

Guidelines for Bank Owned offers

To increase the odds your buyers' offer will be accepted, it will help you to follow the protocol banks require. In an effort to simplify the process for you, I have outlined the bank requirements that apply to each section of the Residential Purchase and Sales Agreement. Please note: These guidelines are based on the requirements from my clients that I represent and many will reject an offer rather than counter unless it meets their guidelines.

I look forward to working with you and to a successful transaction. Your time and effort are appreciated by my staff, my clients and me. These guidelines are based on numerous training sessions and training programs with various clients and years of experience working with bank owned properties. If you or your buyer have questions about the process or forms talk with your broker and obtain legal council.

General Information to know before writing an offer:

- First read remarks under "Agent Only" on locator. Specific verbiage and/or information for this particular property may be listed.
- All "Bank Owned" properties are sold "AS-IS". The banks will not negotiate most repairs because of an inspection report, and they usually do not make repairs. They have taken into consideration the current condition of the property in determining market value. Your buyer's offer should do the same. Pre-offer inspections for buyer's knowledge are recommended. If your inspector finds items that are not visually obvious, the bank will take this into consideration, but is not required to make repairs unless the condition prevents the home from the ability to be financed.
- If we reach agreement on price and terms, my client typically requires the buyer to sign their company "as-is" addendum. Each client has their own attorneys prepare its own specific addenda. You will need to go over with your buyer the specific addenda as soon as you receive them. You may want to seek legal council for your buyer if you have questions but my clients will not accept changes to their addenda, it is a "take it or leave it" situation only.
- If an agent is also the Buyer (or immediate relative), typically there will be no selling office commission paid. This is because of bank regulations that consider the payment of a commission to a buyer a "gift". My clients will look at the net price rather than the gross sales price in determining acceptance of an offer.

Financing requirements:

- Currently bank clients are not accepting offers contingent on another property selling. If conditioned upon another offer closing date of closing must be no more than 20 days from date of offer.
- Pre approval letter should be from a National Lender. If cash offer there must be proof of funds to close sale.

If Buyer obtaining financing:

- Some of our sellers require pre-approval letters from their own loan officers. This does not mean you have to use the Seller specific loan company for financing, but many of them offer special financing and incentives. If you plan on using another lender, we will need pre-approval from both your lender and the Sellers.
- You may use a mortgage broker; the pre-approval letter must come from the actual lender (the actual source of the loan).
- Pre-approval letter must include the following: a complete review of the “Buyer’s income, assets, liabilities, credit, and down payment (if applicable) has been made and the buyer is approved subject only to satisfactory appraisal and clear title.”
- If subject is a mobile/manufactured home, the pre-approval must also state that the lender will loan on a previous foreclosed mobile/manufactured home.
- If listing indicates financing as “rehab” the letter must state “Rehab loan”.
- Buyer may not automatically change financing. If buyer must change financing programs after mutual acceptance you will need to fill out an addendum stating the change and provide a new loan prequalification.
- Some sellers will assist buyer with closing costs and/or down payment assistance. Be sure to disclose exactly how much money the Buyer is asking for. You should check with the buyers’ lender to make certain that they will allow that much for the Buyer’s loan program, and if it’s an FHA loan be sure to include any lender costs the Seller is expected to pay for. **If not specifically outlined in the offer, it will not be paid at closing.**

If purchase is a “Cash Offer”

- Seller requires proof of money to close transaction is available to buyer at time of offer. This can be a copy of a bank statement, a letter from bank on its letterhead, a copy of Buyer’s IRA or other source from which they are drawing the funds from.
- If “cash” is really a line of credit or line of equity, this needs to be disclosed in the purchase agreement.

Writing an Offer:

Bank Requirements outlined to the corresponding section of NWMLS Residential Purchase and Sale Agreement: To increase the odds your sales agreement will be accepted by the Seller, please use this as completing your offer.

