MULTIPLE OFFERS – Strategies for Buyers, Discernment by Sellers

Paragraph # in Purchase Agreement	Description	Consequence
3A	Earnest Money Deposit	Needs to be 3%, less and you create question in Seller's mind about your ability to pay and your liquidity. We've always done 3% but I don't want to leave a stone unturned in this discussion
3D	Loan Amount	Clearly Seller's perceive a lower Loan to Value ratio better. It alleviates fears of appraisal shortfalls, ability of a buyer to make up shortfalls by cash. This is contradicted by a Buyer's desire to leverage as much as possible. In today's transactions in the price levels we're looking at, 35% down payment is bare minimum. Yes, you can get financing with less down payment and a preapproval letter will speak to that but listing agents and sellers will always have suspect about 20-25% down. This will be a choice to make going forward
3E	Interest rate caps	I've never included one in any of the offers I've written for you and the reason why is that I wanted to provide peace of mind to a seller that so long as you were qualified, no matter what the interest rate was, you would close. If you put too tight of an interest rate here, let's say 4.25, then if rates go to 4.250001, you would have an out to the deal, sellers know that and would tend not to choose you as a buyer
3G	Price	Well that's the big one isn't it. You will always be faced with the choice of whether or not you want to write an offer at a price that will blow the competition away, and by definition that will tend to be a bit above market. Do you accept that as an option with the knowledge that at least you won the property and in a market where inventory is so low that price appreciation is baked in to the market for

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		another 3 years or so (based on past historical trends). That's a choice you will have to make on a house by house basis
3H	Verification of Down Payment	Must, must, must have ready to go. The contract says you will tender that within 3 days of acceptance, but no listing agent will accept that. Have with the offer
3I	Appraisal contingency	In an appreciating market like ours, with appraisers looking backward in time and old sales, there is a built in tendency for appraisals to come in less than purchase price. Is the offer/purchase price one you're happy with? Then do you really care what an appraiser thinks? You know what a property is worth to you, an option then will be to waive this contingency and of course this obligates you to cover the shortage with additional cash. A lender will, depending on size of loan, lend 70-80% of purchase price or appraised value whichever is lower. Do you have the cash to cover the shortfall? If so, to make an offer stronger, a choice will be to waive appraisal as a contingency
3J	Financing Contingency	How confident are you, more importantly how confident is your loan broker at getting you approved for the loan? Having a financing contingency allows a seller to infer that you're not confident about your qualifications notwithstanding your preapproval letter. A choice will be, in order to make your offer stronger, to waive the financing contingency. Which of course has the consequence of, if not approved, loss of your earnest money deposit. How confident are you? Offers with no appraisal and no financing contingency often win the day, sometimes even a slightly lower price than the competitive offers.
7	Allocation of costs	Sometimes buyers will choose to absorb costs normally associated with a seller's side of a ledger. This is a marginal issue. Financing and Appraisal contingency along with purchase price have much larger weight

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9B	Seller remaining in possession	There are times when allowing the seller to remain in the home for a short time after the close, is perceived by the seller as a great value and can compensate the seller for choosing you over a higher priced offer or an offer with otherwise better terms. This is another choice which needs to be investigated with the listing agent to determine if there is a perceived benefit by the seller to remain in possession
14B1	Time to conduct due diligence	This actually applies to any contingency. The shorter the contingency period, the more you are willing to encumber yourself with the inconvenience of getting things done fast, the better your chances of winning the property. No seller likes that due diligence period in which for days on end they're wondering if they really have a deal. Cutting this period down, creates well being feelings with a seller which in turn might be leveraged in negotiations to better terms elsewhere for you
22B	Arbitration	I will leave that to a discussion you may or may not want to have with an attorney to advise you.
1D	Close of Escrow	Intuitively, for most cases, a shorter escrow is perceived as better by a seller vs a longer escrow. We all know "Murphy's Law" exists and a longer escrow is considered by a seller, fertile ground for Murphy's Law effects to happen. With some sellers however, too short of an escrow may cause stress, so this is where we investigate with a listing agent, what a seller's preference is. This too then is a choice you will have to make as to length of escrow

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