

Writing Real Estate Offers

Tips, Techniques and Sample Clauses

“It Never Hurts to Ask”

Making money is all about making people offers. The more offers you make the better chance you have of people accepting your offers. It's a numbers game and all you have to do is keep on making offers to people. If you do, you'll learn that *some will* accept your offer and *some won't*....so what!

To increase your chances of getting your offer accepted I suggest you apply and develop a set of rules that you will use when you make your offer. In this report, I'll give you a guideline of some of the rules that I have and sample clauses that you may use or modify. So let's get started.

Step 1 – Get the standard paperwork used in that state to make your offer on. You can get purchase agreements and all other forms from a legal stationary store, a local real estate office, Internet sites that provide legal forms or an attorney. The key here is that you should use whatever is normally used in that area.

Step 2 – The second thing I suggest that you do is use or create some type of a template to outline of what your offer will be. I like to use a simple letter format that summarizes the offer. It is a letter of intent and I have attached a sample of one that I like to use to this report.

Step 3 – Once you have your offer outlined above, you should then write your offer out on whatever the standard agreement used in that state is. The reason I want you to use the standard agreement in the state is because that is going to be the agreement that real estate agents and brokers are familiar with and it makes everything much easier.

Step 4 – Any modifications or additions to the standard agreement should be made with an added form known as a supplement, addendum or amendment. This is just a form that you can create that has your added clauses in it that were not standard in the state forms.

Rules in Creating Your Offers

When you are considering making an offer you should take a lesson from the direct marketing industry. In direct marketing, offers are structured to sell the benefits, solve problems, overcome objections and lead the person to take action. That is exactly what you are trying to do when you create your offers.

1. Always write your offer with the benefits first.

In order to increase your chance of your offer being accepted you must know what the person you are making the offer to wants and how your offer will benefit them. All offers

involve selling the person on the benefits of why they should accept your offer. Ask for what you want in exchange for some benefit to the other person.

As an example you may offer them a faster closing. The benefit is that they won't have to worry about making payments while waiting until a later closing and they get their money sooner. This could save them thousands of dollars.

You would show the benefits of each item in your offer in the letter that summarizes your offer.

Here is an example of how I would summarize some of the items in my offer in my letter that would go with the legal agreements. You will notice how I try to emphasize the benefits and I make it very simple to understand.

SAMPLE

The purchase price is \$150,000 that will be paid in the following manner:

You will be paid \$150,000 cash on the day of closing.

I will be paying 1, 000 today and \$9,000 cash on the day of closing and financing \$140,000 by getting a conventional loan from a lender.

Fast Closing – I will close on May 15. You will not have any more payments after this date and will have all your cash.

No Hassles, No Fixing Required – I will buy your property in the current condition that it is in do not require you to do any repairs.

Of course, some items of your offer have no benefit the other person; therefore you would just summarize those items without any other comments. You might say in your summary:

Upon acceptance of this offer, I'm asking you, in exchange for the purchase price I'm promising to pay, to allow me or my agents to show the property to prospective residents before the day of closing.

I think you get the idea. If possible write you summary to show benefits first. If it doesn't make sense to do this in the standard purchase contract then use a summary page or a "Letter of Intent" (see "*Letter of Intent*" below).

2. Ask for more than what you want.

When I buy a single-family house I may ask for the lawn mower if I know that they are moving to a townhouse. I may ask for the extra refrigerator on the garage. I may ask for them to leave all window coverings. I really don't care if I get these items but they can become negotiation points later.

I don't recommend that you always do this. Sometimes you already know that the price and terms are good and you don't want to mess things up, but the general rule is ask for more. Many times you end up getting it.

3. You may want to use the take – away technique.

This is when you tell them that this offer is only good for so long because you are looking at buying several properties and can't be tied up waiting too long for someone to make a decision. This doesn't work with institutional sellers, such as banks and financial institutions. They will take their sweet time getting back to you.

4. Walk away and follow-up later

Ask for what you want. If they say no, walk away and wait for a while. Then go back and ask again if they would be willing to accept the same offer. If no, wait and do it again.

The point of this is that people's lives change. You may not do it today but later on, when they realize that there is nobody else interested they may change their mind and decide to buy.

5. Don't be goofy with wild offers

This may seem like a contradiction to some of the other rules, but it really is not. You should ask for what you want but don't go over the top and ask for things that don't make common sense. For example, you may have seen the so-called real estate guru's on late night TV saying things like you should ask for loans with zero interest, no payments for a year or two, a old beat-up car as a down payment or something else.

