Escrow Instructions (“CA-RPA”), which prescribes ten reasons why a seller may cancel. The cancellation provisions are found in Paragraphs 14C (1) and (2), and in Paragraph 14E of the CA-RPA.

Regardless of the reason, the seller must give some type of notice to the buyer, however (either a Notice to Perform or a Demand to Close Escrow) before the seller can cancel.

**Seller may cancel if the buyer, after being served with the appropriate notice, fails to perform any of the following:**

1. The buyer fails to remove the applicable contingencies.
2. The buyer fails to deposit the earnest money deposit or increased deposit into escrow.
3. The funds for the earnest money deposit or increased deposit are not good funds when deposited.
4. The buyer fails to deliver the prequalification letter.
5. The buyer fails to deliver verification of down payment and closing costs.
6. Such verification is delivered, but the seller reasonably disapproves of the verification.
7. The buyer fails to return the TDS, NHD, lead disclosures or other disclosures if required to do so.
8. The buyer fails to sign a separate liquidated damages form for an increased deposit.
9. The buyer fails to deliver notice of FHA or VA costs or terms when there is either an FHA or VA loan.
10. The buyer does not close escrow on time.

These are not the only reasons that a seller may cancel the CA-RPA; other cancellation rights may be written into the contract, and of course, a seller and buyer may cancel the contract by mutual agreement. But beyond the reasons specifically stated in the CA-RPA or addendums, sellers should be directed to consult with their own attorney for advice.

Source: California Association of REALTORS® “How a Seller May Cancel a Purchase Agreement: Checklist and Q&A.” [www.car.org](http://www.car.org)