

A Good Loan Officer & Lender Can Help You Navigate Buying Before Selling

Many people are ready for a move. They have substantial equity in their home that will fund the down payment on their new home, but because the inventory of homes for sale is so low, they don't want to sell before they identify their new home.

While obtaining a bridge loan or a home equity line of credit to access equity are options, few buyers can qualify for them and doing so impacts their buying power for their new home. FNMA requires that lenders count a borrower's current mortgage, the new HELOC payment AND the mortgage payment on the new house in the debt-to-income ratio that is used to qualify for the new loan. This means that unless they list and sell their current residence before finding a new one, their only option is to write an offer to purchase that is contingent upon the sale of their current home and unfortunately, contingent offers do not have much traction in our current market.

Enter the "Buy Before You Sell" program. Several lenders offer such a program. **Jaxzann Riggs**, owner of **The Mortgage Network**, explained the fundamentals to share with you.

Step one is for the "Buyout" company to determine the current value of your existing home.



Step two is for you to contract with the "Buyout" company for the guaranteed sale of your current residence.

The Buyout company will then provide an interest free, no payment loan on your available equity to use as your down payment. Your realtor will then be able to write a noncontingent offer with your full available down payment on the new home, which will be your most competitive option. Because you have a guaranteed purchase for your current residence, lenders aren't required to include the expense of your "departing" residence in your qualifying ratios.

The stipulations for the "buyout" are that once you close on your new home, you will have 10 days to list your current home and you must be under contract within 90 days. The Colorado Association of Realtors shows that year to date, the average home was on the market 62 days, which should be reassuring to those who are concerned about the 90-day time limit.

The cost for this program is 2.4% of the selling price of your existing home, paid to the buyout company when your home sells.

While this cost is not insignificant, consider what it is worth to you to eliminate the stress of selling first, and then having a time constraint attached to finding a home that you love. Also, there can be added costs of a rental property and moving twice if you do not happen to find your new home quickly.

Another cost that is important to consider is that if you don't get any offers by the 90-day mark, the buyout company will execute its right to your home at a price that's set at the beginning of the process. This amount will not be market value, but if they then sell your house for more, you will get the additional equity after their 2.4% fee has been collected. It is important to talk to your Realtor about the realistic value of your home, and strategies to ensure a sale within the 90-day period.

Jaxzann reports that while not suitable for everyone, using a "Buy Before You Sell" option can be a way for buyers to maximize their buying power, to take their time looking for a home that they love, and to write their strongest possible offer.

If you feel stuck in your homeownership journey, call Jaxzann at **303-990-2992** for more info.

