



HOW DO I KNOW WHAT PRICE HOUSE I CAN AFFORD?

A general guideline that many lenders use is no more than 45 percent of your total monthly income should go toward your mortgage payment (including taxes and insurance). The best way to find out more is to talk to a lender, who can advise you after looking at your specific situation.

WHAT IS A PRE-APPROVAL LETTER?

Prior to looking at property it is important to talk to a lender. This will help determine the price range of homes you are qualified to purchase. You will also have information on the amount needed for the down payment. The lender will put this information into a pre-approval letter, which you will need to accompany your offer. This does not necessarily obligate you to that one lender. You should check with several lenders to determine the best rates and loan programs for your financial needs.

WHY IS IT IMPORTANT TO HAVE A PRE-APPROVAL?

The Pre-Approval will help you gain the trust of the seller. It assures them of your financial capability to purchase the home and puts you ahead of those submitting offers without one.

I'VE FOUND MY DREAM HOME! WHAT'S NEXT?

We will first collect data on recent local home sales similar to the home you want. This data, called comparables or “comps” will help determine the actual value of the home, which will assist you in deciding what price you want to offer the seller. We will then sit down and write up the official offer, or “purchase agreement”. This document can be intimidating and often confusing. It is important that you have a full understanding of the contract meaning and the interpretation of its ramifications. I will be there to guide you every step of the way.

WHAT IS EARNEST MONEY?

In a real estate transaction, it is the deposit you make on the home when you submit your offer, to prove to the seller that you are serious about wanting to buy the house. The amount can range from 1 – 5% of the purchase price, but is usually 3%. The deposit is kept in a trust account of the escrow company and is refundable if the offer is not accepted or if you choose to cancel escrow during a contingency period. If everything proceeds smoothly, the earnest money is applied to the down payment.





WHAT IS A DOWN PAYMENT AND HOW MUCH DO I NEED?

The down payment is the percentage of the purchase price that the buyer must pay in cash and may not borrow from the lender. The down payment amount, in addition to the mortgage, equals the purchase price of a property. Banks require that you have some equity in a home in order to be willing to lend you money. How much you need will partly depend on the cost of the home, because lenders will usually calculate the down payment required as a percentage of the purchase price. Down payments usually range from 3% - 20%. Typically, the lower the down payment, the higher the interest rate. There are several loan programs available to first time homebuyers that have very low down payment requirements.

WHAT IS PMI INSURANCE?

If your down payment is less than 20%, the lender will require private mortgage insurance (PMI) on the loan. This can range from \$100-\$300 per month, depending on the amount of the loan.

WHAT IS FINAL LOAN APPROVAL?

After selecting a lender, you will submit an application for a loan. Once the lender or underwriter reviews the documentation, your credit, and an appraisal of the property you will receive final approval for a loan. This needs to take place during the loan contingency period.

WHAT IS AN FHA LOAN?

An FHA (Federal Housing Administration) mortgage can be an attractive option to many first-time homebuyers, as down-payment requirements for a FHA mortgage can be as low as 3 percent. The FHA does not loan you the money directly. Instead they guarantee your loan with one of their approved lenders which makes it easier to get a home loan because the lender has the assurance from the FHA that in case you default on the loan they will recapture some of their money. Unlike traditional loans, the down payment money may be a gift to the homebuyer and does not need to be secured as the homebuyer's own money. Often, there are "points" associated with FHA mortgages that are usually worth about 1 percent of the total mortgage value. These points are paid to lenders to help lower the interest rate of the mortgage. You don't need to be a first-time buyer to take out a FHA mortgage; the only stipulation is that a purchaser may only have one FHA mortgage at a time.

WHAT ARE FREDDY MAC AND FANNIE MAE?

Freddie Mac is a nickname for Federal Home Loan Mortgage Corporation (FHLMC) and Fannie Mae is the nickname for the Federal National Mortgage Association. When a loan is originated, the mortgage lender will pass the information along to Fannie Mae or Freddie Mac to see if the companies would be willing to purchase the loan. Freddie Mac and Fannie Mae purchase almost all of the loans under \$227,150 from lenders, who then use that money to make more mortgages for more home buyers. Fannie Mae and Freddie Mac make affordable housing more available through numerous programs, quicker loan approvals and easier terms for first time or lower income borrowers.



