



Writing an Offer

Information needed to write an offer.

This is a list of all the information you will need to get either from Sales Force or the client.

- Client's name
- Address of the home they are making an offer on
- Have they spoken to another Realtor to see if there are any offers on the property?
- Discuss with agent, any needed occupancy or terms seller would like. Discuss appliances that are being offered, pool table, etc.
- Preapproval letter (dated within the last 60 days), or proof of funds if paying cash.
 - i. If not, you need to contact the buyer to instruct them that they need to contact the lender for an updated preapproval letter or contact lender yourself.
 - ii. Is their offer contingent upon the closing of a current home?
 - iii. If buyer is purchasing a condo, have you confirmed with the mortgage lender that their Preapproval amount still reflects that amount, as most likely with the monthly association fee, their approved amount will decrease. (If FHA or VA, is the Association Approval.)
 - iv. Alert agent that we will be composing an offer.
- If there are other offers on the property, ask agent if seller will choose the strongest offer that comes in, or if they feel seller will be calling for highest and best.
- Ask agent if there is anything seller would be looking for in an offer that may help our buyer's offer to stand out amongst the rest.
- If our buyer is using one of our preferred lenders, let the listing agent know that and assure them this will be a very smooth transaction for all parties.
- Verify the email address the listing agent wants offers to be sent to and let agent know we will text them when we send the offer their way, so they know to look for it.

Call the buyer to discuss terms of their offer.

Let buyers know the information that we discovered from the conversation with the listing agent. Example: any other offers on the property, occupancy terms, appliances not included, or any exclusions with the sale.

If multiple offers, discuss the following items with the buyer as opportunities for them to strengthen their offer in the eyes of the seller:

- i. Explain that in a multiple offer situation, sellers will usually get asking price and over asking price offers.
- ii. Getting the offer accepted is the first hurdle. The key to writing and offer in this situation is presenting the strongest offer in the eyes of the seller and getting the offer accepted and getting the home off the market.
- iii. Explain the purchase agreement states that the home must appraise at sale price or higher or we go back into negotiations, so buyer will never pay more than what the home is worth in the eyes of the appraiser, unless they waive or offer and appraisal to cover appraisal shortfalls (appraisal guarantee).
- iv. An appraisal is conducted by the buyer's mortgage lender's appraiser, which is ordered by the mortgage lender and paid for by the buyer upon application of the mortgage.
- v. If buyer is concerned about raising their purchase price, explain to them in the big picture, the difference in their mortgage payment would be approximately \$5 per \$1,000 in their mortgage. For example: Offering \$5,000 more is only about \$25 a month extra on the mortgage payment.
- vi. An important factor in a bidding war is usually offering over asking price.
- vii. Offering an overage on appraised value, if applicable:
 - a. For example: a buyer can offer to pay seller up to a certain dollar amount such as \$5,000 over the appraised value IF THE HOME DOES NOT APPRAISE AT PURCHASE PRICE OR HIGHER.
 - b. Up to a maximum sale price of the written offer price.
 - i. For example: a buyer can offer to pay the seller up to a certain dollar amount such as \$5,000 over appraised value IF home does not appraise at sale price or higher, up to a maximum sale price of \$300,000 and the home appraises at \$300,000 or more, buyer does not pay anything extra out of pocket.

- ii. Therefore, buyer is only paying extra IF the home appraises lower than purchase price.
 - c. ANY OVERAGE WILL BE PAID OUT OF POCKET BY BUYER. THIS CANNOT BE ROLLED INTO YOUR MORTGAGE.
 - d. If the home appraises at \$295, 000, the buyer will be expected to provide the additional full \$5,000 out of pocket at closing as the agreed upon sales price is \$300,000.
 - e. If the home appraises at \$287, 000, for example, the buyer will only need to come out of pocket with \$3,000 to make up the difference between appraised value and sale price.
 - f. If home appraises for \$290, 000, buyer will still pay the \$5,000 out of pocket, making the sale price \$295, 000; UNLESS listing agent states on the purchase agreement that sellers have the option to move forward at this amount, or if the agent has indicated a lowest amount for appraisal.
- viii. Another option the buyer can use to strengthen their offer is to do an escalation clause:
- a. An escalation clause is a clause that is included with the sale stating that the buyer will pay, for example, \$1,000 higher than the highest offer price and list agent will provide to buyer's agent a copy of the highest offer to ensure we are paying what we plan to pay. You can put a cap on price.
 - b. This should be an addendum.
 - c. This would only be applicable if we are NOT already the highest offer.
- ix. Another option is to offer an escalation on the appraisal overage. Stating: If another buyer is offering an "appraisal guarantee", the purchaser agrees to pay \$1,000 more than any other appraisal "guarantee", up to a maximum of amount of \$_____.
- Evidence of the appraisal guarantee that was beaten, must be presented for buyer to review, prior to acceptance.

