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Sharkey Real Estate

# Buyer

*handbook*

Your guide to purchasing your first or next home.





# The Inner Workings of Home Buying

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# 01

## Preparation

### **MORTGAGE PRE-APPROVAL**

Determine what you can afford and work with a lender to get pre-approved for a mortgage. Be prepared with a down payment, 20% is the ideal number, but this varies depending on the type of loan. Being pre-approved will indicate to sellers that you're serious about home buying and allow you to make offers on homes.

### **HOUSE HUNTING**

Work with your Real Estate agent to compile a list of homes that fit both your budget and your ideal features. Your agent will arrange viewings so you can find the right home for you.

### **BIDS & NEGOTIATIONS**

When you find the right home for you, your agent will present a fair offer on your behalf. Be prepared to negotiate to determine the price that works best for you and the seller. Don't feel put out if your offer is rejected or countered, this is all a normal part of the home buying process.

# 02

## Confirmation

### **HOME INSPECTION**

A home inspection is the immediate step after a bid is accepted by the seller. Although it is not required by law in all states, you will gain valuable insight into the condition of the property. If the sale is dependent on the results of the home inspection, you have a limited window of time to complete it.

### **POST-INSPECTION AGREEMENTS**

Depending on the results of the inspection, you may have the opportunity to counter-bid to request certain faults or problems be repaired or deducted from the agreed upon price.

### **HOME WARRANTY**

A 1-year optional warranty may be available to cover repairs on appliances and systems in the home. This may include the HVAC, plumbing, and electrical systems of the home.

# 03



## Legal Steps

### **TITLE SEARCH**

Before your purchase can be considered legal, you must contract a Real Estate lawyer to complete a Title Search. This examination covers all city records of the property's title history, including deeds, court records, indexes, and other documents. The purpose of this search is to confirm the seller has the legal right to sell the property in question, and that there are no hindrances that may prevent the buyer from taking full possession.

