

## **REAL ESTATE 101 (To be a smart buyer read all topics)**

### **The Offer to Purchase**

Topic Objective; To inform home buyers basic information about preparing the offer to purchase.

You have completed your home search and are ready to make an offer on a home. Who do you look to for advice? Are you the type of person that thinks "I know how to negotiate," "I don't need any advice?" Or maybe you feel you respect your father and will depend on his wisdom.

If you have made a wise decision and hired an exclusive buyer agent you should depend on that agent for advice on what to offer and how the offer to purchase should be drafted. Your agent should have the knowledge of the housing market that is needed to place a value on the home. Most other people will not have all the knowledge to properly advise you on what to offer for the home.

A buyer should ask his/her agent the following questions before agreeing to a purchase price offer.

1. Is it a "buyers" or "sellers" market?
2. How many similar homes are on the market in the area we would live in?
3. How long have those homes been on the market?
4. Are there 3 or more similar homes in the subdivision that have sold in the last 6 months?
5. What was the average sale price of those homes?
6. What extra features does the home you have chosen have that these homes do not?
7. What is the average cost per square foot on these homes?
8. What major expenses can be anticipated to keep the home maintained?
9. Does the home have potential for good resale value?
10. How motivated is the seller to want a contract?

The agent should consider your priorities such as; Which is more important: to buy the home for as little as possible, or to make sure that you get the home? Your agent will most likely recommend one of the following procedures to follow.

1. Try to get the first offer just close enough to the sellers acceptable level that they won't tempt to get more by making a counter offer.
2. Make your first offer low enough so that your highest offer will stop at the half way mark between the list price and your first offer price.

Make some conditions in the offer that you won't mind taking out as you negotiate. If you have more than one home that you are considering, don't be afraid to risk losing the home you have chosen. Keep in mind that from an investment position you need to buy your home "right". Which means you will want: good location, resale potential and to buy the home under market value.

Be ready to document a loan approval. The document should always reveal approval for a loan at your offered purchase price, never your maximum loan approval.

You should want the contract to include the following contingencies: loan approval, appraisal value at or above purchase price, pest infestations, and other inspections such as: mechanical, structural, radon, mold, and other possible environmental conditions such as lead paint, asbestos, etc.. Know what you are asked to sign. When you have signed a contract it is assumed you have read the contract. Be aware that a verbal agreement is not enforceable when purchasing real estate.

Self Evaluation:

1. An exclusive buyer agent should be trusted to give you the proper advise on what to offer for the home. \_\_\_\_ True \_\_\_\_ False
2. Sold comparables from the same neighborhood and less than 6 month old should be used to determine the value of the home. \_\_\_\_ True \_\_\_\_ False
3. It may be necessary to risk losing the home in order to get a good buy on the home. \_\_\_\_ True \_\_\_\_ False
4. The contract must be in writing and signed by both parties before it is enforceable. \_\_\_\_ True \_\_\_\_ False

Answers:

1. (T)
2. (T)
3. (T)
4. (T)