

On the Home Front

Bi-monthly column by: Linda Skolnick

An Educated Buyer

Westport Homeowners are enjoying a continued Sellers Market. If you are a buyer, however, you may not be reveling in the tough competition and over asking price sales prices. So, in this tough market place, it is best to be prepared.

The first step to home purchase, is finding a top notch Real Estate Professional. Then, get yourself preapproved in writing by an actual mortgage lender. Then, once you have found the home of your dreams, you can concentrate on the specifics of that home, instead of loan details.

So, you've completed your homework, and found a house, but your job is not done. How will you know if you are paying the right price? The following are four questions that sellers hope buyers don't ask!

1. **“Why are you selling your home?”** This may be one of the most important questions a buyer can ask a seller. When there is a specific situation or deadline, the prospective buyer needs to know. For example, if there is a forthcoming foreclosure sale soon, the buyer needs to be able to act quickly to save the house from foreclosure loss. Similarly, if the sale reason is divorce, it can affect the time needed to present a purchase offer to two sellers, especially if one of the sellers is not living locally, or if attorneys are involved. You may not be able to find out the reason for sale, and even if you do, it may not be the seller's real motivation...but it's certainly worth a try.
2. **“How much did the seller pay for the home?”** This amount is public information, and can be easily found at Town Hall, if the seller chooses not to disclose the amount. The information is important to buyers because it can be a guide to how much leeway the seller may have. For example, if the seller paid \$300,000. for a house with a \$550,000. asking price, there may be some room for negotiation. However, if the seller paid \$520,000. for the house last year, the seller most likely wants to receive at least what he paid, plus the selling cost to break even (unless there are special circumstances...which is why the first question is important).
3. **“How was the asking price determined?”** Too many asking prices are “PFA”, which means plucked from air! Some sellers set their asking prices on (a) what they think their house is worth, (b) purchase price plus capital improvements or (c) a percentage annual increase, multiplied by the number of years of home ownership. Truth be told...none of these methods are great guidelines. A better method for setting price is for the listing agent to prepare a comparative market analysis (CMA). This will show recent sales prices of comparable neighborhood

homes. It will also include current asking prices for other homes currently on the market (the competition).

4. **“Has the seller prepared a written property disclosure statement?”**

Connecticut law requires sellers to provide a written disclosure statement. These forms ask residence owners to disclose known home defects. The primary purpose is to provide buyers with knowledge of known home defects prior to completing a purchase offer agreement. Be warned, some sellers lie. We hope no one does...but let's face it...it can't be helped...memories are short. Even in an “as is” home sale, the seller must disclose known significant problems with the residence.

Most of us do not purchase a new home very often, so do your homework. The bottom line, you can never be too prepared or ask too many important questions. And don't forget to contact me directly when you need a great listing or sales agent!