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Home Forum / Elizabeth Rhodes

Creative negotiating can lower home costs

Q: As a first-time home buyer, I have a question: What's negotiable in purchasing a home?
A: "Theoretically, almost all terms of a listing are negotiable except the physical location," says Gary O'Leary, owner/broker of Prudential Signature Properties in North Seattle. "Practically speaking, the most common negotiated items are price, terms of financing, closing costs, closing date, possession date, inspection conditions and appliances or other personal property to be included in the sale." If you have a real-estate agent, that person should be advising you and doing the negotiating, O'Leary adds.

"I think it is important to understand, however, that the typical first-time buyer price ranges are in high demand, and that makes the well-priced listings very attractive and competitive for many first-time buyers," O'Leary adds. So rather than getting hung up on negotiating the price down, he suggests you be more concerned about the home's location and condition, and that you get pre-approved for a mortgage so you can move quickly when you find the right home.

As a first-time buyer, he says, you'd also be well-served to think creatively about negotiating. For example, because you'll likely face competition to purchase a well-priced home, you might want to offer more than the asking price if the seller will help you with closing costs. Example: the asking price is \$200,000. You agree to pay \$203,000, and the seller gives you back \$3,000 or \$4,000 for closing costs. In this win-win, you've paid no more for the property than was asked, yet you get into a house without having to have saved all the purchase costs. And the seller gets at or near the asking price.

When it comes to your mortgage, you'll get a good-faith estimate of costs. Go over that to make sure the fees are appropriate and normal. Again, an experienced real-estate agent can advise you on what's normal and what fees you might want to negotiate.

Q: I've been reading that some mortgage companies might go out of business if rates climb. What would happen to my home loan if my mortgage company were to go under?

A: "All those mortgages are simply assets of the company that will get sold in the bankruptcy process," says Bob Schroeder, assistant regional director of the Federal Trade Commission. And because those assets are valuable, another mortgage firm will buy them, inform you of that and tell you where to send your payment. So from a customer's standpoint the situation will be no different, Schroeder says, than what happens all the time, anyway — your lender sells your mortgage to another financial entity. And this can happen repeatedly. Why? Because the majority of mortgage loan contracts contain language allowing it.

Even if your lender goes under and another firm assumes your loan, "you'll have the same contractual deal, your monthly payments will be the same, your escrow will be the same," Schroeder says. "Your payments will just go to somebody else."

Q: I understand that contractors can put a lien on your home while work is being done as a way to ensure you pay the bill. Does the contractor have to let you know if a lien has been placed? Also, how can an owner check to see whether there are any liens on the home that may have resulted from the contractor not paying suppliers or subcontractors?

A: Contractors can indeed put a lien on the home while working on it, but only within certain limits, explains Kirkland attorney Jeanette Bowers Weaver. The lien is limited to an amount representing any unpaid sums for labor, professional services, materials or equipment furnished for the improvement of the property. The contractor must give the homeowner a copy of this lien within 14 days of filing it (or mail it certified mail). However, the contractor doesn't automatically lose its right to lien your property if you don't get this notice, Bowers Weaver says. "They only stand to lose their right to recover their attorney's fees and costs if they have to foreclose upon the lien."

As for finding out whether such a lien has been placed without your knowledge, Bowers Weaver says the best way is to search public land records. You'll find them in your county courthouse. Alternately, "some title companies will perform a cursory search for you for no or little cost," she says.

For more information about contractor requirements and liens, go the state's Department of Labor Web site: www.lni.wa.gov/scs/contractors/othreso.htm.

Home Forum answers readers' real-estate questions. Send questions to Home Forum, Seattle Times, P.O. Box 1845, Seattle, WA 98111, or call 206-464-8510 to leave a question on a recorded line. The e-mail address is erhodes@seattletimes.com. Sorry, no personal replies

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