



## TIPS FOR THE SELLING AGENT

1) **Work with “Certified Homebuyers”** – Decide once and for all that you are not going to waste your time with buyers that are not “fully qualified.” *What does that mean?*

A “pre-qualification/approval” letter offered by most mortgage companies only provides a conditional approval for buyers. That’s because the letter is issued based on a computer generated approval after plugging in the information from the initial loan application and pulling a credit report. The problem with this method is that the computer “assumes” that the content of the application is supportable with proper documentation. If it is not, the loan will be turned down. The Family Mortgage Certified Homebuyer certificate is issued only after we have underwritten the file in-house, which guarantees your client has a “rock-solid” loan approval before an offer is even made!

2) **Convincing your client to become a Certified Homebuyer** – So your client refuses to take the next step to become a Certified Homebuyer? Use the following points to show them how it is in their best interest:

- a) The lender will provide the buyer with a much stronger approval letter, strengthening the purchase offer. You can tell the listing agent that your buyer has been pre-underwritten and can close in 10 days. That is negotiating from a position of strength.
- b) You will know for certain your client’s price range, what the payment will be and how much cash will be necessary at closing.
- c) Your client will be in a position to get a better interest rate because the loan can close within a 15-day period. The lenders provide better pricing for shorter lock-in periods.
- d) If the client is short on cash or wanting to reach a certain down payment threshold, we may be able to suggest some creative ways to get to the goal line.
- e) If credit score issues exist, we are experts in counseling the client in ways to improve their scores. This can make the difference between qualifying and not qualifying, or taking a higher rate. Given adequate time, simple strategies can make a big difference.
- f) Your client will not be wasting time (theirs or yours) looking for a house they can’t qualify to buy. Times have changed; Even if your client is strong financially, it pays to know everything is ok on the front end.

3.) **2008 GAR Purchase and Sale Agreement** – Due to the 2008 revision of the GAR contract form, many mortgage professionals are not familiar with all the changes. Coupled with the tighter and more stringent underwriting guidelines for home mortgages, it has become more important than ever for an effective communication strategy between real estate agents and mortgage professionals.

- a) **Exhibits** - Exhibits are still available for Appraisal and Financing contingencies. We recommend not using the financing contingency since it is covered in the due diligence period. We do however recommend that you use the appraisal contingency,

especially in a declining market. Appraisal issues have become a large stumbling block with lenders and this provides your client another level of protection if the appraised value is less than the sales price; and provides extra time to deal with complications that have been arising with more regularity. Just be sure to add a Bullet point #7 to this exhibit that insures that this exhibit survives the due diligence period.

- b) **Due Diligence** - The due diligence period of the new GAR form has been revised so that most all contract issues are subject to the same due date, even those typically addressed in contingency exhibits. Obviously, the goal was to simplify the contract process, but in some instances the buyer's unique circumstances could require that special attention is needed in a particular area—especially in the area of mortgage financing—therefore, requiring more time. In that case, you might find it prudent to add a contingency exhibit that survives the due diligence period.
- c) **Seller Contributions** - Another item critical to discuss with the mortgage professional upfront is how much the seller contribution should be. As you know this is a negotiable item but we always try to match our mutual client's objectives with the actual outcome. Always request a copy of a Good Faith Estimate and go over it in detail with the Loan Officer prior to making your first offer. There are two goals in doing this: 1) To insure that the seller contribution limitations set by FHA or Fannie Mae are met; and 2) to insure the loan is structured in the most advantageous way, and that the seller's contribution will be maximized without requesting too much. For example, the seller cannot contribute any more than the total of closing costs plus prepaids (the amount required to set up the tax and insurance escrow accounts. If more than that is requested, a contract addendum reducing the purchase price by the amount of money not used to cover closing costs and prepaids would be required. A more common occurrence is when the buyer needs all costs paid to keep their out of pocket expenses as low as possible. In either situation, the contract would need to be modified. Communication on this important item upfront with the mortgage professional is critical.
- d) **Repairs** – If you believe that a property has serious deferred maintenance issues, check with the mortgage professional before making the offer. Lenders have become more selective about the collateral they finance. They are not interested in inheriting another lender's distressed property. Sometimes the lender will require that serious issues be repaired upfront prior to closing, and sometimes they will require an appraiser to address it upfront in concert with the inspector, but coordination is the key. Another challenge that sometimes surfaces is when the buyer wants the seller to do repairs or contribute toward repairs. Obviously, it's okay for the seller to complete repair items. But oftentimes, the seller would prefer to write a check than do the work themselves. Unfortunately, we are not aware of any conventional mortgage lenders that allow this practice any longer. FHA offers a 203k "renovation loan" that allows this work to be done later but it can be complicated. If you have this situation, call the loan officer prior to negotiating this addendum because the way it's worded is extremely important.
- e) **Closing Attorney** - You may not be aware of this, but the choice of a closing attorney can save your client money. Just knowing this fact can be a huge selling point on the value you bring to the table. Many agents believe that all closing attorneys charge the same fees for the same work. But that's not always the case. The difference lies in the rates charged by attorneys for owners and lender title insurance

and their “junk fees.” Title insurance in Georgia is negotiable and where the biggest difference in fees typically lies. It’s not uncommon to save your client \$500 to \$1,000 on a \$350,000 purchase if you’re aligned with the proper attorney. Be sure you develop a relationship with a knowledgeable, reputable closing attorney.

f) **Special Stipulations**

- 1) *Seller Transfer Tax*: Formerly a seller’s expense, this year the contract was changed to make the transfer tax a buyer’s expense, the argument being that the transfer tax is part of closing costs and the buyer should be responsible for the cost of purchasing a home. Just keep in mind that it’s still not listed on the standard good faith estimate used by mortgage lending institutions, so be sure that it’s properly disclosed in special stipulations and doublecheck the Good Faith Estimate to prevent any undue surprises at the closing table.
- 2) *Termite Inspection*: The termite inspection is also now the buyer’s contractual responsibility. Ask the seller to provide a termite letter and transferable bond.
- 3) *HVAC*: Ask the seller to provide evidence that the HVAC system has been inspected and is in good and working condition by a licensed HVAC contractor.