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As a Homebuyer, How Do You Compete Against All-Cash Offers?

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We have all used or heard the phrase “cash is king.” But when nearly 40 percent of homes are being sold to all-cash buyers, I frequently hear from my clients who need to get a loan, “I can’t compete against all-cash buyers.”

The truth is cash can be very appealing to most sellers due to short escrows (typically half the time of a conventional escrow for a buyer obtaining a loan), no wait period for buyer loan approval and more importantly, most cash buyers will waive their appraisal contingency.

Furthermore, a cash offer from an investor might have no inspection contingency because their plan is to tear down the existing home and build a beautiful new Cape Cod or Modern Farmhouse style home on the lot, so any issues with the home are not a concern to them.

How can you make your offer just as strong and stand out? Price, timeline and a simple step above and beyond that I like to call a “love letter.”

What most buyers forget to realize is that while you are purchasing one of the biggest assets of your lives, sellers are selling one of their biggest assets. The seller’s home is where they raised their family, invested money into remodeling and spent years creating lifelong memories.

One of the first questions a seller asks their agent when looking at offers is “who is buying my home?”

They want to know and understand the plan you have for their home, why you want to purchase their home, if you have any children, the reason for your move and so on. A simple bio about yourself or a “love letter” explaining who you are, what you do and why you love their home goes a long way.

After reading it, the sellers might find your children go to the same school, your brother works in a similar industry or the beautiful hand-planted rose garden you fell in love with also made them fall in love with the home.

More than them just knowing about you, they will feel more confident that if an issue arises in escrow, the communication is now open and solutions will be easier to achieve.

One extra step beyond just writing a “love letter” is actually presenting the offer and your letter in person (with your agent) directly to the seller. This practice was more common years ago but with technological advances, this personal touch has been discontinued.

While some sellers or listing agents may not want to meet there is no harm in trying. Putting a face with the seller really personalizes the offer and putting in the extra effort to meet goes a long way.

Emotions aside, price is another great way in beating out a cash offer. Cash offers tend to be lower than conventional loan offers. Some sellers might rather wait the extra 15 days to have \$75,000 more in their pocket.

From a buyer standpoint, that might only be equivalent to \$250 more a month in your mortgage payments in order to buy your dream home. Take the time to think about what getting your dream home is worth to you.

Lastly, another area where you can make your offer look stronger is the timeline for removing contingencies and inspections. Although you might not be able to completely remove any contingencies, always shorten them to show your seriousness and dedication to purchasing their home.

The standard C.A.R. Residential Purchase Agreement lists inspection contingencies at 17 days. Typically, we can arrange inspectors to be at the property within three to five days.

My advice to buyers who have lost out to all-cash offers is to keep trying. I am a firm believer that everything happens for a reason.

Just as we are intentional with our process in winning offers for our clients, if you are intentional in putting your best foot forward, I am confident you will not only be able to get an accepted offer, but will get an accepted offer on the home that is meant for you.

Cody Carras is a Sales Partner with the Marguleas Team, which has sold close to \$1 billion in properties and was selected by The WSJ as one of the top 100 teams in the country out of one million agents. Cody can be reached on his cell at 310-460-9561, www.AmalfiEstates.com.