

Detailed Home Buying Process



Key People in your Transaction

Real Estate Agent

A good real estate agent is first-and-foremost your teammate. They will act as your advocate, counselor and negotiator. They will strive to understand what is most important to you in a home. They will craft an effective strategy to find your perfect home and help you assemble and submit a compelling offer. They will negotiate on your behalf throughout the transaction to protect and promote your interests. A bond of trust between the client and agent is a critical, but often underrated, element of an enjoyable and successful transaction. I hope to be your agent!

Mortgage Broker

Your mortgage broker will assess your financial situation and advise you on your options for securing a loan for a new house. They should be knowledgeable about different mortgage options, and they should advise you on the best loan program for your situation. Once you find a house to buy, they will work on the many tasks that need to be accomplished in order to finalize the funding.

Insurance Agent

Your insurance agent will find an insurance policy for the house. They will give you options for coverage and make sure that your coverage suits your needs.

Escrow Officer

The escrow officer is a neutral third party who takes in all of the documents that are signed during the purchase process and ensures that the transaction follows what the buyer and seller agree to. They also keep track of the money exchanged.

Home Inspectors

A typical home purchase involves several different home inspectors. The main home inspector will inspect the major systems and structure of the house, including the electrical, plumbing, foundation, roof, etc. Specialized inspectors may also be used to inspect the sewer line, ensure there is not an underground oil tank, and to check the radon levels of the house. Your agent will be able to provide a list of trusted inspectors to help you with all of these inspections.

ESTIMATED COSTS OF TYPICAL INSPECTIONS

Whole Home Inspection: ~\$450-600 (depends on square footage)

Sewer scope: +/- \$125

Underground storage (oil) tank locate: +/- \$125

Radon test: +/- \$175

Appraiser

The appraiser determines the market value of the house so that a bank or other financial institution will issue a mortgage on it.

Sequence of Events

Your Mortgage Pre-approval

You will meet with your mortgage broker to discuss your financial situation and get their assessment of how large of a mortgage you could qualify for. They can show you what your monthly payment would be under different mortgage and purchase price scenarios. The goal is for you to know how much you can spend on your house and how much you are comfortable spending. Once, you are pre-approved, you can start seriously looking for houses.

Make sure to ask your mortgage broker what your estimated closing costs and prepaid expenses will be - these costs are in addition to your downpayment, as part of your required cash needed to purchase the home.

Finding Your Home

Around the same time as your first conversation with a mortgage broker, you should have an open conversation with your real estate agent. You should discuss what you want and need in a house, your preferred neighborhoods or school districts, your timeline, and your price range. Once your real estate agent knows what you are looking for, they can help you in a variety of ways. Your real estate agent will make appointments for houses that you are interested in. They will get answers to any questions you have and help you find the perfect house.

Making An Offer

Once you find a house that you want to buy, your real estate agent will help you to write an offer. There are many points to consider, including purchase price, closing date, and personal property that you may ask for. A good real estate agent will help you to write the strongest offer possible, and will advise you on different ways to structure the offer to make it as attractive as possible.

Along with the paperwork, you will submit an earnest money check. This check, usually in the amount of approximately 1.5-3% of the purchase price, is money that you pay towards the price of the house to show that you are committed to buying the house.

An Accepted Offer

Your real estate agent will submit the offer on your behalf, and one of three things can happen.

1. Rejection--the seller rejects your offer, typically because they accepted a different offer.
2. Counter-offer--the seller rejects your offer but makes a counter-offer. This counter-offer changes terms of the original offer, and you decide whether to accept this new offer or send back a new proposal.
3. Acceptance--the seller accepts your offer as written.

Once you have an accepted offer, your real estate agent will provide a specific timeline of next steps and critical deadlines/milestones.

Opening Escrow

Once you have an accepted offer, your real estate agent will open a transaction file with the escrow company. **You will deliver your earnest money check to the title/escrow company – preferably in-person, although you do have the option to wire the funds.** The escrow company will deposit and hold your earnest money. The escrow company will then research the property and issue a Preliminary Title Report, which shows if the property is free of liens. The escrow company will help facilitate the entire transaction.

Reviewing Property Disclosures

In most cases, sellers are required to complete Property Disclosures, which are standard documents where they disclose any defects or other issues with the property. If something is not satisfactory, you can ask for clarification. If something is still not to your satisfaction, you can terminate the purchase **within five business days** from receiving the disclosures.

Inspecting the Property

Once your offer is accepted, you have a certain time period in which to inspect the house: **the inspection contingency period**. Typical inspections include a home inspection, where an inspector will inspect the major systems and structure of the house. Specialized inspectors are also typically employed to inspect the integrity of the sewer line, ensure there is not an underground oil tank, and confirm whether the radon levels of the house are in a safe range.

Resolving Inspection Issues

Once inspections have been completed, you have the opportunity to negotiate any needed repairs, or ask for a reduction in purchase price or a credit towards the purchase, to allow you to complete repairs at a later date. If the inspection revealed issues that cannot be resolved, or if you and the seller cannot agree on a satisfactory resolution, you can cancel during this time period. **This is typically 10 business days, although the specific timeframe is determined in your offer.**

Applying for your Mortgage & Receiving Estimate Fee Worksheet

Once your offer has been accepted, you will need to apply for a mortgage. Your mortgage broker will walk you through the specifics and timelines associated with this process. Once you have made your application for a mortgage, your mortgage broker will send you an estimated fee worksheet, showing their best estimate of the total upfront fees associated with your mortgage, your interest rate, and your estimated monthly payments.

Securing Homeowner's Insurance

Prior to closing on the purchase, you will need to obtain a homeowner's insurance policy.

Appraisal

An appraiser will need to see the property and research comparable homes in the area that have recently sold, in order to calculate the value that they would place on the home. This is a critical step, since this appraisal tells the mortgage company how much the property is worth and how much of a mortgage can be issued. If the appraised value is less than the purchase price, then there typically are negotiations to raise the appraised value and/or to lower the purchase price.

Ordering Loan Documents

Once the appraisal and all other conditions have been met, the mortgage broker will order loan documents, the official paperwork that you will sign to finance and purchase your home.

Signing Paperwork

Once all of the documents are ready, the buyer and the seller will have separate appointments at the title company to sign the documents. **This typically occurs one day prior to closing day.**

Closing Day – Funding, Recording & Receiving Your Keys

Once all documents are signed, they are sent back to the mortgage company. Once the mortgage company verifies that everything is complete, they will fund the loan, which means they send the funds for the loan to the title company. The title company will record the deed and mortgage with the county registry. Once that happens, you're the new owner of the house!