

NEWS & MEDIA

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Land a Home Despite a Tough Market

By Janna Herron, USA TODAY

Lessons for homebuyers in some areas: Act fast, bid over the asking price, remove contingencies, prepare to lose to all-cash buyers – and do it again and again.

WASHINGTON – Jonah Leff felt good about the third offer he put on a house in Washington, D.C. The home was renovated just enough but had some of its original features and character that Leff, 43, and his wife loved.

Their bid was \$35,000 above the asking price.

But it wasn't enough.

"We ended up losing out to someone with all cash and no contingencies," says Leff, a director of a nonprofit.

Almost a year into house-hunting, Leff has learned some hard lessons on being a buyer in what still remains a seller's market.

Act fast. Bid more – much more – than the asking price. Remove all contingencies. Prepare to lose to all-cash buyers. Do it again and again.

"What I heard from family and friends is that you go through several offering processes before you get one," he says. "It sounds like we're par for the course, unfortunately."

It's still not easy to find a home and you want every advantage possible when you submit your offer, especially if there are multiple bids. Here's how to land a home, according to experts.

Go beyond pre-approval

It used to be good enough to be pre-approved for a mortgage. Now, buyers need to be even further along in the loan process before they make an offer and compete with all-cash buyers.

That means submitting all the documents your lender needs to approve the mortgage, such as tax returns, W2s, pay stubs and bank statements.

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Find a 24/7 lender

Use a mortgage lender that is open on weekends. That way, if you put an offer on a house over the weekend, the lender can contact the seller's real estate agent and reassure the sellers that you'll be able to close quickly.

"The lender can tell the listing agent where you are in the loan process and stress that you're good buyers," says LaDawn Sperling, an agent with Coldwell Banker Residential Brokerage in Lakewood, Colorado.

Write a love letter

Anna McGee, a real estate agent in Lake Tahoe, California, encourages all her buyers to write a letter to the sellers to go along with their offer. The letter typically includes a paragraph about the buyers themselves, their experience when they first saw the property online and then again in person, and a note of appreciation of how the sellers took care of the property.

You also can do some research on the sellers to see if you can connect to them on a personal level, she says.

"A buyer may hit an emotional chord," she says. "Sometimes it works, sometimes it doesn't."

In some states, including Colorado, love letters aren't allowed because they can violate fair housing laws.

Be flexible for the seller

Time is money for sellers, so anything you can do to shorten how long it takes to close, do it, McGee says. In your offer, agree to reduce how long you have to get an appraisal done and the loan completed. These stipulations then will go into the contract.

For instance, McGee's buyers agree to get an appraisal and loan completed in 10 and 12 days, respectively, down from the typical 17 and 21 days in that market.

Another way to entice a seller to take your bid? Cover costs that the seller customarily pays for in your market. That could include a home warranty, title or escrow fees, and home and carpet cleaning.

Be even more flexible

The market in Washington, D.C., is so hot for properties priced less than \$1 million that many buyers are waiving appraisal and inspection contingencies altogether, says Colleen Harkins Carter, a real estate agent there.

That means if the appraisal for the lender comes in too low for the sales price, the buyer can't back out of the contract. Instead, the buyer has to pay for the difference by bringing more cash to the closing.

And instead of requiring an inspection after going into contract, buyers are getting inspections before they even make an offer. It's not cheap, either, about \$500 a pop.

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"It's not uncommon at an open house to see prospective buyers going through the house with their home inspector," Harkins Carter says. "So when they make an offer, they already know what they're getting into."

Consider stale properties

Buyers often jump at the newest listings, largely because many markets have such a dearth of inventory. But those turn into bidding wars, and you end up paying more than the listing price, says Jason Castro, a real estate agent in Dallas.

"Oftentimes I find opportunities by looking at a property that has been sitting on the market for 30 days," Castro says. "No one is looking at it even if the price has been reduced."

Manage expectations

Instead of focusing on finding their dream home, buyers should concentrate on a good-enough house, agents say. Think of which must-haves you can let go of, so you have more properties to choose from.

"You have to make compromises and sacrifices on things you may want," Leff says. "You may not find that perfect house. If you do, oftentimes you'll be outbid."

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