

FIRST-TIME HOME BUYERS: STRATEGIES TO GET YOUR OFFER ACCEPTED IN A RED-HOT REAL ESTATE MARKET

First-time buyers are faced with fierce competition in an unprecedented real estate market. As a newbie, it may feel as though landing a dream home (or any home) is almost impossible. Extraordinarily low mortgage rates are fueling this intense demand, in addition to a nationwide housing shortage. According to the S&P CoreLogic Case-Shiller Home Price Index, U.S. home prices increased by 15.4% annual gain as of May of this year. Given this fast-paced real estate market, what can you do to get your offer accepted? Savvy buyers must be strategic, determined, and focused when entering into this red-hot arena.

Here are a few important steps to help you outpace the competition:

GET YOUR FINANCIALS IN ORDER: If you are planning to get a mortgage, make sure you know the maximum you qualify for before you start shopping. This tactic will save time and avoid disappointment, reducing "buyer fatigue." Many buyers provide a pre-approval letter from their lenders, however, if possible, it is preferred to have a fully-undrawn pre-approval. This means

your documents are already reviewed and your loan approval is only subject to a property appraisal and title insurance. One excellent resource to download is "Home Loan Tool Kit" issued by the government: https://files.consumerfinance.gov/f/201503_cfpb_your-home-loan-tool-kit-web.pdf

HIRE A KNOWLEDGEABLE AGENT: Hiring a great agent who is dialed into your local real estate market is paramount to your success. Hire someone who has experience with first-time buyers and understands what is required to get your offer accepted. An experienced agent will have reviews from past clients; do your due diligence on the content of these reviews! A seasoned agent will have access to currently unlisted, upcoming properties, which can help you get a head start on the market. Finally, make sure your agent signs you up for instant notifications through their brokerage or Multiple Listing Service (MLS), so you can act fast when new listings are posted.

BE READY TO ACT: Be prepared to offer more than list price. Unfortunately,

most homes at asking price are usually at a lower price than the seller is expecting, so be ready to compete. You may have to bid on several homes before you finally get an offer accepted.

BE JUDICIOUS ABOUT WAIVING CONTINGENCIES: First-time buyers must be cautious about waiving contingencies. It is tempting to do so in this seller's market, but buyers must protect themselves. If there is not a recent building inspection report available for the property, it is crucial to have an inspection completed at the buyer's expense before placing an offer. Inexperienced first-time homebuyers are often unaware that if they waive the appraisal contingency and bid significantly over the list price, if the appraisal fails to meet that price, they will have to fund the appraisal gap in order to qualify for their mortgage.

LIMIT HOME REPAIR REQUESTS WITH YOUR OFFER: Given the current market conditions, it is best not to insist on inspection home repairs with your offer. Unless the repair is a safety concern, sellers are usually very understanding about these types of repairs.



A 'LOVE LETTER' MIGHT BE CONSIDERED NOT SO LOVELY: In the past, we recommended writing a heartfelt letter to the seller to show how committed the buyer was to the transaction and give the seller insights into the new buyer's life. Today it is not recommended submitting such a letter to sellers, as it has the potential to violate Fair Housing Discrimination Laws against protected classes.

EDWINA TYNAN*
Broker Associate *Compass*
ACTCompass.com

*Edwina has 25 years of experience in San Francisco Real Estate as an investor/developer and Broker



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