

Better to drop asking price on current home than to take a bath on the one being built

by Ilyce_Glink

Q: My husband and I are actively trying to sell our home on the Oregon Coast. We have put \$50,000 down on a new home that is under construction at this time. It is scheduled to be completed in about nine months. Here's our problem: If we don't sell our current home, we will not have the money to close the deal on the home being built. If we back out of the deal now, my husband is afraid that the developer may sue us not only for the down payment, but also for the balance due on the property. I say that we would only lose the \$50,000 down payment. The purchase of the new home is not based on our ability to sell our current residence. Although we asked, this was not an option that the developer would grant to us. Our income will not allow us to carry two mortgages. Am I correct that the worst-case scenario is the loss of our \$50,000? A: I have to say, \$50,000 is a lot of money to walk away from. You need to sit down with a real estate attorney to review your contract and determine your exposure. I'm going to assume that you've put down 10 percent of the purchase price of the new property, which costs around \$500,000, unless the cash is a 5 percent deposit plus another \$25,000 of extras on top of that, which are usually paid for in cash. Either way, your exposure is not necessarily limited to the \$50,000 you've got into the deal thus far. If the developer builds the home and ultimately sells it to someone else for less than the price you agreed to pay, he could go after you for the difference. The developer would have been damaged by that loss and you might be responsible for it. Your contract might provide that the only remedy your builder may have is to retain the money he has already received from you, but you need to review the documentation to see what the builder's remedies are. But let's talk about what you're doing with your house that's listed for sale. The thing is, if you drop the price on your current home, you'll sell it. And that's precisely what might have to do. After all, if you're prepared to walk away from \$50,000, you can simply drop your listing price by \$30,000 or some other significant number and that would be less than the \$50,000 loss you'd take by backing out of the new construction contract. Dropping the price that significantly should drum up some additional buyers, one of whom will hopefully make you an offer quickly. Once you're out of your current residence, you can rent something cheap until your new property is ready, and hopefully recoup some of that cash. Only two things matter when it comes time to sell a piece of property: Price and condition. If your home is in less than perfect condition, you'll have to drop the price. If it's in a less desirable location, you'll have to compensate by dropping the price. And sometimes, even if the home is in a great location and is in perfect condition, you'll have to drop the price to counteract a buyer's market. You've got at least nine months until your new home is ready. Please sit down with your listing agent and ask her to provide you with a list of recent sales in the area for homes that are comparable in size, amenities and condition to yours. Then, work out a realistic sales and market strategy, and price your home competitively - that is, less than the other homes on the market. Q: I bought a house six months ago. So far, I've had water in the basement and found out the garage supports have rotted out. I bought the house in as-is condition. I know that I have no recourse against the previous homeowner, but I hired a professional home inspector to tell me what was wrong with the property before I bought it. He was paid for a general home inspection, a radon test, and an insect test. None of these issues came up in the inspection report. Can I be reimbursed by the home inspector for the price I paid for these worthless reports? How do you recommend I go about getting my money back? A: It's unfortunate that you tried to do the right thing by hiring a professional home inspector, and then it backfired. Some home inspectors are better than others, but one thing is always clear in a home inspection: If the problem is not visible, home inspectors can't pry walls open to inspect the insides of a home. That is generally a risk a homeowner takes when he or she buys a home. If the issues you have raised should have been uncovered by a competent inspection, you have a good claim against the inspector. You should certainly go back to the home inspector and demand that he refund your money for a job poorly done if he could have discovered these issues but performed poorly. But first, read the fine print on your home inspection contract to see if you are limited to the amount paid. You may be able to sue him for further damages. A real estate attorney can advise you further. Good luck.

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