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Step 13: Review Offers

The actual receipt of an offer can occur in a variety of ways depending upon local custom. If you are working with an agent, the agent generally receives the offer and deposit and schedules a time to meet to show you the contract and discuss its terms. Even when speaking with your agent, it is customary not to discuss an offer's terms on the phone until you have seen the actual offer document. Generally, the agent brings a copy of the offer for you to review. Be wary of agents that don't leave you a copy of the offer for you to think about.

If you are working with an agent, generally the agent handles the negotiation and may recommend whether or not you should accept any given offer presented. Therefore, s/he should be apprised of what your needs and requirements are. If you are working with a co-op agent, the co-op agent must also know your needs and requirements. Make sure your representative knows what is and is not acceptable to you. Keep in mind that whatever your agent recommends, you still make the final decision as to whether or not to accept the offer.

If you are selling the house yourself, generally the buyer delivers you an offer with a deposit check and gives you some time to review it. You should not under any circumstances treat a verbal offer as anything worth consideration. You must wait until the buyer delivers an actual purchase document with a check.

Some buyers and sellers do not feel comfortable dealing directly with each other. Buyers may hire a representative to negotiate for them. You should feel comfortable doing the same. Even if you are selling your house yourself, consider hiring an attorney to negotiate on your behalf. If it is a FSBO situation, you should have an attorney to complete the closing process anyway. The attorney should know your requirements and also qualify the buyer to make sure the purchaser has the capacity to complete the purchase. No matter who represents you, a preliminary determination of the buyer's creditworthiness should be made before anyone bothers reviewing the purchase offer.

Other tips for considering offers:

- You are under no obligation to accept the first or second offer you receive. It depends upon your particular circumstances, the local market, and your level of comfort. If you think you can do better given market conditions, reject or counter any offer you receive. If you don't think you can do better, take it.
- History indicates that the best offers usually come early in the process.
- You may be approached by agents representing buyers. Since they buy and sell homes for a living, they are probably more comfortable with the process and might become a little more aggressive about trying to make the deal as they present offers from their clients. They may include aggressive time deadlines for a response or other terms to which you aren't exactly sure how to respond. Don't move faster than you can think. It helps to have someone else to talk to as you evaluate offers and decide how to respond. Don't sign anything until you have a chance to think about it.



- Good offers are not always the highest ones. High prices may be offered without a reasonable plan for financing. Good offers generally fall within the fair market value range and include reasonable contingencies and financing vehicles.
- Distinguish good buyers from bad ones. Understand the buyer's motivation for making a purchase offer. Good buyers have deadlines in which they must purchase a house. Bad buyers have no deadlines and can window shop and argue about price forever. Good buyers are cooperative, wish to be perceived as serious, and want to solve problems quickly. Bad buyers find excuses for missing deadlines or behave unreasonably or inconsistently.
- If the contract seems to significantly favor the buyer and you would like it to be more balanced, work with your representative to restructure it in the form of a counteroffer. Look out for contracts which leave the buyer ample opportunity to escape the contract while forcing performance from you.
- Some offers are contingent upon the buyers selling their house before purchasing yours. This is somewhat risky for the seller depending upon the condition of the house and the market in which it is located. Obtain an agent or attorney's advice on allowing this. If you do not like the contingency, disallow it. If you want to keep it, consider including a non-refundable option amount in the contract in the event the buyers' sale is not completed. Consider obtaining a backup offer in case the house is not sold within a reasonable time frame. Counteroffer with a higher selling price if you think it will help to mitigate your own risk.



You could also include a **conditions release** document which allows you to continue to try to sell your home while the buyer tries to fulfill the contingencies. It would contain a **kickout provision**, one that states that in the event another buyer approaches with a better offer, the first buyers can be required to remove their contingencies or lose the opportunity to purchase your home.

- Depending upon the market, you may receive offers above your asking price, at your asking price, or below your asking price. If it is below your price, do not be alarmed or upset; traditionally many offers are below the asking price. If the buyer is knowledgeable, the offer you receive will probably approximate the low range of fair market value. If the buyer is uneducated, the offer may be far too low for the market and not worthy of significant consideration. It is best to return lowball offers unsigned rather than preparing a counteroffer. Some angry sellers counter at full price. This tends to promote bad feelings rather than bring parties closer to a deal.

Make sure you can defend your price via reference to your CMA. Prove to your buyer that the asking price is consistent with current market values. Prepare to debate it or lower the price as per your negotiating strategy.

- If you cannot obtain your asking price, look for other items to negotiate.

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