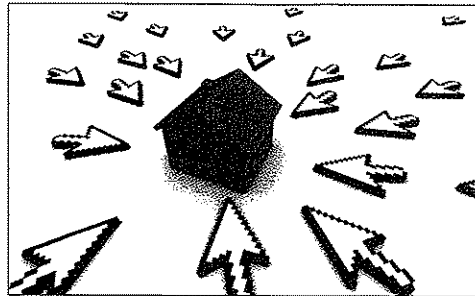


Offers That Stick

Why Multiple Offers?

>> Combine record low interest rates and sales prices, an \$8,000 federal tax credit for first-time home buyers and \$6,500 for repeat buyers, and you have the necessary ingredients for multiple offers.



The phenomenon of multiple offers, a situation in which multiple buyers submit bids for a house and end up competing for it, has returned.

It was prevalent in the strong market a couple of years ago and, now, with dropping prices, some sweet deals on distressed properties, relatively low interest rates, and an \$8,000 federal tax credit for first-time buyers and a \$6,500 credit for repeat buyers, some markets have heated up again.

In fact, California practitioners report an explosion of competitive bidding, and in some places supply actually is shrinking and prices are ticking up.

The result is that some buyers who are anxious and able to enter the market still are losing out. For example, Andy Bencosme, 2009 president of the Arcadia Association of REALTORS®, says one of his clients has bid on—and lost out on—12 properties.

Wondering how to prepare? Keep in mind:

- **Competent advice:** Seek REALTORS® who can explain how competitive a market is, and where you fit with it, and who are able to prepare you for the process—and potential disappointments—ahead.

- **Investor competition:** You may be competing with investors delivering contingency-free, all-cash offers. Be prepared to deliver your best offer, if need be. Also, get prequalified for loans, have all paperwork in

order, and know precisely how high you can afford to bid.

- **No automatic low balls:** Despite market challenges, don't automatically make offers dramatically below asking prices. If you've been eyeing a property that has seen multiple price reductions and you're ready to jump, others likely have been doing the same. It makes for stiff competition. "Some think that if an asking price is \$325,000, they can get that house for \$250,000. That's not the case," comments Bencosme. Study neighborhood comparable properties that are for sale and that have sold and consult with your REALTOR® to develop strong, realistic offers.

- **Buy less:** Just one reason to look at property below your means is that you'll have money in reserve to bid up if you need to.

- **Short sales:** The process can be tedious and lengthy. One California REALTOR® says short sale acceptance dates can run two weeks to six months. Negotiating short sales can be tricky, so be certain your agent is experienced in the process. And know whether you have the stomach for such a route.

- **Bank-owned property:** Again, you may be competing with investors. Work with your agent to determine properties' worth. And Bencosme suggests making yourself as attractive as possible. That may entail offering a larger down payment, not requesting closing cost assistance, or agreeing to a shorter timeline. "The more you have your ducks in a row before making an offer, the more sellers will see you're ready, willing, and able to complete the transaction," he says. ♦

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What Is a Multiple Offer?

Multiple would-be buyers submit bids for the same house and end up competing for it, creating a bidding war in some cases, and only one successful bidder in all cases.

Loan shopping? Get a good-faith estimate

KENNETH R. HARNEY
REPORTING FROM
WASHINGTON

If you plan to take out a mortgage or refinance any time soon, you might want to hear this blunt message from federal officials: Don't fly blind. When you're shopping among competing lenders for the best loan terms and fees, make sure you know which quotes come with a guarantee and which do not.

Depending upon how loan officers provide their quotes upfront — on an informal "worksheet" that carries no federal consumer protections or on a new, three-page "good-faith estimate" mortgage shopping tool that comes with rock-hard guarantees — there could be a world of difference.

A loan officer might quote you fees that are low-balled by hundreds of dollars on an informal work sheet to get your business. But if the quotes are made on a good-faith estimate, they've got to be accurate because, under federal rules that took effect Jan. 1, any significant excesses must come out of the lender's own wallet at closing.

This month the Department of Housing and Urban Development brought together representatives of the highest-volume mortgage lenders in the country — who originate a combined 80% plus of all new home loans — to review the agency's reformed good-faith-estimate and closing documents.

Among the issues discussed: the widespread use of informal work-sheet estimates to quote loan shoppers mortgage rates and closing fees. HUD does not object to lenders using work sheets to give casual shoppers a rough idea of what they'll pay. But the agency says it wants lenders and loan officers to make clear to customers that work sheets are not good-faith estimates, and they are not guaranteed.

At the meeting with major lenders, HUD Deputy Assistant Secretary Vicki Bott warned that under no cir-

cumstances can work-sheet quotes be issued to a mortgage applicant "in lieu of a GFE." Once a consumer supplies the essential application information — Social Security number, property address and estimated value, among other data — lenders must issue a binding-cost good-faith estimate.

Also, loan officers cannot refuse to provide a good-faith estimate to an applicant who requests one, nor can they tell applicants that they can receive a GFE only if they commit to moving forward with their company to obtain the mortgage.

"By no means can they say you are bound to me as your lender" following issuance of a cost-guaranteed good-faith estimate, Bott said. Why? Because the whole concept of the revised GFE is to enable home buyers and refinancers to shop intelligently, with confidence in lenders' estimates.

You can now get cost-guaranteed quotes on a good-faith estimate from one lender, then take them and compare them with GFE quotes from competitors. The new form contains itemized boxes allowing comparison of up to four lenders' quotes — including interest rates, loan fees, prepayment penalties and total settlement expenses.

The good-faith estimate

zero tolerance for changes between upfront estimates and closing — generally the lender's own loan fees and local transfer taxes — and which fees allow a 10% tolerance for changes higher than the estimate, such as certain title and closing-related services.

Here is how to be a smart mortgage shopper using the new federal rules to your advantage. If you are seriously looking for the best deal and are prepared to supply basic application information, ask for a good-faith estimate by name. If you're merely shopping for generic rate quotes, work sheets are fine as long as you understand their limitations.

Beware of look-alike ploys and substitutes. Bott told lenders to make sure their work sheets do not "look like a GFE" and that they "be clear [to the consumer] that they are not GFEs."

Some work sheets that have been used by lenders since Jan. 1 resemble good-faith estimates but have titles such as "estimated settlement costs" at the top of the page. Others indicate on the bottom of the form that the work sheet "is not a GFE," but the typeface is so small it's barely legible.

Finally, be aware that federal law requires that a good-faith estimate be issued within three days of any ap-

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