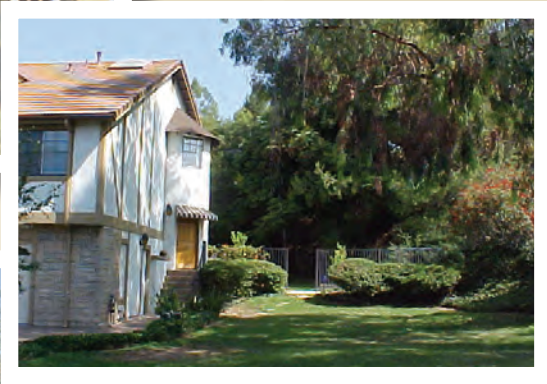


# Buying a Home



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# Contents

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- Selecting a Realtor
- Home Buyer's Guide
- The Buying Process
- Title Insurance
- What is Escrow?
- The Inspection Process
- Home Protection Plans
- Getting Pre-Approved • Choosing Your Lender
- Working with Your Realtor®
- Buyer Representation Agreement

# Your Realtor® Should Be:

- A full time, hard-working professional
- Fully aware of market conditions and available financing
- Backed by professional marketing management
- Associated with a reputable real estate firm
- Aware of recent state and local requirements affecting property
- Committed to the highest of ethical standards
- Associated with a strong team of Lenders, Inspection Companies, Title Companies (such as Consumer's Title Company of Southern California)

# Home Buyers Guide

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Dear Home Buyer,

In the home buying process, you will be faced with many questions and decisions that will ultimately have a long term effect on your life and lifestyle. I am a full time professional Realtor® licensed by the State of California. I will provide the services summarized below with a high level of commitment, clear communication, compassion, energy and integrity and see that you have all the information to make your decisions wisely.

**INTERVIEW:** Together we will determine your needs and desires related to purchasing your home.

**PREVIEW:** I will then begin previewing available homes with your specific parameters and qualifications in mind.

**COOPERATION:** Together, we will discuss and visit the properties I have seen as well as any which you may have seen. I devote considerable time and energy toward helping you obtain your goals. For that reason, I request your commitment to work with me exclusively.

**NEGOTIATION:** Once we find the property that meets your requirements, I will prepare and present an offer reflecting your interest in the property and your strengths as a buyer. Together, we will prepare counter offers as necessary until your goals are met or until we decide to continue our search.

**INSPECTIONS/ESCROW:** I will guide you through the opening of escrow, the inspection process, and the closing of escrow – offering you advice and the insight that my years of experience provide.

I look forward to assisting you in this challenging and exciting endeavor. Should you have any questions about how I work, please feel free to ask.

# The Buying Process

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How I will assist you as your Realtor:

## INITIAL INTERVIEW

- Determine wants and needs
- Discuss parameters
- Discuss financial qualifications

## GET PRE-APPROVAL FROM A LENDER

- Submit a completed loan application with the lender of your choice and provide the lender with all the necessary documents
- Obtain from your lender a Pre-Approval Letter

## PROPERTY TOURS

- Show you available homes that suit your wants and needs
- Listen carefully to your comments, negative and positive, after each showing, giving me more insight into what you desire in a house

## TARGET THE HOME OF YOUR CHOICE AND WRITE AN OFFER

- Write the offer and any necessary addendums or attachments
- Review with you, page by page, the Purchase Agreement
- Accept your earnest money deposit (this money will be held in Trust until we have an accepted contract)

## PRESENT THE OFFER

- I will prepare my presentation by highlighting the strengths of the offer and your strength as a buyer
- I will present the offer to the seller, or, usually to the seller's agent
- The sellers have the option to accept, counter or reject your offer

## COUNTER OFFER

- We will discuss the counter offer and how it relates to your goals and prepare a response to the counter

