
*Magnificent Manors Team of Keller Williams
Metro Center*

Understanding a Real Estate Offer

When considering an offer from a buyer, we typically think about price only. An offer consists of other components, in addition to price, and they are called the terms. The seller should weigh both price and terms and not judge the offer solely on price. You may be overlooking some appealing provisions or not so appealing provisions that affect the “costs” associated with the sale of your house. Examples of terms that are beneficial to the seller include the buyer accepting the house "as is", a quick closing, buyer paying the closing costs or an all-cash deal. Terms that could add to the cost of the sale to watch for are delayed closing dates, seller assistance with closing, contingencies with extended due dates, and sale of home or closing of home contingencies.

First, you must ask yourself what you want out of the deal. Has the house been on the market for a long time with few offers? Does the house have some problems that the buyer is willing to fix? Are you being transferred and need a fast closing? Do you want a delayed possession until your children are done with school for the summer? In some situations, an offer with appealing terms may be more attractive than one with a higher price.

An offer may also contain unattractive terms, such as a contingency clause based on the sale of the buyer's house, the buyer's ability to secure financing or a satisfactory home inspection. That is why you should always take your time to review an offer. Read it carefully and weigh the components against your priorities and needs to make sure you are comfortable with your decision.

Remember, in a multiple offer situation, the seller is not obligated to accept the highest priced offer or the first one that is presented. Until you formally accept the offer by ratifying it, you are free to entertain new offers and continue to negotiate with multiple buyers.

Here are some additional considerations:

1. What transaction costs are involved and who will pay for what? Typical closing costs for the seller include the commission, attorney fees, wood destroying insect inspection, transfer taxes, congestion relief fee and recording fees. Use these costs as a negotiating point. If the offer is lower than the asking price, counteroffer with a stipulation that the buyer pays some of the seller's closing costs.
2. What fixtures, furniture and appliances are being sold with the home? Anything that is permanently installed in the home is considered real property and is included in the sale. There are many gray areas, though. What about a chandelier, window treatments, a shelving system, appliances? If you plan to remove anything attached to the home, be sure to stipulate that item does not convey in the contract. You can also use these in the negotiation.
3. How much money is the buyer putting down as an earnest money deposit (EMD)? You can often judge the seriousness of an offer by the amount of earnest money a buyer puts up. You should be suspicious of any offer that is not accompanied by a cash deposit or a very small EMD.
4. Are there any sweeteners? A sweetener is a term or condition that makes the offer more attractive to you. For example, the seller agrees to pay closing costs or the buyer allows you to stay in the house for three months while your children finish the school year.
5. Is the buyer pre-approved? A buyer who presents a pre-approval letter as part of the offer is more attractive than a buyer who offers a pre-qualification letter or no assurances about his financial strength, even if his offer is higher. Before you spend time negotiating, you want to know how qualified the buyer is to make this purchase. Depending upon the amount of the down payment, you may want to request a letter from the bank that certifies there are sufficient funds available.
6. How quickly can the buyer close the deal? An offer that stipulates a closing date 21 to 30 days out is an indication of their seriousness. They probably already have their financing arranged. You should question someone who needs 50 days or more to close. Are they hoping with this additional time they can find financing? Don't be caught in the trap of someone with uncertain financing.

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7. What are the negative terms? A negative term is anything that makes the deal less attractive to you. Contingencies, a condition that must be met before the contract is binding, will always favor the buyer. Common contingencies include: the property appraises for the sales price, the home passes the inspections and the buyer obtaining loan approval. Another common contingency is the successful sale of the buyer's home. This contingency could significantly delay your closing or even be an opportunity for the buyer to void the contract, but it can also be a way to negotiate a higher price.

 8. Is the price acceptable? This element of the offer is last on the list for a reason. You can't really know if the price is acceptable until you've thoroughly reviewed the other components of the offer. Only then can you make a determination about whether you'll accept the price. Remember that price is only one part of an offer.

Oh, by the way...if you know of someone who would appreciate the level of service we provide, please contact the Magnificent Manors Team of Keller Williams Metro Center with their name and business number. We will be happy to follow up and take great care of them.

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