

CONTRACT WRITING GUIDELINES

The main things you need to keep in mind when purchasing a bank-owned property are that the bank intends to sell AS-IS, and they want all terms negotiated UP FRONT. The top 3 tips, along with other helpful information and guidelines are listed below, as well as in our Offer Cover Form.

#1 The Seller intends this property to convey AS-IS.

The Seller will NOT make repairs to the property. The Seller will not pay for inspections, surveys or other certifications. If the Buyer wishes to conduct inspections, etc., they must be done at Buyer's expense.

#2 ALL terms are to be negotiated UP FRONT as a specific DOLLAR AMOUNT.

(Example: Do not request seller to pay "closing costs;" you must put a dollar figure. Note that once terms have been agreed, no further concessions will be granted regardless of actual final costs. If contracted agreement is \$5000 in Buyer closing costs, you will receive ONLY \$5000 regardless of your final total costs.)

#3 **PROPERTY INSPECTION CONTINGENCIES** may or may not be allowed depending on each Seller. When a contingency is allowed, it is no longer than a 5-day inspection period in most cases. **PLEASE NOTE: INSPECTION CONTINGENCY IS ONLY FOR PURPOSES OF DETERMINING WHETHER BUYER WISHES TO PURSUE THE PURCHASE. NO REPAIRS WILL BE MADE/FUNDED BY SELLER BASED ON THE RESULTS OF THE INSPECTION!**

PURCHASE PRICE

- Generally, Seller aims to net within 5% of the list price, especially within first 30 days of listing.
- There may or may not be negotiating room in price. Realize foreclosure properties are already priced at or below market value/city assessed value with their AS-IS condition considered. Offers significantly lower than list price may be automatically rejected.

EMD

- \$500 minimum initial deposit is required-- no exceptions. Seller may request a higher EMD amount in negotiations. Some seller's require 10% for cash purchases.

FINANCING

- FHA/VA are sometimes acceptable, but Buyer and his/her lender must have a realistic idea of property condition will qualify— keeping in mind seller will make no repairs! As no inspections have been conducted on the property, the Listing Agent cannot verify for a Buyer if the property will meet their particular lender's appraisal requirements. If you are unsure, please contact YOUR appraiser.
- Please include additional lender-required documents/addenda at time of offer if possible to avoid delays (FHA/VA Seller Affidavits, Seller Certifications, etc.)
- Conventional, Cash & Hard-Money Lenders are acceptable. (POF required for cash buyers)

PREAPPROVAL LETTERS/PROOF OF FUNDS

- Buyer must provide a **non-contingent preapproval letter**/ proof-of-funds dated within last 30 days at the time initial offer is made. Only contingencies allowed are final underwriting, appraisal and title. **Letter must specifically state lender has verified all income, assets and ratios.** Lender must state loan amount and LTV% in letter. Offers WILL be rejected because of incomplete or unsatisfactory preapproval letters.

CLOSING COSTS

- Request in contract as specific dollar amount (Do NOT Write: "Seller to pay all closing costs.") Some Seller will only grant 3% in closing costs, or may only grant concessions with a full-price offer.

CLOSING DATE

- Please list close by 25th of the month, or push to next month. (Sellers prefer to close and fund in the same month.) **PLEASE NOTE** the "extend by ____ days" verbiage that is standard in the local REIN purchase contract will NOT apply. All parties should intend to close on or before the contracted closing date.
- Allow at least 30 days from acceptance to close for FHA/VA. Some lenders suggest 45 days.
- With the large volume of foreclosures in recent months, we are seeing delays on the Seller-side of processing foreclosure title and/or removal of liens; don't expect to close in 1-2 weeks, even with cash purchases.
- Banks WILL charge per diem of \$28—\$250 (or more) for closing delays not caused by Seller, which will appear as part of the Seller's contract addendum. Be sure to allow sufficient time for Buyer loan processing when projecting your closing date.

INSPECTIONS

- While inspections are usually allowed by the Seller, the property is intended to sell AS-IS.
- Some Sellers will not allow a Property Inspection Contingency, and not more than 5-day period if they do. Sellers who will not allow a contingency will usually allow inspections to be conducted prior to ratification.
- "For informational purposes" doesn't mean "Non-contingent."** Please don't write "for informational purposes only" unless the offer is intended to be non-contingent. If the Buyer wants the option to withdraw the contract based on the results of the inspection (regardless of repairs), it IS a contingency— so write it as such! If the Buyer intends to pursue the purchase the property NO MATTER WHAT the results of the inspection, then, and only then, is the offer truly non-contingent and may be written as such. Please note that requesting repairs after ratification may result in termination of contract.

TERMITE REPAIR CAP

- The local standard REIN contract defaults to 1% repair cap if left blank— please make your intent clear and WRITE in numbers or cross through if you wish to waive the repair cap.
- PLEASE NOTE** concessions/repair monies negotiated under paragraph 13 of the local REIN contract will ONLY apply to section B regarding wood-infesting insect and/or moisture treatment and repair. Monies not used for treatment/repairs of this nature cannot be applied toward other repairs (lender-required, etc) unless specifically negotiated as such prior to accepted contract.

