

How To Price Your Homes Using PIC

(An Example Only—Using 3% Gift with a 3% Charitable Contribution plus \$500)

Assume:	Current Sales Price	\$ 100,000
	Seller Incentives—closing costs and give-aways (2%)	- 2,000

	True Sales Price	\$ 98,000

Information gathered to date indicates that approximately 25 – 30% of buyers use the PIC Program when it is offered under a single price structure in a community.

However, for the purpose of this example, assume 50% of buyers use the PIC Program.

Please consider the following:

Continue to pay the 2% “incentive” to non-PIC buyers (closing costs, options, etc.)
AND

Offer the PIC Program with **NO OTHER INCENTIVES** to the buyer who uses the program. **The 3% gift funds would be used for down payment in conjunction with participating loan programs’ guidelines.** Buyer would be responsible for his/her own closing costs and pre-pays.

If 50% use the program and 50% do not use the program, the average “incentive” to the buyer would be 3%. Therefore, by increasing the price of the \$98,000 home by 3% (divide by .97) the new sales price would now be \$101,031 or rounded off to \$101,100.

<u>“NON-PIC SALE”</u>		<u>“PIC SALE”</u>
\$101,100	Sales Price	\$101,100
- 2,022 (2%)	Less “Incentive”	- 3,533 (3% + \$500)
\$ 99,078	Net Sales Price	\$ 97,368

If only 2 homes are sold using this example, and 1 sale used the PIC Program and 1 sale did not, the combined sales price would be \$196,645. Total “incentives” to the buyers would be an average of 3% and when applied to the sales price of \$101,100, the “net” sales price would average \$97,368.

It is important to keep in mind that the above example is based on a price adjustment that assumes 50% use the PIC Program, when in fact, the percentages are lower. This would result in higher gross margins on the non-PIC sales, as long as the PIC versus non-PIC sales stay at 50% or less.

The PIC Program guidelines do not require the buyer to have 1% of the total purchase price of their own funds. PIC also does not require the builder to provide additional warranties to the buyer. The PIC Program may be used with all types of loan programs, not just FHA.

“We’re Helping You PIC Your Future!”

