

Breaking Down The Offer

For a seller who has a house in the market for quite a while, it's exhilarating to get a call telling you that someone is making an offer. You go through a series of emotions - initially you feel ecstatic, the next moment when everything sets in, you start to worry, thinking that the offer may not be as good as you were hoping for.

Agents usually don't tell you the offer amount over the phone because there are other things to consider aside from the price - contingencies, seller concessions and real property requests.

Don't stop at the price. Look at the rest of the offer. Focus on how much net you're going to get.

Your agent should be able to explain to you the parts of the contract. They could vary depending on your state.

Here are the basic parts you can expect in a contract:

- Earnest money deposit – Also known as a good faith deposit. It is intended to show that the buyer is committed to the purchase of your home. In most cases, the buyer is the one who decides where the money will be deposited - usually not to the seller but a third party like an escrow, attorney or sometimes a broker's trust account. The earnest money is usually counted towards the down payment. If for some reason the sale will not push through, the money deposited will be returned to the buyer. Typically, real estate contracts have a section on any disputes going to arbitration, and most of the time, sellers do not get any of the earnest money.
- Purchase price - This is what you're most interested in. This is most probably the first thing you want to look at. But don't rejoice until you've given a thought on what the buyer wants to include in the offer.
- Mortgage contingency - This is usually the first contingency you will see. This states that the buyer is acquiring a loan with a specific term and rate. You need to analyze this carefully. Some buyers use this to hold you down while they scout for better bargains. Make sure that the terms specified are realistic, such as a 30-year, 5 percent fixed-rate loan with no points when that type of loan carries a 7 percent rate with 1.5 points in your area. Another thing you should be mindful of is the time limit. If not, the buyer might take as long as they want, leaving you tied up and committed to them and your house unsold. In this contingency, the buyer can also specify if they want you to carry back a first or second mortgage.
- Seller concessions - The buyers could ask for anything - especially if they know that there isn't much competition out there. But if the property is a hot item, you can expect the buyers not to ask for many seller concessions because they know there isn't much chance they're going to get it.



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- Inspection contingencies - This states that the buyers can back out of the deal if the outcome of the inspections show that the house is too much of a problem. So again, the contingencies should be realistic.
- Personal property - The buyer can ask for anything that is physically attached to the house being sold. They are considered part of the transaction. It can be the book shelves, light fixtures, kitchen counter. So, those items that are not attached to the house like appliances or furniture still belong to the seller. So if there are things attached to the house that you want to keep, make sure you have them listed. On the other hand, buyers can state the items that they want removed from the house before closing; such as storage bins or boxes of useless items.
- Appraisal contingency - The buyer adds this contingency to ensure that the house appraises for at least the purchase price. There are some unlikely cases when the bank doesn't give an appraisal high enough for the price of the house, usually it happens when there are more seller concessions. Example, the agreed upon price is \$300,000 but includes up to \$10,000 in buyer closing costs, the house may not appraise if it's really worth \$295,000.
- Buyer selling property contingency - This applies when the buyer is also trying to sell their property. This means that they can only push through with the sale if they have already sold their house. There is a risk that the seller will let you wait for months. It's best to discuss this with your agent.



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