

My Buyer's Offer Did Not Get Accepted. What Can They Do?

Part 3 of 4: The Offer

Whether you are starting the process of buying your first or your “next” home, actively engaged in house hunting or you have already been denied a house you really wanted to own, I want to share some time-tested advice. I am going to cover this from four perspectives. This is part 3 of 4. This is a broad topic with no “one size fits all” answers. My advice comes with two disclaimers: this is not intended as legal advice and it is not meant to interfere if you have an existing business relationship.

Let me start with the premise that a buyer or you made an offer and it was rejected. If a buyer makes what they think is a reasonable offer and the seller does not accept it, they should have no regrets. Easy for me to say. If yours was the only offer, I would assume that you had a chance to negotiate with the owner but could not reach a mutually beneficial solution. If you were competing with other buyers, only one offer could win. Did the buyer have the right expectations about the process and how it might go? Could or should their agent or the listing agent or the seller have done anything differently? If the seller was given an opportunity to review all offers and was properly informed of any possible interest that existed and they accepted what they thought was the best offer, there may be no valid reason to complain about the outcome. Every signed agreement does not close so you may get another chance, if you want one, but do not assume you will. In fact, depending on the type of Real Estate market, you may want to assume that you have competition and that you will not have a chance to change your initial offer.

I provide my buyer-clients with knowledge that I have gained through my years of experience, training and education. I have also learned a lot from conducting mediations between buyers and sellers and listening to ethics complaints about agents. Fundamentally, I believe that the process of buying or selling Real Estate is best looked at as a business decision, not a personal one. It is also not a retail transaction.

Looking for a house can become a full-time job but it is worth it. Your life will get back to normal after you succeed. Bad purchase decisions can be costly and their effects can last a long time. Real Estate is typically our biggest asset and requires our largest investment so buying or selling it requires planning and preparation. It deserves our full attention.

As I discussed in part two, The Search, once a buyer starts to identify possible houses to consider looking at and buying, there is a process to narrowing the list down to the best and getting in to see and evaluate them as quickly as possible. I remind buyers that proper planning and preparation will position them to compete better and that they are not the only buyer seeing the search results they receive. It all comes down to making an offer that will appeal to the seller or, at the very least, maximize the chance that the seller will offer a counter-proposal. The purpose of negotiating is to keep talking. While that can wear someone down, it is better than silence. That being said, buying Real Estate can be very competitive so a buyer might want to assume that they have competition and may not get a second chance to negotiate after making an offer. In some cases, you may want to make your “highest and best” offer from the beginning. Unless you are concerned about over-paying, if your offer does not get accepted, you should have no regrets. Inspections and a mortgage appraisal will provide some guidance about the property condition and the market value in any case.

When a buyer decides to make an offer on a house, only they know what they are thinking and hoping. Did they make their best offer or are they expecting a counter-offer? Whether they are suddenly inspired when they see a house or the decision comes after giving it some thought, if they have approached the process in a practical way, regardless of whether their offer gets accepted or not, they will at least know that they did their best. That may be a small consolation but a buyer can only do so much. Of course, if the search was haphazard or the buyer wasn't completely convinced that a specific house was the best one for them but they decided to make an offer anyway, they may not know how to react even if they succeed. Buyer remorse, meaning feeling that there may be a better option now or later or, even worse, if they come to believe that they made a bad decision after

settlement, can be a problem. There may be opportunities for either party to terminate a sale. What will they do? Having remorse or doubts after closing is too late!

Some buyers will go “all-in”, perhaps to excess, with an offer. This could include any or all of the following: making an offer “sight unseen”, going above the asking price, keeping the contingencies to a minimum or waiving some or all of them. Buyers have a lot of options when they really like a house, especially if they think or know there is competition. What they do can be done to maximize their chances for success or it can be done to get a house under contract while they really take the time and effort to decide whether they picked the best house. It is not for me to judge these things but there is a seller involved and one or two agents. They can be impacted by a buyer’s motivation especially if the buyer is really unsure if they want to own the house.

How many buyers make offers “sight unseen” and cancel a sale using a contingency like a property inspection once they see inside? The cost of inspections is minor compared to completing a bad purchase. How many buyers make great offers and then ask for repairs or credits later to recover some of what they offered? What about so-called “love letters” to the seller? How many buyers just decide not to move forward and are willing to risk losing their deposit? As I like to say, buying and selling Real Estate are business decisions justified with logic. It is never over until the seller has the buyer’s money and the buyer has the seller’s keys. So, what can *prevent* a buyer’s offer from being accepted?

