

CONTRACT LAW IN INDIANA

STUDY SHEET

Summary

During your career in real estate, you'll spend a good deal of time working with contracts. Your relationship with clients? Governed by contracts. The relationship between buyers and sellers? Governed by contracts. This section introduced you to contracts and contract types, their performance and discharge, and forms of termination. And that's just a start—but that's all for this section.

Top Takeaways

- Per the statute of frauds, real estate contracts must be in writing.
- Contract types include:
 - » Express vs. implied
 - » Bilateral vs. unilateral
 - » Enforceable vs. unenforceable
 - » Valid vs. invalid
 - » Void vs voidable
 - » Executed vs. executory
- The four essential contract elements are: legally competent parties, offer and acceptance (aka mutual agreement), legal purpose, and consideration.
- Ways a contract can terminate: performance, assignment, novation, rescission, or breach.

Take a look back at your notes for these items:

- Essential elements of a contract
- Methods of performing and discharging contracts
- Remedies for breach of contract

Rescission—cancelling or terminating a contract, with the effect of returning the parties to their original positions before the contract was made

Performance of a contract—when all contract terms and conditions have been met

Assignment—when the contractual obligation is transferred from one person to another; if the assignee cannot fulfill the terms, the assignor is responsible for following through, unless otherwise noted in the contract.

Novation—the creation of a new agreement between parties

Breach of contract—the failure of one party to meet one or more contracted terms

Six ways to remedy a breach of contract—accept partial performance, accept liquidated damages (usually the earnest money deposit), unilaterally rescind, mutually rescind, sue for damages, sue for specific performance

Time is of the essence—the parties will proceed in good faith and try not to unduly delay the process

Statute of frauds—a law stating that contracts involving the creation or conveyance of an interest in real property must be in writing to be enforceable

Offer and acceptance—requires mutual agreement of terms

Consideration—something of value, including a promise to do or not do

Legally competent parties—being of the age of majority and possessing mental soundness

Legal purpose—must be for a lawful reason
Must be in writing—per the statute of frauds, required for contract validity when the nature of the contract is real property