Help Buyers Win in a Competitive Market
Rebuild Your Business for the Post-Pandemic World

The face of the American homebuyer is changing. From migration shifts spurred by remote work to demographic changes and the impact factors such as the gig economy, there's a lot to consider and to keep up with the order to succeed. Throughout our training program today, we're taking a look at the evolving needs and makeup of the modern American homebuyer.

The real estate party is in full swing for 2022. It's important to look at some of the predictions from industry experts.

Is there a housing bubble?
The one thing that I keep getting asked over and over is, 'Is this a bubble?' If you look at what's going on with home price appreciation, it feels bubble-ish. But if you look at the fundamentals behind it, it's hard to say it is. Certainly, a bubble could be forming in some segments of the market. The potential bubble is fueled by two factors:

1. The desire to move out of urban areas and into less crowded, suburban areas [which lack inventory]
2. The historically low interest rate environment fueled by the expansionary monetary policy of the Federal Reserve to buttress the economy.

Our market is a function of supply and demand. The demand is real, based on need. Inventory and interest rates are low one day and high the net day, but since mortgage requirements continue to be strict, only qualified buyers are purchasing. (Interest rate value range)

We don't have a bubble; we just have unhealthy home price growth. The sharp rise in home values, while unusual, isn't a sign of a bubble. It's hard to find an argument that says it will fall part. The National Association of Realtors predicts the housing market will cool rather than crash in 2022.

Keep in mind, national news states we have more jobs available than employees. We have 7 generations living today with more than 148 million Generation Z and Millennials that has entered the workforce and with growing desire and demand for homeownership as a first-time homebuyer.

The foundations of this housing market look far more stable than those of 15 years ago. The supply of homes for sale has fallen to all-time lows, and borrowers are more creditworthy than ever.

The Housing Market
The housing industry and market experienced dramatic unsustainable growth, double digit appreciation, since COVID-19 swept the nation in 2020. The lifestyle changes triggered by COVID-19 have galvanized much of the employed population to start searching for new homes.

It's important to keep in mind that COVID-19 has rendered the qualities and amenities in family living.

With millions of Americans working from home and engaging in remote learning, there is a desperate need for more space. Furthermore, after spending more time in our homes than ever before, many of us have begun to see the flaws in our current residences and yearn for something new.

While the low inventory is driving up prices, the fluctuating interest rates are keeping properties affordable and are driving demand in suburban markets. Therefore, the limited supply coupled with the fluctuating interest rates are intensifying the demand. Although home prices appear to be inflated, they are, in fact, adhering to the principles of supply and demand.

Bidding wars have become routine and homes have flown off the market mere days after being listed.

With the 30-year fixed mortgage rate fluctuating as high as 7% in some cases based on your client's credit score. Home affordability is tough for first time homebuyers and those with fixed income.

I don't see a housing downturn approaching. I see a healthy real estate market that is the engine to a healthy economy.

A great 2022 is forecast because:

- More homes will come on the market – downsizing, upgrading, selling that second home, vacation home for cash flow
- Builders are back to building quick to meet demand
- Mortgage rates will remain adjustable and perhaps fluctuating daily
- Demographic trends are creating new buyers
- Lending standards will remain full qualifying – affordability and sustainability
- Foreclosure activity is muted - Most homeowners have a comfortable equity cushion in their homes. Lenders haven't been filing default notices during the pandemic, pushing foreclosures to record lows in 2020, however lenders are back to addressing mortgage delinquency.

All of that adds up to this consensus: Yes, home prices and interest rates are pushing the bounds of affordability. But no, this boom shouldn't end in bust.

The Power of Communication
The single biggest problem in communication is the illusion that is taking place. Two people can hear the same sentence, and can come up with different translations. The goal of effective communication is ultimately to make something happen. Communication is more than words. It is our tone, our presence, our voice, our accent, our mood, our intent and, of course, our body language along with video recordings.

Add, the quality of the information sharing. Whether we like it or not, how we communicate sets the compass for what happens next in your business model.

Follow Up – Follow Through – Prospecting every day. – Business and Marketing Plan
The significance of following up, touching base and chasing the client shouldn't be undervalued.

- Follow up in a timely manner. Prepare one generic email template and send it out every new connection. Try multiple channels. Persistent doesn't mean daily. Each follow-up call, email or message should be as respectful, polite and humble in attitude as your first one was. Always say thank you.
- Have a plan for your call, email. Use dual approach when connecting. i.e., Mr. & Mrs.
- Phone call as a method of connection and engagement
- Email, text, Facebook or a message on LinkedIn, live Zoom meeting, pre-recorded messages
- Keep detail notes of all activity and communication in your transaction file
- Always send a fresh mail and messages continuously

The Competitive Edge You Need to Stay Ahead
During the COVD-19 pandemic, real estate practitioners are still struggling to effectively scale their business model, tack on challenges presented by not being able to connect in person and it's clear that brokerages are navigating a unique set of obstacles. Unfortunately, it doesn't look like the world is going back to normal anytime soon.