Discuss offer price.

- a. Always urge buyer to put a very strong offer as, if not, buyer takes the chance of allowing other offers to come in on the property and seller has the option of choosing another offer during negotiations, or they can choose to do a bidding war; allowing other buyers to present stronger offers and during a bidding war we know in most cases the seller will receive and offer over asking price. When discussing price always think outside the box and suggest an odd number to make the offer stand out, do not recommend a traditional, average number the average agent and buyer will think of. For example, if the home is listed at \$230,000, suggesting \$235,000 is predictable. Suggest buyer to offer \$237,000, \$237,500, \$241,000. This can be the difference between getting an offer accepted and not. We are not average agents, so do not think like the average agent.
 - i. We want to avoid a bidding war at all costs.
 - ii. Urge buyer to offer full price or higher to show the seller their motivation and seriousness of the offer.

Discuss Earnest Money Deposit Amount.

- i. EMD is offered in all purchase agreements. It is looked at in the eyes of the seller as a good faith deposit, showing motivation of the buyer that they will not, for example, fail to appear at closing. Should that happen, the seller would have rights to keep the EMD.
- ii. EMD is not in addition to any other costs. This deposit will be collected at acceptance of the offer, or the home inspection at the latest, and deposited into the escrow account of Tremaine Real Estate. At closing these monies will be taken out of the escrow account and applied toward any of your out of pocket costs, such as down payment or closing costs.
- iii. Traditionally, your EMD 1%-3% of the sale price. The stronger the deposit, the more seller considers buyer's offer serious and strong.
- iv. If the home does not appraise for sale price or higher, and we cannot come to new terms with the seller, a mutual release will be drafted and signed by both parties; and the EMD will be released back to the buyer.
- v. If, for some reason, the buyer cannot get approved for the loan, there is a financing contingency in the offer and, again, we would need to get a copy of the denial of mortgage from the buyer's mortgage lender and send that along with a mutual release to the listing agent to disburse the EMD to buyer.
- vi. Traditionally in our offers, we will state the EMD will be deposited within 2 days of offer acceptance.
- vii. EMD can be in the form of a personal check, although if you do not have a personal checking account, you can use a certified bank check as your deposit. NO CASH OR MONEY ORDERS.

Discuss Occupancy.

- i. If sellers are offering immediate occupancy at closing, buyers will get the keys at closing.
- ii. If sellers are requiring post-closing occupancy, we will state that the sellers will provide, at closing, a dollar amount that is equal to what the buyer will be paying equal to the principal, interest, taxes, insurance (and if applicable, monthly association dues). We would write this as:
 - a. For example: if seller needs 30 days occupancy, that seller will pay 1/30th PITI (A. Association, if applicable). This will be noted as TBD as your mortgage lender will calculate this amount.
 - b. These monies are collected at closing and held by the title company and disbursed accordingly upon key exchange form and sellers vacating property.
 - i. For example: IF seller only decides to stay 15 of the 30 days, half of the escrowed amount will be disbursed to buyer, and half will be disbursed to the seller.
 - c. If occupancy is applicable, buyer can state in the purchase agreement that they would like a security deposit also held at closing to ensure the home is in the same condition upon seller vacating. This amount will be disbursed upon key exchange form; and buyer can conduct a walkthrough to ensure the home is in good condition.
 - d. If in a bidding war, offering seller FREE occupancy is always favorable to seller.

Discuss Down Payment of the Loan.

- i. Go over the terms that the mortgage lender has provided on the preapproval letter to verify that is what buyer is intending to put down on the mortgage within 7 calendar days from offer acceptance.
- ii. If FHA purchase, an estimated close by date will be 40 to 45 days.
- iii. If a conventional offer, close by is traditionally 30 to 35 days depending on lender.
- iv. If cash offer, we can close within 30 days or less.

