

Tips For Repeat Homebuyers

Below you will find a helpful list of repeat home buying strategies and the associated advantages and disadvantages.

Strategy	Advantages	Disadvantages
Buy a replacement home first.	You know where you'll be moving and how much you'll be paying.	You don't know how much you'll net from the sale of your home, or how long it'll take to sell. Owning two homes is a possibility. Qualifying for a mortgage may be difficult. Requires liquid cash for down payment.
Buy a replacement home first with a contingency for the sale of your current home.	Same as above, but you minimize many of the risks.	Many sellers won't accept contingent sale offers. The best homes sell without this contingency. Poor bargaining position.
Buy a replacement home first using a swing loan (interim financing) for the down payment.	Same as #1. Enables you to compete against non-contingent sale buyers because you can buy without having your home sold.	High financial risk, especially if your home takes a long time to sell and/or sells low. High carrying costs. Qualifying for financing is more difficult. Swing loans are often due in six months.
Buy a replacement home first using a line of credit secured on your current home for the down payment.	Same as #1 and #3	Less financial risk than #3 because credit lines usually don't have a short due date. High carrying costs. Some lenders don't permit the use of a line of credit for home purchase.
Buy replacement home first with an employee buy-out (for transferees), or a new home where the builder will take your home in trade.	Same as #1	You'll probably have to discount the price of your home in exchange for turning the risks of sale over to someone else.
Sell current home first.	You know how much cash you'll net from the sale. Eliminates financial risk.	You may have to go to an interim rental if you can't find a replacement home to buy in time.
Sell current home first with a contingency to find a replacement home.	Same as #6. You don't have to move if you don't find a replacement home.	Few buyers will accept this contingency. You may have to discount your price.
Sell current home first with a long closing and/or a rent-back option.	Same as #6. Reduced chance of having to move to an interim rental.	Buyers who need a quick close and possession won't be able to accommodate you.