

## **How To Handle Multiple Offer Situations**

### **March 17, 2013**

**Dear Dave:** We have recently become appreciative of your column as we are in the process of home-buying for the first time.

It is uncanny how other offers arise at pivotal moments in price negotiations for a home. We have asked our Licensee to prove these offers exist and she says she does not have to. I think this is unethical. How can we know for sure that other offers exist?

**Answer:** Multiple offers have been common in recent months because the number of buyers for quality, well priced homes exceeded the number of sellers. While your licensee is saying that she does not have to provide evidence of existing competing offers, she does have an obligation to protect your interests and could modify your offer so that, if successful in your bid for the home, the seller will provide documentary evidence of those other offers.

It has been many years since the market in Alaska was hot enough for multiple offers to be common but, in other States, Realtors have developed procedures and standard contract addendums (or amendments as some like to call them in Alaska) for such situations.

In Northern Virginia, for example, the real estate market has been intense for a number of years, so a set procedure is in place to provide an automatic “Escalation” in your price offered, depending on competing offers – whether you know about them or not.

The general idea is that you can make an offer with the condition that your offer automatically escalates, depending on the arrival of other offers before yours is agreed to, to a predetermined formula above that competing offer, with a cap on your tolerance level at a certain number.

In Northern Virginia it is not uncommon for 5 to 10 offers to be received for a listed property. Hence, the practice has been fine tuned to accommodate multiple offers. An experienced Alaska real estate licensee can add terminology to your offer to help you compete for a property that is likely to attract attention from several buyers. An added security clause can be included to verify the existence of any such competing offers after you are successful.

**Dear Dave:** Is the Mortgage Insurance Premium on a home loan tax deductible?

**Answer:** If you make less than \$110,000 in 2013 then any Mortgage Insurance paid, be it an upfront lump sum or monthly MIP installments, is deductible under itemized deductions similarly to the home loan interest paid on your principal residence.

**Dear Dave:** My friends did an energy upgrade last year and claimed \$500 as a tax deduction on their I.R.S. return. Would you please confirm?

**Answer:** It was not a tax deduction, as such, but probably a tax credit – i.e. \$500 off their taxes for the year.

The I.R.S. continues to allow a tax credit, not exceeding \$500, for properly documented energy efficiency upgrades. To obtain the full \$500 credit on your taxes, you would have to spend \$5000 on the upgrades, as it is limited to 10% of whatever you spend.

It is a one-time tax credit, so you can't claim it in successive years. In effect, it means you will save 10% on that new insulation, new boiler, water heater etc. Normally, the suppliers of these upgrades know the rules for you to receive the tax credit.

**Dear Dave:** This is going to sound ridiculous but we had new carpet installed, and suddenly water was leaking from the wall and ruined the carpet. The carpet installer had driven a nail into a water line! They replaced the carpet and had a plumber fix the leak but I thought your readers should know.

**Answer:** Thank-you for the information. Readers should take careful note and, especially if you have baseboard heating, ask you carpet installer to please be careful!

**Dear Dave:** I have a home for sale by owner (FSBO). Do I have to complete a Property Disclosure Statement and give it to the Buyer?

**Answer:** Yes, Alaska Statute 34.70.010 requires that, when an interest in residential real property is transferred, the Seller (Transferor) must deliver a completed Disclosure form, as drafted by the State of Alaska, to the Buyer (Transferee).

The Statute applies to residential real property – i.e. single family homes, duplexes and condominiums. You can obtain the form from the Division of Occupational Licensing, Room 722 of the Frontier building, at the corner of 36<sup>th</sup> and A Streets.

**Note:** If you are selling a trailer or mobile home not on a permanent foundation, the Statute does not apply because your home is not classified as Real Estate. Mobile Homes are classified as Personal Property just like your Automobile.

**Dear Dave:** Can my Realtor help me buy a home in another State?

**Answer:** No, not unless she is licensed in that other State. However, she may well be able to help you find a really good agent in that State. Most Realtors have good networking skills in this area and I encourage you to take advantage of this service. Even if she does not know an agent personally, she has the capability to find a well-qualified and suitable agent that fits your particular needs.