

# BUYERS

## HOW TO SUCCESSFULLY PURCHASE A HOME IN HAWAII



**MIKE GALLAGHER ® Realtor-Broker  
Broker in Charge, Abe Lee Realty**

**CERTIFIED BUYERS REPRESENTATIVE**  
**808-384-9015 Cell [Mikeg@hawaii.rr.com](mailto:Mikeg@hawaii.rr.com)**

## **1. The Loan:**

**This is the very first priority in your endeavor to secure your investment property. In Today's market your Prequalification Letter from a lender is crucial to have prior to viewing property or making an offer.**

### **Where to Find The Right Lender?**

**Depend upon your Realtor, your Friends and your Family for referrals. The Realtor is not going to want to appear to be steering you towards any particular lender as it is against his/her Code of Ethics they subscribe to. However it is best practice to listen to what they have to say as they have done many transactions and know from experience who gets the job done and who doesn't.**

**Another major source of information outside of your Realtor, Friends and Family referrals is a visit to the Honolulu Board of Realtors Website: [www.hicentral.com](http://www.hicentral.com). Here you will a list of lenders doing business in Hawaii, rates, terms and contact information. It is highly recommended you use a Local Lender as your transaction ease in most cases and winning an accepted offer is much easier accomplished.**

**Your credit score used in Real Estate terms is known as a F.I.C.O. score. When asking a Mortgage Broker or Bank for a prequalification letter the Loan Officer will run your credit. It is my recommendation you weigh your lender choices wisely and then proceed to call a lender and proceed onto the process of obtaining a prequalification letter. Generally this process takes 10 minutes on the phone.**

**A prequalification letter is simply a letter addressed to whom it may concern that you have taken the steps necessary to begin the process of obtaining a loan. This is absolutely essential in realistically being able to find the right property for you in your on line searches and to have when your Realtor presents an offer. When Sellers review your offer without a prequalification letter they will decide to reject your offer. Your lender will provide you with a max Dollar amount of what the Banks are willing to lend to you and what the Monthly Mortgage Payment will be. This figure will not be on the prequalification letter. When your Realtor presents an offer to a Seller it will go with a new prequalification letter from the lender with an amount the lender is willing to loan on the letter, matching the offering price.**

## Pre Approval Letter

In this highly competitive Market you are competing with many other buyers like yourself for the same property. Although a prequalification letter is essential you can now take the first step in beating out your competition by having a Pre Approval Letter instead of a Pre-Approval Letter. Similar to a prequalification letter which states the lender is willing to lend you a certain Dollar amount under certain conditions being met by the buyer, the major difference is that a Pre Approval Letter states to the Seller that you have already started a Loan application and been approved for a certain Dollar amount with very, very little conditions yet to met by the buyer. Meaning you are almost certainly good for the money.

Pre Approval Letters are like GOLD. A Seller will certainly entertain your offer knowing that you have already met most of the major conditions a lender has put upon you. A buyer with a Pre Qualification Letter will still have major conditions to meet to get the loan. Sometimes your lower offer will beat out a higher offer who has only a Pre Qualification Letter.

## Finding The Right Home

The right Home may be SFH (Single Family Home), Condo (Town Home or traditional Condo) or Vacant Land. Once you decide on what your needs are and what you can afford to spend Monthly on a Mortgage you now begin to shop using the max Dollar figure the lender has given to you.

85% of all buyers who purchase a property use the Internet first to view Homes. This can be done by utilizing the Internet search sites. There are many choices to choose from, but from my experience the following are the best:

[www.hawaiirealestatestatistics.com](http://www.hawaiirealestatestatistics.com) This is my website  
[www.Realtor.com](http://www.Realtor.com) This is the #1 Most Used in the Nation  
[www.Hicentral.com](http://www.Hicentral.com) This is the Honolulu Board of Realtors website

15% of all buyers who purchase a property depend upon their Realtor to find the home for them.