Discuss Home Warranty (optional)

- i. Buyer has the option to pay for their own home warranty at or after closing, should they choose to do so.
- ii. Buyer can ask seller to provide a home warranty at closing, paid for by the seller.
- iii. The seller will look at your offer as a net. So dependent on offer price and home warranty amount, that's the figure the sellers look at for the entire offer/what they'll net.

- iv. We use American Preferred Home Warranty or Home Warranty of America and the fee is \$590 for a 12 month home warranty, in which appliance furnace, AC, hot water tank, etc., are covered items. Buyer will pay a service fee of \$50 to \$100 and HWA will repair or replace with new.
- v. In a bidding war, it is not urged for a buyer to ask for a home warranty.

Home Inspection.

- i. Once an offer is accepted, buyer traditionally has 5 to 7 days to conduct their own private home inspection and up to 2 days maximum following that inspection to let sellers know, in writing, if they are removing the inspection contingency and moving forward with the sale, or if there are any items that need to be addressed with seller.
- ii. For example, buyer has 3 options when addressing the seller: Option 1) A reduction in sale price; 2) Seller to make repairs prior to buyer's final walk through; 3) Asking seller to provide buyer, at closing, with monies towards buyer's closing costs in lieu of repairs.
- iii. Once offer is accepted, email or text buyer 2 emails:
 - a. One will provide two highly recommended home inspectors; and
 - b. The other one is What to Expect Next.
- iv. Buyer will coordinate inspection with you, as their Realtor you will be present for home inspection.
- v. If there is a well and/or septic system on the property we will also provide a good contact for and inspector for that as well. Traditionally, home inspection and well and septic inspection are conducted during the same timeframe.
- vi. For a well inspection, the inspector will take water samples, they will be sent to a lab and results are usually within 2 business days to make sure the well water is safe.
- vii. If property is a foreclosure, or a HUD home, it may be the buyer's responsibility to have the utilities turned on at buyer's expense and turned back off after inspection and/or appraisal are completed.
- viii. REMINDER: This is the latest the EMD should be collected.
- ix. REMINDER: Inspection fees are due at the time the inspection is conducted. Be sure to discuss accepted forms of payment with inspector when scheduling inspection.

Title Insurance Companies.

- i. NOTE: Traditionally we will use Liberty Title as our title company for buyer's side of title.
- ii. When writing a foreclosure or HUD offer, verify from the listing or on the documentation from listing source which title company will be used if it's mandatory that buyer uses seller's title company.

Administrative Fee.

The Tremaine Compliance Fee of \$295-\$595 should be charged. FYI you get 2/3rds of it.

Additional Conditions Section

- i. This is where we state if there is an association in the complex or neighborhood, the following phrase: "Seller to provide a copy of the most current Association Bylaws and building and deed restrictions, including all amendments, to buyer's agent within 2 days of a fully executed offer."
- ii. In this section is where we would note if buyer is offering an appraisal overage.
 - a. For example: "Buyer will pay up to \$5,000 over appraised value IF home does not appraise at sale price or higher, up to a maximum sale price of \$_____ " or buyer will cover any appraisal shortfalls up to \$5,000.
- iii. This is where we note if buyer is asking seller for any seller paid closing costs: " Seller to provide ___% of sale price, or \$___ at closing, towards buyer's closing costs, tax prepaids, prorations, escrows, and insurance." I recommend using a flat dollar amount.
- iv. This is where we put if buyer's offer is contingent on the closing of their current home: "Offer contingent upon closing of buyer's current home, scheduled to close on <insert date> located at <insert buyer's home address>"
- v. This is where we would also note if buyer is asking for extra appliances, home theater, surround sound, pool equipment, pool table, dock, etc.
- vi. If legal description is too long for paragraph 1, you can also add the legal description in this section as well. Be sure to state on page 1, paragraph 1, that the legal description can be found on page 4 #30.

Before Composing the Offer.

Once you have all the information from talking with the listing agent, the buyer, etc., there are a few steps you must take prior to composing the offer.

Verify the Address on USPS.com

Open the MLS ticket by searching the number or property address.

- i. Under the photo, there is a link called "Docs"> Click that and download the Lead Based Paint and Seller's Disclosure.
- ii. If these disclosures are not available on MLS, contact the listing agent or their office and ask them to provide you with these disclosures.
- iii. Sometimes Showingtime sends them to you when you schedule the showing.

Preapproval Letter:

<INSERT IMAGE OF NEW PA HERE WHEN WE HAVE IT>