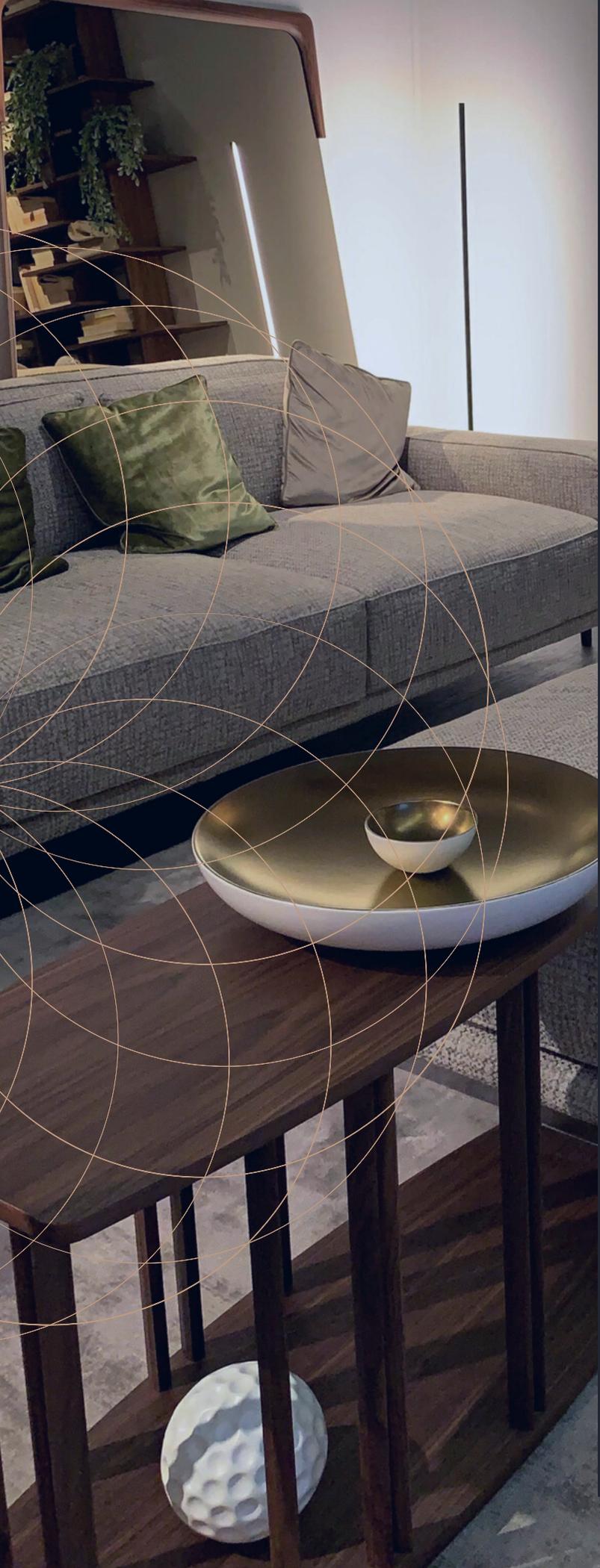
### **APPRAISAL**

An appraisal is required by the lender to ensure the value of the property meets the value of the loan. Although this is in their best interest, it also confirms you won't be over-paying for your new home! Typically, the lender contracts the appraiser, and incorporates the fee into the closing cost.

### **FINAL COMMITMENT FROM LENDER**

Once these steps are completed to satisfaction, your lender will issue a Final Commitment Letter. This letter covers all loan terms and agreements for the mortgage they are granting for this purchase. It will also outline all mortgage fees and any stipulations prior to closing.





## YOU NEED A LAWYER! *Wait, what?*

A Real Estate lawyer should always be hired when purchasing a property. You're making a big purchase, and this is your opportunity to protect your own interests! Lawyers offer experience and Real Estate knowledge that is highly valuable for this process.

### **BUT WHAT DO THEY DO?**

#### **DOCUMENT REVIEW:**

Your Real Estate attorney will be able to review any and all documents relating to the purchase of your new property. This may include purchase agreements, condo bylaws, mortgage documents, deed, and transfer documents. They'll also conduct your title search! The seller's attorney will also be asked to provide the Title Commitments for review.

#### **CLOSING FIGURE REVIEW:**

Any figures involved in the sale, such as expenses, or existing liens and encumbrances, should be reviewed by your lawyer before closing. Any taxes applicable to the purchase, like sewer or property tax, should also be submitted to your lawyer for review.

#### **LEGAL ADVICE**

Your attorney will also attend the closing to review any documents presented to you, the Buyer. They're also available to provide advice on any legal decision pertaining to the purchase, such as with any issues regarding the inspection and negotiations.



# 04 Safety Requirements

## **TERMITE INSPECTION**

In many states, termite inspection is required by lenders and insurance as part of the home buying process.

Termite damage can be costly, so it's only natural that your lender and insurance would include inspection as a stipulation of the sale. Because termites are considered a preventable problem, it is often not covered by insurance, and so your lender will require it be treated and repaired prior to closing.

## **PROOF OF INSURANCE**

An additional stipulation of the mortgage agreement is proof of homeowner's insurance. You can incorporate this fee into your monthly payments.

## **CLOSING PAYMENTS**

Towards the end of the sale, you will be presented with your HUD-1 document, which will outline the total closing costs required to finalize the sale.

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## DON'T FORGET ABOUT FINANCING

Before closing on your new home, there are some key times you need to check in with your lender! Don't risk getting caught off guard by a refusal to commit.

### **LARGE PURCHASES**

You might think pre-approval means you're set to go, but you should avoid making any major purchases that require opening a new line of debt until after the close of your home. This includes things like student loans, car purchases, or large furniture purchases. Don't risk losing your mortgage approval!

### **ADDING CREDIT**

Do not open any lines of credit or apply for new credit cards without speaking with your lender first. This will alter your original income and debt ratios that your approval was dependent on.

### **MAINTAIN YOUR CREDIT**

Don't miss any bill payments! This is the easiest way to maintain your credit during the closing process.