**Although this percentage is based upon a National Survey, it is essential to have the right Realtor to depend on if you are not going to use the Internet yourself. There is a clause in the legal offer that states 'Time is of the Essence.' This is true in the context that you need a Realtor who is going to make the time to do the search for you. If they do, make sure they are in constant communication with you and searching and showing you property continuously.**

**For Internet Buyers, I find it best to do an Island Wide Search for the type of property you are looking for first. Put into your search parameters on the search screen your desired number of bedrooms, baths, parking, Fee Simple or Leasehold, house size, yard size, view, etc. and then enter your max price+\$20,000 for SFH and +\$15,000 for Condo/Town Homes. The reason for this is simple. Most For Sales are over priced in this Market and remember everything in life is negotiable! This is especially true in a Buyer's Market.**

**Once you have done this, narrow down the Neighborhoods and the Buildings. Remember, Condos actually mean: Traditional Condos AND Town Homes. When doing internet searches you can specify which type.**

**Now you are ready to roll! Take your narrowed list and do 'drive by's.' See the Neighborhood, the House, the Building. Talk to the Neighbors, the Building Manager, and look at the amenities of the Neighborhood i.e.: Restaurants, Hospitals, Beaches, Stores, etc.**

## **Finding the Right Realtor**

**Now you ready to get assistance from a Realtor. Typically, most experienced Realtors will choose not to work with anyone who does not have at least a prequalification. It's certainly not only a waste of the Realtors time, but yours as well. Now its time to depend upon the guidance, the persistence, the knowledge and other necessary skills of a successful, experienced Realtor to help you get you what you want.**

**A few years ago, before the boon in Real Estate there were approximately several thousand less Realtors to choose from than Today. This means there are many, many Non Experienced Agents out there who do not have the skills you need. Experience in terms of Number of Transactions is what you need to have in a Realtor.**

Approximately 85% of all first time buyers choose the very first Realtor they come in contact with. This is an appalling figure from a National Survey. 15% choose their Realtor after only meeting two of them.

The right way to finding the best Realtor for your needs is to consider the following:

Experience: How many transactions have they had?

Awards and References from Realtor Organizations and most importantly, previous Clients.

Knowledge of Neighborhoods, Buildings and Amenities in areas you are searching.

Communication Skills

Company Brokerage Resources

Personality Fit

Choose your Realtor and commit to work with ONLY ONE. An experienced Realtor will know if you are working with another Realtor at the same time. An experienced Realtor will NOT work with you if this is their perception. If there is No commitment from you, there will be no commitment from your Realtor.

**Most Important of all:**

The National Average number of homes sold each year by a Realtor is 4.91 homes. More than 90% of all Hawaii Realtors sell less than 5 homes/year. This means 10% or less sell most of the homes.

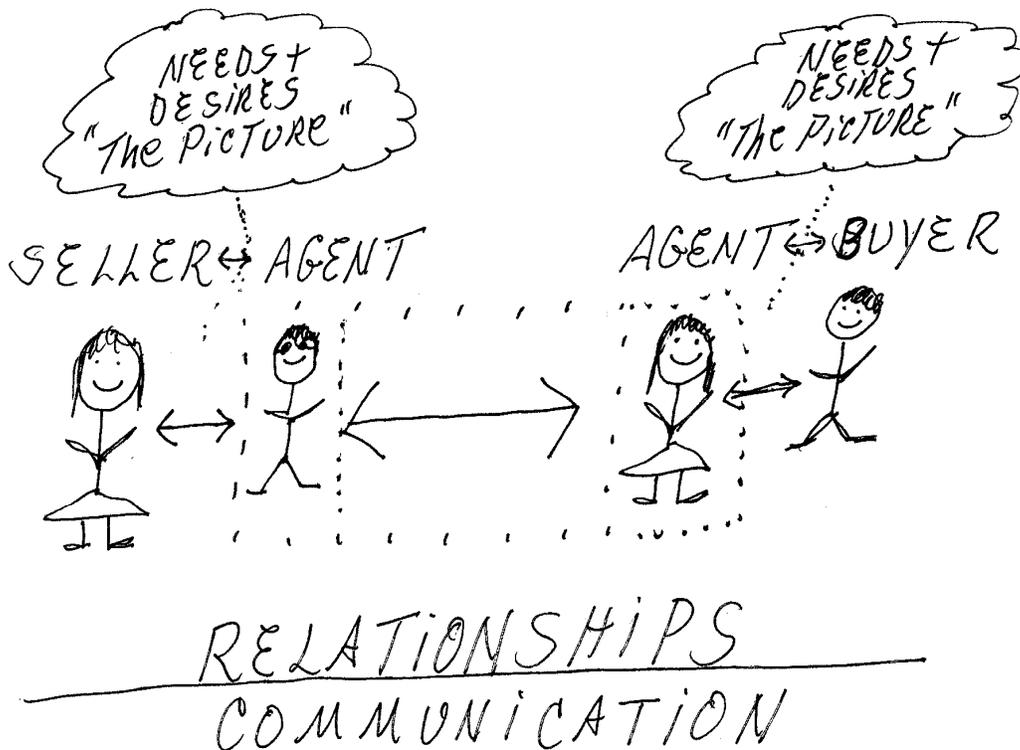
## Writing an Offer that Will Be Accepted

