

March Newsletter

March Madness:

Saturday, March 8th ..Daylight Savings time starts, the weather is warming and the snow is going away. What this means in real estate is the sellers are ready to start listing and the buyers are getting serious about buying a house.

For this newsletter, I decided to wrap 12 years of real estate experience into one article on “What Price You Should Offer When Buying A Home?”

I hope you gain some good helpful information from my experience.



Enjoy!!

What Price Should I Offer On That House?

In General:

Most buyers assume that all homes are priced high and virtually all early buyers will offer 5-20% off the list price. The following remarks are based on our experience and research and should help most buyers understand how to make the best offer to buy or lease a house. Anyone can put an offer on a house, but only select experienced buyers end up getting the house they really want. Remember, you will need an EMD “Earnest Money Deposit” to make an offer. See your realtor for the amount and who it is to be made out to. Must be a cashiers check. Realtors don’t accept cash, credit or business/personal checks.

Are You Qualified?

Your realtor can help you be a qualified or can explain what you must do for the seller to seriously consider your offer. Qualifications vary based on leasing or buying and type of home you are trying to acquire. If you do not meet the sellers qualified expectations, you will never get the house. For a pre-approval letter, I always suggest to be approved for the maximum. This gives the seller confidence that you are a strong and not a borderline buyer.



1. Buying A Private Home:

The sellers usually have a financial need that helps them decide what price they need to list their home. It could be a mortgage or just a specific amount of money they need to move to another house. Their realtor will help them determine if this is a fair price and if the house will appraise at that price. So remember, both the realtor and the seller are involved in setting the price. It is very unusual to have a price set that is more than 10% above value. A good guideline on making an offer is 8-10% less than list price. If you offer more than 10%, it could offend the seller and they won’t even counter your offer. Most sellers will counter your bid between 2 & 5% of the list price. Some sellers are firm on their price and won’t negotiate the price at all.



Once you receive a counter offer, it is normal to split the difference until you come to a price that is acceptable to both buyer and seller. The buy and sell realtors are experienced at this process and will help you with each counter offer. You should get an inspection and this may give you one more opportunity to negotiate the price. You will need a mortgage pre-approval letter to bid on a home.

What Happens If The House Does Not Appraise To Value?

Normally the difference is negotiated between the buyer and the seller. Sometimes the seller will sell at the lower appraised price. If the appraisal is considered a bad appraisal, you can refuse to accept it and order a new appraisal. You do not have to proceed with the offer if the seller refuses to lower the price. You still will get your EMD back and just start looking for another house.



2. Buying A Bank Home:

This process is similar to buying a private home except that you usually have more buyers bidding on a bank owned house. You also are buying the home “as is.” You can get an inspection, but usually the bank will not negotiate the price based on the inspection process. An exception would be if the inspection process discovered a major problem, such as hidden mold, that was not obvious on your normal walk through.

Expect to see the words “Highest & Best” if there are multiple offers. The banks will usually take a cash offer over a mortgage pre-approval. Their reasoning is they eliminate the appraisal process and the mortgage process. They know they have a solid buyer because the cash buyer must show proof of funds to make their offer.



Remember, banks go through a thorough process of setting the price. They usually will have 2 realtors set the price and get an appraisal before the house is put on the market. Then a group of bankers review the facts and photos and they come up with what they assume is a realistic price. If after 30 days, they have not sold the house, then they will usually reduce the list price. The main advantage of bidding on a bank property verses a government property, is we can usually communicate with the listing realtor and have some idea where we stand in the bidding process.

3. Buying A Government Home or “HUD” Home!

The main problem in bidding on a “HUD” Home is all bidding is done online. There is no one to talk about the offer. The listing realtor does not see the offers so they do not know the price or the status of the bid. It is strictly a waiting process. You can check online daily to see if a house is still active, but until the house is sold, there is no communication on the status.

Usually there are more buyers for these homes than even bank owned homes. There are lots of investors with cash that bid on HUD homes. Sometimes they don’t even look at the home. They throw out a low bid based on the assumption the house is really bad then they know they will win a small percent of the bids that no one else is bidding on. It can take anywhere from 2 days to 2 weeks to hear back on your offer.

Since the bidding is all online, there is less paperwork up front just to bid, but if your bid is accepted, you must have all contracts and earnest money done and into listing office the next day. If you can’t do it that fast, you will probably loose your bid and they will go with the next bid they

4. Renting A House!

Qualifying to rent a home is completely different than buying a home. There is no mortgage person involved. Your realtor will help you gather the documents you need to make an offer on a lease. The following list of documents are needed to make an offer:



