

Can You Buy Another Home If Your Present Home Is Not Sold?

You own a home. You would like to sell your home, and buy another.

It's the old "chicken or the egg" story. Every day hundreds of people struggle with the dilemma of what to do first... Sell their home and then buy one, or buy another home and then sell theirs.

Each method has its own risks. However, there is usually one option that will work best. Let's take a look at a very traditional couple, Bob and Gloria. They must decide which option to use: Sell their existing home first; or buy a new home first and then sell their existing home.

Bob and Gloria knew for some time that they would be selling their home on Clearbrook. They had purchased it just after they were married and now they were outgrowing it. They loved their present neighborhood and wanted to move to a similar area.

They had made many improvements to their home. It was decorated in the very best of taste. Everything was in perfect condition, but the home was just too small now that they had two children.

They had their Realtor stop by and give them a value on their home. The Realtor looked through the home and noted all the improvements they had made within the last five years. She estimated the value of the home, and advised Bob and Gloria that it would probably sell within 30-60 days.

Encouraged by this, Bob and Gloria asked their Realtor to keep an eye out for homes in the Oak Hollow area. Specifically, three or four bedroom homes with fireplaces. Their Realtor began sending them Oak Hollow listings, and they would drive by houses in the area.

Occasionally Bob and Gloria would schedule a private showing with the Realtor to see the inside of a home or two. They began to get a real feel for what was available. Over a three-week period, Bob and Gloria saw a number of Oak Hollow homes that they liked.

However, they didn't find the *perfect* home.

Perhaps if their home on Clearbrook was already sold, one of the Oak Hollow homes would have been more appealing to them. It would have been much easier for them to make a decision.

At their Realtor's suggestion, they visited their Lender and obtained a "Pre-approval Letter." The Realtor explained that this was their approval for a new home loan. This letter would show a seller that Bob and Gloria were approved to obtain a loan. It would make any offer more appealing to a seller.

Bob and Gloria now knew they could afford to move. However, because they didn't have to move, because there was no urgency, they decided not to put their home up for sale until they found the *perfect* new home.

Bob and Gloria were worried about selling their home before finding another. They were concerned that since their home was so nice, it would sell quickly... perhaps too quickly. Then they would have to make a fast, or even a rushed, decision on a new home.

They were afraid of having to compromise if there was nothing out there that was just right for them. So they chose to keep looking, instead of listing their home. They toured more houses, and they drove by almost every new listing sent them.

On weekends they drove through Oak Hollow and other similar neighborhoods just to look, see and feel the areas. They always came back to Oak Hollow because it was their favorite area. They liked the schools and its proximity to freeways. It was a reasonable distance to both of their jobs.

Each Tuesday, Thursday and Saturday they received a packet of new listings from the Realtor that her Multiple Listing Service computer search had turned up. One day, Gloria opened a packet of listings. Inside were two brand-new Oak Hollow listings. She drove by them, and thought they both had possibilities.

Gloria discussed both listings with Bob that evening. They decided to call their Realtor and arrange to look at the homes Monday evening. That Monday evening their lives changed.

They found the perfect Oak Hollow home. It was gorgeous. Everything that they had hoped for — and more. Two fireplaces instead of one, 2 ½ baths instead of 1 ½, and a master bedroom with huge walk-in closets.

The only problem was the asking price. It seemed to be about 10% higher than other similar homes were selling for in the area. Even allowing for the perfect condition (the setting, the baths and fireplaces), the most they could justify offering was about 5% less than the asking price.

Bob and Gloria prepared an offer with their Realtor that evening for 5% under the asking price. They felt it was a very reasonable offer.

Of course, since their home wasn't even for sale yet, they had to make the Oak Hollow offer "subject to" the sale of their home on Clearbrook. In other words, they wanted the Oak Hollow owner to remove his home from the market until their home on Clearbrook sold.

Bob, Gloria and their Realtor were convinced that their home on Clearbrook would sell within 60 days. Therefore, they worded their offer to ask the seller of Oak Hollow to accept their offer with a contingency of selling their home for 60 days. That would give them the necessary time to sell Clearbrook.

According to the "subject to" clause, if their home on Clearbrook did not sell, they would not have to buy Oak Hollow. Everything would work in their favor because they would not lose any money. They had no risk.

The next day their Realtor presented the offer to the Oak Hollow Realtor and sellers. She explained to them how perfect Oak Hollow was for Bob and Gloria. She gave her a copy of Bob and Gloria's Pre-approval Letter.

Most importantly, their Realtor took great pains to share with the other agent all the details of Clearbrook — how perfect it was. She told them the buyers would list the home "right on the money" to make sure it sold fast.

