

Getting the House You Want



Putting Together a Strong Offer

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IF YOU'RE OUT LOOKING TO BUY A HOUSE, you know it's a competitive market. That's true almost everywhere, coast to coast. Stories of bidding wars, where buyers are offering thousands more than the selling price to secure the home they want, are common.

KNOW YOUR BUDGET

Before getting into a bidding war, well before you start shopping, it is essential that you know your budget. That involves considerations beyond the price of the house and your expected monthly mortgage payment.

Knowing your budget includes understanding what your property taxes will be. They can vary greatly from one area to another, one county to the one next door. With housing prices continuing to rise, assessments are also increasing. Find out how the authorities in the area where you intend to buy are assessing home values. And when: some do it upon a sale, others annually, some semi-annually. Investigate and develop an estimate of what your property taxes will be.

Are you moving to a bigger house? If so, you will be paying more for such things as utilities. If you're looking for a house with a pool, be sure to understand the associated monthly costs.

Homeowners insurance will also be more expensive for a bigger home. And if the house you're considering is located near a lake or even a creek, you could be in a flood zone. Find out, because flood insurance can be outrageously expensive.

Bottom line: Don't waste time looking at houses, or worse, getting yourself into a house you can't afford, where the ongoing costs will put a strain on your budget and your family.

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YOUR OFFER: KEY FACTORS

Beyond outbidding another buyer, there are ways to improve your chances of moving into the home of your dreams. A few key factors to consider when putting together your strongest offer:

- **Inspection:** Do you need an inspection? Your real estate agent should be able to walk you through the decision-making process. If you decide to request an inspection, consider the time frame. Specifying the inspection for completion within a short period of time, as quick as two or three days, will ensure the seller that you won't be dragging your feet.
- **Down payment:** A down payment of 20 percent of the sales price eliminates the requirement to buy private mortgage insurance (PMI). Also, you will be responsible for closing costs, which can be substantial. Be sure you have the funds available to cover closing costs as well as the down payment.
- **Lender:** The lender can be as important to the seller as the buyer. A seller will be more inclined to take an offer when the buyer's mortgage is being placed with a respected funding source. Your real estate agent should be able to recommend two or three lenders with good reputations.
- **Earnest money:** You might want to use earnest money as a way of showing the seller you are serious about getting the house. You can submit a portion of the down payment upfront to ensure the seller that you will not walk away from the deal without a compelling reason. Ask your agent about the rules in your area for recovering earnest money if something related to the deal should fall through.
- **Closing time:** Being flexible on closing will also help you with a seller. For example, you might allow the seller who has yet to close on their next house to remain in the house for a period after closing and pay you rent.
- **Contingencies:** Eliminate as many contingencies as you can, like having to sell your house before you can close. Sellers want the process to move quickly and without complications.
- **Appraisal:** Your lender will approve the mortgage amount based on its appraisal of the fair market value of the house. If the appraisal doesn't meet the sales price, you might be able to find another lender that will provide a higher appraisal. With so many houses being sold above bank appraisal, you might decide to include an "appraisal bridge" in your offer, additional cash beyond the appraisal value. But that puts you under water in terms of your investment in your house. Ask your agent what the house will sell for in five or ten years, and be cautious about offering any more than a reasonable price.
- Other steps taken buyers have taken for an edge on the competition include offering to pay a portion of the seller's moving costs and writing a letter to the seller telling them how much they love the home.

However you put your offer together, ensure that your upfront costs and ongoing obligations are within your budget. Try not to fall in love with a house until you're in it. And good luck in this most competitive buying environment in memory.

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