As COVID-19 situation has slowed down, the industry will continue to need a solution that keeps buyers, sellers, landlord and tenants and partnerships along with alliances connected, regardless of where they're located.

Housing Services Momentum Reframed – Giving your clients a simple and seamless experience at every stage of their real estate transaction.
Moving forward, our business model should be designed for service, serving and promoting housing affordability and sustainability. Buying a home today is now long-term commitment.

As a subject matter expert in homeownership, what this means is, you will need to offer streamline, digitizing and modernizing the end-to-end benefit services, technology, options and systems for connecting and engaging along contract performance tracking. There is no such thing as a "one-shoe fits all housing program nor the details of a single transaction.

Creating a better way that prioritizes your prospect and clients experience and promotes a "self-cure" of their housing resolution with a multi-channel campaign that includes both digital and print touchpoints is what we need to aim for today in serving our prospects and clients.

It is more important than ever for you to invest in education, implement solutions and systems to reach, connect and engage new consumers. This effort should be executed daily. Add on the necessity to meet the consumer's expectation of service and convenience in developing a "full-service" concierge platform capable of crafting resolutions to fit specific housing needs.

All to the above mentioned will differentiate yourself among the market of tens of thousands of real estate practitioners in your service area by being innovated, forward thinkers and continuing to grow in our ever-changing housing market, while remaining dedicated to your community buyers, sellers, landlords and tenants, providing a terrific experience in dealing with you with end results of future referrals.

Working With The New American Buyers

Homebuyers crave affordable, transparent, time-saving transactions. When buyers begin looking for a home, they often get wrapped up in the important details like style, the number of bedrooms and bathrooms and square footage. They don't always consider the quality-of-life issues that may impact they ability to enjoy the home. They should keep in mind:

- **Transportation** – consider traffic jams, gas prices, access public transportation options and commute times
- **Public safety** - proximity to police, fire and emergency medical services, hospitals
- **Off-street parking** – Is there a garage? How many cars will it hold? Is there parking available when you have guests or entertain? Can you park on the street? (HOA rules city and county code)
- **Recreational facilities** such as playgrounds, parks and pools, fitness centers, coffee shop. Are they nearby? Is there a fee for these amenities?

Buyers need to be realistic. There are no perfect homes or communities. They need to make sure the essential features that they require are included, be prepared to compromise on some of the items they wish for. In addition, they need to select a home that will be reasonable to maintain, in terms of both **utilities** and **future maintenance** and repairs.

Ten Questions to Ask Yourself When Considering a Move to a New Area

Being realistic about a potential move to a new area is vital to being successful. Since there are many different cities, suburbs, and towns to move to, making decisions on the place to live can be a difficult task. Buyers should understand moving is costly, but until the real figures are revealed, buyers cannot get the actual amount that will be deducted from their budget. Based on the AMSA, (American Moving and Storage Association) an average of **$5,360** is needed to move to another state. Making the move a success if you are to break a lease or put in a lot of work to sell your home, then you might be required to spend several thousand more. Before planning a move, buyers should ask these questions:

1. What is the real estate market situation in the new area?
2. What are your goals, short term and long term?
3. Does the new town' cost of living fit your budget now and in the future? What's the job market situation there like? Is moving from your current job worth it?
4. Is the health care available nearby sufficient for your long-term goals, or will you have to drive a considerable distance to see specialist?
5. Do you know anyone in the new town? If no, do you make friends easily? Is there access to highways, lodging and airports so your friends and family can visit?
6. Will you be comfortable with the climate year-round? Does the snow or the heat bother you?
7. Does the new destination offer an enjoyable lifestyle – arts, dining, festivals, golf, swimming, shopping safe trails for biking and walking, continuing education, church?

What is here that I'm going to need in the new area? Nail salon, barber shop, coffee shop, pizza delivery, hot spots, etc. What am I losing if I move there? What am I gaining in the new area?

8. How do the school systems operate?
9. How much is gas where I am going? How much does it cost to register my vehicle?
10. Do I have a plan "B" if things don't go as planned?

Don't expect to find the answer to this right away, because it won't happen until you've already made the move. But be cognizant that every step you're taking is with the intention to move forward and not just because you're restless and you want a change of scenery. You've got to know that if you're in a rut and you're not happy where you are, it'll take work on your (research, verification, discovery) part to change that no matter where you go. Don't expect a new city to do that for you. Sometimes, you need everything around you to be different to see what parts of you are controlled, and what parts are variable. That's fine. But never assume that just because you've changed your address, things will get better.

Building Credibility and Trust Today
Nothing beats competence and expertise when it comes to trust in the real estate practitioner/buyer relationship. One way is through your website's content. Other ways, be available, just be yourself, be consistent, be found on various internet channels and last but not least be an Expert and you will be successful.

Building credibility and trust doesn't happen overnight. You have to remain consistent in your messaging as a subject matter expert, understand your buyer personas and deliver on your promises.

