



# REAL ESTATE RED FLAGS

*Tips for Buyers / Sellers / Agents*

In 2021, nearly seven million homes were sold in the United States. While sales volume dropped the following year, there were still nearly six million transactions.

Most of those deals went off without a hitch. Some sales, however, left buyers, sellers, or their agents walking away disappointed or, in more than a few cases, victimized by fraudsters.

If you're a buyer, purchasing a home is likely your life's most significant financial transaction. As a seller, parting ways with your home lets you cash in on its equity and get a fresh start at a new property. And as the agent, ensuring that every deal is smooth and frictionless is critical to building a solid reputation and growing your business.

With that in mind, Patten Title has compiled a list of 21 real estate red flags, seven for each of the principles in every real estate transaction.

## BUYERS: 7 REAL ESTATE RED FLAGS

As a buyer, you have the most to gain (or lose) during a real estate deal. You have the most to lose if you purchase a flawed home that requires more repairs than expected.

You also have to watch vigilantly for signs of real estate fraud, which is on the rise — more than 13,000 people fell victim to real-estate-related wire fraud in 2020, most of whom were buyers.

The good news is you can protect yourself and reduce your risk of falling prey to fraud by managing these seven real estate red flags.

### 1. DEALS THAT SEEM TOO GOOD TO BE TRUE

You finally found the perfect home in the perfect neighborhood. It's even priced well below market value. While it may feel like you just stumbled across the deal of a lifetime, your real estate red flag alarm should be sounding at full blast.

There are rare instances where sellers are simply in a hurry to sell their home, so they list it below market value. But the list price is usually only a few percentage points lower than expected, not tens of thousands of dollars cheaper.

Homes priced way too low usually have significant issues, such as water damage, termites, or a cracked foundation.

### 2. HOMES LOCATED IN EMERGING NEIGHBORHOODS

If you see the words "up-and-coming" in a listing, it could mean one of two things.

The first possibility is that the neighborhood is the subject of major revitalization efforts, meaning investors are rehabbing dilapidated old homes, and the local government is pouring money into community resources.

If it's in the late stages of revitalization, it may be a great place to live; if it's early in the process, though, it may have some issues.

The other meaning of "up-and-coming" is that the neighborhood is relatively new and still under development. That means construction crews could be working in the neighborhood for months or even years.

### 3. THE HOUSE WAS LISTED, REMOVED, AND THEN RELISTED

Most listing websites show you when a home was listed, what price it was listed at, and if or when it was removed. Take heed if a home was listed for a while, removed, and then relisted.

There's a chance that the seller simply listed the property too high initially and decided to remove it, wait a few months, and relist it at a fairer price. But there's also a chance that someone made an offer on the home, underwent an inspection, and found some big problems.

If you decide to pursue a home that's been relisted, ask your agent to do some digging to find out why.

### 4. SELLERS LACK PROPER DOCUMENTATION OR ARE IN A RUSH

If a seller lacks permits or mortgage documents, it may be an attempt at real estate fraud. Another warning sign is that the seller pressures you to wire them a deposit quickly.

Submitting a deposit on a home, known as an earnest money deposit (EMD), is a common practice. However, the EMD isn't usually made until you and the seller agree to terms and sign a contract and is typically held by the title company or escrow agent.

Never wire funds without a legally binding agreement, and always take the time to verify that you're sending money to the right person.

### 5. PHOTOS SEEM UNREALISTIC OR HEAVILY EDITED

While it's perfectly normal for the seller or their agent to hire a professional photographer to present a property favorably, heavily edited pictures can be misleading.

You should also be concerned if the photographs were taken at odd angles, as stretched or canted pictures can make spaces appear larger than they are and hide less-than-obvious imperfections.

But a total lack of photos is one of the top real estate red flags you need to know about. Even heavily edited photos can give you a glimpse into what a house looks like, but if there aren't any photos at all, you can bet that the house is probably in rough shape.

### 6. IT'S A SHORT SALE

If the lender is preparing to foreclose on the home, the seller can list it as a "short sale," which means they need the outstanding balance of their mortgage paid for during the transaction.