# The Buying Process (cont.)

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## ESCROW

- When the offer has been accepted and signed by both parties, I will open Escrow in a reputable Escrow Company
- Your earnest money deposit will be deposited at that time
- The escrow officer will order a Preliminary Title Report and copies will be sent to you, your agent and your lender

## CONTINGENCY PERIOD

- Provide buyer's approval of seller's Real Estate Transfer Disclosure Statement
- Provide buyers approval of Preliminary Title Report
- Provide physical inspections / pest inspections
- Work with lender to provide property appraisal and loan approval

## HOMEOWNERS COVERAGE

- Select an insurance company and discuss coverage
- Give insurance company information to Escrow; they will order a copy of the policy for the new lender prior to close of escrow

## SIGNING DOCUMENTS IN ESCROW

- Your lender will send the "loan documents" directly to the Escrow Company
- You will sign the "loan documents" at the Escrow Company, under the guidance of your Escrow Officer
- You will need to bring current photo I.D.

## DOWN PAYMENT AND CLOSING COSTS

- The Escrow Officer will provide you with a Buyer's Estimated Closing Costs Statement prior to closing
- Bring a cashier's check with you to the Escrow Company in the agreed upon amount

## CLOSE OF ESCROW

- The lender will send funds to the Title Company
- The deed will be recorded at the County Recorder's Office by the Title Company
- You will receive the original deed from the County Recorder in approximately 6 weeks
- I will coordinate the transfer of all keys to you!

## MOVE IN!

## **Title Insurance**

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A title insurance policy is a contract of indemnity which guarantees that the title is as reported. If it is not and the owner is damaged, the title policy covers the insured for his/her loss up to the face amount of the policy

It assures property owners that they are acquiring marketable property free of clouds or liens. Unlike casualty insurance policies which insure against future events, title insurance is designed to eliminate risk or loss caused by defects in title from past events, hidden hazards such as forgeries, faulty surveys, hidden liens and the false representation of ownership. Title insurance provides coverage only for title problems which were already in existence at the time the policy was issued.

Title companies work to eliminate risks by performing a painstaking search of the public records where laws and court decisions pertaining to the property and the parties to the escrow are maintained, to determine the current recorded ownership, any recorded liens or encumbrances or other matters of record which could affect the title to the property.

Once the escrow has closed, a Policy of Title Insurance is issued to the new owner and their lender if there is a mortgage on the property.

## **Escrow**

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Escrow is an impartial third party who handles the documents and funds in connection with real estate transactions. Such a third party is known as an ESCROW HOLDER. While documents, funds and instructions are in the hands of the third party, they are said to be IN ESCROW.

An ESCROW OFFICER receives from the principals (seller, buyer, lender) money and written instructions setting out the conditions under which further delivery is to be made and held until the designated conditions are met and/or performed.

Escrow instructions are prepared from information supplied by the principals and delivered to the appropriate parties for signatures.

A preliminary title report is ordered which contains vital information which may affect the willingness and the ability of the parties to close escrow.

When all title and financial requirements are met and instructions from all parties are fully complied with, the escrow can close.

Escrow then accounts for, settles and disburses all funds involved. A fee is charged for this service.

# **The Inspection Process**

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During the contingency period, we will order physical inspections as specified in your Purchase Agreement. Legislation mandates, under Civil Code 1102, that the seller has the responsibility to reveal the true condition of the property on a Disclosure Statement. This may help you determine what kind of property inspections you feel are desired or necessary. I can help you arrange for these. Your Purchase Agreement will specify who is responsible for the costs of inspections and for making any needed corrections or repairs. It is negotiable between parties and should be considered carefully before signing.

## ***STRUCTURAL PEST CONTROL INSPECTION***

A licensed inspector will examine the property for any active infestation by wood destroying organisms. Most termite reports classify conditions as Section I and Section II. The inspection and ensuing Section I repair work is usually paid by the seller. Section II preventative measures are generally negotiated, and not necessarily completed.

SECTION I conditions are those currently causing damage to the property. These conditions generally need to be corrected before a lender will make a loan on a home.

