

The Renter's Guide to **HOMEOWNERSHIP**

INSIDER STRATEGIES



PARAGON 
HOME LOANS

HOW TO CONQUER YOUR FIRST HOME PURCHASE.

Buying your first home

Congratulations! You're at the start of an exciting new journey - buying your first home. But you might find yourself anxious, unsure, and maybe even discouraged based on what you're hearing about the housing market today. You could be worried about home prices, low home inventory, interest rates...or all of the above.

The truth?

If your finances are in order, and buying a home aligns with your goals, then it is still a good time to buy.

While rates are no longer at the all-time lows the industry experienced following the COVID Real Estate shutdown, there is still an advantage to buying sooner rather than later. Home prices are projected to continue climbing, and an eventual drop in interest rates will increase competition in an already tight market, meaning bidding wars and offers over asking price will continue to be the norm.

Waiting until interest rates fall to buy a home could cost you thousands of dollars - and, the ability to start building home equity now.

So how do you navigate today's competitive market?

We've got 10 Strategies that have helped our clients win their offers and get into the home of their dreams despite current market challenges. With the right team of professionals by your side, you can let go of the stress and just enjoy the ride.

Start packing! It's time to get you home.



1.

Consider conventional financing

with an appraisal waiver.

With many homes on the market today receiving multiple offers, it's important that your offer is as strong as possible. There are a few things that Listing Agents will look for to quickly identify the top offers to present to their sellers.

Conventional financing typically indicates strong buying power and borrower eligibility, signaling to the sellers that there is less of a chance the deal will fall through....landing them right back where they started, putting their home back on the market.

An appraisal waiver allows qualified home buyers to forego the in-person appraisal process that's typically required when buying a home. Because of low inventory, it's not uncommon to see multiple offers over asking price on the same home. If the appraisal does not support the value of the home for those over-ask offers, the financing for the accepted offer can come to a halt. Waiving the appraisal altogether mitigates the risk of a low-value appraisal, making the offer much more attractive to the sellers.

Not sure if it's right for you?

At Paragon, you have options. Your Loan Officer can help you determine what will work best for you in your specific situation. Let's explore your options!



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Use a Pre-Approval Letter that is

2.

higher than your offer.

It's all about buying power.

A Pre-Approval Letter is a document from your lender stating they are tentatively willing to lend you a certain amount of money. It is not a commitment to financing, but it does tell the seller that you are likely qualified and able to get financing should your offer be accepted.

When you submit an offer on a home, your Pre-Approval Letter will be submitted along with it, so the sellers know you are a serious, qualified buyer. A Pre-Approval Letter that shows you can obtain financing for more than the asking price, or for more than the offer you are making, shows the seller you have "wiggle room". If something unexpected were to pop up during the financing process, you still have room to make adjustments because you're not at the top of your range.

To sum it up:

Wiggle rom = a more stable offer and less risk in the seller's eyes.

Pro Tip: Get Pre-Approved before you start shopping.

Get Pre-Approved BEFORE you start shopping so when you find a home you love, you can make an offer right away. Don't miss out because you weren't prepared!

3.

Can your lender close quickly?

Just like it's important for you to be able to make an offer quickly once you start your home search, it's important for your lender to be able to close your deal quickly once your offer is accepted.

The terms of your offer - and your financing - all contribute to how attractive your offer is to the seller. Financing that can be completed quickly - think closing in 30 days or less - will stand out from other offers that list 45 or 60 day financing turntimes.

Make sure your lender is reputable and has a proven track record of closing deals quickly, and on time. No one wants a moving truck full of stuff with no where to go because of a delay in the financing process!

Did you know? Not all mortgage lenders close their loans on time! Do your research before deciding who you will use. A lender who requires a more thorough up-front process is less likely to run into hiccups once the financing process is well underway.



4. Ask your lender to call the listing agent & detail your qualifications.

Work with a lender who's got your back and will do what it takes to help you get your offer accepted.

Once your agent has submitted the offer on your behalf, make sure your lender is looped in with the details. Ask if they are willing to call the listing agent and detail your qualifications. This is another way for your offer to stand out - in addition to your written offer, the agent is receiving a phone call on your behalf. Your lender can speak to your eligibility as a borrower, providing peace of mind that the financing for your offer is solid.

When you're working with a reputable lender, this phone call (and their name as the lender on your offer!) can be the difference between your offer being thrown out or moved to the top of the pile. Lenders with a proven track record of closing deals on time and with minimal issues allow the listing agents to let out a sigh of relief - they know the deal will be in good hands if that offer is selected.

You're probably starting to catch on - if it means the deal is less likely to fall through, it's more likely to be considered by the sellers.

Pro Tip: Experienced, local lenders often have good working relationships with many Realtors. It helps when they recognize the name on the Caller ID!

5.

Tailor

Your Offer:

HOMES THAT ARE JUST LISTED

How can you stay competitive with other homebuyers?

