



BUYER HOW TO WINNING A HOME

When homes have upwards of five to 10 offers, it might seem impossible to have your offer accepted. Depending on the home, you may want to use one or more of the following strategies.

☐ LETTER TO THE SELLER

We see two types of sellers. The first type of seller looks at selling their home as a business transaction. If you are buying a home from one of these sellers, they just care about the bottom line. The second type of seller is more emotionally attached to the property. They look at their home as a place full of memories, and they want to know that they are passing their home to someone who will love it and take care of it as much as they did. When writing your letter, we are focused on this type of seller. We have had buyers' offers accepted even if they'd offered less money because of the letter they have written.

☐ PRICE

Everyone likes money. Simply put: the more you offer, the more likely you are to have your offer accepted. At the same time, no buyer wants to overpay for a property. To try to achieve these competing goals, we can use a tool called an escalation clause. An escalation clause is placed in an offer that allows you, the buyer, to automatically counter other offers without the fear of overpaying.

Here's how it works: we state that you will pay over any other competing offer, typically in \$1,000 increments. To make sure you don't pay more than you would like for the house, we will place a maximum amount you will pay. To ensure the seller doesn't try to deceive us, we require the seller to show us the other offer as part of the process.

Here is the actual clause we will insert into the contract:

Buyer hereby offers to purchase the Property for an amount that is \$1,000 higher than the next highest written offer

to purchase the Property, up to a maximum purchase price of [BUYER MAX PRICE] upon the terms stated below:. Seller agrees to provide Buyer a copy of the next highest written offer within 1 day of the binding agreement date. Upon receipt of the next highest written offer (Outbid



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Offer), the price escalation clause will be invoked and all parties agree to execute an amendment to the purchase and sale agreement stating the final purchase price as defined above within 24 hours of Buyer's receipt of the Outbid Offer.

If you decide to use an escalation clause, we will need to figure out your maximum offer price. The majority of homes are currently being sold above list price and many above comparable sales. Because of this you, will need to ask yourself several important questions: 1. How long do I plan on living in this home? 2. Am I comfortable paying above what recent homes have sold for? 3. Is this the right time for me to buy? 4. What does this home mean to me?

If you plan on living in the home for a while, are comfortable with paying above recent comparable sales, know this is the time to buy, and feel as if this is your dream home/right investment, then the next question to ask yourself is at what price do I walk away? Or, another way to think about it is, at what price are you not upset about losing the home over? Once you know how much is too much to pay, we will be able to determine what your maximum offer price is.

☐ **LUCKY NUMBER**

Have a lucky number? Then let's use it! Most buyers write offers rounded to the nearest thousand. To avoid a tie, we suggest you make an offer to the nearest dollar. So if you want to make an offer with lucky triple 7's at the end, then let's make the offer \$XXX,777. Legal software is not written with cents in mind, so we will need to have a whole-dollar amount.

☐ **APPRAISAL CONTINGENCIES**

When writing offers at higher and higher amounts, there is an increasing chance the property will not appraise. Appraisals are done to prevent buyers and lenders from overpaying on a property. If you make an offer with an appraisal contingency and the property appraises for less than the offer amount, then we will ask the seller to reduce the sales price. If the seller doesn't lower the price, then you can pay the difference in cash (the amount paid is not applied to your down payment) or ask the seller to meet you in the middle. If the seller does not wish to lower the price to the appraisal amount or meet you in the middle, you



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may walk away from the property and receive your earnest money back in full as long as all this is done within the time frame laid out in your appraisal contingency.

To increase your chance of getting an accepted offer, we have a few choices to make when regarding the appraisal contingency. The first choice is to have an appraisal contingency. If you wish not to place an appraisal contingency in the contract, you will be responsible for paying the difference between the appraised amount and the contract amount at the time of closing. Whatever you pay will not be counted towards your down payment but it will count towards the purchase price of the house.

If you choose to move forward with using an appraisal contingency, you can increase your odds by agreeing to pay an amount over appraised value but not paying more than the contract price. For example, you can say you will pay up to \$10,000 above appraisal if the appraisal comes in low. (this \$10,000 would not count toward your loan down payment). By paying an amount over appraisal, the seller will have some comfort that he is getting the highest price for his home.

A third and less-risky option is to shorten your appraisal contingency time frame. Most lenders request appraisal contingencies to be 21 to 25 days in length. During this time, a seller takes their home off the market. If your lender is able to do it, we can shorten the timeline to 10-15 days. The downside to this strategy is if your lender is unable to have your appraisals performed and approved within the shorter time frame and the property does not appraise for the purchase price, you will need to pay the difference or risk losing your earnest money and potentially more if you back out of the deal.

☐ **EARNEST MONEY**

Increasing the amount of earnest money might be one of the least risky ways to make your offer stand out. Typically we suggest buyers put 1% of the offer amount as earnest money. To increase your chances, you can increase that to 5% to 10% or even more. Earnest money is seen as a good-faith gesture that you will not back out of the contract. If you purchase the property, your earnest money is applied to your down payment/closing costs/purchase price.

If you back out of the contract during your due diligence period or terminate the contract based on the reasons laid out in financing and appraisal contingencies during the timelines stated in the contract, the earnest money funds will be



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returned in full. As with everything in life, there is still a risk; to reduce this risk, stay on top of your deadlines, be honest to your lender, and turn in paperwork asap.

☐ **OPTION MONEY**

Option money (or funds) is an amount of money you pay sellers for them to accept your offer. These funds are not refundable. Even if you terminate during due diligence, the seller gets to keep your option money.

