

10 Tips To Win Offers In A Competitive Seller's Market

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You may be surprised to know that in multiple offer situations, it's common for 2 or more offers to come in with EXTREMELY similar terms. For a seller, choosing an offer can be like splitting hairs. That's why we've written this guide to help you put your best foot forward.

There are 2 scenarios in which you should write your highest & best offer off the bat:

- The home you want has multiple offers. In this case, you'll probably only get 1 shot at winning the deal.
- If you're the first to offer on a home that you know is priced really well. In this market, you know others will make offers on these listings, so up your odds of acceptance by starting with your highest & best offer.

WHY? Sure, many sellers will wait for all offers to come in before accepting one, but some will run with the first if it's a strong, clean offer that they feel good about. We've had offers accepted simply because we were first to submit, despite the fact that other offers came in \$1,000's higher. It's not always all about the money.

So you know when to write your highest & best offer and you know why it counts. Below is our top 10 list of how to make your offer the best it can possibly be.

1. Identify the seller's biggest motivating factor. Between you & your Realtor, determine the seller's biggest reason(s) for selling. Do they want a quick closing? Will it boil down to the highest price? Are they looking for the cleanest possible offer? Tailor your offer to suit the seller's most pressing needs.

2. Ask for the seller's ideal closing date. Don't assume a seller wants to close ASAP. All things equal, a seller may choose the offer that allows them to throw one last summer bash before they pack up. Remember, offers can often come in with very similar terms, so the more you can find out about the seller's preferences in advance, the better.

3. Offer a period of free occupancy. One of the biggest concerns sellers have about putting their home on the market is that it will sell before they can find their next place. Put the seller's mind at ease by offering a period of free occupancy while they wait to close on their next home.

BONUS: Since a mortgage is paid in arrears, your first payment won't be due for 3-6 weeks after closing (depending upon the day of month that you close- talk to your lender for details).

4. Make sure additional broker fees aren't auto checked. A broker addendum to the offer is common- it includes clarifying language & extra contingencies to protect you. Some brokerages have a checkbox on that addendum that allows your broker to collect an addition fee from the seller at closing. All else equal, the offer with the additional fee won't be chosen. Read through your Realtor's addendum to ensure this isn't included in your offer.

5. Show that you're a strong buyer. Showing your "strength" comes down to the financing & appraisal contingencies. Here are a few ways to boost your chance at acceptance:

A) When getting a mortgage, make a larger down payment. The more you can put down, the better. If this means that you postpone the new furniture or that kitchen model, do it- it's worth it.

If you're planning to put 20% down but you've got the cash to do more, write a larger down payment into your offer. Most buyers stop at 20%, so a larger down payment will make your offer look nearly as good (or better, depending upon the other terms) as competing cash offers.

If you've got 10% or less, consider asking a family member for a gift to bump you up to at least 15%, take money out of an investment account, or forgo the brand new furniture that you've got your extra cash earmarked for. If you're a first time buyer, your county or municipality may offer down payment assistance options to take advantage of.

While 5% or 10% of a home price is still a good chunk of change, it can be difficult to get an accepted offer when you're in competition for a house. Lower down payment loans are less forgiving if the appraisal comes in low & they can be interpreted as more likely to fall through.

If you have the ability to pay cash, write a cash offer & provide Proof of Funds with your offer. Cash offers often beat out higher offers that are contingent upon financing because the risk of the offer falling through is far lower & they're often not contingent upon an appraisal. If you'll be using a portion of your cash along with a cash gift from a loved one, get a gift letter & Proof of Funds from them to submit with your offer as well.

BONUS: If you have the means to buy the home with a 20% down payment or with cash, you can write that into your offer but still choose to make a lower down payment or get a loan, even if you wrote a cash offer.

B) Waive the appraisal contingency. Waiving this contingency is the next best thing to a cash offer. In a market of skyrocketing home values, the appraisal contingency can be a concern for sellers & their Realtors.

If you're getting a mortgage, your bank will require an appraisal. Many times a buyer can obtain a loan for higher than appraised value, but will likely have to pay the difference, so

make sure you're in a strong financial position to take this risk. It's also wise to ask your lender ahead of time about your options if the appraisal comes back low.

OR, offer to pay a certain amount above appraised value. If you're not able to totally waive the appraisal, you can cap the amount over appraised value that you're willing to pay. You may be able to finance this portion or you may have to pay out of pocket (on top of your down payment) so talk to your lender before incorporating this into your offer.

6. Include an escalation clause. One way to sweeten the pot is to include an escalation clause, which states that you'll pay a specified amount above the highest offer received (with a cap).

7. Make a larger Earnest Money deposit. Earnest money is almost a form of insurance for the seller; if you back out of your offer for a reason other than inability to satisfy a contingency, the seller gets to keep your earnest money. When the sale closes, your earnest money will go toward your down payment.

8. Write an unbeatable inspection contingency. The next best thing to waiving the inspection contingency (which we rarely recommend) is write a clause that states that you, the buyer, will not object to defects or ask the seller to remediate defects unless the cost to cure all defects meets or exceeds a certain dollar amount (usually between \$2,000 & \$6,000) & that the costs must be determined via 3rd party contractor written estimates.

9. Learn about the seller(s). Google the sellers, check out their public profiles, etc. You may find that you have something in common or that the seller did something really cool for the community. This information could help you connect on a more personal level via the letter. Just remember to be respectful of the seller's privacy- if the information is public, great, but if it requires prying or pressing mutual acquaintances for information, don't go there.

10. Submit a personal letter to the seller with your offer. The buyer love letter may have seen its glory days, but it can still win you the house. At worst, it's a neutral factor, so why not give it a whirl?

Feel free to get creative with your letter- if you're both dog lovers, write the letter "from your dog". If the seller has a keen eye for design, make your letter visually appealing. The key is to keep it honest & genuine.

DO NOT include photos or video of yourself/partner/family. If you do, the listing agent might not present your letter to the seller. Listing agents do this to protect their sellers (so the seller avoids a potential accusation of discrimination against a protected class).

Happy bidding!