

Topic 8: Searching For and Purchasing the Right Home

Topic Objective: To inform the home buyer about the home search and negotiation process.

Before leaving on a trip to tour homes, you should have an understanding with your agent as to how you will view homes and negotiate offers to buy. You should be exposed to all of the homes that meet your criteria.

Home Viewing Tips For Buyers

- Take no more than 10 minutes to look at a home.** The procedure should begin with looking at the first floor, including the kitchen, dining room, living room, and/or great room. If these rooms do not meet your needs, there is no need to look at other areas of the home. If the first floor arrangement will accommodate your needs, look at the bedrooms and bathrooms. If you now have a home that you might consider, go to the basement and check out the foundation and any finished areas in the basement. Assuming you like the interior of the home, tour the yard and exterior of the home. As you are being driven to the next home, classify the home into one of three categories:
 - A home to consider purchasing
 - May need to consider
 - Definitely will not consider-
- **Rate home acceptance.** For those homes that you classify as a home to consider purchasing, take the time to record the features you liked. Also record what may not be acceptable. Follow the same procedure for the homes you place in the may need to consider category. After placing more than one home in these two categories, begin ranking the homes as you see them.
- **Agent's evaluation.** If you devote three hours to your search, you most likely will view 11 to 12 homes. Your exclusive buyer agent will be familiar enough with the housing market to have selected several homes that meet your criteria and will know when he or she has found a home that you should consider buying. In this case, the agent should inform you that the home is most likely one of the better homes you will find in the price range you have chosen. However, a good buyer agent should not use sales techniques to influence you to make an offer on the property.
- **Seller/buyer market.** If the market is a "sellers market," you may want to stop your search when you find a home that meets your needs. If it is a "buyers market," you may want to look at 30 or more homes before making a decision on which home you want purchase.
- **For the best search results,** compress your search time into two or three consecutive days. With this approach, in most markets, you will see homes that will be representative of homes that will be on the market at any one time. In most cases, if you do not find your home in this two- to three-day search, you will be limited to waiting and seeing homes that have been on the market only a few days. If you must extend your search and see new listings only, you most likely will pay the asking price, or close to it, as sellers are not likely to accept reduced offers without testing the market over a longer period.
- **Good buy opportunity.** A "good buy" opportunity is normally on those homes that have been on the market for 60 days or more. These sellers may be motivated to take 10 percent (or more) below market value to meet their own personal needs. Keep in mind that some homes may be a good buy at the listed price. An experienced buyer agent will know which

homes are good buys as you view them.

- **Ideal situation.** The ideal situation is when you have found two or three homes that meet your needs and you can take the risk of losing a home while negotiating terms.
- **Review property.** Before making an offer on a home, you should return do a thorough review of the property. The review should address the following questions:

1. Is the foundation cracking, or does it have bowing in/out conditions?
2. Is there a drain pit with sump pump installed?
3. Are the floor joist free of cracks and loose knots?
4. Are the floors level and free of creaking?
5. Are there cracks in the sheet rock or plastered walls?
6. Do all doors close properly?
7. Is the carpet worn or stained?
8. Are there water stains on the ceiling?
9. Do the windows open adequately?
10. Is the water pressure adequate?
11. Are windows or screens damaged?
12. Do all cabinet doors and drawers work properly?
13. Does the dishwasher have rust on the racks or door?
14. Do any faucets need repair/replacement?
15. Does the shower floor have any cracks?
16. Do the shingles need replacement?
17. Is the exterior paint in good shape?
18. Does exterior siding, trim, and/or windows reveal any wood rot?
19. Will rain water drain off the lot properly?
20. Is there sufficient fill dirt around the foundation?
21. What is the age of the furnace and air conditioner?
22. Is all flat concrete work in good repair?

The Offer Process

Your agent should help you assess the condition of the property prior to preparing an offer. This assessment should not be considered an inspection. It should be considered an evaluation for determining your offering price and conditions. If there are some major problems, they should become repair or replacement requirements and conditions of the offer. After a contract is secured, the buyer should always hire a certified inspector to conduct mechanical, structural, and termite inspections. In some areas, it is recommended a radon test be conducted. Likewise, if the property displays chipped paint in a home built prior to 1986, a lead-based paint assessment may be necessary. Additionally, older homes should be inspected for asbestos materials. These materials may be found in pipe wrap, air duct wrap, 9" floor tile, plaster and/or sprayed ceiling texture.

