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Your Questions Answered: Our Best Tips For a Successful Home Offer

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Strategies to help you win the house.

That place with the creepy dungeon basement: nixed. The condo without a bathtub: pass. The mansion with the home theater: not likely.

If you're at the offer phase in your home buying journey, you've probably seen a lot of undesirable properties in your search. That's why finding the perfect new place can be such a rush! You don't want to do anything to lose the home, but knowing where to begin crafting the best offer in a competitive market can be tricky.

#1 The Components of An Offer

Q: What, exactly, is an offer? Some buyers think the offer is just about the dollar value, but there's more to it than that, right?

A: An offer is both the price and terms you're offering for a particular piece of real estate. It generally includes how much you want to pay, the closing date, whether you're asking the seller to include furnishings or buy down the interest rate of your mortgage, and so on. It will also include

contingencies which, if not met, allow you to back out of the purchase and get your earnest money refunded to you.

The best offers hit on the sellers' soft spots. Sometimes sellers want cash or a bigger down payment. Sometimes they want a longer closing date. And sometimes they want to keep their stuff. Finding out what's important to the seller is the key to winning.

#2 Why You Might Not Want to Make an Offer At an Open House

Q: Can you just visit an open house and make an offer? If you do, what paperwork do you need to have on hand?

A: Yes, you can make an offer at an open house, but it's probably not a great idea.

If you visit an open house without an agent, you'll likely need to sign in. And unless you name your agent, you will at that time effectively be represented by the seller's agent in a potentially dual agency relationship. That means that if you make an offer on that property, you won't have anyone representing your interests.

You'll need a checkbook for the earnest money deposit, and you may need other paperwork to fill out. But again, this is a terrible idea because you're making an offer without representation (legal or broker) in the heat of the moment. Try to avoid this, even in a very hot market. You'll likely overpay for the property!

#3 Why You Put Skin in the Game

Q: Why is an earnest money deposit important? Buyers will be making a down payment anyway, right?

A: The earnest money deposit is important for sellers to feel that you, the buyer, have skin in the game and won't walk away from the deal. It's essentially the sum of money you put down as proof to the seller that you're serious about the buy.

That's why putting down a substantial amount is important when you want to put together a winning offer; think 1% to 3% of the sales price of the property. If you back away from the deal for a reason that isn't covered by a contingency, you'll lose the earnest money deposit -- and who wants to lose money for no reason?

#4 Common Contingencies

Q: What's a contingency, and do buyers often negotiate them?

A: Contingencies are addendums to the contract that give buyers the ability to walk away from a deal without losing their earnest money deposit. Sellers want as few contingencies as possible, and buyers want as many as they can get.

The most popular contingencies are:

- A finance contingency**, which allows you to back out of the property if you don't qualify for a mortgage (and would not be applicable if you're buying with cash).

- An inspection contingency**, which allows you to back out of the deal if you don't get a good or workable report from your home inspector or other inspectors and contractors who might be looking at specific issues like lead, pests, or radon.

- An attorney rider**, which gives your attorney the right to approve the contract. This one typically isn't included in states where real estate attorneys are not used to close home deals.

Technically, you can make an offer without any contingencies, but then you're taking on a significant risk.

#5 Make an Offer That Means Something to the Seller

Q: Is increasing the total offer amount the only way to counter a counteroffer on a home? Could the buyer offer the seller something else to get them interested, like waiving an inspection?

A: The most effective offers are able to answer the seller's biggest concerns or issues. For example, if the seller is most interested in money, then you should focus on the dollars. If the seller hasn't found a place to live, he or she might be more interested in time than money, and you might want to explore either a sale-leaseback or picking a closing date that is more in line with what the seller wants. These could tip the ball in your favor compared with other offers.

Remember, not all sellers are alike, but there are a handful of things they all want: money, time, furnishings, or to get out of a sticky situation. As the buyer, you have to figure out which weighs heaviest in the seller's mind and try to appeal to them on that front.

#6 How Your Agent Helps You With Offers

Q: What's the agent's role in making an offer or counteroffer?

A: A great agent should be your eyes and ears on the ground so you can get a sense of the larger market throughout your home search. When you've found the right place, the agent should work with you to think through the true value of the property and help you construct your offer.

When you make an offer, your agent presents it to the seller's agent. Offers have to be written in order to be legal and binding. Then, the seller

and their agent will discuss your offer and decide whether to accept it as is, or counter the offer (known as a counteroffer).

If the seller counters your offer, then they will return your paperwork with your price or terms crossed out and new pricing and terms written in. Your agent will present their counteroffer to you, and at that point you can discuss whether you want to accept it or counter their counteroffer. Often, the seller will assume that if they counter, you'll agree to some mid-point, which may or not be the case; your agent can help you come to an agreement or compromise here.

Sometimes, a seller will receive multiple offers all at once, or the agent will hear that there are multiple parties preparing offers. If that's the case, then the seller's agent might ask all interested parties to present their "best offer," and the seller will pick from those.

Unless you're buying at an auction, there's really no benefit to buying without an agent. The seller isn't going to cut you a deal because you don't have an agent of your own, and the seller's agent will end up with the full commission. In my experience you won't get a better deal this way, and you'll have no one guiding you through your single biggest purchase. Why do it?

#7 How Market Conditions Affect Offers

Q: What are the biggest differences between making an offer in a buyer's market vs. a seller's market?

A: There are a couple of differences:

How fast you move. (Pretty darn fast in a seller's market, especially if there's a bidding war brewing.) How much you offer.

In a buyer's market, where there are more available homes for sale than buyers who want them, you'll be able to make a lower offer and take your time. In a hot seller's market (where there isn't enough housing inventory to satisfy demand), you'll have to offer a lot more and decide almost immediately how to proceed.

#8 Avoid Offer Mistakes

Q: What are the biggest mistakes first-time home buyers make when making their offer?

A: Timing is a big problem for first-time buyers (and all home buyers, really). It's hard to know how long each stage of the home buying process will take if you've never done it before. For example, in the beginning, you might not know how long to sign a lease agreement for your rental while you're trying to buy.

Then when you're ready to make an offer, it's hard to know how much to put up, especially in a competitive or even really hot home buying market, which is what we're in right now. You should work closely with your agent to see exactly how much homes in the area are selling for compared to the list price.

In some cases, homes will sell for more than the list price in a matter of hours. (Hello, Denver and San Francisco!) In that case, you're best off offering as much as you can or making your best offer first -- even though that's a really scary thing to do.

#9 Make Your Offer a Standout

Q: How does a buyer make their offer stand out from the pack?

A: When we bought our house nearly 25 years ago, we wrote the sellers a letter about how much we loved their home and how we would probably renovate it but not tear it down. When we couldn't quite meet their offer (we simply couldn't afford another penny), I believe writing the letter helped make the case for us. More people do that today, and it often will work.

It helps to remember that sellers can be really emotional. They're leaving a home they've likely invested in financially, emotionally, and socially. They've got roots there and may have raised a family in the home. You just need to understand what's important to the seller so that you can write a letter that is meaningful, authentic, and personal. That, and offering top dollar will usually work!

It's an incredible feeling to find a property that speaks to you, so it's important to know what you're getting into when you're ready to make an offer. Work closely with your agent, learn how to speak "contract" so you can structure the best offer, and try to connect with sellers from the heart. The more intentional and thoughtful you are, the better your chances of getting that new home!