In most cases this kind of an offer *doesn't work* and you'll look like an unprofessional who just bought a late night TV course and who doesn't know what they're doing. **DON'T DO THIS!**

The truth is that those kind of offers will only work with really motivated sellers who have a BIG problem that they want you to take care of or with people who you have really built a lot of trust with, such as family and friends. If you want to make these kind of offers, you will have to get used to a *massive* amount of rejection in order to ever get one of these kind of offers accepted.

6. Big earnest money makes your offer stronger.

If you are willing to give a bigger down payment, consider giving it as earnest money. Here's why. Money talks and the more the better. Think about this, If two offers were the exactly the same except one offer had \$5,000 earnest money and one had \$500, which would you have more of an interest in? It's simple; the \$5,000 offer shows more strength even though the overall offer is the same. The earnest money isn't cashed until the acceptance of the offer, so it really doesn't mean anything to write a check if the offer isn't accepted.

7. Limit your contingency clauses.

I also like to have some clause in my offer that gives me an out if something is discovered that I don't like, but again don't go overboard. Make it a simple and reasonable clause. The one I like to use is either an inspection clause or a review of the seller's *Schedule E Tax Form* relating to the property if the property is currently a rental

Two Ways To Make Offers

There are basically two strategies when you start to make offers. The first is one is known as the shotgun approach.

In the approach you are shooting out lots and lots of offers. Usually your offers are well below the market value of the properties for sale. The goal of this strategy is to try to find that really motivated seller who must and will sell for almost any price. The bad thing about this is that you may insult many sellers and real estate agents and it may take a lot of offers to find one that makes sense.

The second strategy is to make targeted offers at any property that fit a set of rules that you create. This is the approach that I like. You may still have to make a lot of offers but you are spending more time qualifying the properties. You are making your offers aimed more at trying to solve the seller's problem. The better you are at qualifying the fewer offers that you need to make. You base your offer on making the numbers work and you explain to the seller how you arrived at the price. This approach is a *do your homework and then make offers approach* verses in the shotgun approach you just *make offers on just about anything* and see if anybody bites.

Consider Using The “Letter of Intent”

A “Letter of Intent” is a simple, straight-forward summary of what you want to offer. It is a way to show your intent to complete the legal paperwork and agreements if they accept the terms and conditions of you offer. I like this method because is can be written in sales

letter format and skips the confusing legal stuff at this time. It gets right to the point and the seller knows exactly what they are getting. Here is a sample way to create a letter of intent:

Letter of Intent to Buy

May 15, 2007

Property Address
1423 Any Street
Any City, Any State, Zip

This letter serves as an offer and letter of intent to buy the above stated property and summarizes all the terms and conditions of the purchase. I agree upon acceptance of these terms and conditions of this offer to complete all the necessary and required paperwork to legalize this offer required by law.

I agree to purchase the property located at:

The purchase price that I am willing to pay is:

The terms of the purchase are:

The closing of the title will be:

The following are additional provisions:

Unless there is a reply from you no later than _____ (enter time) on _____ (enter date), this letter of intent will become null and void.

I hope that we can move forward on this matter as soon as possible. If you should have any questions or would like to respond, please contact (me or my broker/agent) at xxx-xxx-xxxx.

Thank you.

Sincerely,

Your Name

Should You Lowball Your Offers?

As I said earlier, if you are using the *shotgun approach* to making offers, it's OK to make really low offers. The biggest danger is that you might build a reputation that your offers are a joke. Also, you may never get anything accepted and you have insulted a lot of sellers and agents.

So here's the approach that I like when I make my offers.

You should know exactly what you must have to make the numbers work. In other words, you do your homework first, know the price and the terms that you must have and then make your offer based on that. It's OK to offer a little bit less to make it a better deal for you and ask for things that really don't matter that much. This way if you get a counteroffer you can give up the things that you really don't want, but NEVER give up the things that you must have to make the property work.

I Can't Find Anything to Make An Offer On.

If you are feeling this, it tells me a couple things about you.

You're really not looking. There is more property out there for sale that you could ever buy. Look in the newspaper, online, in the MLS system and start driving through neighborhoods and look for the for-sale-by-owners. Look at buildings that may not be for sale, but are a little run down. Get the address and call the county tax assessor office to find the owner and call them to see if they are interested in selling. Just start looking!

