



# Chicagoland2to4Flats.info

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## Contract to Close—What Happens When

Our goal here is to overview what happens from first contemplating an offer to the day of closing. You will see that this write-up is set up as a worksheet that you can fill as we go.

Before we begin, we should point out that most real estate in Chicago is, we believe, is measured in brush strokes of \$5,000 or more. What do we mean? Consider buying a property at 305,000 instead of 300,000 and selling it several years later for 500,000—is there really a difference? Or, to put it another way, *it is almost always the quibbler who loses!!!* You're the investor, but in genera we believe rarely does it make sense to lose a great property because of a \$5,000 or less gap with the seller.

<p>Step 1: You and I work together to determine what we think the fair market value of the property is.</p>	<p>The first step is for us to make a guess how soon and at what price the property will sell. Sometimes, we will think it may sell soon for full or near full price, but not always. We'll study:</p> <ol style="list-style-type: none"> <li>1. <b>Similar, nearby, recent sales:</b> The greater the number of good comp's, the more precisely fair market value can be determined. If there aren't many (or any) good comp's, price becomes more of a guess (not just for us, both for the seller and even the appraiser as well).</li> <li>2. <b>Property history:</b> For the first 18-24 months or so of ownership, the OLD price will be factored into the new appraisal (and may limit what the property can sell for).</li> <li>3. <b>DOM (Days on Market):</b> Anything less than 90 days in this market is normal, but anything well over 100 may mean the market has judged this property substantially overpriced.</li> </ol> <p>And then you'll need a <b>Pre-approval letter:</b> While not legally required, few sellers will seriously consider an offer without it.</p>	<p><b>Checklist/Notes:</b></p> <ol style="list-style-type: none"> <li>1. What price do similar, nearby, recent sales suggest?</li> <li>2. What did we learn from history?</li> <li>3. What are the days on market?</li> </ol>
<p>Step 2: We write an offer... and I then present it on your behalf.</p>	<p>The offer we write up—and the negotiations I do for you—address the following areas:</p> <ol style="list-style-type: none"> <li>a. <b>Conveyances:</b> The top of the contract has room to check off appliances, etc and a space to add other items we want included.</li> <li>b. <b>Price:</b> The final price we negotiate can, with lender approval, include a credit from the seller to you at closing. Typically it's easy to get 2% approved by the lender, 3% may be the max..</li> <li>c. <b>Earnest money:</b> \$1,000.00 upfront is standard with an increase to 2% - 5% upon completion of attorney review. Whatever you post as earnest money counts toward closing costs and down payment.</li> <li>d. <b>Time for seller acceptance:</b> (24 hrs is standard).</li> <li>e. <b>Loan approval:</b> 21-30 days is standard, based on closing time.</li> <li>f. <b>Financing terms:</b> These should be based on normal rates.</li> <li>g. <b>Closing date:</b> 30 to 60 days is standard.</li> <li>h. <b>Home warranty:</b> Will there be a home warranty?</li> <li>i. <b>Repair limits:</b> The inspection occurs after acceptance, and that is typically when credits for repair are negotiated..</li> <li>j. <b>Special clauses or contingencies:</b> The offer can include other riders or any number of special requests—but remember that Real Estate agents in Illinois cannot operate as attorneys.</li> </ol>	<ol style="list-style-type: none"> <li>1. The price to be offered:</li> <li>2. Closing date</li> <li>3. Possession:</li> <li>4. Fixtures / Personal Properties:</li> <li>5. Initial Earnest Money:</li> <li>6. Increase in Earnest Money:</li> <li>7. Inspection / attorney review:</li> </ol>

<b><i>Now the negotiating really begins!!!</i></b>		
<p>Step 3: As your agent, I will negotiate an agreement on all issues of price and terms...  <i>(and I promise to be a ferocious negotiator on your behalf...).</i></p>	<p><i>Some people think it is wrong to ever buy at less than a big discount. But that thinking can trip you up. HOT property, for instance, never sells at a huge discount. Here are some different examples:</i></p> <ul style="list-style-type: none"> <li>• With brand new listings, there can be a ‘feeding frenzy,’ and our job is to judge whether or not we think someone is likely to quickly put in a full or near full-priced offer.</li> <li>• On the other hand, if there are <u>no</u> good comps AND the property has been on the market a <u>long time</u>, there is good reason to take a low-priced shot.</li> </ul> <p><i>In many cases, the strategy may be to ‘double the difference’. If a property is at 400,000 and we think 380,000 is the right price, we might offer 360,000. That way, no matter what the counteroffer, we can keep 360,000 in the middle.</i></p> <p>A key principle to remember: <i>In bidding, we won’t know where we stand until the seller responds.</i> They may sign our offer or make a <u>generous</u> counteroffer—or offer a ‘<u>stingy</u>’ response.</p> <p>Finally, when the bidding starts, remember what we said earlier about <i>the size of the brush stroke</i>. The investor who buys the <u>right</u> property at 310K always beats the one who quibbles too much, loses the deal, then buys the <u>wrong</u> property at 300K.</p>	<p>1. _____ (OUR offer) 2. _____ 3. _____ 4. _____</p> <p><b>Meeting in the Middle: FINAL AGREED PRICE:</b> _____</p> <p><b>SELLER asking \$/counters:</b></p> <p>4. _____ 3. _____ 2. _____ 1. _____ (ASKING price)</p>

<b><i>There are MANY things you must deal with in Week One:</i></b>	
<p>Step 4: Now that a deal has been made, you engage the resources you need to review and finalize the purchase.</p> <p>Week one of the contract is the most critical of all.</p>	<p><b>Loan Application:</b> Day ONE, call your lender to activate your application and order an appraisal. The lender we most love to recommend to clients is <b>Guaranteed Rate (Brian Weis)</b> is our contact—his office number is 773-290-0591 ; his fax is 773-516-6732).</p> <p><b>Attorney Review:</b> A favorite attorney we recommend is <b>Deanna Ryan</b> (office: 312-993-0030; cell: 630-330-4017; fax: 312-993-0040).</p> <p><b>Property Inspection:</b> Inspectors we like include <b>Steve Hier</b> (773-342-4722), and <b>Robb Packer or Steve Kroeckel of Metroinspect</b> (847-808-8488). <i>We will want you to have a complete inspection, but please be aware that <u>large</u> credits for repair normally are given only if serious, hidden defects are found or the listing sheet overstated the property condition.</i></p> <p><b>Earnest money:</b> Depending on how we wrote the offer, it may be anywhere from 2% to 5% of total earnest money that is due at the end of attorney review. <i>And, please, don’t lose track of the date—failure to complete the earnest money could void the contract.</i></p>

<p>Step 5: The lender and attorneys get things ready to close.</p>	<p><b><i>Once we get through inspection and attorney review, it largely becomes up to the lender and attorneys to get things ready for closing:</i></b></p> <ol style="list-style-type: none"> <li>1. <b>Closing costs / Good Faith Estimate:</b> Federal law requires your lender to give you a good faith estimate, but you can’t hold them accountable for any of the numbers other than their own, and the final closing statement of actual costs may not be known until the day of closing!!! And that’s because the lender, the title company, and the seller’s attorney all must contribute information (and some often wait until the very end to do so).</li> <li>2. <b>Walk-Through and Closing:</b> Just before closing, we’ll do a walk-through together to verify property conditions—and then complete the sale at the closing table.</li> </ol>
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