Today, most buyers…

- Use the internet to search information they want before making a call to a real estate practitioner
- Expect business' websites to be user-friendly no matter which device they are using
- Trust what other people share online to make decisions which provider to contact. In other words, today, online reviews and ratings, play a critical factor in the decision-making process of consumers.
- Have a harder time making decisions because there are so many options to choose from

Enhance your Marketing Efforts – Use a Checklist – Current and Immediate Data
Only then will you become the go-to provider in your niche. Trust is essential for a home purchase, especially when shoppers today have countless options available at the click of a mouse. In addition, consider utilizing the following as a check list in marketing your niche services.

- Design a specific mobile friendly website for your niche; focus on the buyer, share the human side of your business, add "About Me"; Use an FAQ page to address buying concerns; add instruction video, free checklist, free YouTube download, etc.
- Get testimonials from satisfied customers; encourage reviews on Yelp
- Connect through social media
- Display professional affiliations on your website (partnerships, relationships, designations, resume)
- Add educational content marketing, be a trusted resource – database marketing
- Be consistent with your brand image, message, your design and delivery
- Be accessible

- Know your niche and market area
- Be honest – be transparent, be genuine
- Value added services at no cost
- Avoid selling a solution that isn't in the client's best interest (needs, goals, desires, where do they see themselves within the next 5 – 10 years)
- Never misrepresent the features, advantages and benefits of your service
- Don't promise anything you can't deliver
- Don't withhold bad news
- Have a privacy protection policy, show buyers that their personal information is protected and secure; email, text, website, etc.

All of the above will assist in establishing your reputation as a trusted authority in the area where you serve.

Factors to Consider – Basic Facts and Assumptions
Before a prospective homebuyer can begin the quest towards purchasing a home, there are many factors to consider, most of which are determined by some basic facts and assumptions.

- How big is your family? What neighborhoods are you willing to consider?
- Are schools a factor? Is a single-family home a requirement or is a condo/townhome an option?
- Based on your income and assets, what kind of home can you afford? Do they need down payment assistance and closing cost?
- Make a list of the features, wants and must-have in a home, i.e., bedrooms suites, 2 offices, school/study room, 4+ bedrooms, a fenced yard, multiple car garage, etc. and then rank them in terms of priorities.
- Commute time to work, shopping and dining

Always be open to questions and concerns.
Reiterate to your clients that they should always feel that there are no questions too small or insignificant to ask you. Your promise of service is to guide them through the process and you want to be their trusted, lifelong real estate advisor.

Be welcoming and open and encourage them to be frank in their discussions. The buyer and you as their exclusive buyer agent will work together to create a clear and specific plan for buying a home.

At the end of the day, strong real estate practitioners won't let the buyer make decisions based on emotions because they will understand what the buyer wants before emotions play a role in their decision-making process. We will make recommendations, comparisons, and will discourage an offer before seeing a property, etc., for them to consider. Finding a home is not the buyer's job, picking the best one for their situation is.

The home search is likely to begin online, and there are significant differences between searching online and in person for homes. Technology today has given people the ability to enhance photos so much so that it can create a distinctly inaccurate representation of the home. In many cases, homes online may be off market and the site has not updated the information.

Research before calling the listing office.
In a highly competitive market, the listing agent has a lot of influence in a sale. Do some research before calling them, even if it's just reading the showing instructions in the MLS. Don't make the listing agent responsible for giving you information you should already have access to.

Don't lead with negativity.
I'm always surprised when an agent calls about a property and immediately jumps into criticisms like: "What's wrong with this neighborhood?" or "That roof needs replacing." If you are expecting multiple offers on a house, and you rub the listing agent the wrong way from the start, your offer likely won't make it to the top of the list to review. At minimum, the negativity will be shared with the seller before they make a decision.

Ask helpful questions.
Agents often call and only ask, "Why are they selling?" Learn to ask better questions that will help the buyer and the seller make a deal, such as: "Other than price, is there anything that would help this make this offer a great sale for the seller?" or "Is there anything that the seller would like us to know about their situation or the home before making an offer?"

Remind buyers not to talk in the house during the showing.
Some homes have audio or video recording, and an offhand negative comment can get you excluded from consideration. Tell your clients to quietly take notes that you can discuss back at your office.

Get pre-approved, not pre-qualified.
Getting pre-qualified for a loan means you have supplied a lender with an overview of your financial information, documents, and received an estimate of how much you might be able to borrow.

Getting pre-approved requires you to send full financial documents to the lender and provides you with a pre-approval letter for a loan of a specific amount from the mortgage underwriter. Pre-approval carries a lot more weight with a seller and can be an advantage if there are multiple offers.