Some New and even Experienced Agents make the first Fatal Mistake in NOT winning you the Accepted Offer. This mistake is little or no communication with the Seller's Agent. The terms of your offer although very important in winning you an accepted offer will go unused if the Buyers Realtor cannot communicate properly with the Sellers Agent. I can tell you from much Experience, this is where you will Win or Loose!

Everything in Life is about Relationships and Choices. This is especially true in Sales Negotiations. In the offer and negotiation phase it is Very Dangerous for the Principals (Buyers/Sellers) to speak directly with each other without using their Realtor as a communicator.

Your Realtor has taken many classes, certifications and therefore has the knowledge you do not, to keep you out of Legal Pitfalls by saying the wrong things concerning an offer or possible offer. One of the fastest ways to litigation in real estate transactions is direct communication between the Principals.

Therefore, it is absolutely essential the two Realtors can communicate effectively, negotiate on your behalf and be able to 'paint the picture' of the Buyer to the Sellers Agent so that the Sellers Agent can 'paint the picture' to the Seller. Who is the Seller relying upon to sell his property? The Sellers Agent! This all happens on the phone or face to face by the Realtors BEFORE the offer is written. When this happens a Winning Offer is drafted and submitted with ALL THE ACCEPTABLE TERMS AND CONDITIONS ALREADY AGREED UPON BY BUYER AND SELLER VIA THE PRIOR COMMUNICATION BETWEEN AGENTS!



Writing the offer as 'clean' as possible is essential to obtaining the winning acceptance. In Real Estate terms this means very little and lenient contingencies. Contingencies are stipulations in the offer defining terms, dates things are due like inspections and anything written into the offer by hand that specifies Buyer conditions you are imposing on the Seller in presenting your offer for acceptance.

Other very important aspects of the winning offer are as follows:

**Down Payment: 20%** is looked upon very favorably by Sellers as it means you have the ability to save your assets and use them wisely and you are probably a more serious buyer who is going to actually close on the property and see the purchase through to the end. It also means that the lender is not 'into the property' for the whole amount, just 80%. This is very, very important in Today's Market as while in Escrow with a Buyer's accepted offer the lender's Appraiser is going to go to the property and appraise it for the lender. Primarily the Appraiser is going to use the last 6 months Sold prices to value your property. This means one important thing. In this market it is **IMPERATIVE** the Appraisal 'Comes In.' This means that the appraisal matches or exceeds your offering price.

An **EXPERIENCED** Realtor will know how to guide you on your offering price based upon the last 6 months Sold prices. These are known as Comparables or 'Comps' in the Real Estate vernacular. The same thing is also called C.M.A. or Comparative Market Analysis.

If you end up offering more than the Appraisal comes in at, this is known as a 'Short Appraisal.' This means the Bank will **ONLY** lend you the amount of the Appraisal.

You will then have to come up with the difference in Cash, renegotiate the purchase price with the Seller or Walk Away from your offer by Canceling. Canceling at this point will cost you appraisal fees: \$500.approx. and Inspection Fees: \$400. approx. You will **OUT** \$1,000. approximately.

This is **WHY** a Seller looks for a Buyer with **CASH**. This is the same thing the Sellers Agent will **ADVISE** his Seller.

**This is also why you want to work with an experienced agent who can do the C.M.A. properly to arrive at the best 'Win-Win' offering price and achieve an Accepted Offer.**

**If there is Less Cash involved for Down Payment, there are other means to still get an Accepted Offer, but you MUST HAVE A REALTOR WHO HAS THE EXPERIENCE TO DO THIS! 100% financing is possible Today and Sellers will take 100% financing, but ONLY under certain conditions. See your Realtor about this option.**

**I hope this helps you in guiding you to finding the Home of your Dreams!**

**If you have any questions, please do not hesitate to call me at 808-384-9015 or email at [MikeG@hawaii.rr.com](mailto:MikeG@hawaii.rr.com)**

**Aloha, Mike Gallagher, Broker In Charge, Abe Lee Realty**

