



Things to Consider When Purchasing

Purchase Contracts

1. Review the purchase contract carefully and ensure the following contingencies are written in the contract:
 - a. contract is contingent upon buyer obtaining a home inspection
 - b. contract is contingent upon seller providing buyer a termite inspection report within 14 days of contract execution
 - c. contract is contingent upon property appraising for the purchase price and appraisal is acceptable to buyer's lender
 - d. contract is contingent upon buyer securing a mortgage that is acceptable to buyer
 - e. have a phrase that states all contingencies must be satisfied and be deemed acceptable by buyer
2. Order a home inspection early in the process. If challenges arise from the inspection, they serve as a means of negotiating a better price.
3. Ensure the contract releases and returns any earnest money deposit you might have paid if all contingencies are not met.

Seller-Paid Closing Costs

It is typically a better use of your money to negotiate seller paid closing costs (SPCC). **It is best not to mention the possibility of SPCC during contract negotiations.** Negotiate a bottom line sell price with the seller first. After this is done, add back the desired SPCC to the purchase price. For example, I'm buying a primary residence with less than 10% down payment ... the seller is asking \$205,000. I offer 195k and they counter with 200k. I accept this so I counter with "I'll pay you \$206,000 if you pay \$6,000 towards my closing costs and prepaids." If the seller agrees, they net 200k which is what they countered with. There's no reason for the seller not to accept this offer and it saves you \$6,000 out of pocket. You are basically financing closing costs. To determine whether this is smart use of money, compare the difference in total interest paid between a 200k and 206k mortgage at any point into the future by using an amortization schedule (found online). You can now compare this to a potential return if you invested \$6,000 elsewhere.

Percentage of purchase price that seller can pay towards buyer's closing costs

Primary residence with less than 10% down	3% of purchase price
Investment property with less than 10% down	2% of purchase price

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