Line # NWMLS	Bank Requirements for corresponding NWMLS section
#2 “Buyer”	• Write Buyer’s full name including middle if they use one. Include all Buyers. Because of the laws concerning transfer of monies, most banks will send the Buyer’s name through security systems checks.

	This will not show up on their credit scores. • If Buyer is LLC or Corp you must include Articles of Organization (LLC) or Articles of Incorporation (Corp) with offer that clearly states names of all company members. • “And/or Assign” NEVER allowed next to Buyer’s name or in the additional provisions.
#3 “Seller”	Leave blank or write “owner of Record”. While tax records may show a particular financial institution as owner, actual ownership may be held by another company. The bank will complete the purchase agreement and show how they want name of seller to read.
#5 “Price”	The bank had multiple people (real estate agents and appraisers) give them valuations of the property. They also have hundreds of pictures of the property. They are also aware of the current local real estate markets. If your buyers offer is too low they will simple reject the offer and not counter it.
#6 “Earnest Money”	Copy of earnest money check is required. Earnest money can be held initially by selling broker but MUST be transferred to escrow once chosen by the Seller. No promissory notes accepted.
Title and Escrow	Because closing a bank owned property is very different than other closing most sales, banks have specific closing agents that they work with who know the process.
#8 “Title”	The bank will convey title only by a special warranty deed. No other deed is acceptable.
#10 “Closing Date”	• Closing on the last two days of the month will be rejected. Must set date at least 2 business days BEFORE the last day of the month. • Buyer’s lender must have closing figures to the title company 3 business days prior to the closing date to insure seller will receive necessary information for signing closing papers. • If paying cash, allow 15-20 days. • If financing, allow 25-35 (maximum) days. • No automatic extensions. Penalties (typically \$50.00-\$200.00 per day) will be assessed for any extension other than those caused by seller’s title problems. This includes buyer’s loan delay so stay on top of closing of this transaction and keep me informed. • If bank counters your closing date on an offer, be sure to watch the dates closely to be sure your loan locks not adversely affected.
#11 “Possession”	• Buyer can never store anything or occupy property prior to closing and funding of the purchase loan. • Bank Sellers will not pay a per diem if they cannot close on time.
#12 “Expiration”	• Since we are working with a bank, no response will be given over weekends or holidays.

	Many of the representatives we work with are dealing with hundreds of properties each day so warn your Buyer it probably will take longer than normal to receive an answer.
#14 "Addenda"	- Most of our Seller's will not accept contracts with addendums from outside entities attached (such as your own broker addendums). - Lead Paint (if built before 1978) Seller has no knowledge. Buyer and Buyer's agent sign first. - If we come to agreement on price and terms, Seller will counter with their specific addendums to the contract which supersede the sales contract. Since these addendums have been prepared by their attorneys, they will almost always reject an offer that has any aspect of the addendum changed or crossed out. - Add "Attachment A: Which includes De-winterization and Re-winterization Attachment" to Inspection Addendum. - Most properties are "winterized" (water turned off, pipes drained, and biodegradable antifreeze put in all drains). It will be the Buyer's responsibility at their expense and liability to have the property de-winterized and re-winterized by a qualified, licensed plumber for the purposes of any inspections. - The Buyer may waive the right to inspect the plumbing in their inspection, but this must be done in writing. (See attached letter for more information on this). - After closing, it will be the Buyer's responsibility and cost to de-winterize the property.

Specific Instructions:

The first thing to do is check with my staff that the property has water available to the home. Most of our bank owned homes the water is "on" but either the meter valve is turned off or the intake valve in the home is shut off in the home. We are usually required to pay the utility companies and then get reimbursed by our clients, but if the outstanding invoices were very large at the time the bank acquired the home we may not have received authorization to pay the outstanding bill and may not have water available to the home. We will coordinate with our client authorization of this payment to make sure you are able to complete the inspection.