She also told the other agent that he was convinced Clearbrook would sell in two or three weeks at the most. He said that even though the offer was "subject to" the sale of Clearbrook, there was very little risk to the Oak Hollow owner.

The agent and sellers seemed very positive about the whole offer. They promised to discuss further that evening. The Realtor called Bob and Gloria to tell them that he thought things went well, and to keep their fingers crossed.

The seller's agent called their Realtor back the next morning with bad news. Even though Bob & Gloria and their Realtor felt strongly that Clearbrook would sell within 30-60 days, the owners of Oak Hollow were afraid of removing their home from the market for any length of time. They wanted some "shouldering of the risk" by Bob and Gloria.

The Oak Hollow owners felt that they were being asked to take all of the risk. If Clearbrook did not sell in 60 days, Bob and Gloria would walk away scot-free. They would lose nothing — it wouldn't cost them a penny.

However, Oak Hollow would be off the market for 60 days of prime selling time. The Oak Hollow owners knew they had one of the nicest homes in the area. They were sure that Oak Hollow would sell within 60 days.

They just couldn't see any benefit to taking it off the market and "hoping" that everything went as planned with Bob and Gloria's home. Also, the Oak Hollow owners further observed that if they accepted Bob and Gloria's "subject to" offer, they couldn't make any definite plans.

They had no way of knowing for sure if Clearbrook would sell, so for 60 days they would be "in limbo." They did not want to be in that position. The Oak Hollow sellers had a *whole different perspective* of the proposal than did Bob and Gloria.

They worried about, "What will we do and where will we be if things don't work out?" All Bob and Gloria could see was, "It's a 99% sure thing... just give us a little time and we'll work it out."

Based on the sellers' concerns with the proposal, the Oak Hollow owners indicated to their agent that they would consider one of the following options:

Option # 1: The sellers would take Oak Hollow off the market and hold it for 60 days for a non-refundable deposit of \$3,000. The \$3,000 would apply to the purchase price; but if the sale did not close within 60 days, Bob and Gloria would forfeit their \$3,000 to the seller. This type of arrangement would shift some of the risk to Bob and Gloria. The amount of \$3,000 seemed to be a reasonable figure for the seller. This would cover their loss if they held their house off the market for 60 days and then had to start all over.

Option #2: The sellers would agree to sell the home to Bob and Gloria at the price they offered. However, they would reserve the right to keep their house "on the market" and sell

it to any other buyer who came along in the meantime. If Bob and Gloria could sell their home before another buyer came along, they could get it.

Option #3: The seller would agree to hold the home "off the market" for Bob and Gloria for 30 days, but he wanted the full asking price. This would be his compensation for holding the home off the market. Under this option, Bob and Gloria would be under no risk if their home did not sell. However, they would have to pay a higher price to get the home they wanted.

Bob and Gloria talked to their Realtor about the three options. None of the options were what they had hoped for. She explained that the seller of Oak Hollow wanted to know with a strong degree of certainty that if they took their home off the market it would be sold.

The first option would allow them to receive reimbursement in case Bob and Gloria's home did not sell promptly.

With the second option, they could keep the house listed; and they wouldn't lose any time if Bob and Gloria couldn't purchase it.

The third option would allow the owner of Oak Hollow to receive the full asking price. In exchange he would keep the home off the market for 30 days.

The owners knew Oak Hollow was a beautiful home in a great location. They knew there would be other buyers that would love the home. In other words, they knew Oak Hollow would sell quickly, at a good price. He didn't need to get involved with hoping someone else's home would sell.

"But I don't know if I want to risk \$3,000 if my house doesn't sell," said Bob, referring to Option #1. "What if our home doesn't sell within 60 days? Is it worth risking \$3,000 to get Oak Hollow?" Bob scratched his head. "And I know I don't want Option #3! As nice as Oak Hollow is, it's not worth the full asking price!"

"But if we don't take Options one or three," observed Gloria, "we're stuck with Option #2 — and Oak Hollow will probably sell before we can get our home sold." "Or, we have to pay a high price or risk a substantial deposit to hold it," replied Bob.

After considering every side of the issue, Bob and Gloria decided that they just weren't ready to risk \$3,000. Nor were they willing to pay the full asking price. So they took Option #2. Their Realtor listed their home on Clearbrook the next day.

Three days later the phone rang. It was their Realtor. "Oak Hollow sold last night for the same price you had offered. The buyer of Oak Hollow listed their home several weeks ago and it sold last week."

Gloria's heart sank. All along, in the back of her mind, she had known that the odds of them selling Clearbrook before Oak Hollow was sold was an outside chance at best. However, she had already been living in Oak Hollow in her dreams.

