

# Top 3 Deal Killers

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Once upon a time, homebuying was a much less dramatic affair than it is today. The house hunt was fun, if suspenseful, and then there was another exciting whirlwind of inspections, closing and moving in. Today, though, as soon as buyers get the gumption to jump off the rent vs. buy fence, they find themselves on another edge - the edge of their seats, through the entire escrow process waiting to see what obstacle will emerge next, and whether their transaction will survive it.

Deals get killed all the time, and buyers can't relax until they have keys actually in hand. Here are three of the most common real estate deal-killers, and some steps buyers can take to deactivate them.

1. Appraisal too low. Some buyers incorrectly believe that the best thing that could happen to them is for the property to appraise below the agreed-upon purchase price, expecting that a low appraisal forces the seller to bring the price down. In fact, so many of today's sellers are barely breaking even, that a low appraisal is probably the most common deal-killer around. If an appraisal comes in just a tad bit lower than the contract price, usually the seller will come down if they can, or the buyer will kick in a few extra bucks. But when it comes in 5, 10 or even 20 percent low, most sellers can't - and most buyers won't .

Low appraisals also seem like the most difficult deal-killer to avoid, as this process is entirely out of both buyer's and seller's control. But there are two things buyers can do to minimize the risk. First, check the comps - i.e., recent comparable homes that have sold in the area - before making an offer; your agent will help you do this. Then, don't make an offer bizarrely above the average range of the comparables, even if the property has multiple offers, unless you're prepared to deal with a low appraisal a couple of weeks out.

Also, consider working with a local mortgage broker who also originates loans through its own bank (vs. walking into a large bank's branch off the street); these lenders have the ability to choose from a smaller pool of appraisers that they know are qualified and knowledgeable about your area.

2. Property condition dramas. When the market melted down, lenders found themselves with a lot of decrepit homes on their hands. This explains two things: (1) why lenders are more concerned about property condition now than ever, and (2) the raggedy condition of so many of the "distressed" homes on the market. Homes that have extensive wood rot, dangerous decks or electrical systems, or peeling paint and missing systems (sinks, stoves and the like) are highly unlikely to pass muster when the appraiser walks through, even if they do qualify as being worth the purchase price. And while an individual seller might be willing to do some work, many just can't afford to; short sale and REO sellers simply refuse to make fixes, 9 times out of 10.

Prevention is the best medicine for curing this transaction ailment. If you are buying a short sale or REO property, be aware that when the selling bank says as-is, it really means as-is. Ask your mortgage broker and agent to brief you on what sort of shape your lender will require your home to be in, at minimum, and keep that standard in mind during your house hunt. Your agent can help manage your expectations about which properties will and won't likely pass muster.

3. Loan approval takes too long. Every buyer knows they must get preapproved for a mortgage before they start house hunting, but many don't know that preapproval is just the first in a long list

of steps that have to happen before the loan becomes a sure thing. In fact, it's common now for buyers to get their loan preapproval many months before they end up in contract, and lots can change in the interim - further extending the time it may take for their loan approval to come in.

It's common for contracts to include a standard loan contingency period of 17 days, give or take a few. But the appraisal might take longer than that to come in, or the underwriter might have lots of questions and seemingly random nitpicks about the appraisal, or about you: they want to see your driver's license, then your marriage license, then your divorce decree, and after that, a letter from your employer agreeing that you'll be keeping your job even though you're moving an hour away. It never seems like they ask for everything at once, thus it can take longer than 17 days to obtain all the requested items, turn them in and get the underwriter to sign off on them.

Until you get that green light, it's foolhardy to remove your loan contingency, as that step renders your earnest money deposit non-refundable, under most contracts. Many a buyer is forced to either secure an extension from the seller or to let the transaction die, rather than forfeiting their deposit funds. And again, some sellers understand and will play ball, but bank sellers can be particularly resistant to loan contingency extensions, especially if there are backup offers on the table.

Best practice for buyers to minimize the chances of an overtime loan approval process killing the deal? Be ready: be ready for lots of bizarre documentation requests, be ready to provide things you've already been asked for, and be ready to do so quick-like - without pushing back. The faster you can turn around the things the underwriter wants, the better.

Also, it can be very helpful to work with a mortgage broker and agent that have worked together before and have close communications, so that your agent can stay abreast of any and all loan process glitches and keep the listing agent apprised of the legitimate reasons you may need an extension throughout the contingency period, rather than assuring them everything's speeding along then having to ask for a last-minute extension.