

# “How to Win a Bidding War”

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It's turning out to be a tough time for home buyers. There isn't enough inventory on the market and buyers often face stiff competition. It is becoming more commonplace that a new listing has multiple buyers bidding, sometimes within days, or even hours of it being listed.....

So how can buyers win a bidding war without overpaying?

**Know your market.** Know what's going on in the neighborhood of your choice. There are a lot of consumer websites where you can get data. However, your buyer's agent will be an invaluable resource to you. Now that things have begun to heat up, make sure your initial offer is not insulting to the sellers. If you're up against other offers, make sure your initial offer is a good, solid offer. You never know what the other offers are going to be, so make your offer as strong as you can live with. You may find that you have to bid a little over the ask price to win. Don't be afraid of doing this as we, the mortgage lender, will in essence protect you by performing an appraisal on the property. Be prepared and have discussions ahead of receiving the appraisal on how you will handle the situation if the house appraises for less than the purchase price. This is not common but be prepared.

**Remove as many contingencies as possible.** Be as flexible as you can when writing up your offer. Bend as much as you can with what the seller is asking, for example, on close date or other terms. For example, the sellers may ask for a few weeks rent back. Let your buyer's agent know that it is okay for them to ask the listing agent what the

seller needs to make the deal come together. Win/ Win...If the seller wants to close quickly, be prepared to do so. One easy way to do this is to have your finances in order ahead of making the offer. Be prepared to perform your due diligence tasks quickly (inspections, appraisals etc...).

**Don't procrastinate when you find a home you like.** Other buyers have probably been looking as long or longer than you...be prepared to move quickly to make an offer. Be familiar with the paperwork involved of writing up an offer, writing a due diligence and producing an earnest money check. You may need to be willing to do this within a few hours of the house being listed. Consider a strong deposit as well.

**Bond with the seller.** This may sound crazy and old fashioned, but sometimes it works. Write a personal letter to the seller about why you want to buy that house. This may separate you from other offers and sometimes just standing out a little, with a strong offer, will win the bid for you. This used to be done years ago quite frequently. This strategy is making a rebound in certain parts of the country. It is worth considering. You can have a skeleton letter drafted ahead of time.

**Don't be afraid of being the backup offer.** Deals fall apart for a variety of reasons... difficult buyers, crazy agents, inspections, emotions can run high. Consider being a backup offer. There is nothing heartbreaking about this as you can continue to search for other properties.

**Last but not least....get formally preapproved.** This is actually critical in this market. It is highly unlikely any seller or listing agent will entertain an offer without a formal preapproval letter. Remember preapproval is stronger than prequalification and requires you to supply your income, asset and credit information to preferably a local lender of your choice. A preapproval letter will and can win a bid for you. Preapproval allows you to work through the maximum numbers you feel comfortable paying for a property (both in monthly payments and also in down payment and closing costs). It will give you time to mentally process the different types of mortgages and make a decision as to what is best for you. Make sure you know what your high end numbers are and don't be afraid to stick with them. Good Luck and Happy House Hunting!