



JOAN O'MEARA
The Key to Your Home

REALTYCHECK



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Multiple Offers, Contingencies and Mortgage Lending

Kai Audett's insights on the local mortgage arena. (As seen in the 1Q 2014 issue)

A contingency is a stipulation written into a home purchase contract stating that a buyer agrees to buy a property only if certain benchmarks are obtained prior to closing on the purchase. The most common contingencies are for a home inspection, a mortgage approval, and an appraisal (to validate or confirm the purchase price).

If the buyer includes a mortgage approval contingency in the contract, for example, it means that the buyer will only complete the purchase of the property if they receive a commitment from a lender to complete his/her loan as requested, usually within 30 days. If the buyer does not receive a lender commitment they can walk away and get their deposit back.

When there are multiple buyers bidding on the same property, some buyers are opting to waive contingencies as a way to win the bid on the property. This can be risky unless the buyer is well informed on their options. For the savvy buyer, a non-contingent offer can be a very effective negotiating tool as long as they fully understand the pros and cons. It works especially well when no mortgage is needed. However, if a mortgage is needed to buy a property, waiving contingencies can put a buyer's deposit at risk unless the buyer knows for certain a mortgage can be obtained.

A means of alleviating some of this stress is for buyers to get an Underwriter Pre-Approval Letter prior to making an offer. This is a program offered by Kai Audett, Senior Loan Officer with Thoroughbred Mortgage, Houlihan Lawrence's in-house lender. Kai advocates having buyers complete a mortgage application and submitting all the necessary documentation (tax returns, bank statements, pay stubs, etc) so that an underwriter can review and approve their file before they make an offer on a property. This means that the underwriter is approving three of the four basic elements of a complete loan package: income, assets and credit. The last element, the property, will be approved once the purchase contract is signed by all parties and the appraisal report is complete. This program substantially shortens the time for final approval and closing.

In multiple-offer situations, some buyers are making contingent-free offers but then also applying for a mortgage. This can delay the process and cause unexpected issues. By getting an Underwriter Pre-Approval in advance, a buyer can choose to make a contingent-free offer with more confidence. It gives the buyer more peace of mind knowing exactly how much of a mortgage they are qualified for and that the mortgage is almost complete, and it gives the seller more confidence in the buyer's overall ability to buy the property.

There is no cost for the Underwriter Pre-Approval through Thoroughbred Mortgage – only the cost of an appraisal and credit report once the property is under contract. Usual closing costs are paid at closing. Once a buyer's file is received by the underwriting department, turnaround time is 3-5 days.

Thoroughbred Mortgage is a mortgage banker offering exceptional services and very competitive rates and closing costs. Call Kai Audett at 914-419-0530 for more details. Licensed in NY and CT 207039. Equal opportunity lender.

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