

How to Make an Offer on a Home!

Aright, so you've found the home of your dreams, or at least the one you like most that you can afford. Now you're ready to buy the home. So the next step is to make an offer on the home.

What's a Reasonable Offer?

If you've never bought a house before, you probably don't even know where to start in terms of making an offer. Most sellers will price their homes a little high, knowing there will be some bargaining involved. Generally, a good place to start is at five percent below the asking price.

You can also get a comparable home sales report from your agent. That will tell you what similar homes actually sold for and might give you a good idea where to start. If the housing market in your area is hot, you may have to make an offer that's close to the asking price.

Contingencies

A contingency is nothing more than saying that you will purchase the home as long as certain things are done. Contingencies can be written into the purchase agreement and can include making sure that:

- The appraisal and title reports are satisfactory
- The mortgage you're taking over is paid up to date
- The seller gives you a comprehensive loss underwriting report (CLUE) on the property
- Certain repairs are made.

Set a time limit on how long it should take for the contingencies to be met. If the seller receives another attractive offer, be prepared to remove certain contingencies. At that point, you could make a higher offer, firm your offer or drop out of the transaction completely.

The Offer and Counter-Offer

It may be wise to include an expiration date for your offer. Usually 48-72 hours or so, depending on your circumstances. You'll also want to set a target date for the closing, perhaps four to eight weeks from the date you sign the purchase agreement. That should be enough time to get your mortgage application processed and get all the contingencies removed from the purchase agreement.

Once you make an offer, the seller has the right to review it at their leisure, but must respond within the time limit that has been set. If there has been no response, you can probably assume that the offer has been rejected. To be sure, have your agent follow up.

The seller can always make a counter-offer, but understand that you (the buyer) are not obligated to accept it. In fact, you can make a counter-offer to the seller's counteroffer and, at that point, it may be wise to split the difference; otherwise you may risk losing the house and the deal.

Also, when making an offer, consider asking about seller concessions—fees and costs which the seller agrees to pay for on your behalf at the closing. These costs may include attorney fees, title insurance, discount points, origination fees, appraisal fees, inspection fees, and processing fees, among others. Seller concessions can help the seller sell his or her

house more quickly and can also reduce the financial burden on you to buy the home. Seller concessions are usually limited to somewhere between two and nine percent of the home's purchase price or appraised value; the amount can vary by the type of mortgage you get, your loan amount and how you plan to occupy the home.

A Show of Good Faith

An earnest money deposit is made to show good faith, that you're serious about making an offer on the house. The money should go into escrow—a neutral, third party account—and should be applied towards your closing costs. The amount of the earnest money deposit is really up to you, but it should be enough to let the seller know that you're serious. Keep in mind that if you back out of the deal, the earnest money may be kept by the seller.

Understand that once you and the seller both sign the purchase agreement, you are entering into a binding contract. As with any legal document you sign, be sure to read it carefully and in its entirety, so that you know exactly what you are getting into. Your real estate agent can help you understand anything you may still have questions about.

Always Get a Home Inspection

Though it's not always required, every home buyer should have a home inspection performed to make sure there are no problems with the structure or condition of the home. An inspector examines everything from the roof to the foundation and everything in between including plumbing, electrical systems, septic or sewer systems, heating and air conditioning units, insulation, etc.

Home inspections do pose an extra expense, but it's not a corner that should be cut. You wouldn't want to move in to your home and find out months later that you have, for example, significant termite damage or that the sub-floor of your bathroom was rotted out and needed replacing.

A good place to find a home inspector is by visiting www.ashi.org, the American Society of Home Inspectors (ASHI) website. Or better yet, feel free to consult your real estate professional. He or she would be more than happy to advise and even recommend reputable inspectors that they have worked with in the past.

Other Tips to Remember:

- Always get title insurance to ensure that the title is free and clear.
- Make sure you get home insurance—it's required by the lender in order to close your loan.
- It may even be wise to hire a lawyer to help you review all the documents and to protect your interests. Again, consult your local real estate professional.

It's natural that making an offer on a home may be nerve-wracking at times, but your real estate agent and your mortgage lender should be able to answer any questions you might have and put your mind at ease.

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How to Choose a Great Neighborhood!

After you settle on your specific housing wants and needs, you'll probably have an easier time deciding what you want and need from a neighborhood.

Where you live is as important as the house you live in. You may already have a good idea about the neighborhood you would like to live in. But don't let that keep you from looking at other neighborhoods with similar qualities. You might not be giving another area a chance—and you might be passing up your dream house.

Ask yourself these questions about potential neighborhoods you are considering:

Questions to Ask Yourself

- How long will it take to get to work? What will it cost?
- Is this country, suburban, or urban living?
- How far will you be from family members?
- How far will you be from religious activities, night school, or other regular activities?
- Are there any homeowners' association fees? If so, how much are they?
- Are there any homeowners' association rules or restrictions?
- Can you afford the county and/or city taxes?

Questions to Ask About the Neighborhood

- What are the schools, hospitals, and other public services like? How close are they?
- Is it an older, established neighborhood or a younger, still growing community?
- Are there signs of new construction in the area?
- What will this neighborhood look like in 10 years?

- What are the values of other homes in the neighborhood?
- If there are nearby restaurants and other businesses, do they bring people out during the day, or at night?
- What's the traffic like during the week? In the evenings? ...On weekends?
- Is the empty lot behind the house, for example, going to be developed?
- Are there plans for a mega-mall or sports facility nearby?
- Are there mass-transit options within walking distance?

If you like a neighborhood, talk to people who live there. They'll be the most knowledgeable about the area and may even be your future neighbors.



Where Can You Look for Additional Neighborhood and Community Information?

- Local newspapers and radio stations
- Local school districts, school boards and county websites for school information
- Neighborhood or homeowners' associations
- Consult your real estate professional
- Local organizations like the local Chamber of Commerce
- Local businesses
- Public libraries
- Local police and fire departments
- The Internet

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