The other reason you might be feeling that there isn't anything that you can make an offer on is because you are over-analyzing and your investment rules of what you want are too tight. As an example: You might be looking for a single-family house under \$100,000 that creates a cash flow \$200.00 a month. You're looking for something that isn't out there. In other words, you are way too picky and you will never find anything. If that's you, then you need to go back to your plan (*remember that the first thing you should have done*) and start looking at your objectives. If your objective is to build long term wealth you may need to reduce your cash flow expectations, or start looking at different types of properties that may give you more cash flow.

The point of all this is that to buy you must make offers. To start investing in real estate you must start by buying the first one, then you buy the second and the third and so on. To do this you must make your first offer, if it is rejected, so what, go out and find another property and make another offer on that one. Repeat this process over and over and before long you will reach your objectives. The only way that you will fail at this is if you quit. That's the difference between those who make things work and those who don't. The ones that never quit get better and better at this game and really don't have that much competition because most people quit. *That's it, now go out and do it!*

Sample Clauses

Below are some sample clauses that may be modified or used in your offers to purchase.

Allocation Clause

The buyer and seller agree that the purchase price herein is allocated as follows:

_____ is for the purchase of the land

_____ is for the purchase of all personal property attached to this agreement per supplement.

_____ is for the purchase of buildings and improvements.

Assignment of Leases, Rental Agreements and Security Deposits

At closing, Seller shall deliver to Buyer an assignment of all oral and written leases or rental agreements for the property together with all deposits and advance rentals held by the Seller or Seller's agent. Seller shall be responsible for collecting the rent due in the month of closing and Buyer shall receive a credit at closing for his/her prorated share of said rent (the rent for the day of closing shall be credited to the Buyer).

Personal Property

Included in this sale is all personal property owned by the seller presently located on the property. Said personal property to be more specifically set forth in an inventory and personal property list as jointly determined by the Buyer and Seller within 10 days from the date of acceptance of this agreement by the Seller. Said list shall be attached hereto as an exhibit and incorporated herein by reference.

Documents

Within ten business days from the date of acceptance of this agreement by the Seller, Seller shall provide to the Buyer the following items:

1. Copies of all leases, rental agreements or any other agreements affecting the property.
2. Current rent roll, listing the name of each of the tenants, occupancy date and deposits held by the Seller. Seller hereby agrees that buyer shall have the right to terminate this agreement and to have the earnest money paid herewith returned to buyer, if any one or more of the foregoing items are not satisfactory to the buyer in buyer's absolute discretion. Said right to terminate this agreement shall expire ten (10) business days after all of the items have

been delivered to Buyer. If Buyer desires to exercise his/her option to terminate this agreement, he/she shall do so by serving written notice thereof on Seller or Seller's agent, in person or by mail on or before the said ten (10) business day period expires.

Warranties

Seller represents and warrants to buyer and his successors and assigns that all personal property, appliances, heating, air conditioners, water heaters, wiring and plumbing used and located on the property are now and will be for a period of 180 days after the date of closing in good repair and working order.

If Contract For Deed Purchase – Sale of Contract For Deed or Deed of Trust

In the event Seller receives a bona fide offer from any third party to purchase the interest of the Seller under this Contract for Deed or Deed of trust, which seller is willing to accept, seller shall give written notice thereof to Buyer setting forth the terms of such offer. Upon receiving such notice, Buyer shall have the right to prepay the Contract for Deed or Deed of trust in full, without penalty, by paying seller, in cash, the amount of the price that such third party offered to pay. Such payment right shall be exercised by Buyer within 60 days from the date that the Buyer receives written notice from the Seller setting forth the terms offered by the third party. In the event that Buyer fails to exercise such right as stated above, seller shall have the right to sell their interest under the Contract for Deed or Deed of Trust in accordance with the offer received by Seller from such third party.

Attorney's Approval

This agreement is contingent upon the inspection and approval of the Buyer's attorney, which approval shall be deemed to have been made if no written objection is made and communicated to the Seller or Seller's agent within ten (10) business days from the acceptance of this agreement by the Seller. If any objection is so made, this agreement shall be voidable at the option of either party, and if so voided all earnest money shall be immediately refunded to the Buyer.

Questions about writing offers:

Email me at david@rentalrealestatetools.com

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May 15, 2007

*Property Address
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I hope that we can move forward on this matter as soon as possible. If you should have any questions or would like to respond, please contact (me or my broker/agent) at XXX-XXX-XXXX.

Thank you.

Sincerely,

Your name and signature
Address and contact information