

Making an Offer

Don't waste time on minor details - get an answer to the most important question first: Will the seller accept the price I am willing to pay?

You will usually get all the basics right upfront. Such as, location, size and condition. That is really all you need to start the offer process.

What are the essentials I should know before I can make an offer?

- Be familiar with the area the property is located in
- Have knowledge of the current market - Is it a buyer's market or a seller's market?
- Know what comparable properties are selling for
- Know how long it is taking for similar properties to sell
- Know what your financing options are
- Know the minimum profit you will accept
- Determine the maximum price that will work for you

Q: What if I am interested in a property, but the listed price is too high?
Make an offer for the price you are willing to pay. The worst that can happen is the seller will counter at a higher price or reject your offer.

Q: What should I do if the seller counters at a higher price or rejects my offer?
Here are some options:

If you are really interested in this property, find out more about the property to see if you can rework your bottom line. If the numbers are feasible, come back at a higher price or accept the counter offer.

If the seller still won't see things your way, wait a reasonable amount of time (how long depends on the market, but usually two to three weeks is sufficient) Check and see if the property is still on the market, if it is just resend your original offer. Periodically resend your original offer until the seller accepts it or the property goes off the market.

Q: Shouldn't I call first to see if the seller is willing to come down on the price?
No - talk is cheap. Put it in writing. Sellers want to see those dollars signs and promises.

Q: Do I wait until I hear from these offers before I look for more?
No! New listings go on the market every day. That means you have to be looking every day. A good bargain will go fast so you must be the first one. Every time you see a property that interests you - Make an Offer!

Q: As a rule, should I ALWAYS offer less than the seller's asking price?
In general, the seller will tend to ask more expecting less, but there are always exceptions to the rules - especially in a seller's market. If you like the property and the price falls within what you are willing to pay grab a contract and go for it. You will have more offers accepted when you offer what the seller wants or you are

within a few dollars of what they are listing for. In fact, if you want the property, the listing price is what you are willing to pay and there are other buyers wanting the property —You may even want to make your offer more attractive. That may include offering a larger or non refundable earnest money deposit, offering to close quickly and not including any contingencies.

Ten Steps to Successful Offers

1 Get a good general Purchase and Sale contract

There are many options for creating a contract. You can purchase pre-printed contracts at an office supply store, create one that is similar to those approved by your local Realtor association, or have an attorney draft one for you. It is important to use a contract that is easy for the average homeowner to understand. Your contract should include language and clauses that protect you as a buyer but you don't want to use a contract that is so one-sided it automatically alienates the seller.

2 Include the Inspection Contingency Clause

Be sure your contract gives you the right to cancel without penalty if the inspection is not to your satisfaction. This clause may look something like this:

The buyer has a _____ day right to inspect the property and right to cancel without penalty if for any reason in the buyer's sole discretion that inspection is unsatisfactory.

The length of time you need for due diligence will vary depending on the type of property. Check the appointment wait time with any service providers you intend to use (inspectors, contractors, auditors, etc..) and give yourself ample, but reasonable time to make a decision. Five to ten days may be sufficient for modest residential properties. Coordinating times with a tenant or evaluating commercial properties may take longer. If you find you cannot meet the deadline – ask for an extension in writing.

3 Agree to deposit the earnest money within _____ days of acceptance

Your contract should state that you will pay the earnest money deposit within a specific amount of time after acceptance of the contract. This way you can put in multiple offers without tying up multiple earnest money deposits. You won't have to put in money up until your offer is accepted or until the inspection period has been completed. Don't get too stingy with the deposit amount. Check with a local realtor for an estimate of the minimum earnest money deposit that is customary for your target market. If you are asking the seller to give you a specific timeframe for a free look, then promise them at least the customary earnest money deposit.

4 Have your contract reviewed by a professional

There may be specific addendums that are required in your target area. If you are working through a Realtor or expect to make offers on homes that will have realtor representation, get a copy of the applicable standard contract from your Realtor or

local Realtor association. Review this contract in the same way – to be sure your contract form is ready completely to your specifications.

5 Fill in all the blanks that can be answered the same for any property

For example, you can fill in your name and address as the buyer, your financing contingency information, when you expect a response to your offer (within 24 hours), who will pay which costs, whether or not the contract will be assignable, etc... When you are ready to make an offer, having your contracts ready will save time and help cut down on last minute omissions or mistakes

6 Run off 100 copies of the basic contract you will use

Now when you find a property you like all you have to do is fill in the seller's name, the address of the property and the price you are willing to pay. This will streamline your offer system as well as help you avoid forgetting an important clause or contingency. Be sure to keep plenty on hand. You don't want to give a willing seller time to rethink their decision while you try to find a contract.

7 Start making Offers!

Go through all your resources and when you see anything that interests you – Grab one of those contracts and make an offer! Make an offer on any house that interests you.

8 Make a file for each property

Include a copy of the listing, contact information and any other notes you have on the property.

9 Send your Offer to the Seller

Contact the seller (or their agent) to get the fax number or other details on how to submit your offer. Confirm the offer was received. Include a copy of your offer in the property's file.

Wait for the answers. The seller can accept, counter or reject your offer. Give top priority to any accepted offers. An offer is considered 'accepted' if the seller signs the contract exactly as written, without making any changes or modifications. The clock starts ticking immediately upon acceptance and you have only the contract specified timeframe to find out all you need to know about this property. Be prepared to schedule the inspection and any other due diligence as soon as possible. If you decide not to follow through with the purchase, you must notify the seller in writing prior to the expiration of the inspection period.

Next, review the counter offers. If the seller changes the offer in any way, this is a counter-offer that kills the original offer. If you agree to the changes, you simply initial the changes, and notify the seller that you have a deal. If you don't agree to the changes you can notify the seller that you don't accept the changes or respond with your own counter-offer. Again, if you don't accept the counter offer exactly as written – the offer is void and the newly changed contract becomes the only offer in play. Examples of a counter offer include:

- Changing the price
- Increasing the size of the earnest money deposit
- Refusals to pay for certain reports or fees
- Changing service providers
- Altering closing or possession date
- Excluding personal property from the contract
- Modifying contingency time frames

A mere request for information is not generally considered a counter-offer. Keep rejected offers on file. Don't be discouraged if the seller rejects your offer. Just wait a few weeks, and if the property is still on the market, send your offer again.

10 Following through on an accepted offer

Your exact responsibilities could vary depending largely on what type of property you are buying and what you agreed to do in the contract, however these steps are standard in most real estate transactions:

- Review the contract and make a list of what you are required to submit or fulfill and the timeframes involved. Examples include earnest money deposit, notifying the seller of loan approval and closing date.
- If you are purchasing with cash, arrange for funds to be transferred in time for the closing.
- If you will be financing the purchase, send a copy of the accepted contract and the contact information for the seller or their agent, the closing agent and your insurance provider to your mortgage professional and begin the application process for the mortgage.
- Arrange for insurance coverage. Check with your mortgage processor for any additional or special insurance requirements.
- Contact the closing agent to verify contact information and any other requirements. Ask for a preliminary HUD-1 Settlement Statement with an estimate of closing costs.