- 1) Their offered price is not the highest. For some sellers, the price is their primary motivation. Oddly enough, in some cases sellers refuse the highest offers if they don’t think their house will appraise;
- 2) The buyer’s contingencies are not the best for the seller. Perhaps the seller wants a “clean” sale, meaning few hurdles, or the buyer has a house to sell so they can buy their “next home”;
- 3) Something else within the contract is not the best for the seller. This could include the settlement date, the amount of deposit money or anything that offers the buyer an option and the seller a choice. Some agents and buyers use an “escalation clause” in the hopes of learning what it will take to make their offer better than the competition. Many listing agents and sellers refuse to share details while expecting the offer to be improved. Suppose there are multiple offers with these same clauses? However you view them, they are not perfect and may not be enough to overcome stronger offers. I view these clauses as showing that a buyer may have made a low offer and will raise it if they have to;
- 4) The offer does not include buyer financial information such as proof of funds for a cash offer. Many PA agents use a “BFI” or “Buyer’s Financial Information” form, which I liken to a Seller’s Property Disclosure Statement. Buyers and sellers basically want to know that the other person is serious and able to complete the sale. The BFI provides an overview of the buyer’s financial information for a seller and their listing agent to review when comparing offers. It complements a lender’s pre-qualification letter but, in my opinion, carries more weight as the buyer prepares it and the seller has legal remedies if the buyer misstates something whereas there may be no remedy for what a careless lender does. Sad to say but I have seen some lenders provide letters that were meaningless. I have heard of situations where a BFI negated a lender’s letter resulting in a declined offer. Some buyers are reluctant to provide their financial information; some buyer agents and listing agents do not ask for it. In a competitive situation this can be a problem. Give a seller a good offer and convince them that it will settle and your chances should improve dramatically. Most sellers want to minimize their own risk.

When a seller only receives one offer, they are more likely to negotiate if the offer is not exactly what they were looking for. However, in a competitive or multi-offer situation, a buyer may not get a second chance to improve their “first impression”. I remind buyers that, regardless of the type of market, there is no guarantee that they will get a second chance. While many buyers are reluctant to make their “highest and best offer”, they need to understand the risk. Wondering what happened later is uncomfortable.

For example, when I give a blank BFI to buyers, some will ask me how much they should reveal. Obviously, they need to accurately disclose income and debt information and show at least enough assets to cover their

closing costs. However, some buyers are reluctant to show more than they need to justify their offer, typically saying that a seller may ask them for more money. The same occurs with the pre-qualification letter. Let me address both at the same time using a hypothetical scenario.

Suppose a buyer wants to offer \$285,000 on a \$300,000 house and they are financially able to go as high as \$350,000. Do they show enough to cover their offer? The asking price? Or do they show everything? I say show EVERYTHING! Again, if there is no competition, which you may not know, they will likely get a “second chance” if the seller wants more than \$285,000. However, if there is competition, a seller may just go with what “appears” to be a “stronger” offer or at least have a discussion with those agents who “appear” to be representing stronger buyers. They may assume they have seen your best offer and move on.

So what if a seller wants you to raise your offer because they know you can? Do you expect them to lower their price when you learn they have no mortgage? Even if they ask, as I said earlier, the point of any negotiation is to keep talking to see if they can reach a mutually-beneficial agreement. Most sellers will be happy to know that a buyer is not maxed out with their offer which could mean there is a greater chance of their loan being denied. Even if they ask and you say no, you had a chance. You may come to regret what happens but you had a chance. It beats the alternative!

Ironically, when a buyer decides to raise their offer, it is likely that their expectations for the property inspection(s) also rises. On the other hand, a seller who accepts less than they really wanted may be less enthusiastic when asked to make repairs or issue credits for repairs. Either way, the goal is to keep the conversation going although one or both parties may tire if the process drags on and on and on. While you continue talking, the house remains on the market allowing other buyers the opportunity to make an offer!

The bottom line is that a buyer needs to know what is in their best interest, understand the market they are in and make an informed series of decisions when making and perhaps negotiating an offer. When an offer gets rejected or the parties cannot reach an agreement after going back and forth, a buyer needs to evaluate what happened to avoid repeating the same process over and over again. I have worked with buyers who had several offers rejected. For some, re-engaging in the process is tough. Some give up for awhile while others jump right back in. They may not know exactly what happened and they likely won't find out what price the seller accepted for several weeks. They may never know more than that. A decision to buy or sell Real Estate is an emotional decision justified with logic. Some are simply better prepared to put it all into perspective and continue moving forward.

There is no time for inexperience, empty promises or false expectations.

HIRE WISELY: We are not all the same!