She imagined the children playing in the huge backyard. She had envisioned cozy evenings, curled up in front of the fireplace reading a book. And the huge master bedroom! "Oh well," she thought, "it's all gone now."

When they had started looking for homes, Gloria hadn't realized that there would be this much stress involved. It was almost enough to just forget the whole thing, but they had put off the decision too long already — Clearbrook was just too small.

That evening Bob and Gloria talked about what was really important. They called their Realtor and asked to meet with her the following day.

"We need to sell Clearbrook," began Bob, "but we just don't know what to do if we can't find anything we really like once it sells. We just don't want to be pressured into buying a home that's not right for us in the short amount of time that we'll have."

"Well, let's take an objective look at where you are," said their Realtor. "You're not the first clients I've had that have been in this situation. Let's look at what usually happens."

She continued: "We can list your home for sale with the stipulation that you have a longer time before closing or can remain living there after the closing of the sale. Most sales close 30 days after the offer is accepted. This would give you some time to find another home. It's interesting, but the house you will eventually buy is probably not even listed yet. The houses that are listed for sale now, the best buys, will probably be sold by the time your home on Clearbrook is sold," he said.

"Why is that?" asked Gloria.

"The good ones sell fast," she said. "Most of the nice homes listed at fair prices will probably be sold in 30 days. So, if your home sells six weeks from now, there will be a whole different group of nice Oak Hollow type homes for sale."

"But how do we know for sure that there will be a home we really like?" wondered Gloria.

"Well, let's look at it this way," replied the Realtor, "you've been looking at homes seriously for about three to four weeks. You've seen a number of homes in your price range that you like. You found one that you were in love with."

She continued, "It's been my experience that when your home sells, you will find the right one. While there is no way I can predict what homes will be for sale, I can predict that there will be a completely different group of homes for sale. One of them will be right for you."

"But what about the prices?" asked Bob. "What if there is nothing that we can afford?" The Realtor answered, "What I hear you saying is fear of the unknown. It's difficult to make a move without knowing exactly what lies on the other side of the mountain, so to speak. However, there is no way to completely eliminate all risk and still get a good value. As a matter of fact, we haven't talked about the biggest benefit of selling your home first — and that's the power of cash negotiation."

"You see," she continued, "you are already more knowledgeable than most buyers about Oak Hollow type neighborhoods, prices, features and value. You've done your homework and have learned that market. You're experts. In fact, I'd say you know the Oak Hollow market better than most."

"I'll continue sending you information about Oak Hollow homes until your home is sold. You'll become even sharper about the market. When your home sells, you'll be one step

ahead of the great majority of buyers out there. You will have a tremendous edge. Remember, you're not the only family looking for a well-priced, nice home in the Oak Hollow area. When an attractive, well-priced home is listed, you'll be one of many who want it. Since you've done your homework, you'll be able to move more quickly and 'pick the plum' before anyone else gets it."

"What's more is that with your home sold, we'll be negotiating from a position of *strength*. Any offer you make will be very seriously considered, because it's like cash. Your home will be sold, so there will be little risk for the seller to deal with because you're already pre-approved for a new loan. I'll be able to bargain on your behalf even more effectively with a seller. I've helped many buyers get *really good deals* using these techniques."

Bob and Gloria decided to take their Realtor's advice. **Four weeks later their home was sold.** The Realtor began updating Bob and Gloria daily with all the new listings on the Multiple Listing Service computer.

When a new listing would come through, Bob and Gloria knew about it the day it was in the computers. They were often the first people through the new listings. They kept meticulous notes about values and features. They had notebooks full of notes.

Two weeks later their Realtor called with the news that another Oak Hollow home was listed for sale. The home very closely matched Bob and Gloria's specifications. The price seemed to be right on the money.

The Realtor faxed the Multiple Listing Service sheet to Gloria at her office. On her way home from work that night, Gloria drove by the new listing. It was gorgeous on the outside. She called Bob from her car.

Three hours later, they finished writing the offer. Bob and Gloria had decided to make an offer and they were prepared to pay at least \$5,000 more than their offer because the home was *perfect*.

The next morning, their Realtor called with good news. Their offer had been accepted **as written**. They got the house for \$5,000 less than they would have paid!

By selling their home first, Bob and Gloria put themselves in a stronger position when it came to making a purchase. They could negotiate better, because there was very little risk involved for the seller.

Bob and Gloria put themselves in a position where it was very easy for a seller to accept their offer and ended up with the home of their dreams.

Note: Over the past few years it has become more common for sellers to refuse contingent offers. Also an option, but a risk as well, is a "bridge-loan" which covers the down-payment until your house sells. A lender can provide more information about if this can be a possibility for you.