Short sales can be a hassle to navigate, although they can allow you to get a good deal on the home. The genuine concern is that a homeowner who couldn't afford to pay a mortgage may have neglected home upkeep and maintenance. Short sales can be a great deal for buyers as long as you know you could be stepping into a mess.

### 7. IT'S A FAST FLIP

Flipping houses is all the rage these days — you've probably seen at least one or two TV shows about it. Here's the basics of how it works:

An investor purchases a property with the intent of selling it to make a quick profit. Investors usually target run-down properties that need a fair amount of work to maximize their earnings. Since their goal is to earn as much as possible, they'll try to get the home market-ready as quickly as possible. The key for them is to buy low and sell high.

Most flippers put a lot of effort into their investments to turn them into quality homes. Some, however, cut corners and put cheap finishes in the home to maximize their earnings.

If you're considering buying a flip, have it thoroughly inspected to make sure there are no hidden dealbreakers behind that fresh coat of paint.

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# SELLERS: 7 REAL ESTATE RED FLAGS

If you're a seller, you know your home and its nuances better than everyone. As such, you're unlikely to encounter any surprises about your property during the inspection. That means most of the real estate red flags you'll encounter will involve your agent, the buyer, or the buyer's agent.

## 1. LOTS OF SHOWINGS BUT NO OFFERS

Hearing that your agent has a dozen showings lined up can be exciting. But then, buyers come and go one by one without ever submitting an offer. What's going on?

There are a few reasons this may be happening. For example:

- Your home is overpriced
- The photos are misleading
- Your agent is unresponsive to other agents
- Your agent is filtering out deals, not presenting them to you

If you have a handful of showings but no offers, ask your agent why. They should be following up with potential buyers to find out what they liked and why they didn't put in an offer. However, if multiple buyers report that your home is listed too high, you may need to evaluate your price.

## 2. OFFERS ARE WELL BELOW LISTING PRICE

You won't be surprised to find that buyers will submit low-ball offers that are well below the listing price, though this is less common in a market that favors sellers. Even so, some buyers will try this tactic, especially if they think you're in a hurry to sell.

If you receive multiple offers that are way under your list price, speak with your agent about it. They can help you decide whether you need to adjust your pricing, restage your home, or take other actions to find buyers willing to make realistic offers.

## 3. BUYERS ASK FOR RESTRICTIVE CONTINGENCY CLAUSES

Most real estate contracts include contingency clauses outlining conditions allowing the buyer or seller to withdraw from the deal without penalty.

Two common contingency clauses you'll encounter include:

- **Appraisal Contingency:** The home must appraise for a specified price (usually the purchase price)
- **Inspection Contingency:** The buyer has a set timeframe to inspect the home and decide whether to proceed with the purchase.

While these contingency clauses are perfectly normal, some buyers may ask for restrictive clauses that could delay your transaction if they back out or drag their feet.

For instance, most inspection contingency clauses give buyers seven to 10 days to inspect a home. If a buyer asks for a 30-day inspection period, you may want to explore other offers.

## 4. BUYERS DON'T HAVE PRE-APPROVAL

Buyers aren't required to obtain pre-approval to make an offer on the house. To avoid delays, however, you can specify to your agent that only buyers with pre-approval can view your home.

Buyers without pre-approval who want to include lots of contingency clauses in the contract may be a hassle to do business with. However, this isn't always the case, so work with your agent to vet every realistic offer.

## 5. YOUR AGENT DOESN'T ASK ABOUT YOUR GOALS

The agent you choose will have a big impact on your overall experience. During your first meeting with an agent, most of the conversation should center around you and your goals.

Your agent may not be the right fit if they don't ask simple questions like: "Why do you want to sell your home?" or "How much do you hope to sell for?"

## 6. INTEREST FROM “WE BUY HOUSES” BUSINESSES

Cash offers sound perfect because you don't have to wait through the lending process. However, some cash buyers come from the “We Buy Houses” companies whose signs you see posted on the side of the highway and purchase homes at a low price to sell at a profit.