WHAT IS AN ESCROW?

An escrow is the time period between the acceptance of an offer and the transfer of the property title to the new owner. During this time all of the terms of the contract are carried out.

WHAT DOES AN ESCROW COMPANY DO?

This third party carries out all the terms of the Purchase Agreement Contract and is where all funds and documents are deposited. It is an independent third party who can perform these services impartially, protecting both Buyer and Seller, and act on their written instructions in dealing with lenders, brokers, agents, and any other parties involved in the transfer of the property. The Escrow Officer is responsible for the final settlement between the Buyer and Seller, the recording of the required documents, the payoff of the existing liens or mortgages, and the pro-ration of real property taxes, lease rents, maintenance fees, and any other property expenses to assure an accurate and complete closing.

WHAT IS A LOAN CONTINGENCY? WHAT IF I CAN'T GET A LOAN?

The loan contingency is a period of time after the offer is accepted that allows the buyer to obtain final loan approval. The amount of time is usually 17 days. If the buyer is unable to obtain the loan specifics under the contract, then the buyer may cancel escrow and receive back the earnest money he put in at the opening of escrow.

WHAT IS A PHYSICAL INSPECTION CONTINGENCY?

The physical inspection contingency is a period of time to perform due diligence regarding the property's integrity. This period of time is typically 12 days. During this time the physical inspection is performed and, based on the results, another round of negotiations may happen between the buyer and seller. If the issues can't be resolved, then escrow can be cancelled.

WHAT HAPPENS AT A PHYSICAL INSPECTION?

A physical inspection is a thorough investigation of the home by a qualified inspector, typically a licensed general contractor. A physical inspection will include the foundation, roof, electrical, plumbing, building code violations and safety issues. It usually takes several hours and costs \$250-\$600.

WHAT IF THE PHYSICAL INSPECTOR FINDS SOMETHING WRONG WITH THE HOUSE?

A more specialized inspection can be conducted. For example, a roofer to inspect a water intrusion situation or a chimney specialist to inspect a cracked chimney. They can usually assess the situation in more detail and give an estimated cost to remedy it. If you wish, you can then request sellers make the repair, ask sellers for a credit or cancel escrow if you are still within the physical contingency period.



WHAT HAPPENS AFTER THE CONTINGENCIES ARE REMOVED?

We wait for the loan documents to be ordered, which usually happens about a week before escrow is scheduled to close. When the loan docs have been received you will usually go to the Escrow office to sign them. Signing loan docs can take up to an hour. Be sure to read every page for accuracy. The escrow officer will then arrange with you to transfer your down payment into escrow. The loan will be funded usually 24-48 hours after the signed docs have been submitted. When the funding is complete, the deed in your name will be recorded the following day. That's when escrow closes and the house is yours!

WHAT ARE CLOSING COSTS?

Closing costs are money paid in addition to your down payment. Closing costs cover various fees your lender charges and other processing expenses. You can request an estimate of closing costs from escrow. The estimated cost you are given is always greater than the final amount and you will receive a check for the balance after escrow closes.

HOW DOES MY REAL ESTATE AGENT GET PAID?

A buyer's agent is paid a commission directly from the seller's proceeds at the close of escrow for any property that is listed with the Multiple Listing Service. The seller already has a contract with his listing agent, which specifies the amount of commission to be paid to the buyer's agent; however, should I find you a home not listed with MLS, my commission would need to be negotiated with the seller or paid by the buyer. Typically an agent will receive 2.5% of the sale price.

CAN'T I BUY MY HOUSE BY MYSELF? WHY DO I NEED A REALTOR®?

Real estate transactions involve one of the biggest financial investments most people experience in their lifetime. Although it may sound easy, the process of buying a home involves complex legal issues, negotiations, and it is in your best interest to have a professional guiding you every step of the way. You'll need help navigating through situations with multiple offers and being provided with objective information about properties and neighborhoods. There are a myriad of negotiating factors, including but not limited to price, financing, terms, date of possession and often the inclusion or exclusion of repairs and furnishings or equipment. Between the initial sales agreement and closing (or settlement), questions may arise. For example, unexpected repairs are required to obtain financing or a cloud in the title is discovered.