Our clients require that designated, licensed, bonded and insured contractors will perform the de-winterization/re-winterization at the time of the inspection and at the **BUYERS EXPENSE**; this is not negotiable if you want to inspect the property with the water on. The contractor must be paid at the time of the inspection begins. So please meet the contractor at the property at the same time, cost will be quoted by the contractor, average cost is \$200-\$300.

We will provide you with the contractor assigned to the property when you have sent back the inspection form and scheduled your inspection. YOU MAY NOT under any circumstances TURN ON THE WATER YOURSELF. You (and your buyer) will be held totally responsible by the owners' attorneys for any damage that occurs due to you or the buyer turning on the water yourselves. You can if you want inspect the property without water but you should check with Buyer's lender to make sure they will accept the inspection excluding plumbing.

General information to know before submitting an offer:

- If you scan your offer, make sure you scan as a ".pdf" and not as a picture (.jpg, or .tif).
- Upload your offer at www.jimcliffordrealty.com/offers.htm You will receive a confirmation page and email when your offer has been uploaded to us. The confirmation email will also have a link to your offer should you need to amend it. Be sure to check your spam/junk mail folder if you did not receive the email.
- Be sure your offer is complete and includes all required documentation (pre-approval letter(s) or proof of fund(s). Our clients do not respond to incomplete offers!
- **Prepare your Buyer that Corporate Sellers often take several business days (or even longer) to respond to offers.** We submit your offer as soon as we receive a complete offer. We will let you know just as soon as we hear an answer.

Addendum A: Re-Key and Key Disclosure

1. De-winterization/Re-winterization: Buyer agrees to process for this
2. Re-key: Buyer accepts 1 key at closing and responsibility to Re-key properly after close.
3. Earnest Money: To be at Escrow
4. Seller Disclosure Form: Buyer to waive receipt
5. Selling Office Commissions: If agent related to buyer there will be no selling office commission.

Water Turn ON Instructions For Home Inspection

General Instructions

For inspections, include the statement that “Buyer is aware that the de-winterization and re-winterization is their responsibility at a usual cost of \$200 to \$300 for inspection purposes” in the additional provisions of your Washington Sale contract. The buyer may waive the right to inspect the plumbing in their inspection.

We have a licensed, insured, and bonded professional to complete this task for you. They take full liability for any problems and damage that occurs due to the water being turned on. We very strongly suggest that you use this service. Your buyer must pay this professional at the time of inspection; this is NOT negotiable if you want to inspect the property with the water on.

If you choose to have another professional that is licensed, bonded and insured de-winterize or re-winterize the property (required), then they must sign a statement absorbing all liability for any damage to the property.

If you use your own contractor they must provide to us in writing BEFORE doing any work:

- Copy of their license
- Copy of their insurance
- Proof of bonding
- Signed statement that they assume all liability for damage to the property resulting from turning on the water.
- Signed statement that they de-winterized the property, then they shut the water back off at the main, drained the system, and re-winterized the property.
- Signed waiver of lien (supply by Listing Agent)
- Winterization checklist filled out and signed (supply by Listing Agent)

Specific Instructions

Buyer's agents will meet the utility company at the property if the utility company requires someone be present when they reconnect the service to the home. Please keep in mind that most water companies only work Monday through Friday, and you should call LA no later than 24 to 48 hours ahead of time to make an appointment to get the appointment you want.

We usually have the Seller authorization to pay previous delinquent amount. We might still be waiting for an approval if the bill exceeds our authorized amount owed for service reconnection; check with listing agent prior to scheduling de-winterization and/or inspection.

After the inspection, he will re-winterize the property, depressurize the system, and secure the property. This is to ensure that there is no chance of water damage to the property in the time between your inspection and the closing. You may not under any circumstances TURN THE WATER ON YOURSELF. You will be held totally responsible by the owner's attorneys for ANY damage that occurs due to your turning on the water yourself. If you want to inspect without water, you have that option. If you decide to inspect without water, you do not have to wait to have it de-winterized/re-winterized by the contractor.