Use terms to your advantage.
If you work with an agent who asks the right questions, you can determine the terms that matter to the seller beyond price, such as:

- **Later closing date or rent-back option:** The seller may not have a home to move into right away, so a later closing date or the possibility of renting the property back could be beneficial.
- **Cash down:** A higher amount of cash down makes you a stronger buyer, especially if a home is bid up past the appraisal value or any issues come up during inspections. Think about non-refundable option money.
- **Earnest money:** Releasing the earnest money after inspection is a great comfort to the seller, showing that you are confident in your loan and serious about the sale.

Be first or last.
If you can confirm a seller will respond right away to an offer, get yours in first. If the seller has set a deadline for when they will collect and review all offers, there's no benefit in being first; it will only drive the price up. Get written confirmation of the deadline from the listing agent, then be last with your strongest possible offer.

Develop a Real Estate Menu of Services – Business Affiliate Arrangement Form
Personalize the buyer representation done right with the consulting approach.

Locating a property.
Your budget isn't all that you need to be concerned about; your wish list and desired location may carry just as much weight. Buyers should be prepared when chasing their home dream. Many home buyers are willing to accept longer commute time for home affordability, will need to pay attention to their net income and household budget with future plans in mind, and home needs. The decision to search in places with a lower cost of living could help you find a home that fits the buyer's budget and checks the most boxes off the buyer's wish list.

Buyers today understand that they must plan for homebuying, long-term homeownership and move quickly when they find their dream home and they don't want to over pay for it. You must encourage your buyer clients to have patience and design a well thought out strategy. (For winning the bid)

One task that we can help our buyers with, is to review and improve their credit profile prior to submitting a mortgage loan application in obtaining the lowest interest rate available and encourage them to educate themselves on what they want and can offer in a home; the "must-haves" and the "like-to- haves" along with how much can I afford and verify that they have a positive cash flow on their life-style budget at the of each month.

What happens when there are no homes available?
One strategy would be to farm a neighborhood with a direct mail marketing campaign (post cards). Reach out to Expires and Withdrawal MLS listings. You might consider extend your search area. Perhaps considering a new home construction is a great option.

Overbidding
For many buyers, paying more than list price for a home goes against the grain or, more specifically, the sense they're always supposed to negotiate in real estate transactions.

If you pay over list price, that move often nets you the home, while not paying over list price for a home could mean you are missing out on a chance for the property you want. Still, sometimes paying more than list price might be warranted. (Ask the lender (mortgage planner) for a value range of loan payments based on i.e., increasing interest rates)

Buyers should use a **mortgage payment calculator** to determine if the purchase price is affordable. In all cases, the buyer should provide evidence with their offer that they have the overbid amount should the appraisal come in low if they really want the home. They should not assume that the seller will be glad to reduce the agreed upon purchase price.

In many markets we are in a seller's market also called "hot or rapid" markets, i.e., high demand but low supply. As a result, home prices jump, and competition is stiff. **Important:** The buyer should consider their **current finances**. No matter how much they want a home, they should not offer over the listing price if they can't afford it or they are not approved for a mortgage loan of that size. Buyer agents should verify the fair market value of the property during due diligence period.

Seller - Appraisal Gap Stipulation Example

If your buyer is offering above list price, it is highly recommended that the offer include either 0 days for appraisal contingency or an appraisal guarantee listed in the special stips - "*In the event the Property does not appraise for at least the purchase price, Buyer agrees to pay Seller at closing the difference between the sales price and the appraised value in cash"* and not use the failure of the Property to appraise for the purchase price as a basis to either terminate this Agreement or ask for a reduction in the sales price.

Notwithstanding the above, if the difference between the sales price and the appraised value of the Property is more than $_____, Buyer shall have the right, but not the obligation, to terminate this Agreement provided that Buyer gives notice to Seller within 1 day of receiving the appraisal of the Property, in which case Buyer shall be entitled to the return of Buyer's earnest money. If Buyer does not terminate the Agreement within this time frame, Buyer's right to terminate on this basis shall be waived and Buyer shall pay cash to Seller at the closing for the entire difference between the appraised value and the sales price of the Property."

In this situation, the buyer should target property that are priced under what they qualify for to leave room for negations. **Note:** If the buyer does not include an appraisal contingency, the appraisal comes in low, and the seller will not reduce the agreed upon purchases price, the buyer will forfeit they pledged earnest money and/or option money deposit if they cannot close the transactions.

How much should your buyer offer over the listing price?

While every listing and situation is different, paying above asking price is very common. So, buyers should be ready to consider it if they're making an offer. Offers typically need to exceed at least 1 to 3 percent over list price when there are multiple competing buyers. For example, if a home is priced at $350,000, a winning offer might be as much as $3,500 to $10,500 above that. But before blindly increasing your offer, do a little homework, i.e., CMA on market activity (from your MLS service), verify the buyer qualifies for the overbid amount and review the monthly budget and make sure the buyer is accounting for upfront costs like lender fees, closing costs, and a budget for repairs and maintenance once they have moved in. Be prepared to discuss the total cost of ownership.

