

# Plan your home purchase now

## 5 tips for buying real estate during the slow market

Have you made your New Year's resolutions yet? If buying your first home, or perhaps moving up to a better home, is among your resolutions, today is a great time to plan for your 2004 home purchase.

Home mortgage interest rates are still very close to their record lows reached in June 2003. During this slow time of the year for residence sales in most communities, any house or condo seller who has their home listed for sale is usually highly motivated to sell.

Your purchase price could be much lower now than the residence will command in a few months during the peak annual spring home-buying season. If you want to buy a house or condo in early 2004, here are five secrets to make your home purchase quest almost easy so you don't overpay:

**1. GET PRE-APPROVED FOR A MORTGAGE.** Most experienced real estate agents refuse to work with prospective home buyers who are not already pre-approved in writing by an actual mortgage lender (not just a mortgage broker).

The prime reason is realty agents understand a pre-approved mortgage buyer is a serious buyer who knows their maximum mortgage amount and their home shopping price range. Mortgage pre-approval (not just pre-qualification, which means nothing) shows home sellers they are dealing with a qualified prospect when a pre-approved buyer makes a purchase offer.

**2. DON'T BE IN A HURRY TO BUY A HOME.** Smart home buyers shop very slowly. Buying a residence is a major lifetime decision that should not be entered quickly. Internet home listing websites are great places to begin the home purchase search. Today, more than 60 percent of home buyers use the Internet to learn about available listings and contact real estate agents.

But home buyers who are in a rush often make big, expensive mistakes. Out-of-town job transferees often violate this home buying rule, to their later regret.

Examples include buying a residence quickly in an attractive neighborhood which has severe hidden problems, such as a high crime rate, poor quality schools, heavy traffic noise during peak hours, flood area location, inadequate nearby shopping and long commute time to employment areas.

Careful home purchase research will reveal potential problems like these that could result in the purchase of a "bad house" for your situation. However, when you finally spot the right home to buy, make your purchase offer and don't develop the "paralysis of analysis" which might result in another buyer purchasing "your home."

**3. WORK WITH THE AREA'S BEST BUYER'S AGENT.** Many real estate agents work almost exclusively with property sellers. But other realty agents, especially new agents, enjoy working with home buyers.

Ask friends and business associates whom they used as their home buyer's agent. You will soon

have a list of at least two or three buyer's agents to interview.

Some buyer's agents ask their prospects to sign exclusive buyer's agency agreements ranging from 60 days to six months.

But a better alternative for a home buyer is to sign only a 30-day buyer's agent listing, with the understanding you will renew if the buyer's agent is doing a good job when the buyer's listing expires. Your goal is to avoid being "tied up" for a long time with an unproductive buyer's agent.

**4. ASK WHY THE SELLER IS SELLING.** When your buyer's agent shows you a house or condo that you are interested in possibly buying, there are many things to do before making a purchase offer.

A key question to ask the seller is "Why are you selling this lovely home?" The answer might astound you. But a truthful answer can help a buyer decide if this is the right house or condo for purchase.

To illustrate, if the house is in the foreclosure process and the foreclosure sale will occur in three weeks, you might not be able to complete your purchase that fast. However, if you can close quickly, you could buy the home at a bargain price and the defaulting seller will walk away with some of their cash equity instead of losing it all by foreclosure.

After learning the seller's motivation for selling, the buyer can often make a purchase offer which meets the seller's needs. For example, if you learn the seller doesn't need much immediate cash, your purchase offer might ask the seller to carry back a first or second mortgage.

For the home buyer, seller financing is especially advantageous because it is relatively easy to obtain without mortgage lender hassles. For the home seller, "carryback" first or second mortgage financing can provide a safe investment with a higher interest yield than is available elsewhere.

**5. BEFORE MAKING A PURCHASE OFFER, INSIST YOUR BUYER'S AGENT PREPARE A COMPARATIVE MARKET ANALYSIS (CMA).** The valuable CMA form shows recent sales prices of nearby homes, asking prices of neighborhood homes now for sale, and asking prices of recently expired listings which didn't sell.

A CMA is the same form the listing agent should have prepared for the home seller when the house or condo was listed for sale. However, the local home sales market might have changed, up or down, since then so the buyer's agent needs to prepare a new CMA.

Armed with a fresh CMA prepared by your buyer's agent, it's time to determine if the seller's asking price is reasonable. If not, don't hesitate to make a purchase offer at a lower price you think is reasonable. However, if the seller is unreasonable and doesn't at least counter-offer your initial purchase offer, then it's time to move on to other potential home purchase candidates.

Here's a little negotiation strategy, which I have found profitable several times. If your negotiation doesn't result in purchase of the home, let the home seller and the listing agent know you're still interested in buying. Keep the door open to future negotiations. If the home doesn't sell to another buyer, I've had sellers come back several weeks and even months later to ask if my purchase offer is still open.

**CONCLUSION.**

Today is a great time to plan your purchase of a house or condo. Start by getting pre-approved in writing by an actual lender. Then work with a savvy buyer's agent to find the right home. But don't be in a hurry. Check out the neighborhood carefully without developing the "paralysis of analysis" and losing a potential home purchase.

Always ask why the seller is selling so your purchase offer can be tailored to meet the seller's needs. Lastly, before making a purchase offer, insist your buyer's agent prepare a written CMA so you won't offer too much for your next home.