

# 4 Buyer Incentives that Sell Homes

On today's market, it's pretty easy for a seller to find themselves in a serious state of stuck: home stuck on the market with no bites from buyers, and family stuck in the home until the home sells. And that doesn't even account for the feeling of stuck that comes from having gone just about as low as you can go on price without turning your transaction into a short sale. If you're trying to sell, and you've lowered the price but still find your home struggling to compete against a bunch of other, similarly priced homes with similar features, selling can seem difficult at best, impossible at worst.

The worst part of this particular flavor of stuck is the feeling that the whole situation is out of your control, that there's nothing within your power that will move your home off the market. You've already painted the place, replaced the carpet, tricked out the curb appeal and lowered the price as far as you can go. So what else is a seller to do?

## Offer incentives.

Incentives are perks - they can be big or little - that a seller offers to their home's eventual buyer. The most outlandish incentives are the ones that make the headlines, like the Ferrari one Malibu owner threw in with the sale of their condo last year, or the year's worth of cookies that actor George Hamilton reportedly negotiated into the sale of his home from a bakery owner. But the incentives with the most power to get your home sold tend to be much less exciting perks that actually fill a real need the average home buyer has.

Here are four basic, incentives you should consider offering if you're having a hard time getting your home sold:

1. **Interest rate buy-down.** When you hear sellers say they will "pay points," what they are doing is offering to award the buyer a certain number of percentage points of the sales price, which will, in turn, be paid to the buyer's lender as discount points that bring the buyer's interest rate down. For the buyer, this is a big deal, as it decreases the pressure they feel to guess the right day to lock in their interest rate (a common source of serious stress among buyers), and sends the message that if they buy your home, they'll automatically beat the market rate. And what buyer doesn't want that?!

Seller-paid rate buy-downs also save buyers money on their monthly payment over the entire lifetime of their loan, and the seller-paid points are usually tax deductible, to the buyer, the next time they file taxes. You can see why these incentives are so powerful at attracting buyers!

2. **Closing cost credit.** Many buyers trying to break into the market while prices are low are already scraping the bottom of their savings account barrels to come up with their down payment money. With most home loans, the buyer will have to come with anywhere from 3 to 6 percent of the loan amount, in cash, on top of their down payment, to cover closing costs like loan fees, escrow

services and title or mortgage insurance. (And strangely enough, the buyers putting the 3.5 percent minimum down payment on an FHA loan are likely to have to come up with the higher end of the closing cost range, 6 percent, to cover their mortgage insurance.)

Some smart sellers (and their agents) include in their home's listing and marketing materials the offer to pay a credit of 3, 4, 5 or even 6 percent of the home's sale price at closing, to defray the buyer's closing costs. A closing cost credit is a great financial help to buyers and a strong differentiator that can make your home much more attractive than nearby listings. Your listing agent can help you run the numbers on how much of a credit you can afford to offer, and how to make an overall package - listing price and credit - that will be maximally magnetic to prospective buyers.

3. **HOA dues credit.** If you are selling a home that is in a homeowners' association (HOA) that charges monthly or even annual dues, then surely you recall buying that home and being overwhelmed at the prospect of going from rent being your sole monthly housing expense, to having a laundry list of expenses starting with your mortgage, including property taxes and insurance and then having HOA dues as the unpleasant cherry on top.

One way to overcome that concern in the minds of buyers and to differentiate your unit from all the other, similar units for sale in your complex is to offer a credit at closing that covers the buyer's HOA dues for 6 months, a year, or even longer. Talk with your agent about how to do this strategically, in a way that will offer the maximum lure for buyers but will not run afoul of any guidelines for seller credits imposed by the buyer's lender.

4. **Broker incentives.** Some savvy sellers who can't afford to offer buyers several percentage points' worth of the proceeds of sale toward closing costs take a different route, offering to pay a bonus percentage point (or more) in incentives to the eventual buyer's broker or agent - on top of the commission, rather than to the buyer themselves. Over 90 percent of buyers who are ready, willing and able to buy a home on today's market are represented by a broker. And brokers have to sort through sometimes hundreds of pretty similar listings to decide which ones to show a buyer any given Sunday.

Offering a broker's incentive makes your home stand out among all those listings to the brokers and agents who put buyer's property tours together. While these aren't "buyer incentives," strictly speaking, but they do operate to boost the number of buyers that come view your home - in turn, boosting your home's likelihood of getting an offer.