SECTION II conditions are those not currently causing damage, but which are likely to if left unattended.

## ***HOME INSPECTION***

The home inspection may include, but is not limited to, plumbing, electrical, heating and A/C, appliances, water heater, furnace and other visible features of the property. A very detailed report will be prepared and sent to you by the home inspector. The inspection fee is paid for by you, the buyer. From this report you may find items you wish to request the seller to repair or replace (at the seller's expense). I will help you prepare this Request For Repairs.

## ***GEOLOGICAL INSPECTION***

If conditions warrant, you may opt to have a soils engineer perform an inspection of the soil conditions and the stability of the ground beneath the structure, as well as research past geological activity in the area. Typically, the buyer pays for this inspection.

## Home Protection Plans

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Today, with ever-increasing protection for consumers a major concern to us all, and in light of current laws, policies and procedures regarding disclosure, it is our duty as real estate professionals to inform both sellers and buyers about the advantages of home protection plans and buyer's home inspections. By so informing you, we make no specific endorsement of one company over another. The option to include a Home Protection Plan when buying a home shall be yours, as will the selection of the company that will provide it.

A Home Protection Plan protects the buyer's major investment beginning immediately at the close of escrow. The plan can warranty most major systems and appliances in your new home. Plans usually cost between \$300 and \$450, and are usually paid for by the seller. This will be negotiated in your purchase contract prior to acceptance. I am familiar with some of the various home warranty companies and will be happy to share this information with you and answer any of your questions.

# Getting Pre-Approved

Once you have an idea of the type and size home you want and the area you'd like to look in, you need to be pre-qualified by a lender. By doing this before looking for a home you'll save yourself time, energy and frustration because pre-qualification can:

## ***DETERMINE HOW MUCH YOU CAN AFFORD***

Pre-qualification helps you avoid buying less home than you can afford or being disappointed if you don't qualify for as much as you had hoped.

## ***SHOWS WHAT TOTAL INVESTMENT IS***

You'll know approximately how much money you'll need for down payment and closing costs.

## ***LETS YOU KNOW WHAT YOUR TOTAL PAYMENT WILL BE***

You'll have a close estimate of what your monthly principal, interest, taxes and insurance (PITI) will be.

## ***IDENTIFIES THE LOAN PROGRAMS YOU CAN QUALIFY FOR:***

With the wide variety of loan programs available, it is important to know which types you qualify for and which will best suit your needs.

## ***STRENGTHENS YOUR OFFER***

Sellers are more inclined to accept realistic offers when they know that you have taken the time to be interviewed by a lender and can probably qualify for the loan.

At this point, your lender can also help you determine alternatives and strategies that could help you buy the home of your dreams, i.e. some examples include:

- Special Home buyer Programs
- CO-Signer Financing
- Debt Consolidation Counseling

## ***IN ORDER TO BE PRE-APPROVED, YOUR LENDER WILL NEED:***

1. Your Employment History and Income
2. Your monthly debts and obligations
3. The Amount and source of cash available for down payment and closing costs
4. Credit Worthiness

When you are pre-approved by a mortgage company, you'll receive a Pre-approval Letter to give me. The seller will be more likely to accept your contract because they know that you are approved to buy their home.



# Choosing Your Lender

When you buy a home, one of your primary concerns will be finding a lender who can provide the financing you need. So how should you shop for a lender? Calling around and asking for interest rate quotes is NOT the best way to select a lender. WHY?

Because:

1. Interest rates can change daily, so a quote may not be reality tomorrow.
2. Rates quoted over the phone may not be “locked” prices and the lender wants to get you in the door. This means that the rates would be subject to change until the day your loan closes instead of being pre-determined for a specific period of time.
3. The lender knows nothing about your situation or needs, and the rate they quote may be for a program that you don’t qualify for.
4. You won’t know what the lender has to offer you.