1. **APPLICATION**: Fill Out Completely
2. **CREDIT REPORT**: Current Credit Score – Some will require Tri-Merge Report (All 3 Bureaus; Transunion, Experian, & Equifax). You can look up your credit score & report at one of the sites listed below:
 - a.) AnnualCreditReport.com
 - b.) CreditKarma.com
 - c.) ThinkCreditreport.com
3. **CREDIT SCORE**: If below “620”, you will need a letter with the following information:
 - a.) Explanation for your current credit score
 - b.) Steps you are taking to improve your current score
4. **COPY OF DRIVER’S LICENSE OR PASSPORT**
5. **JOB HISTORY**: You will need 2 weeks pay stub OR a letter from your employer stating:
 - a.) Length of time employed with company
 - b.) Hourly or Annual amount you are paid
 - c.) Your current AND future standing position with the company
6. **TAX RECORDS**: If you are self-employed, you will need 2 years of tax returns. These are excellent to have for all Sellers, or Landlords.
7. **BANKRUPTCY OR FORECLOSURE**: If one or both apply to you, the following is needed:
 - a.) Dates of Discharge (a copy of Discharge is best) and/or date of Sheriff Sale.
8. **LETTER OF EXPLANATION**: This can clarify cause of Bankruptcy and/or Foreclosure, rental issues or past issues with credit, job, medical or family etc. This helps Landlord/Owner better understand your situation.
9. **RENTING**: If you are currently renting, you will need a letter from your landlord specifying:
 - a.) Payment History - Any late payments or always paid on time?
 - b.) Tenant History - Were all lease requirements fulfilled?
 - c.) Departure – Is Tenant leaving on good terms? If not, explanation is needed.
10. **DEPOSIT**: Only cashiers checks are acceptable in real estate. See your realtor for the amount of the check and who it is to be made out to.

It is highly suggested that you get these documents prepared as soon as you start looking to lease. Leases normally sell very quickly and you may lose your ideal home if you are not ready to make an offer.



Bidding on a lease is more difficult than a home. Usually the demand exceeds the supply of homes in the leasing market. This is especially true if the house is really up to date and very clean. Look at the DOM (Days on Market) and if it is less than 1 week you probably will not get the house if you don't offer full price. If your credit score is low, below 600 in most cases, the seller will usually take the person with the highest score. You may have a better chance of winning the bid if it has been on the market for a month or more. However, this is not true if the owner is looking for a high credit score, 700 or more. They are willing to wait 2 and even 3 months to get a tenant they are satisfied with.



If you find a house you really want, but you have a low credit score, the easiest way to win the bid is to offer to pay 3 - 6 months upfront. This gives the owner the comfort of not getting his rent paid on time. The owner can't require this, so it is only something you can offer. Sometimes offering to stay 2 or 3 years is another way to sway an owner in favor of your application. Also, if it is in your budget, you can offer a little higher rent to help the seller select you as the best tenant. Remember, there is a security deposit of normally 1 1/2 times the monthly rent when a house is up for lease.





5. Buying A Home Via - Purchase Lease (Rent To Own):

Bidding on a purchase lease is similar to rent, only except that the owner prefers a buyer over a tenant only. You have a much better chance of winning the bid. Also, there is usually less competition for buyers than renters. The larger your non-refundable deposit the better the offer will look to owner. Ideally it should be at least 3 times the square footage of the house. If the lease is for more than 1 year, the amount of the additional deposits will be determined by your realtor. A rebate of 25% of the rent for the first year is usually requested and most owners will agree to give this. This is used to pay your closing costs at the time of closing on the purchase. The price you offer is normally full price for the house and the lease because the rental rebate is an automatic request for a price reduction. Also, the owner is helping you buy the house, normally for less than the house would be worth in the future.

The purchase lease is not an option. As long as you pay your rent payments on time, at the end of the contract you get a mortgage and you own the home. The price is fixed at the time of signing the initial contracts, so you know the price of the home. Since you are buying the home you can begin to plan your life around this house. You are living very inexpensively during the lease period. You are not paying any taxes, the owner is still responsible for any major problems with the house, and you are putting 25% of your rent in the bank (owner is keeping for you as a credit at closing). Plus the price of the house in most markets is going up. This is the best investing you can ask for while trying to buy a house. It sure is a lot better financially than paying for rent only.

**WE WISH YOU THE BEST AND REMEMBER...
WE ARE HERE TO HELP YOU BUY YOUR DREAM HOME!**



The Williams Team
REAL LIVING · KEE REALTY

Larry, Tiffany, Reba, and Clarissa



290 EASTLAWN Drive, Rochester Hills

List Price: \$219,900

MOVE-IN READY, 4 BR HOME, THAT IS VERY CLOSE TO SHOPPING, RESTAURANTS & HIGHWAYS BUT STILL HAS COUNTRY SIZED 1/2 ACRE LOT AND PRIVACY. INCLUDES DINING ROOM, BREAKFAST ROOM, VERY LARGE LIVING ROOM & FAMILY ROOM PLUS A DEN! FULL BATH UPSTAIRS & ENTRY LEVEL LAV IS PREPPED FOR A SHOWER! NEWER FURNACE, NEW CARPET & RECENTLY PAINTED. VERY CLEAN. EXTRA LARGE (3 LOTS) IS GREAT FOR MOTOR HOME, BOAT OR ANY LARGE VEHICLE STORAGE. SPLITS AVAILABLE IF BUILDER CHOOSES TO BUILD 3 NEW HOMES. ALSO INCLUDES LARGE 3 CAR GARAGE. POTENTIAL UNLIMITED & PRICED TO SELL! THE SEPARATE PARCEL # THAT IS INCLUDED IN THE SALE IS 1535353034 LOT 91

**For Additional Information or To Schedule A Showing —
Please Contact:**

Larry Williams

248-917-2323

