



BUYING NEW BEFORE SELLING CURRENT PROPERTY IS **RISKY** BUSINESS

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Q: Is it smart to buy another home before selling your present home?

A: That's a loaded question given the lack of information you've shared with us, but we'll try to give you some guidance.

As a general rule, you'd rather know that you have a buyer in hand to purchase your home before you go out and buy another. Most folks can't afford to own two homes at the same time. You might not have enough cash on hand to put down the money needed to buy the second home, or you might need lender financing and your lender requires you to sell or payoff the first home's mortgage to qualify for a new loan for the next house.

Here's how to think it through: If you own a home and can afford to buy a second home, get financing on the second home and pay for all of the expenses of having two homes, you can go ahead and own two homes at the same time. Presumably, you can move from the first home to the second one and, when ready, sell the first home. Again, only people that have the means to carry two homes would want to do this. If you don't have the means to carry two homes, it could be a recipe for financial disaster. The costs of carrying both properties could eat at your savings, retirement accounts and other financial lifelines that you have. It can be a risky proposition and it's definitely not for the faint of heart.

There are times that the closing dates on a purchase and sale might not match up perfectly. In this situation,

you might close on your purchase -- if you can and your lender lets you -- and then several days later close on the sale of your original home. But, we don't think that is what you are getting at. What you are basically asking is whether you should sign a contract to buy a home when you don't have a contract for the sale of your existing home.

Here are some suggestions you might find useful. One solution is to put a home sale contingency in your offer to purchase the new home. That is to say, you offer to buy a house and that offer is subject to your ability to get a buyer for your current house. Many form contracts have this language in them while others have attachments you can add to the contract to set this up.

If you create this contingency, you

buy yourself some time to get the home you want and find a buyer for your home. If your buyer does not materialize after 30 or 60 days, the contract to buy the new home could be cancelled.

However, you'll need to make sure that you abide by the dates in the contingency. Failing to abide by the dates and notice provisions of the home sale contingency could cost you your earnest money, so if the contingency says you must notify the seller if you have a buyer for your home by a certain date, you better do that. And, if the contract says that you must notify the seller that you have not found a buyer, you must do that as well, in writing, and on or before the date stated in the contract.

For more details, please consult with a real estate attorney.