

## Dealing with a Poor Inspection

By ANNA CHANG-YEN | Green Shoot Media

A less-than-stellar home inspection report can be daunting for both buyers and sellers, depending on their level of experience making home repairs and negotiating deals.

An experienced agent can help both buyers and sellers navigate this delicate situation and get to the closing table.

### BUYERS: HOW TO RESPOND

The first thing you should do is discuss with your agent whether or not the home's asking price already reflects the needed repairs. The seller may have had an inspection before she listed the home and priced the home accordingly. Your agent can help you consider other comparable home sales in the area to analyze whether it's time to head back to the negotiating table.

In some cases, you may decide to absorb the costs of repairs on your own. If the home is older, some repairs are to be expected. Older wiring and piping, for example, might be commonplace for historic homes in the area, and sellers might be less receptive to making repairs. In a booming market, being handy and willing to complete some repairs yourself may give you a competitive edge over other offers.

If you and your agent decide that the sellers must chip in for repairs, you might be tempted to lower your offer. This could work for smaller repairs, such as a new water heater. But there are other strategies that may be more attractive when the repair bills will be higher.



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Don't let repairs wreck your real estate deal. A bad inspection is a hurdle that can be overcome with the right information and an agent who knows how to negotiate.

A seller who has emotional ties to his beloved home may be offended or otherwise put off by a low offer. If the sticker price is a sore spot, consider asking for a credit at closing. Since a credit at closing reduces the amount of money the buyer needs at closing, you'll keep more cash in your pocket to make the repairs at the seller's expenses, and the seller may be appeased with a higher purchase price.

When determining the amount of the credit, it's wise to get quotes from a few different service providers. You don't want to guess at how much a new roof will cost and then be flabbergasted by the estimates you get later. At the same time, be careful not to base your request on the priciest

quote. A seller who feels like his profit is being nicked and dimed may jump ship.

The least attractive tactic may be to ask the sellers to complete the repairs themselves. This can backfire, as some sellers may be less motivated to think about quality of materials and workmanship when they're making repairs, since they won't be the ones to enjoy the fruits of their labor. A credit at closing will allow you to decide whether the new water heater will be guaranteed to last for six years or 12, or whether the warranty on a roofer's work will cover problems for 5 years or 25. If you must ask the seller to make repairs, it is crucial to be sure you will have the right to sign off on the repairs before closing.

### SELLERS: HOW TO RESPOND

The best way to respond to a poor inspection as a seller is to be prepared and armed with information. If you were a smart seller and had a pre-listing inspection, you probably believe you have priced the home according to the inspector's findings. This doesn't preclude you from making small concessions in order to close the deal.

If the buyer's inspector finds larger problems than your original inspection turned up, you may need to rethink things. If your inspector failed to note a failing roof or needed electrical work, it's time to do some research. Get estimates from a few different companies in order to know if a buyer's demands are fair. You don't want to lose out on profit because the buyer is making big demands for small repairs.

### REAL ESTATE 101

#### Help from HUD

A home inspection can cost hundreds of dollars but save you many thousands of dollars in unexpected repair bills down the road. To get your money's worth out of your home inspection, the U.S. Department of Housing and Urban Development offers a List of 10 Questions to Ask Your Home Inspector. Read the list at <http://bit.ly/1R81BQH>.



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### HOMESWISE GLOSSARY

**Home equity line of credit:** a loan providing you with the ability to borrow funds at the time and in the amount you choose, up to a maximum credit limit for which you have qualified. Repayment is secured by the equity in your home. Often used for home improvements, major purchases or expenses, and debt consolidation.

**Home equity loan:** a fixed or adjustable rate loan obtained for a variety of purposes, secured by the equity in your home. Interest paid is usually tax-deductible. Often used for home improvement or freeing of equity investment in other real estate or investment.

**SOURCE:** Wisconsin Department of Financial Institutions

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