Ask Questions and Define Deal Breakers

It's also a good idea to ask plenty of questions that can help the buyer decide if the house and the higher price are worth it.

Being strategic about what the buyer wants is critical. As a starting point, the buyer should ask:

- Is the location right for you?
- Is the size of the home sufficient?
- Is it a good school district?
- Are there things you are willing to give up if they are not at your price point?
- Examine if the price you'd need to pay to get the home in a condition that exceeds desirability and functionality.
- Is there another home for around the same amount of money that offers better upgrades?
- Can you purchase a home for slightly less that needs updating and then have those renovations made after you move in? (Renovation loan)

Of course, there will always be some clear dealbreakers. If there are structural or environmental problems you discover during the inspection or appraisal that would be costly to fix, it's probably best to move on and look elsewhere.

How to Compete with Multiple Offers
It's not unusual for a seller to receive 20 to 40 offers when there's very little inventory on the market. If the home exceeds your needs, it's a good idea to write an offer anyway. After all, somebody will make the winning offer. Why can't that person be your buyer? Let's keep a few things in mind when writing a competitive offer. But before blindly increasing your offer, do a little homework.

- Write your best offer first – perform a CMA upfront, review the last 20 days of market activity
- Increase your earnest money pledge, add option money
- Provide seller with a commitment letter from the mortgage company or cash to close
- Remove seller concessions, i.e., structure lender paid closing cost
- Conduct "as-is" inspection
- Shorten or waive some contingencies
- Give sellers time to move
- Prepare for a counteroffer

If your buyer wants to submit offer on more than one property to increase the chances of success with at least one of them, be cautious because it can have legal ramifications.

Multiple purchase offers might result in more than one acceptance. Be honest from the start and disclose that you're making multiple offers it will hopefully prevent you from being contractually and legally committed to buying two or more homes. At a minimum, if your buyer is submitting multiple purchase offers at the same time, they should include a contingency that would allow them to cancel the transaction without consequences.

How to Avoid Overpaying for a House
Sometimes it's unavoidable: You may have to initially offer a price higher than you had anticipated or counteroffer with a higher dollar amount. There are lots of potential complications that can cause you to overpay for a house, from being caught up in open-house frenzy to skipping a home inspection to "save" yourself money. But just as there are obstacles to getting the best deal, there are also tried-and-true strategies to get a fair price for a home. But you want to avoid making a regrettable mistake, too.

- # 1 Avoid falling in love with the home
- Obtain a loan commitment for purchase negotiation
- Use an "as-is" appraisal contingency
- Work on obtaining the highest credit score possible
- Keep your mortgage debt-to-income ratio lower than 43% of your gross monthly income
- Evaluate the neighborhood – Google the neighborhood, review the homeowner's association docs
- Check out the schools
- Define "fair market price"
- Review the sold and current listing comparables

- Ask for a CLUES Report (Comprehensive Loss Underwriting Exchange) from your insurance agent
- Have a “as-is” home inspection performed, identify items that will need to be replaced soon
- Have a backup plan
- Lock your mortgage interest rate in around 15th – 17th of month on Monday

Homebuyer Search

Homebuyers will search and review neighborhoods, their amenities, good quality schools, homes that are remodeled and new construction. They are interested in homes with multi-office capabilities, special purpose rooms and maybe multi-generational living platform. Buyers today are expecting bidding wars.

Knowledge of the Local Real Estate Market

Real estate markets can drastically change from one city/county to another or zip code. It’s important that you have knowledge of the local real estate market that your buyers are looking in. What is customary between buyers and sellers? Helping the buyer structure an offer that is winnable at the first level of review is critical and your responsibility to assist.

You should also have a strong knowledge of the local rules, regulations, and various documents that maybe required such as HOA CC&Rs, county maintenance codes and ordinances, etc. www.municode.com/library/tn

- MLS, Zillow, Listing Sites
  - Coming soon listings
  - Expand your search
- New construction
- Lease-to-Own properties
  - Trio – www.TRIOresidential.com
- Short Sales and REO properties
- Reach out to agents in the area; pocket listings
- Farm existing communities; letters to neighbors
- Know the housing market; what is customary, i.e., closing cost paid by the seller, earnest money, option money, overbid, closing timeline, etc.
- Expect to pay more than the listing price

Where Should the Buyer Start? Do your homework!

Being knowledgeable about the home buying process will allow the buyer to spend their time in structuring an offer that the Seller will accept when they locate the perfect home.

