

# THE OFFER 101



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## Welcome to the basics of an offer.

What you'll find here is the basics about the all-important offer on real estate – whether you are making the offer or receiving it. You'll walk away with a good foundation of what to expect from a standard offer, how it relates to getting to the closing table, and all the details in between.

This quick five minute read is helpful, but when you have questions, give us a call. The Sweat Team at RE/MAX Paradise has answers and would love to assist as your real estate solution.



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## What is an offer?

The foundation of any real estate transaction is a written offer, also known as a written proposal. It's a legally binding document that includes important aspects of the sale, such as the price and location of the property. Many other details are outlined in an offer:

- terms: for example, cash , new mortgage, trade, or owner financing
- promise by the seller to provide a clear title (ownership)
- a proposed closing date (actual sale date)
- an earnest money deposit amount accompanying the offer, whether it's a check, cash or promissory note
- how the earnest money is to be returned to you if the offer is rejected - or kept in lieu of damages if you later back out for no good reason
- method by which real estate taxes, rents, fuel, water bills and utilities payments are to be prorated between buyer and seller
- provisions about who will pay for title insurance, survey, termite inspections, etc.
- type of deed to be given
- other requirements specific to your state
- a provision that the buyer may make a last-minute walkthrough inspection of the property just before the closing
- a time limit after which the offer will expire
- contingencies, such as an appraisal, or...

You may see two common contingencies that dictate whether an offer is accepted, also known as "subject to" clauses. The buyer may need to obtain specific financing from a lending institution. "If the buyer cannot qualify for that specific loan, then he or she is no longer bound by the contract," is an example of common offer language. A satisfactory report from a home inspector may also be necessary. "If the inspection does not satisfy the buyer's concerns, then the contract can and will be canceled," is an example of the other common language in an offer.





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## Negotiating Tips for Buyers.

The best negotiating trick is to look good to the seller, which means:

- You're an all-cash buyer
- You have been prequalified for a mortgage
- Your current home doesn't have to be sold before you can buy
- You can close and take possession at a time that is especially convenient for the seller

In these circumstances, you may be able to negotiate some discount from the list price. In a hot seller's market, however, you may want to offer the list price (or more) to beat out other early offers before you get beat on the perfect property.

It's also very helpful to find out why the house is being sold and whether the seller is under pressure. Keep the following considerations in mind:

- Every month a vacant house remains unsold represents considerable extra expense for the seller
- If the sellers are divorcing, they may want to sell quickly
- Estate sales often yield a bargain in return for a prompt deal



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## **Buyers: The Sellers Response to Your Offer.**

After a buyer submits the offer, the seller will respond. If the seller accepts the offer as written, then the offer becomes a ratified purchase agreement. In fact, the offer becomes a firm contract as soon as you are notified of acceptance. If the offer is rejected, then the contract is dead. The sellers cannot try and accept your offer in the future and then force the sale.

And the last option, the seller may provide a written counter offer. The basis of the counter could be one or more of the conditions, such as price, closing date, terms, etc... Then the buyer is free to accept the counter offer, reject it, or even make their own counter offer.

This activity can be ongoing until one party finally signs an unconditional acceptance of the other side's proposal.

You may be asking if an offer can be withdrawn. In most cases yes, right up until the moment it is accepted and, in some cases, if you haven't yet been notified of acceptance.





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## **Sellers: Net Proceeds and Counteroffers.**

Evaluate a purchase offer by estimating the amount of cash you'll walk away with when the transaction is complete. The following is a list of costs that you should subtract from the offer to come up with net proceeds:

- Payoff amount on present mortgage
- Any other liens (equity loan, judgments)
- Broker's commission
- Legal costs of selling (attorney, escrow agent)
- Transfer taxes
- Unpaid property taxes and water and other utility bills
- If required by the contract: cost of survey, termite inspection, buyer's closing costs, repairs, etc.

It is important to remember that potential buyer can walk away from purchase offer, unless that offer is accepted exactly as it stands, with all contingencies removed. Thus any change you make in a counteroffer puts you at risk of losing that chance to sell.

You can, however, negotiate with the buyer about who pays for the following costs:

- Termite inspection
- Survey
- Buyer's closing costs
- Points paid to the buyer's lender
- Repairs required by the lender
- Home warranty

You may feel some of these costs are none of your business, but many buyers - particularly first-timer buyers - are short of cash. Helping them may be the best way to get your home sold.





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## **Professional Help from The Sweat Team at REMAX Paradise.**

This brief overview of the offer is just the beginning. There are, of course, more considerations to tackle in order to get the most money for your property in the shortest amount of time. The Sweat Team can guide you through the offer, counter offer, negotiating and closing processes. From start to finish, we are professional, accountable, and dedicated to providing the highest level of service to our clients. Give us a call today for a no-pressure discussion about why and how we can be your real estate solution.



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