The purchase offer should contain options for the buyer to negotiate unacceptable conditions and/or void the contract. For good negotiation results, include only the major things that must be improved. The reason you will want these items in the offer is so you do not waste your money on inspection costs if the seller is not willing to make the repairs or improvements. Often, after the seller is committed, you will be able to negotiate having the seller make improvements on less costly items that your agent will identify as unacceptable conditions.

Prior to making the offer, your agent should do a search for comparable sold properties. Rather than depend on a summary of the properties sold, it would be preferable to have the listing detail for all the similar homes that were sold in that subdivision in the last year. The listings details should provide a history of how long the homes stayed on the market before being sold. Average days on the market is one way to evaluate the marketability of one subdivision over another. In addition to comparing the number of bedrooms, bathrooms, garages, and other areas such as dining rooms, kitchens, great rooms, living rooms and hearth rooms, it is important to evaluate the square-foot costs of each comparable. While your agent won't likely have accurate costs data for extras such as whirlpool tubs, fireplaces, screened porches, and hardwood floors, you should be able to estimate the value for these items.

Before writing an offer, determine what you might use as incentives for the seller to consider accepting a lower than expected price for the home. For example, some of the following may be more important than the price to the seller.

- Flexibility on closing and/or possession date. If a seller needs a quick close, this may save you several thousands of dollars if you can close quickly. On the other hand, the seller may be building a new home and be uncertain about when the home will be available. If you can be flexible with the possession date, it may be worth more than the seller's cost of renting an apartment and storing of furniture.
- No uncertain contingencies, such as selling your own home or getting a home loan approved.
- Willingness to accept a cash credit, rather than demanding all unacceptable conditions be repaired and/or replaced.
- Large earnest money deposit.

Negotiating tips for buyers:

- When setting the purchase price on the property, buyers should determine their highest priority -- saving money or making sure they get the property. There are two theories for setting the offering price:
 1. Determine an offer less than the asking price that is close enough for the seller to accept, without the risk of making a counter offer and losing the buyer.
 2. Determine where the seller may settle, and start your offer at double the difference below asking price.
- Make sure the offer is contingent upon loan approval, full purchase price appraisal value, and all inspections. Don't commit to non-refundable earnest money.
- Don't procrastinate in making an offer, because, while you may want an evening to think about the offer, someone else may be buying it or making an offer with which you will have to compete. If you are uncertain about the property, make a low offer or one with contingencies that will give you options to void the contract.
- Before signing a contract, make sure you understand all commitments you are making and all responsibilities of the seller and buyer. Once you sign a contract, it is assumed you have read it.
- If it is a "sellers market," demand that your agent personally present the offer to the seller. Do not depend on the listing agent to be fair as to when and how the offer will be presented to the seller. Also, be available to respond quickly to a counter offer.

Tips for buyers after the offer has been accepted:

- If you do not understand the title commitment document, ask the appropriate title company employee to explain the sections you do not understand. Some policies may come with some exceptions not covered by the policy.
- Do a final walk-through on the property, preferably after the sellers have moved, to ensure the home is in the condition it was in when the contract was written and that all unacceptable conditions have been corrected.

Lastly, expect your buyer agent to join you at closing to ensure any unexpected problems will be taken care of.

Self evaluation on searching for and purchasing the right home

1. It is best for buyers to spend 10 minutes or less per home and look at many homes before choosing 2 or 3 to thoroughly review.

True False

2. It is not necessary to have the property inspected by a certified inspector, as the home will need to be appraised.

True False

3. Flexibility on the closing and possession date can be used effectively to negotiate a good savings on the purchase price.

True False

4. Unacceptable conditions should not be considered a contingency in the contract.

True False

Answers: **1.** (True) **2.** (False) **3.** (True) **4.** (False)