- Establish a realistic debt-to-income housing ratio not to exceed 28% of their gross monthly income for housing expense based on net income.
- Create a budget – How much can I afford? Look at your personal finances today as well as your goals for the future. Financial experts often recommend that home buyers have 6 months or more of cash reserves set aside to cover living expenses, real estate taxes, and other monetary obligations in the event of a catastrophe.
- Learn the pros and cons between an existing home and a new home

- Learn available mortgage products, i.e., standard products, downpayment assistance and buy and repair programs, ALT-A mortgage product

Preparing the Buyer

- o Make a list of needs and wants; know exactly what the buyer is looking for:
  - Size of home, school, amenities, location
- o Review a household budget and verify net income
- o Attend a homebuying seminar and obtain a credit and housing certificate
- o Do your homework for loan approval; review your credit report (annualcreditreport.com) and prepare for the loan application (mortgage form 1003)
- o Present an overview of the showing, offer and closing process
- o Review the area/community where the buyer wants to live
- o Prepare buyer for a backup position
- o Negotiation: submit your best offer first
  - Think about contingencies for financing, inspection, appraisal

Considerations and Research for Writing an Offer to Purchase
Structure the offer for acceptance. If the buyer wants to pay the lowest price for piece of property, they then have to be sure that all the other components of their offer, other than price, are as attractive as possible. The Seller only wants to go to closing ONE TIME, so if all the components of the offer must say "I can CLOSE", the lower-price offer may be preferable to a higher offer. (Ready, Willing and Able Buyer)

Negotiating the Offer
After your buyer makes an offer, the seller may accept, reject or counter it with a different price. If the seller counter-offers, the buyer can then accept, reject, or counter that. While the negotiation goes on, the house will stay on the market for additional offers to purchase from other buyers.

- Be quick on responding to counteroffers
- Consider "lender paid closing cost"
- Do the math before getting too hung up on small price differences - At an interest rate of 4.5 percent, the difference between $295,000 loan amount and $299,000 loan amount is $20 a month.
- Base your offer on the home value, not the list price
- If you overbid, provide evidence that your buyer has the overbid amount to close
- The seller wants to know if the buyer has actually seen the property
- What is the expected appreciation for the area?
- Don't assume that the due diligence or inspection period will allow you to reopen negotiations
- Put minor issues aside
- Negotiate concessions in place of lowering the purchase price
- Wait until the end of the inspection period to make your request know for repairs and other concessions and then make it about the property
- Get everything in writing, keep great notes in your transaction file on a daily basis
- Know when to quit. Be prepared to walk away.
- Ask to remain in a backup position

Expect to Compromise
No matter your price range, your buyers won't find a perfect house. Buyers will likely to have to compromise on features and probably even on the big three: price, size or location. Enter negotiations and be prepared to compromise, and your buyers will be a step ahead.

The Offer Process
Every single piece of real property is unique, and so is each selling situation. So, you can understand why generic rules-of-thumb in a real estate transaction is dangerous. The understanding of the offer process and the forms that will be used makes for a smoother transaction with less anxiety ridden buyers. Offers should not be verbal. Determine in advance the buyer's needs for seller concessions, consummation date and lender required repairs will help design a good initial offer.

- Be faster than anyone else; review the MLSS listing sheet for other instructions
- Obtain a letter commitment from a direct lender
- Pay cash or wave financing contingency; prepare for overbidding
- Letter to the listing agent/seller explaining and verifying that the buyer is ready, willing able
- Ask for a Sellers' Property Disclosure Exhibit (Ask for in Special Stips)
- Review property condition – repairs, updates, life expectancy of systems, appliances and roof age
- Verify title issues
- Verify HOA issues, CC&Rs, financials
- Verify property value; sellers' market; use a BPO platform
- Review insurance CLUES report
- Review homeowners/flood insurance - https://www.fema.gov/
- Verify taxes city/county/assessments
- Conduct pest control inspection
- Verify buyers over bid amount
- Offer to pay seller closing cost usually less than $1,000
- Perform an "as-is" inspection within 5 days of contract binding
- Let the seller choose the closing date
- Shorten the timeframes for your contingencies
- Waive home warranty plan
- Add escalation clause
- Avoid asking for personal property
- Offer above asking price
- Increase earnest money; add option money
- Offer one month of free occupancy - your mortgage payment is not due until a month after closing
- Make sure your offer package is complete
- Ask the lender for a no closing cost loan
- Addressing repairs
- Repairs – working with contractors

- **Financing Review**
  Learn whether you pre-qualify for a mortgage by consulting a mortgage broker or loan officer.

- Review various loan programs
- Downpayment assistance programs; gift funds verification
- Buy and repair programs; renovation loans
- 80/20 loans
- Cash out refinance from a second home, vacation property
- Pre and Post Homebuyer counseling certificate
- Offer a large downpayment
- No closing cost offer structure
- Offer Financing Exhibits for all types of mortgages
- Prepare the paper trail for the lender – Organize all documents
- Ask the lender to provide you with a value range purchase pre-qualification based on a new home with a HOA fee and an existing home that needs $10,000 in repairs with and without a HOA fee
- Ask the lender to verify the buyers meets their investor overlays and fraud report
- Satisfy the underwriter's checklist of buyer conditions. The conditions often include requests for alternative and supplementary documentation, explanation and correction of anomalies, and verifications and attestations.
- Lock interest rate early