REPAIRS

- The Seller intends to sell the property AS-IS.** Do not write in repair work to be done by the Seller!
- Requests for REPAIR ALLOWANCES may or may not be considered by the Seller— and must be written as specific dollar amount in the initial offer. Please note some banks may require multiple contractor estimates to verify need, which will slow down negotiations. Any requests for repairs after a contract has been accepted can result in termination of contract.

DEED

- Title to convey as "Special Warranty Deed." No exceptions. Be sure to cross out "General Warranty Deed" and write in "Special Warranty Deed."

DISCLOSURES

- As foreclosures, Sellers are exempt from disclosures. If they are not included in the listing, there is no need to submit or request them as they will not be completed.

- Lead-Based Paint & AICUZ** and (if applicable) Mold Disclosures will be included with Seller's addenda which are issued after accepted contract terms.

HOME WARRANTY

- Many Sellers will not provide a Home Warranty. In allowable cases, a Seller-paid Home Warranty must be requested with a specific dollar amount at time of initial offer.

WALK—THROUGH INSPECTIONS

- Remember— property is selling AS-IS. Seller will not provide utilities for walk-through inspections.

HOA/POA/CONDO DOCS

- Seller/Listing Agent do NOT have a copy of HOA/POA/CONDO documents nor any knowledge of the details therein. If requested in contract, documents will be provided at Seller's expense, payable on the HUD. Documents will be provided in electronic format if available. Buyer's agent assistance may be requested in document ordering/delivery.

CLOSING COMPANY

- Virginia allows the Buyer to choose their own settlement agent. It's recommended to use the same settlement agent as Seller if possible, as there may be additional discounts and they are familiar with REO properties and able to expedite processing.

MULTIPLE OFFERS & ESCALATION CLAUSES

- Seller will not accept/negotiate escalation clauses. Buyers should make their best offer, period.

- In multiple offer situations there may be multiple offers that are at or above asking price. It is at the sole discretion of the Seller to accept or further negotiate one, all or none of the offers during multiple offer situations. **PLEASE NOTE** even if a Buyer had the first/sole offer in negotiation prior to multiple offers, the Seller is under NO obligation to further negotiate with that Buyer. Seller will not

offer first right of refusal or additional opportunity to supersede other offers that may be presented.

Other Frequently Asked Questions

What does REO mean?

Real Estate Owned.

Are these short-sale, auction or VA owned properties?

No. These are REO properties—foreclosure has been completed, and the property is now for sale by the bank. If a property will be up for auction, it will be noted in the listing.

Are any of your properties available for rent/lease/rent-to-own?

No. At this time, all of the properties in our inventory are strictly for purchase only. The Sellers are not interested in entertaining rental contracts at this time.

How long will it take to get a response from the Seller?

Responses are generally received within 3-5 days or less. However, responses can take anywhere from 3 days up to 3 weeks. Listing agent has no ability to affect Seller's response time.

Can you push the Seller for a faster response— I'm in a hurry?

No. Listing agent has no ability to influence response time.

Does the Seller have a survey/plat/inspection of the property?

No. Property was acquired by the Seller through foreclosure. Neither the Seller nor the Listing Agent has occupied the property nor do they have any specific knowledge of the property history or condition. Any inspections or surveys are the responsibility of the buyer if desired.

Do you know the — (fill-in-the-blank-question about the property condition)—?

No. Property was acquired by the Seller through foreclosure. Neither the Seller nor the listing Agent has occupied the property nor do they have any specific knowledge of the property history or condition.

Can the contract be contingent on a home sale?

No. No exceptions.

Will the Seller allow early possession?

No. Possession is at settlement only, no exceptions.

Will the Seller allow estimates or repairs prior to closing?

Sometimes. Include request in contract (or submit addendum request if already in contract) and provide bids from licensed contractor. A hold-harmless agreement will be required if permission is granted.

Can I give you a verbal offer?

No. The Seller requires Preapproval/POF info & EMD copy. After initial offer, negotiations are verbal (via email) until acceptance when final addenda are issued.

Will the Seller turn on utilities prior to contract so inspections may be conducted?

Yes, in most cases the Seller is willing to accommodate home inspections to be completed prior to ratified contract once a verbally agreement has been reached. Please contact the Listing Agent if you wish to arrange to conduct any inspections prior to contract. Inspections are conducted at Buyer's expense, and will not be reimbursed in the event of contract fall-through. *(Please Note water services will NOT be started at vacant properties. Please contact your inspector to insure he/she has a water key with which they may turn on water for inspection purposes.)*

Should I write in the contract personal property/fixtures to convey?

NO. As a foreclosure, the Seller has no personal property and cannot guarantee the condition/conveyance of any items present. (However, the property is intended to convey as-is. Unless otherwise stated, any fixtures/appliances present at the property are considered part of the as-is condition.)

Do I have to use the Seller's closing company?

No. Virginia law states that Buyers may use the settlement agent of their choice. We do, however, recommend using the same settlement agent as the Seller if you are able. It will expedite the process because the company is familiar with REO transactions, and there may be additional discounts and assistance available.