



What To Expect With An Offer

Know the REAL DEAL before you sign!

The intent of this document is to provide clients with more knowledge and a clearer understanding of how things really work in a Real Estate transaction. What follows is a breakdown of the most important steps in a sale, including definitions, common misconceptions and what we call The Real Deal.

The Real Deal explains how these concepts work in actual practice so sellers have realistic expectations and a good understanding of the sales process before they accept an offer. It is important to keep in mind that The Real Deal reflects how most sales go, but of course, each sale can vary depending on the circumstances.



Residential Sale Contract:



Definition – Typically a 9 page document outlining all the terms of the offer (price, dates/deadlines, earnest money amount, inspections, financing details, etc.) for a home purchase between a buyer and seller. It is considered to be a “legally binding” agreement once executed by both parties. The date the sales contract is executed by the Seller is known as the “Acceptance Deadline date”.

Common Misconception – Sale contract is hand delivered to listing agent by the buyer’s agent with an earnest money check.

The Real Deal – Sale Contracts are usually submitted via email directly to the listing agent by the buyer’s agent. Sellers can accept, reject or make a counter offer. When both parties reach an agreement on the terms and the offer is executed by the seller, then it is emailed directly to the buyer’s agent by the listing agent. Once it is executed by the buyer and seller it becomes a legally binding contract.

DEPOSITS:



Definition – The deposit is also known as “earnest money,” and it is commonly held in the escrow account of the agreed upon Title Company when received. In most cases there is just one deposit provided by the buyer and the amount and timing of the deposit varies, but is agreed upon by seller on the Sale Contract. The first deposit is typically received 3 days from the effective date. The second deposit, if applicable, will be submitted typically after the inspection stage is completed.

Common Misconception – Checks are hand delivered from the buyer’s agent to the listing agent along with the Sale Contract.

The Real Deal – It is customary for buyer’s agents to mail the earnest money check to the listing brokerage or title company once the Sale Contract is executed by both parties. If a buyer defaults and there is any dispute over the earnest money deposit, a mutually agreeable release must be executed by all parties before any funds can be returned to the buyer or given to the seller.

MORTGAGE PRE-APPROVAL:



Definition – A Pre-Approval is a preliminary approval to obtain a mortgage. Buyers who plan on obtaining a mortgage should provide a pre-approval along with their offer.

Common Misconception – Buyers are completely approved for their mortgage once they have a pre-approval and nothing can go wrong.

The Real Deal – PRE is the key part of pre-approval to pay attention to. Buyers cannot apply for a full approval until they find a home. If buyers provide a pre-approval from a reputable mortgage broker and company, chances are they will be able to actually obtain the mortgage, as long as they don’t have a life change such as job loss, credit change, etc.

HOME INSPECTION CONTINGENCY:

Definition – This is the period of time buyers have to inspect the home and conduct their due diligence. The deadlines for inspections and type(s) of inspections conducted are illustrated within the Offer and commonly written as “within 10 days” or what was contractually agreed upon.

Common Misconception – Buyers cannot attempt to renegotiate or back out of the purchase following or as a result of an inspection.



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The Real Deal – Home inspections are part of the buyer’s “due diligence” period, they are meant to identify and/or address major safety and/or structural issues with a home. After their inspection(s), buyers, depending on the results, will have the option to present questions and/or requests to the Seller and/or attempt to renegotiate terms; withdraw their offer; or proceed with no requests or changes to the current agreement. If issues arise in the inspection and both parties are unable to come to an agreement, buyers do have the right to withdraw their offer and they are entitled to the return of their earnest money deposit. If this occurs, we will advise you accordingly depending on the circumstances. Once the inspection stage is completed the buyers will issue a notice choosing either 1) with the following exceptions: (listing out the agreed upon remedies), or 2) they are withdrawing their offer, or 3) buyer is satisfied and this contingency is resolved.

APPRAISAL:

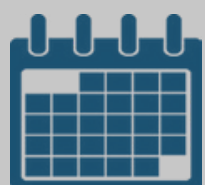


Definition – An appraisal is an evaluation of a home’s value conducted by a licensed appraiser who is hired by the buyer’s mortgage company. The purpose of an appraisal is to allow the lender to ensure that the home’s value is enough to warrant a mortgage in the amount that the buyer is seeking.

Common Misconception – Buyers use this to get a lower price or it is another inspection.

The Real Deal –Buyers have no control over the amount of the appraisal and it is not another inspection. Most of the time appraised values reflect the amount the buyer is willing to pay for the home. Appraisals sometimes come in too low; this is more apt to happen when there is a lack of comparable sales. If the appraisal does happen to come in too low we will advise accordingly, depending on circumstances.

MORTGAGE CONTINGENCY DATE:

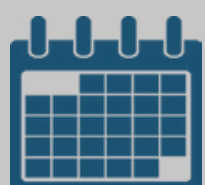


Definition – A provision in the Sales Agreement which specifies the date and time by which the buyers must have their mortgage commitment. Commitment dates are typically 7- 10 days prior to scheduled closing date.

Common Misconception – If the buyers do not get their mortgage by this date the seller can keep the buyers’ deposit.

The Real Deal -- If buyers notify the seller prior to the contingency date that they need additional time to obtain their mortgage or that they were unable to obtain a mortgage, they can terminate the sale and get their earnest money deposit back. However, if the buyers are denied a mortgage after the commitment date, and this was not conveyed to the seller prior to this date, the seller may be entitled to keep the buyer’s earnest money. Please keep in mind that there are different circumstances and each case is handled differently.

CLOSING DATE:



Definition - The date on which the deed is executed and transferred to the buyers, and buyers officially take ownership.

Common Misconception - Seller can remain in the home after this date, or seller can easily change this date after signing a contract.

The Real Deal – This is a firm date on the sale contract and cannot easily be changed. Sometimes mortgage delays from the buyer or title delays from the seller can cause a closing to be delayed. Also keep in mind that the house must be 100% cleaned out unless otherwise agreed upon. Possession of the home is at closing, defined as when the purchase is funded by financial institution unless otherwise agreed upon.