Closing Process

This is it, the moment you've been waiting for: Final closing. It's been a long and laborious road, but you're finally here! There are just a few, minor things left to do before the deal is done. Use this final checklist to tie up any possible loose ends:

- Arrange any special buyer concessions in advance, i.e., home warranty, repairs, seller stay over, etc.
- Provide e-closing and wiring instructions to the buyer
- Review the Closing Disclosure three business days before consummation
- Inform the buyer the appropriate form (wiring) and amount of money required
- Verify the transfer of utilities to the buyer's name effective the day of closing
- Give the new homeowner the "Red Envelope" letter at the end of closing
- Advise the buyer to immediately change the locks on their new home
- Text, e-mail or mail the buyer(s) and listing agent a thank you note
- Place your new homeowner on an e-mail drip campaign and join their Facebook page to stay in touch
- Ask for referrals, ratings, testimonies, i.e., Google
- Review with the buyer:

    - Estimate Cost to the Buyer
    - Contract extensions
    - Electronic closing procedures
    - Title insurance – enhanced policy
    - Maintenance and repair budget
    - Paying off the mortgage early
    - Encryption – protecting your client when sending email and text message
    - Record keeping - 3 years – 5 years

Complicated Title Issues

When buying or selling a home, proof of ownership, or the property title, and issues affecting it, are critical. If you have a cloud or lien on your title, this means somebody or some business entity has laid claim to a portion of the equity in the home. There are different types of liens that affect the marketability of the home.

After the buyer and seller have reached agreement, but before the closing the preliminary title report needs review. It's not going to be one of the most exciting documents you'll ever read. But you should examine the preliminary title report closely, as it's one of the most important documents a buyer will receive.

Among dozens of documents that serve to disclose to the buyer important knowledge about the property, the preliminary title report documents ownership, vesting and detail regarding anything that is recorded against the property. For a buyer, the title report will reveal various liens, encroachments, easements and anything else recorded against the property.

The closing attorney compiles the report from a search of county records in order for the title insurance company reviews in issuing title insurance, and any liens against the property are listed as "exceptions" to title insurance.

- Incorrect legal description; property location and the boundaries incorrect
- Gaps in the chain of title
- Recording issues, i.e., foreclosure, deed transfers error
- Property taxes may show up as a "lien" on title
- Mortgage liens are below tax liens, have they participated in a forbearance program with lender?
- Federal or state liens, i.e., IRS
- Boundary line disputes, easements and right-of-way recorded against the property
- HOA/Condo CC&Rs – Covenants, Conditions and Restrictions
- Recorded restrictions; historic oversight
- Partial interest, i.e., partnership, quick claim deed, divorce
- Pending lawsuits
- Involuntary liens, i.e., judgments, homeowner's association/condominium liens, assessments not paid, mechanics liens for labor and materials
- Municipal liens – As the term implies, the local city and county may place a lien on property. Perhaps the owner did not pay trash removal or grass cutting fees, or the municipality had to remove inoperable motor vehicles from the property or remove a structure endangering public health; or form community improvement, e.g., to pay for a park adjacent to a property, new sidewalks, gutters, alleys, water and sewer lines and other ordinances violations.

Contract Management System

The need to understand any of these variations of the sales transaction is important.

- Distribution of documents
- Time-line performance requirements
- Closing default
- Buyer remedies

- Broker/Agent remedies
- Earnest Money
- Holding fee
- Option money

This is a lot to consider when navigating a sellers' market and placing an offer on a home. Keep your emotions in the back ground.

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Foolish Mistakes that Buyers Make

- Buy a home just because everybody's doing it
- Overspending
- Assume that they will be earning much more money in a year or two and buy more home than they should
- Not comparing "rent vs buying"
- Failing to budget for repairs and maintenance
- Taking money out of their retirement savings to help pay for the home
- Skipping the home inspection
- Forget to include contingencies in the contract, i.e., financing, home value
- Overly optimistic, they think nothing could possibly go wrong
- Ignore property condition, repairs, upgrades
- Renting is a waste of money, buying is a wise investment
- Not understanding housing market trends
- Not thinking about the future
- Not doing enough research in advance
- Not getting pre-approved for a home loan
- Not considering home resale value
- Following the wrong advice
- Not doing my homework before bidding
- Thinking they can read a contract themselves
- Trusting a verbal agreement and not putting everything in writing

Properties Served by a Community Association – Red Flags

- No more than 15 percent of the owners can be late on their dues
- More than half of the units in the community must be owner-occupied
- No single owner can own more than 10 percent of the units
- All of a community amenity from pools to fitness centers must be completed if the development is more than a year old
- About two-thirds of the association's budget should be operating expenses, i.e., water, lights, landscaping and the rest should be set aside for the reserve fund for exterior painting, roof replacement
- No more than 50% of maintenance liabilities are not funded
- If the association has less than two months of reserve funds – 10% of budgeted income must go toward a reserve account
- Has there been a recent increase of fees?
- Any special assessments planned for the future
- Involved in any lawsuits or current litigations pending
- Community association company gave the management back to the community

Other Recommendations

- Review the last three meetings' notes
- Verify the age of the roof, siding, windows, pool, tennis courts and what the planned needs are for the future
- Are the amenities in working order?
- How is the title of the units held?
- Do the unit owners have sole ownership interest and the right to the use of the project facilities?
- Does the project allow the units to be leased or rented for less than a 30-day period?
- The unit assessment/common charges for all units are: The same per month or not the same.