If you've started your home search, you may be surprised at the limited home inventory available in your geographic area. Add in your price range and must-haves, and you could be left scratching your head - how am I ever going to find the house I'm looking for?

Then, you see it. A house that checks all the boxes. It's just listed, and it's perfect!

The reality is there are probably at least a few more buyers who are thinking the same thing. How can you stay competitive and craft a strong offer that will stand out above the rest?

Talk to your Real Estate Agent about trends in the area. Ask about multiple offer situations and offers over asking price - what is typical? What are they seeing in the market?

Consider tailoring your offer given those trends. If most homes are selling for more than asking price, get aggressive with your offer if you can.

If you don't feel comfortable offering over ask, keep your expectations realistic. You may not get your offer accepted on this house. Hang in there, and remember many buyers submit offers on multiple homes before they get one accepted.

The Pennsylvania Housing Market in July 2023:

The median days on market was 25, down 4 year over year. There were 35,738 homes for sale, down 21.3% year over year

Source: Redfin



6. Tailor Your Offer:

MORE DAYS ON MARKET

What to look for:

If you come across a home that has been on the market a little longer than others, you may have more negotiation power.

While homes that are just listed may attract more over-ask offers, homes that have been on the market longer are more likely to sell for closer to asking price. Longer days on market could indicate it was priced too high when it was listed. Or, it could be back on the market because financing on a previously accepted offer fell through.

Work with your Real Estate Agent to determine your best course of action. This could be an opportunity to negotiate!



7.

Prepare for an

appraisal gap.

Let's circle back to that pesky appraisal from #1.

It's not always possible to get an appraisal waiver. Another good alternative is including verbiage in your offer that outlines a plan in case of an appraisal gap.

An appraisal gap is the difference between the amount you agreed to pay for the home and the fair market value determined by an appraiser during the appraisal process.

Lender financing is contingent on an appraised value that matches or exceeds the purchase price of the home - in short, lenders will not offer a buyer a mortgage amount that is more than the home value determined by the appraisal.

Including a plan that addresses a potential appraisal gap in your offer provides peace of mind to the seller, making your offer more attractive.

Work with your lender to understand your appraisal gap options and how you can construct your offer to include a solid plan.

Market conditions can increase the odds of a low appraisal. Bidding wars can push sales prices higher, and while buyer demand supports those higher prices, comparable sales used during the appraisal process may not support the higher home value.

Source: CoreLogic

8.

Weigh your options when it comes to inspections.

It comes as no surprise that an offer that waives a home inspection is more attractive to the seller than an offer that does not.

But what does that really mean?

Waiving the home inspection doesn't mean you can't get an inspection done at all. You can, in fact, opt to have one completed anyway. It does mean, however, that you can't use the results of the inspection to negotiate additional terms with the seller. If something is identified on the inspection, you'll be aware of it, but unable to use that as a reason for negotiation.

If you don't feel comfortable waiving the inspection altogether, you can specify that the inspection is only in regards to large dollar items. Or, you can include verbiage that states you will cover up to a certain dollar amount of repairs before asking for help from the seller. This tells the sellers that you won't hold up the sale of their home over low dollar items, like light bulbs.

Pro Tip: If you opt to waive home inspection, it is a good idea to invest in a home warranty! This will help cover the costs associated with any potential repairs that may pop up after closing.

9. Pay both sides of the transfer tax.

Transfer taxes are fees collected upon the transfer of a property from the previous owner to the new owner. In Pennsylvania, the transfer tax is split between the buyer and the seller, with each party typically paying 1% of the purchase price (the percentage can change based on the location of the property).

An easy way to help your offer stand out is by offering to pay both sides of the transfer tax. This means you will pay the seller's half of the tax, saving them money on the sale of their home. If it makes sense for you financially, this is an easy way to incentivize the sellers to consider your offer over others.

Pro Tip: Transfer taxes can vary from county to county. Your Realtor can help you determine the transfer taxes on homes you're interested in purchasing.



10.

Ask your Realtor to present
your offer in person.

In today's market, things can move pretty quickly. Once a house hits the market, the listing agent will set a deadline for "highest and best" - the deadline for all offers to be in so the seller can sort through them and decide which offer they will choose.

Often, those offers are sent electronically. It's easy, it's quick, and let's face it - it's the norm. That's why your agent presenting your offer in person could be the difference maker. It's definitely a way to stand out, and, it's a good opportunity for your agent to meet the listing agent and establish rapport if they don't already know each other.

It may not be necessary in every situation, but ask your agent to consider taking the extra step. You never know what could be the deciding factor in today's market!



About the Author

The Michael Mann Mortgage Team is a local lender proudly serving the community for over 20 years.

It's our belief that everyone should have the opportunity to own a home. We know that the purchase of real estate can be stressful, but obtaining a mortgage doesn't have to be.

Whether you are a first time home buyer, moving up, refinancing an outstanding loan, or consolidating debt, our highly experienced mortgage team can help you make your dreams come true.

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Let's get you home!

"Mortgages are what we do, it is not who we are."



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