Competitive rates are important, but when you consider the fact that most lenders get their money from the same sources (and therefore have essentially the same rates to offer) you must look at some other factors before choosing a lender. You need a lender who works with you and your real estate agent as a team and has the same goal – to get your loan closed in a timely and professional manner.

*Some of the questions to ask a lender should include:*

1. Are they a Mortgage Banker / Direct Lender?

A mortgage banker is a lender who not only originates their own loans, but also underwrites, approves, funds and services them. A mortgage banker lends their own money and therefore has the most control over the loan process.

2. Are they a Mortgage Broker?

A mortgage broker originates loans but does not actually lend the money. The broker will submit the package to an outside source that underwrites and funds the loan. A mortgage broker may offer the best opportunity to get your loan approved since they can send the loan to many different lenders. They also offer a wide variety of loan programs.

3. How long has the company been in business?

Lenders come and go. Make sure that the company you are dealing with has been in business for a long period of time.

4. What is their reputation with the real estate community?

5. Do they lock in their interest rates and for how long?



# Working With Your Realtor®

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*Team effort with your Realtor® will make your home purchase easier and more pleasant. Here are a few helpful suggestions:*

1. Select one real estate agent and stay with them. Nothing inspires a professional to seek and find the home of YOUR choice more than knowing you are relying on them completely.
2. Choose an agent carefully. Make certain she is a Realtor®, a professional in real estate, trained to service your needs and one who subscribes to a strict Code of Ethics as a member of the local and state boards and the National Association of Realtors®.
3. Be certain the Realtor®'s firm belongs to the Multiple Listing Service (MLS). This enables her to show you all homes advertised and exclusively listed by other real estate companies, which eliminates the necessity for you to contact other offices to see their listings. If you see a home that is listed by another firm, ask your Realtor to arrange a showing.

Once you have committed your loyalty to your Realtor®, there are ways you can help.

1. Answer personal financial and credit questions honestly remembering that all such information is kept confidential. A frank approach to your needs and price range is crucial. Over-estimating a monthly mortgage amount that you are able to pay can leave you unqualified for a loan. Under-estimating your price range can eliminate that "perfect home" from the portfolio of houses your Realtor selects to show you.
2. If you wish to attend an Open House, be sure to leave your Realtor's business card to let them know you are attending as her client. Otherwise, if you decide to purchase the property, you may find you're obligated to work with the Realtor hosting the Open House.
3. If you see a sign on a property or an ad in the paper or home guide which piques your curiosity, call your Realtor to inquire about it. She can obtain more information from a fellow Realtor® which will be helpful to you.

Your home is one of the most valuable assets you own. Don't leave it to anyone less than a professional!

# Buyer Representation Agreement

The use of a Buyer Representation Agreement is simply a contract between the buyer and Realtor which simplifies the process of purchasing a home by clearly defining the rights, duties and obligations of both the buyer and the Realtor representing them.

The purchase of a home can be a maze of complexities. Buying a home is a positive experience made more pleasant by an understanding of the duties of all involved. By putting the duties and obligations in writing, buyers will be more informed about the broker's responsibilities early in the transaction. The form also identifies tasks and services the broker will do as well as what type of services in a transaction may be performed by others.

With this knowledge, buyers will be able to discuss or negotiate the terms of the relationship. By bringing more clarity and certainty to the relationship between buyer and Realtor, neither becomes dependent upon the other's memory for establishing its terms.

Even though the Multiple Listing Service (MLS) is the primary source of properties, the Agreement enables the Realtor to diligently investigate and gain knowledge of other properties through sources such as auctions, new construction, bank owned (REOs), for sale by owners (FSBO), office exclusives and government foreclosed on properties (HUD), thereby benefiting their client.

Buyers can also assist in the process by doing research and investigations of their own, advising their professional Troop Real Estate agent of their specific needs and requirements. Working together towards a common goal facilitates the process of purchasing a new home.

**Let Me Show You How I Work**

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