Red Envelope – Letter Example

Dear Homebuyer,

The purpose of this red envelope is to give you guidance and assistance should you be having difficulty in making your mortgage payments in the future.

As your Trusted Advisor REALTOR® Consultant for Life, I have listed below some basic instructions to help you communicate with your mortgage company today. The sooner you call your mortgage company, the more options that will be available to you.

Before calling your mortgage company, familiarize yourself with these various options.

Repayment Plan	Forbearance
Loan Modification	Pre-Foreclosure
Deed-in-Lieu of Foreclosure	Foreclosure

Repayment Plan - Past due amounts are divided and added onto the regular monthly payments for an extended amount of time to bring the loan current. Plans may be from 6 to 24 months in duration.

Forbearance - A period of suspended or reduced payments that prevents delinquent reporting of the loan to the credit bureaus, and prevents late charges and fees accumulation, and referral to a foreclosure attorney, as long as the contract is being honored by the homeowner.

Loan Modification - Loan is brought to a current status by adjusting one or more of three terms of the mortgage i.e., reducing the interest rate, extending the term of the loan. Example: Increasing principal balance by adding the past due amount (interest, taxes and insurance) to the existing principal balance or extending the term of the mortgage to 30 – 40-year amortization.

Pre-Foreclosure Sale - An approved sale of the property to an unrelated third-party for less than is owed on the mortgage preventing a foreclosure on your credit report

Deed-in-Lieu of Foreclosure - This procedure allows the homeowner to transfer your property voluntarily to their lender and the debt or deficiency is often forgiven.

Foreclosure - Georgia Foreclosure Law Pre-Foreclosure Process **– approximately 45-day procedure.**

- Notice of Default to Homeowner giving 30 days to cure the default
- Publish Foreclosure Sale 4 consecutive weeks in local newspaper
- The actual owner must be recorded in the county court records
- Sale is conducted between 10:00am and 4:00pm first Tuesday of each month.

Negotiating With the Mortgage Company

- Contact your lender regarding hardship with supporting documentation
- Prepare a budget
- Have bank statements and pay stubs ready
- Suggest a remedy
- Communicate with your lender regularly

I appreciate the opportunity to be of service. Give me a call. I will be delighted to assist further.

Five Things A Homeowner Should <u>Never Do</u> If They Fall Behind On Their Mortgage

1. **Absolutely do not** ever deed your property to a third party without absolute confirmation your loan has been paid off.

If you deed your property to a third party, that party then controls the property. The new owner can rent the property (and keep the rent), attempt to sell the property to make a profit, move into the property or use the property in other ways. What the new owner might not do is make your mortgage payments.

Just because you no longer own the property does not mean you are no longer responsible for the mortgage loan obligations. The lender made the loan to you. And until it is paid off you will be primarily responsible for the mortgage obligation.

If you give up control of the property and the new owner does not pay on the loan, the damage to your credit could be catastrophic.

2. **Do not sell the home at a huge discount**. Unless the actual foreclosure sale is less than 45 days away, you have time to explore options. I advise you to take a day or two and make a few phone calls. As a general rule, if someone is pushing you hard to get you to sell your property to them, it's probably because the deal they are proposing is very favorable – <u>to them</u>.

If you have equity in your home, it belongs to <u>you.</u> You should be encouraged to talk with a Realtor to see if they can get their equity back to you.

3. **Do not authorize a prospective buyer to deal directly with your mortgage company**.
The buyer has one goal and one goal only, and that is to negotiate a low, probably very low price direct with the lender. The buyer will ask the lender to accept a discounted payoff.

The negotiations could go on over an extended period of time, and if the transaction does not work out the buyer may elect not to buy the property. It could leave you with very little time to resolve the situation and avoid foreclosure. Further, you have no control over the information that goes to your lender or the accuracy thereof.

It is entirely possible that the buyer could handle the negotiation and presentation of information in a way that makes it very difficult for you to resolve your loan situation later.

Using a <u>Realtor professional</u> is your best bet, surly before signing a contract. <u>It costs them nothing</u> – the lender pays the fees. Someone should be looking out for you.

4**. Do not pay upfront fees** to anyone! Homeowners do not need to pay professional service or consulting fees to get the help you need to resolve their delinquent loan. Housing counseling from HUD approved counseling agencies is FREE.

5. **Don't Do Nothing -** A surprising number of people just accept what they see as the inevitable, and let foreclosure run its course. Don't let it happen – the damage to your credit will follow you for years to come.