Larger companies like Redfin and Opendoor aren't necessarily flippers, though they will sometimes make updates and repairs to a property. These companies offer fast closing times and a seamless purchasing process.

Vet your cash offers carefully. These advantages can be appealing if you're in a hurry — just know that you may be leaving some significant profits on the table.

## 7. YOUR AGENT IS IMPOSSIBLE TO GET HOLD OF

Picking an agent is a momentous decision, but just because you've chosen a particular agent doesn't mean you're stuck with them.

If you start working with an agent and discover that they're [uncommunicative](#) or simply not meeting your needs, don't hesitate to part ways and find one that will.



## AGENTS: 7 REAL ESTATE RED FLAGS

Even experienced agents can stumble across real estate red flags if they aren't careful. As an agent, you need to be on the lookout for important warning signs of possible fraud.

### 1. THE SELLER DOESN'T WANT AGENTS INVOLVED

For-sale-by-owner listings aren't uncommon, but most of these sellers don't mind if buyers use an agent. That said, if you come across a seller who doesn't want agents involved on either side of the deal, let your buyer know that they may be trying to hide flaws with the home.

A seller who wants an [agent-free deal](#) may also be trying to engage in real estate fraud. Either way, it's bad news for you and your clients.

### 2. YOUR CLIENT SEEMS IMPOSSIBLE TO PLEASE

Some clients are a [joy to work with](#). Others, not so much.

In many cases, it's worth it to tough it out because the right home will sway a tough customer. But if a client ignores your

advice and is exceptionally hard to make happy, there's a chance that the two of you simply aren't a good fit for one another.

### 3. YOUR CLIENT FREQUENTLY LOOKS AT HOUSES WITHOUT YOU

If a client tends to go rogue and [attend showings](#) or arrange home visits independently, they may be planning on doing the deal without you.

Some buyers are just eager to find their dream home, but others may think they'll save a few bucks by handling the transaction on their own.

If a customer seems non-committal when interacting with you, be open about your concerns. A transparent conversation is the best way to clear up any confusion and get everyone on the same page.

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#### 4. MISSING PERMITS FOR RECENT HOME REPAIRS

As a buyer's agent, due diligence is partially your responsibility. With that in mind, take a deep dive into any recently renovated property. If [permits are hard to find](#), they may not exist.

Non-permitted repairs can be a sign of shoddy (or illegal) work. Naturally, this can lead to serious safety and craftsmanship concerns. Make sure you share those concerns with your buyers.

#### 5. ANOTHER AGENT SEEMS TO BE WITHHOLDING INFORMATION

As you know, one of an agent's primary responsibilities is getting a great deal for their clients. To do so, they pair their market knowledge with savvy negotiating tactics. However, unscrupulous agents may withhold information or resort to shadier practices.

If you believe another agent is [withholding relevant information](#) about a property, dig deep to find out what they're hiding. Some agents are simply bad communicators, but on occasion, keeping mum is a sign of something that could leave your buyers in a bad situation.

#### 6. THE HOME SEEMS WAY OVERPRICED

Don't get your buyer in a bidding war by targeting an [overpriced home](#). Instead, do your research and compare comps to see a home's fair market value.

Backing up your offer with hard data can help sellers and their agents see things your way. As a bonus, your buyer will feel like you got them a great deal.

#### 7. YOUR DEAL IS ENCOUNTERING ENDLESS DELAYS

If your client's documents are in order, but the other party is dealing with delay after delay, it may be time to move on. The last thing your client wants to do is start over, but scrapping a bad deal can ultimately save everyone time and energy.

On that note, you can overcome many delays by using the right tools. Using [the right tools](#) can help you ensure an efficient, timely closing.

## BE WARY OF REAL ESTATE FLAGS

Buying or selling a home can be an exciting and rewarding experience. No matter what role you play in a transaction, you need to know how to spot the signs of real estate red flags and potential fraud.

If you encounter any of these warnings, address them immediately with your real estate agent or another experienced professional. As an agent, consult with your peers, your go-to title company, or other industry experts to determine whether your gut feeling is correct. By being cautious and staying aware, you can set the stage for a smooth, seamless real estate deal.



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