

How to Buy And Sell Simultaneously

The first step in this process is to speak with a lender to determine if you qualify to purchase a new home without having to first close on your current home. This will factor not only the downpayment for the new home but also the debt-to-income ratio needed. This does not mean you intend to keep both homes but we need to know on paper what you qualify for so we know how to handle the timeline and mitigate your risk. Discuss your savings, assets and any strategies to temporarily borrow a downpayment etc. If the lender cannot remove the contingency, offers you make will be contingent upon selling and here are two strategies

Contingent Upon Selling

Highest Priority: least financial risk or housing risk???

higher housing risk

Prepare and List Existing Home
Go Under Contract on Existing Home
Shop for a New Home or Select Rental
Close on Existing Home
Close on new Home or move into Rental

Prepare your existing home and list it requesting a long closing. Once you go under contract, go shopping and write a contingent but UC offer. If you are unable to find something you like to purchase, secure backup plan of a short term rental to move into and resume your search in a few months.

Pros

- You will know your financial net proceeds from your home before you go under contract on a new home
- You mitigate risk losing due diligence on a new home by waiting to find something until after you are under contract

Cons

- You could potentially have to move twice
- If the buyer of your current home backs out, you would face having to back out of your new home but we aim to keep your financial risk (DD\$) and dates in your new home under what you get from the buyers of your existing home.
- If your home purchase needs are very specific, it might be hard to find something you like.

This allows you to maximize the profits from your existing home and puts you in a better position to write a contract on a new home. This works if the home you desire isn't super specific or you are willing to move twice. The risk remains that the dates won't line up, but this has the least financial risk of the two options

higher financial risk

Prepare Existing Home
Write Contingent Contract on New Home
List Existing Home Immediately
Ensure Closing Dates Line Up
Potential Back to Back Closings

Prepare your existing home so that you are ready to go on the market as soon as you find a new home. Write a contingent contract on new home trying to allow for enough time to sell existing home. List home as soon as you are able to go under contract and try to secure a buyer who will accommodate those dates.

Pros

- Higher assurance of knowing where you'll be moving which could be a critical driver.
- You have a chance of lining the dates up to do a back to back closing.

Cons

- Very few sellers are willing to accept a contingent offer of a home that isn't on the market and you may not be able to lose a house you love.
- If you are able to secure housing, you'll likely be risking due diligence money right away
- You have no guarantees of what you can sell your home for or that the dates of the buyers of your home will line up with the dates of your purchase

This is the right path if finding the right home is the main driver and you do not need every penny out of your existing home. (If a seller accepts your contingent offer), If you are unable to sell your existing home, you can turn to quick cash home sale programs. Those come at a steep financial penalty.

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Non Contingent

Highest priority: maximize convenience or proceeds?

Convenience

- Write Contract on New Home
- Close on New Home
- Move
- List Existing Home
- Close on Existing Home

Shop and purchase your home with a 30-45 day close. Move into that home and then prepare your home to sell. There is typically a 60-90 day period you own both homes. You can then choose to recast your new loan or reinvest your proceeds.

Pros

- Not inconvenienced by showings or doing repairs on the home to prepare it while living there
- Move once right into new home with ease of taking a couple of days to do so
- The assurance of knowing where you will be moving to

Cons

- You may need to borrow money from savings for downpayment and repairs on existing home to be paid back after your existing home closes
- No assurance of exactly what your existing home will sell for and your net proceeds

This might be the right option for you if you have a lot of pets or kids and living through showings will be extra challenging. This can also be the better option if you have work to do on your existing house to sell it for top dollar.

Proceeds

- Prepare Existing Home
- Write Contract on New Home
- List Existing Home
- Ensure Closing Dates Line Up
- Back to Back Closings

Prepare your existing home so that you are ready to go on the market as soon as you find a new home. Write contract on new home with time of potential sale of existing home and realistic timeframe in mind. Have closings same day or 1 day apart so all the money from existing home can flow into the new home

Pros

- All your proceeds flow into new home to minimize pulling money out of savings for downpayment
- Move once with possibility of stuff on the truck for one night or two.
- The assurance of knowing where you will be moving to and what your proceeds from your existing home will be

Cons

- You still live through inconvenience of showings and inspections on your current home
- You will still be under a time crunch to get moved out in and into new home in short period of time
- There is always possibility of delays

This might be the right option for you if you qualify as non-contingent but are risk averse and do not wish to pull money out of savings for a downpayment and repay it later. This is also the better option if your existing home doesn't need much work.