☐ **CLOSING COSTS**

One major cost of buying a home is closing costs. Closing costs vary depending on the financing method/loan, closing attorney, and lender's fees. The best estimate will always come from your lender since the largest variant is the lender's fees. To increase your chances of having an offer accepted, you should pay your own closing costs in full or as much as you can afford.

☐ **DUE DILIGENCE PERIOD**

After price, due diligence can be one of the most important numbers you negotiate. Listing agents are seeing a trend of buyers placing properties under contract before they even view them in person; once the buyer visits the property, many buyers are changing their mind and terminating during their due diligence period. This act has placed a bad taste in listing agents' mouths and is one of the reasons why we are seeing shorter and shorter due diligence time frames.

In years past, it was not uncommon for buyers to ask for seven to 14 days of due diligence, now we are seeing three to four days. In some cases, we have seen buyers not ask for a due diligence period at all.

But before you decide to shorten your due diligence or even eliminate it, we want to make sure you understand your risk:

1. If you terminate your contract after your due diligence ends (and if you don't have another contingency in place) you'll be in breach of contract. This means you risk losing your earnest money or a possible lawsuit.
2. You will have little to no time to hire an inspector and do all your research on the property.



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If you find yourself comfortable with these risks, then shorting a due diligence period or eliminating it altogether is a great way to have your offer noticed by a seller.

☐ **FINANCING CONTINGENCY**

Your financing contingency protects your earnest money when you are not approved for your home loan. However, if you and your lender do a little additional footwork at the beginning of your search, you will be able to shorten or even eliminate your financing contingency from your offer with reduced risk. The first step to securing your financing is to be honest with your lender about your debts, income, and credit. The second is to not apply for any other forms of credit or make any large purchases during your home search. Third is to supply your lender with all documentation requested as soon as they ask for it. Finally, have your lender underwrite your file before we even find your future home.

☐ **FINANCING TYPE**

It is our experience that many sellers prefer certain forms of financing over others. While it is not possible for most, if purchasing your home with "cash" is at all feasible, if not desirable, then we can use that to our benefit. If your agent knows beforehand that you have enough assets to cover your purchase in "cash," then we can write a "cash" offer. Even though you submit a cash offer, you are not required in most circumstances to pay "cash" for your home. We can simply check one box and you are able to finance the transaction by obtaining a loan.

After cash, most sellers prefer conventional loans. While these types of loans are preferred, they are not all seen as equal. A seller paying more towards their downpayment is seen as a stronger buyer than one who is putting down less. We understand sometimes buyers have the means to put down more money than they would like to. Just as if you are a "cash" buyer, we can use this to our advantage. We can state in the contract that you are putting down a higher amount of funds toward your down payment to show that you are a strong buyer; as long as you still qualify for your financing by placing a smaller percentage down, then you may close on the property by only paying the lower amount toward your down payment.



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For example, You are able to pay 20% of the purchase price but only would like to pay 5%. We can state that you are doing a 20% conventional loan and as long as you qualify for 5% down; you can close with only 5% down.

Some government-backed loans such as FHA, VA and USDA are not looked at as strongly by agents as conventional or cash offers. While these loan types have many benefits for buyers; some sellers dislike them because they have government regulations tied to them, resulting in additional requirements placed on the sellers that are not present with conventional or cash offers. Because of this, we might have to be more creative in other areas to get your offer accepted.

☐ **LENDERS**

You will come across countless ads for national lenders while watching TV or searching the web. Some advertise their low rates, the awards they have won, and high customer satisfaction. All these can be true, but many sellers will suggest or require that buyers be pre-approved with a local or preferred lender.

This request/requirement is usually for one of two reasons: the seller, their agent, or brokerage have a financial relationship with each other or the second reason, which is the most common in our area, is the seller or their agent have had a bad experience with large, web-based, and/or national lenders. If this is the case, the sellers believe if you use a lender they trust or a local lender, the house is more likely to appraise, close on time, and have fewer complications through the sales process.

As your agent, we want what is best for you. If you are planning to use a national lender, we will support that decision and work with it to have a smooth transaction. However, in order for your offer to be accepted, it might be a good idea to get pre-qualified from a local lender. In most scenarios, sellers cannot require you to use one lender over another, but sellers can tie contingencies, closing costs, price, and other items to the use of a particular lender.

☐ **PERSONAL PROPERTY**

When walking through a well-designed home, it is hard not to fall in love with some of the seller's belongings, and after buying a house, the last thing you want to do is purchase a new refrigerator. While it might be very tempting to ask for personal items as part of the purchase of a home, it almost always makes your



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offer look less desirable. When shopping for a home we ask that you keep your eyes on the price, the home, and not any of the items located within it.

☐ **SELLER ACCEPTING AN OFFER**

Regardless of the seller's motivations for selecting the winning offer, most sellers are looking for certainty. Certainty for sellers comes in two forms: 1. someone who will love and cherish the property as they did and 2. a buyer who is most likely to close with the highest take out for the seller. This doesn't necessarily mean the highest bid wins; in our experience, it's usually the second or third highest offer that is being accepted. What those second- and third-place finishers have that the highest offer does not is more certainty, usually by offering fewer and shorter contingencies and higher amounts of earnest money.

CONCLUSION

Our team's goal is to be a source for all our clients; it isn't to make you take unnecessary risks or make decisions that you may later regret. We explain the ways you can improve your offer so you can be fully educated about the risks. We will help you make the most informed decision when submitting an offer on a property. We are here to support your thought process and answer any questions you will have. In the end, we will work together to get you your dream home.