

Buyer Counseling

Negotiation Considerations—Buyers

- **Price**

The price you offer to the seller of a short-sale property should reflect what's termed fair market value. Fair market value is the price a buyer will pay and a seller will accept for a property under reasonable and ordinary conditions. We will provide with a comparative market analysis (CMA) that includes listings of comparable properties that have sold in the last 6 months as well as pending listings so that you can make an informed decision on how much to offer. However, please note that the listing price of the short-sale property may or may not reflect market value. Some short-sale properties are priced extremely aggressively with the goal of creating a bidding war, which may still backfire if the offer accepted by the seller is not approved by the lender.

- **Length of Time for Approval**

Each lender has its own protocol for approving short sales. We will need to allow a sufficient amount of time in the contract to assure both the seller and the seller's lender that they are not wasting their time with your offer.

- **Earnest Money**

This deposit at time of contract indicates to the seller that you are acting in good faith and will attempt to satisfy all contingencies within your control within the time frames agreed to in the contract. It also shows the lender that your contract has a reasonable chance of closing.

- **Home Inspection**

Most short sales are sold "as is." All buyers should complete a home inspection. The purpose of the home inspection is to determine, based upon condition, if the property is acceptable on the terms offered to the seller. You will want to complete a home inspection within a few days following the signing of the contract. You should not wait to complete the home inspection until after the contract is approved because you may possibly waste months in a contract that ends up failing because of property condition. If the inspection report alerts you to defects prior to the seller's lender receiving the contract, you *may* be able to renegotiate terms with the seller based upon the defects.

- **Mortgage Application**

Frequently, seller's lenders give limited time to close after approval and if you have not started your mortgage process, you will not be able to meet the required date for closing. Often, buyer's lenders are reluctant to order the appraisal prior to approval by the seller's lender. Although an appraisal will need to be updated if more than six months had passed, many buyers have found that ordering it and possibly paying for an update have saved them money since the appraisal done by their mortgage lender was

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a major influence on the seller's lender when the seller's lender expected to negotiate a higher sales price than what was offered. This is your decision and you need to instruct your lender on how you want to proceed.

- **Attorney Modification**

If there is an attorney modification clause in the contract being used you will want your attorney to look over the contract and make modifications within the time frame allotted—starting from the signing of the contract by you and the seller—not from the time the lender approves it. Whatever time frame is agreed to must be provided for both sides, and allowing a seller to get out of the contract after it is approved by the lender puts you in jeopardy. As a reminder, it is important that you choose an attorney who understands the short-sale process.