

# Buying a Property (House or Land)?

## A Checklist for Making an Offer on a Property

Congratulations! It might feel like it has taken forever to get to this point. It is now time to get to work. Here is a checklist to help you prepare to make an offer.

### Checklist:

Sign the Colorado Real Estate Commissions Definitions of a Working Relationship (DWR) provided by your Broker. Understand the different Brokerage Relationships that exist. Choose one the best suits your needs.

Prior to viewing property, interview lenders. Here are a few questions you might choose to ask when comparing lenders:

1. What type of loan best suits my needs?
2. What Is the Interest Rate and Annual Percentage Rate of the loan?
3. What Are the Discount Points and Origination Fees?
4. What Are All the Costs associated with the loan? (Examples might be Appraisal Cost, Credit Report, Documenting Fees)
5. Do You Offer Loan Rate Locks?
6. Is There a Prepayment Penalty?
7. Are You Equipped to Approve Loans In-House / Do you underwrite in-house?
8. How Much Time Do You Need to Fund?
9. Do You Guarantee On-Time Closings?

**Important:** understand what type of home you can afford. Make sure you're preapproved by your lender and you are comfortable with the loan and the loan terms. If you are paying cash for the property, obtain proof of funds from your bank. You will need this information when submitting your offer.

Prior to viewing property, engage your Real Estate Broker with the Colorado Exclusive Right to Buy Listing Agreement (ERB). Between the DWR and ERB, you will understand how your Broker will work on your behalf and the duties of a Buyer's Agent. Just like an athlete's sports agent, your Colorado real estate Buyer's Agent has a fiduciary responsibility to you and your interests. The ERB is there to help you.

As soon as you determine your Lender, share the lender's contact information with your Agent. When you find your property, work with your Agent to request an appropriate Lender Letter prior to submitting the offer.

- [ ] Verify that the down payment required by your lender is in the bank and ready to go.
- [ ] Have your good-faith deposit (earnest money) ready as well. That's often between \$2,500 and \$10,000 of the purchase price and might be more with a higher priced property. If your offer is accepted and you go to closing, your earnest money should be included in your down payment. If your offer is rejected, your earnest money is returned immediately.
- [ ] Make sure you have the necessary funds on hand to cover closing costs (somewhere around 1-3% of the purchase price). This will be part of your cash at closing.
- [ ] Review the Colorado Contract to Buy and Sell Real Estate closely with your Agent prior to viewing homes OR submitting an offer. When you are ready to submit an offer, you will be prepared.
- [ ] When you find a suitable property, work with your Agent to determine a justifiable and fair offer price for the property. This can be based on comparable sales as well as other market information from your Agent's research.
- [ ] Be ready to have your Agent negotiate the price for the property and additional costs on your behalf. In mild and normal markets, your Agent might suggest negotiating seller's assistance with closing costs. In a hot Seller's market, it might be a disadvantage to the Buyer's offer to negotiate payment of additional costs. Your offer price will be important. Low offers could upset a Seller and disrupt the negotiations. High offers with great terms might be accepted, but you could easily overpay for a property or the value of the property will not appraise for what you are willing to pay. Work closely with your Agent.
- [ ] **Important:** If the Seller is not represented by a Listing Agent, you could be required to pay your Broker's success fee. This might happen if you are targeting off-market or FSBO properties. If the Seller is unwilling to pay the Buyer's Agent success fee, speak with your Agent immediately to see how to proceed. In these situations, offering to pay the Buyer's Agent success fee might be a strategy you consider during negotiations.
- [ ] Determine with your Agent what contingencies to include in your offer. These might include:
  1. Inspections
  2. Appraisals
  3. Loan Terms
  4. Whether the transaction is contingent upon the sale of a home you currently own.
- [ ] If purchasing land, determine with your Agent what additional details need addressed prior to purchase (Due Diligence Period). These might include, but are not limited to:
  1. Well Permit
  2. Soils Report
  3. Utility Availability
  4. Topographical Survey
  5. Boundary Survey

6. Additional Infrastructure costs
7. Architectural Guidelines and Covenants
8. Zoning
9. Federal, State and Local Laws

[ ] Work with your Agent to set dates and deadlines in the agreement. In a hot Seller's market, the dates and deadlines are critical to the negotiations.

[ ] Work with your agent to establish an expiration time and date for your offer. In hot markets, this can be mere hours — but in most cases it's one or two business days.

[ ] In a hot market, prior to submitting your offer, call your home inspector and set your inspection day as close to the acceptance day as possible. Work with your Agent.

[ ] Work with your Agent to decide whether to enclose a personal letter to the Seller. (It's not required, but some buyers do this to make a personal appeal for an offer to be given additional consideration. Some Listing Agents might not share the letter with the owner.)

[ ] **Congratulations!** You are ready to submit your offer and the necessary paperwork to the Seller's Agent. The paperwork might include:

1. The Offer (The Colorado Contract to Buy and Sell Real Estate)
2. Your Lender Letter or Proof of Funds
3. Earnest Money Deposit
4. Lead Based Paint Addendum (Pre 1978 homes) additional forms required by the Seller's Agent, and your Lender Letter or Proof of Funds.
5. Signed Receipt of Seller's Property Disclosure
6. Signed Receipt of Seller's Square Footage Disclosure
7. Closing Instructions
8. Personal Letter

[ ] **Be Prepared:** Only one offer can be accepted. In any market, but especially in a hot Seller's market, be prepared to have your offer countered or rejected. Work closely with your Agent to review your post-offer strategies. One strategy might include submitting a back-up offer. Around 25% of accepted offers do not close.

I look forward to working with and guiding you through this exciting time. Please do not hesitate to call or email with any questions. I am here to help. Thank you!!