

# How to Prepare for a Bidding War

If you're a home shopper in a market where bidding wars are common, it helps to have a strategy to ensure that your bid stands out from other buyers competing for the same home. Here are some tips to make sure your offer stands out from the competition.

**Do the basics.** Make sure you have your financing in place, turning in all your loan paperwork before placing an offer. Better yet, if you have the means, you'll really catch a seller's attention if you make an all-cash offer.

Also, write a financially competitive offer with as few contingencies as you're comfortable with. Some buyers waive financing contingencies or even home-inspection contingencies, if they're the handy type—though we recommend keeping the home-inspection clause.

**Be flexible with your move-in date.** Working with a seller who needs to move right away? Be prepared to close quickly so they can be on their way sooner. Does the seller need a month or two—or six—to move out? If you can be flexible and allow them to stay in their home for a while after closing (paying you rent, of course), they may choose your offer over all the rest.

**Increase your earnest money.** Another way to show the seller you're serious: Up the amount of earnest money you're willing to deposit.

Earnest money is a good-faith deposit made by the buyers after the offer is accepted. (This money applies towards the purchase price and it usually makes up a chunk of a buyer's down payment.) And while it's often between 1% and 3% of the purchase price, boosting it even higher—maybe even up to 20%—will make an impression.

**Maintain perspective.** If your bid is rejected, it's natural to become more aggressive when you bid on the next home. However, this may cause you to pay more than you had originally intended. Be sure to maintain perspective and heed your REALTOR's advice.

**Have the cash to cover the difference between the negotiated price and the appraised value of the home.** Mortgages do not cover more than the home's appraised value. Since appraisals are partially based on comparable sales in the area, it's possible for the appraised value to be lower than the negotiated price. In this case, you may choose to pay the difference yourself.



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