



First Time Buyers Guide

Here is an overview of the process needed to buy your first home. It may seem daunting at first look, but I will be available for you each step of the way. At all times the decisions about the transaction are fully yours. My role is to advise, counsel and provide information so that you can make informed decisions that are right for your situation. I provide my experience and knowledge to look after your best interests. I only work for you and not the seller. I have found my clients have been successful by following the steps below. Keep in mind that Real Estate is always very fluid and we will tailor the process to meet your needs.

1. Getting pre-approved for financing.

This is the foundation that you will use to go forward. During this process you will get a clear idea of what your budget is and what type of loan you will qualify for. There are several types of mortgages and programs available in the market place now. The Mortgage Broker will be your best source of information regarding the loan that fits you best. The pre-approval process will also determine what your minimum down payment would be and what the interest rate you qualify for. The Mortgage Broker will require a lot of financial information, such as pay stubs, tax returns, etc. The lender or mortgage broker will provide a letter stating the type and amount of the mortgage you qualify for. It has become common that sellers will not consider an offer, if it does not include the “pre-approval” letter.

Bank vs Broker

Mortgages are like any other product. Each lender has different rates and qualifying standards. I strongly urge all my clients to shop the market for the best rate and for the product that is the best fit for them. If you have a strong relationship with your bank, sit down and go over their products, make sure to ask about fees, appraisal costs, interest rates Etc. The banks typically can only sell their own product, which may be quite limiting, but a long term relationship may still have benefits.

A mortgage broker, does not work for one lender, but can shop the market for better rates and lower fees. The lenders do not always have the best rates, so again shopping things around becomes really important. Brokers typically have a much greater range of lenders and products to work with.

I have several mortgage people I work with and I am always happy to share their contact information. Just ask! I often get asked if I, as a realtor get kickbacks for the recommendations I give. The answer is no. There are many rules and fairly strict penalties for doing such a thing. My recommendations are based on a high level of professionalism and the ethical practices of the person being recommended.

Finding the Right Property

By the end of step one, you should have a solid idea for what you can spend on your new home. The next decision is location. It is not uncommon that the area you're looking in will not have what you're looking for. I encourage folks to keep an open mind and to seriously consider if a 10 minute longer commute is worth walking away from a home over, (Yes, it happens) Having said that, you need to have a clear idea of your preferred area. I will also encourage you to think about what you do not want. For Example, the home next to a kennel may not be a good choice if you're a light sleeper.

Once the location has been determined we need to think about the house itself. Think of how you live and what you need. What is the number of bedrooms, bathrooms, and such you need? Also think about things like, do you BBQ with friends and therefore need a large deck or patio. Do you need a fenced yard for kids or pets? You may not want a large lot that demands a fair bit of maintenance. You might want space of a veggie garden. Write out a list as you go house shopping so you can compare each home.

Once we find a property

I will pull the information on all the similar homes that have sold in that area. There comparables, known as comps, will show what homes are selling for and help us to determine what price to offer. Depending on the market, homes will sell above list price and with multiple offers. This is known as a seller's market. Conversely, a buyer's market occurs when there is an abundance of homes and the interest rates are high. More homes and fewer buyers' mean the sellers may be willing to look at offers that they would not otherwise consider.

I use different strategies depending on market conditions, and we will have a clear plan of what we want to do after we find the perfect home.

Making an Offer

We've done our homework and want to make the offer. Offers can be 25 pages or more. Trying to go over all this at the same time we are writing the offer can be very stressful. I will give you the paperwork we will use, beforehand so that you can review and ask any questions. The offer writing process typically takes 2 hours or so. You will need to bring your pre-approval letter if you haven't sent me a copy already. This will be included with the offer. You will also need to bring a personal check for the Earnest Money. A copy of this will also be included in the offer we send to the listing broker.

Earnest Money is typically 2% to 3% of the offered price. It can be a larger amount so that your offer stands out and the seller can see that you are serious. This is done with a personal check as I said, and the earnest money will be deposited the next business day after the offer is accepted. Earnest Money is applied to the cost of the home.

The offer is then sent to the seller's broker and we wait for their response. There is an offer expiration date on the contract, but these are viewed more as a guideline than a firm termination. It is not unusual for a transaction to continue after the expiration date because both parties wanted to.

Typically there is a bit of back and forth, these can be about terms, timelines, price, who pays for what, that sort of thing. Once these are all worked out and agreed to, this is called Mutual Acceptance or Mutual Agreement. This is the point where the clock starts for you to do the inspections, make a formal loan application with the lender and research any their issue you want. These are known as contingencies. Each contingency typically allows you to step out of the deal without losing your earnest money. However after the contingencies have been satisfied or expired and you choose to leave the deal, you will not get your earnest money back.

Most contingencies last 10 to 15 days. The closing period is 30 to 45 days typically. I know I'm using the work typically a lot, but remember real estate is fluid and each transaction is slightly different.

Once we get to Mutual Agreement, you will want to do a home inspection. The buyer pays for this. Costs can range between \$350 to \$600 depending on the size of the home and location. Once you receive the inspection report we can ask the seller to make repairs or corrections at their expense. They are under no obligation to do so, but you have the right to walk away if an agreement cannot be reached.

Naturally you can use the inspector of your choice, but if need be I will provide you a list from which you can pick. Again I get nothing for these referrals.

Appraisal

Once the home inspection phase is done your lender will order an appraisal, this is the lenders look at the home to make sure of what they are giving you the money for. The appraiser is there to make sure the value of the property is worth the money you are asking to borrow for it. This is not as detailed as a home inspection, but the lender will not give you the mortgage without it. The lender will also charge you for this. Sometimes up front and sometimes it will be included as part of the closing costs.

Closing

Most transactions take 30 to 45 days to close. Prior to the transaction being closed, you will meet with the escrow officer and sign all the documents. Many people think that signing is the point of the property transfer, it is not. The signing is done at escrow and then sent to the county for recording. Once escrow gets the recording numbers back from the county, then the transaction is complete and you get the keys to your new home.

Both the buyer and seller will have closing costs. As the buyer, your closing costs will include the cost of the appraisal, the loan origination fees, ½ of the Escrow fees, Title insurance and on it goes. Plan on about 3% closing costs

The escrow office will give you a good faith estimate of closing costs and there is a mandatory 3 day review period before the sale can close.

Buying a home has a lot of moving parts and you need someone with knowledge and experience to keep it all on track for you.

Give me a call and I am always happy to sit down and chat about your needs.

Be Well,

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