



## REALTORS® Offer Buyers 10 Tips for Coping and Competing in a Hot Market

1. **Get Your Lender to "Pre-Approve" You as a Buyer.** When lenders make a real estate loan, two entities -- the buyer and the home -- must each qualify for the mortgage. (There are thousands of loan products, so take time to shop around.) Make your offer to the seller as strong as possible by being a "pre-approved" buyer. Sellers favor buyers who are pre-approved (not just "pre-qualified") because it increases the likelihood of a successful transaction. You will need to be pre-approved sooner or later, so get it done before you even start looking at homes. That way, the remaining issues surrounding the mortgage are pretty much limited to "the home." Is the home in good repair, and does the independent appraisal reflect a value equal to the purchase price?
2. **Use a "Team Approach"** Buyers who have a strong team lined up before starting to look at homes are more likely to have sellers accept their offers. A team approach can enhance the chances for a positive response. For example, in addition to providing a pre-approval letter, your lender can call the seller's Realtor the moment an offer is presented to let the seller know you're a strong buyer, and that you have a lender who is already working hard to assure a quick and successful transaction.

Who's on your team? At a minimum, it's a good idea if your team includes your Realtor, along with your lender, your home inspector, your escrow/closing agent and your title insurance company representative.

Two things are very important about such teams: First, each member you select should have expertise and a demonstrated record of success in solving glitches effectively and promptly. In a hot market, there's no room for a "weak link" on your team, especially when you may be competing against multiple offers. And second, it helps if the team has worked together before. An experienced REALTOR® can help you not just with evaluating homes, negotiating offers, removing contingencies, and assisting in the escrow process, but also in assembling a winning team from the outset of your search.

3. **Be Ready and Willing to Act Quickly!** A hot real estate market requires buyers to be prepared and willing to act on a moment's notice. This preparation involves logistics, along with an action-oriented mindset.

In terms of logistics, when properties are selling within minutes or hours of coming onto the market, your Realtor® needs to be able to reach you 24/7, regardless of your other activities or commitments.

You'll also need to be mentally ready for the hard reality of this market: You could end up losing the opportunity to buy the home that's "just right" for you by deciding to "sleep on it" overnight. In doing so, you risk losing out to another buyer strike a deal to move "their bed" into that home by the time you've snoozed and are ready to make a decision.

Adopting an action-oriented mindset can be especially challenging for individuals whose personal style (or professional work) involves taking plenty of time to ponder and process information. Your chances of succeeding will improve by making a conscious decision to stretch your comfort zone.

4. **Make Your Offer As Strong As Possible.** Within the limits of your financial ability, make your offer as strong as possible by including a significant earnest money deposit ("good faith money") of up to five percent (5%) of the purchase price. Typically, if the seller selects your offer and you complete a successful purchase, your earnest money deposit will count towards payment of the purchase price. An earnest money deposit of more than five percent could create complications in the event of a default by the buyer.

Buyers also improve their chances for a winning offer by having a strong down payment, such as 20 percent or more of the purchase price. Doing so can yield added benefits for the buyer. If the amount of the buyer's mortgage does not exceed 80 percent of the purchase price, buyers don't have to pay private mortgage insurance (or PMI), which may result in lower mortgage payments than if PMI is required.

5. **Keep Some Of Your Powder Dry** If you've been pre-approved for a purchase price of \$350,000, you may want to look at homes listed for \$300,000 to \$320,000. That way, when you get into a competitive bidding situation and are vying with multiple offers that exceed the full asking (or "list") price, you still have the ability to compete for that house.

Don't confuse this strategy (sometimes referred to as an "escalation clause") with trying to write a "low-ball" offer for less than the full value of the home (in order to have some room to raise the amount of your offer later). This is a seller's market. Low-balling isn't likely to work, and it could be counterproductive. You could earn a reputation as a flaky buyer, especially if you're looking for a home in a relatively small geographic area or neighborhood where word gets around quickly.

6. **Look "Farther Out"** In a frenzied market, you may have to look at homes farther from your workplace in order to find something you can afford. Realtors refer to this phenomenon as "drive until you qualify." High prices occur when the demand for homes exceeds the supply. That's what's happening now. If you look farther out, you'll typically find less demand because fewer buyers are willing to accept longer commutes. As a result, prices tend to be lower the farther the homes are from job centers. For a growing number of buyers, the opportunity for the American Dream of "a home of our own" is definitely worth the tradeoff of a longer commute.
7. **Be Flexible on Terms** There are two kinds of elements in your offer to the seller: price and terms. The concept of price is simple and straightforward, but many buyers fail to make their offer as strong as possible by thinking about the terms they're able to offer. With equally priced offers from pre-approved buyers, the offer with the more favorable terms has a distinct advantage in being selected.

As an example, consider the closing date and the possession date. "Closing" is the day the seller gets the cash and the buyer gets the deed (not necessarily the day documents are signed). "Possession" is the date the seller moves out so that the buyer can move in.

If the seller is buying another home, it may be helpful if that seller can "close" the sale with you a few days before the seller's own closing date on the home being purchased. Additionally, the sellers may need a few days to move out after the home they are purchasing closes in escrow. So, if you can close early, but take possession 10-14 days later, the seller may prefer your offer. It can be done in less than 10 days, but the extra time may be especially attractive to both the seller and his or her Realtor. Why? Because if there's a glitch on the other transaction, it allows time to solve it so the seller doesn't lose the home he or she is purchasing.

Ask the sellers about the timing of their plans so you can write an offer with terms that will be viewed most favorably. (If taking this approach, be sure to contact your insurance company to confirm that your homeowner's insurance policy will cover you should any damage to the home occur between closing and possession.)

8. **Have A Candid Discussion with Your REALTOR® About Risks** In a hot market, buyers may consider making their offer more attractive to the seller by waiving (or by not asking for) many of the protections that are typically included as part of an offer.

For example, buyers may decide to waive the opportunity to have a home inspection, waive the homeowner's insurance contingency, waive review of the preliminary title commitment, or waive the seller's disclosures (known commonly in many parts of Washington state as "Form 17"). Each of these choices can carry a measure of risk. For most families, purchasing real estate is the largest financial decision they'll ever make. Therefore, it's important to discuss with your REALTOR®, and even your attorney, the risks associated with waiving these protections. Have that discussion before you start looking at homes. Otherwise, you could experience buyer's remorse and be stuck with a decision you'll soon regret.

9. **Know the Advantages of Using a REALTOR®.** Not every person in the State of Washington who has a real estate license is a REALTOR®. There are distinct differences between a licensed real estate agent and a licensee who is a Realtor.

The term REALTOR® is a registered collective membership mark that identifies a real estate professional who is a member of the National Association of Realtors and subscribes to its strict Code of Ethics.

Consumers may request a copy of this Code from any Realtor. Questions about a Realtor's professional conduct are subject to a rigorous review process.

Along with maintaining a high level of knowledge about the process of buying and selling real estate, Realtors also have the opportunity to pursue continuing education and to earn special credentials and designations that signify specific skills and knowledge.

Realtors may also join various institutes, societies and councils to enhance their expertise and networks with other professionals. Only Realtors may use the distinctive block "R" on business cards, signs, advertising and other materials.

10. **Take Advantage of Information on the LivingNorthwest Web Site** Ben Kakimoto has provided lots of good information for buyers and sellers on his website.