### **LARGE TRANSFERS**

Your lender may flag your account as suspicious if you transfer large sums of money between accounts or make any large undocumented deposits. This could risk your approval.

### **DON'T QUIT YOUR DAY JOB**

Your mortgage approval was dependent on stable income. Don't change jobs during the closing process, or you may be deemed too risky for your mortgage.



# 05

## Final Pieces

### UTILITIES

Prior to closing, you should schedule all utilities to be changed to your name in time for when you take possession of your new home.

### FINAL WALK THROUGH

This is your opportunity to make sure it's in the same condition as the inspection, and to review any outstanding items required by the agreement. It's an opportunity to have peace of mind before the sale finalizes. Although this step is not mandatory, it is highly recommended.

### CLOSE OF SALE

This is the process that finalizes your purchase! Now that everything is official, you will receive the deed and keys from your lawyer.

**Congratulations on your new purchase!**



# CLOSING THOUGHTS

## YOUR CLOSING CHECKLIST:

- Bring your valid, government-issued photo ID.
- Have a cashier's check ready for the total amount due as laid out by your HUD-1 document.
- Obtain any outstanding documents required by title company or lender.

## THE FINAL CLOSING PROCESS

By reviewing your contract of sale, the escrow officer will be able to determine what fees are owed by whom and prepare your final closing documents. Part of conducting the closing will also involve ensuring all fees are paid, the Seller receives the money owed, and that the Buyer's title is recorded.

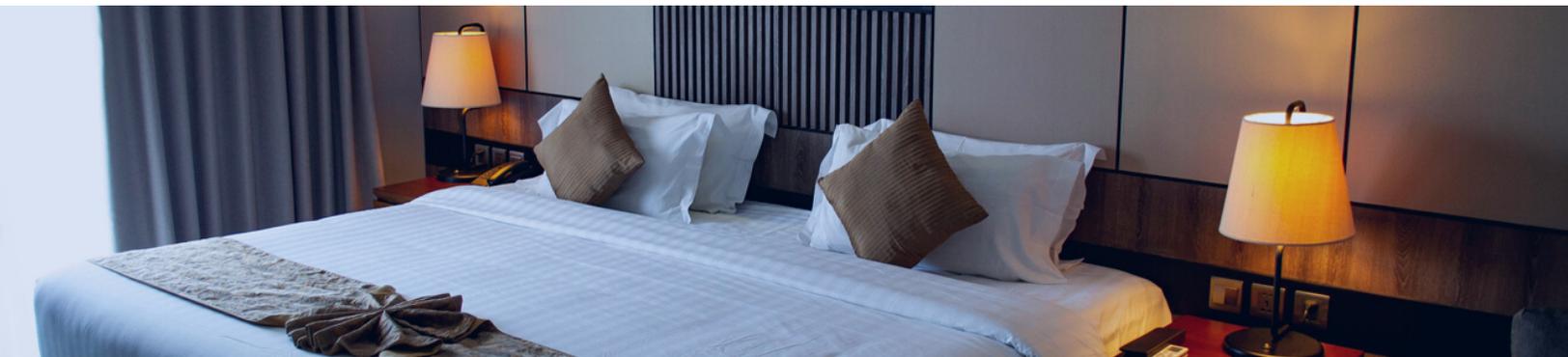
## THE COSTS OF CLOSING

Both the Buyer and Seller will incur various fees over the course of the sale. For the Buyer, these fees typically include:

- Mortgage Application fees
- Underwriting fees
- Title Search
- Title Insurance
- Appraisal fees
- Land transfer taxes
- Homeowner's Insurance
- Escrow fees
- Notary or Recording fees
- Home Owner's Association or Condo fees, if applicable

## POST-CLOSE REMINDERS

Keep all your closing documents.





# Congratulations!

## Home buying is a major milestone!

As your Real Estate Agent, your best interest is at the heart of what I do. You can trust in me to represent you and guide you through this process so you can have the best possible experience.



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