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Home Buyer's Guide

REALTOR®

EQUAL HOUSING OPPORTUNITY

Buying a home can be challenging for a first-timer. After all, there are so many steps, tasks, and requirements, and you may be anxious about making an expensive mistake. To demystify the process so you get the most out of your purchase, here is a rundown of what you need to consider before you buy and what you can expect from the buying process itself

What is the process of buying a home?

1) Select a Lender: Contact several lenders and find one with the most favorable terms who will give you excellent service, a competitive rate and loan option that meets your needs. a. Get a pre-approval from the lender to find out what you can comfortably afford. You will be asked to provide proof of the information you give for pre-qualification.

2) Start Home Shopping: Find a home that fits your wish list and your budget.

3) Make an Offer: You make an offer by submitting a signed real estate offer to the seller or their agent. I will help you in deciding on an appropriate offer amount.

4) Negotiate the Offer: After reviewing your offer, the seller will either accept it as written, or make counter offers on aspects they wish to change. If they counter, you can agree, counter again, or reject it.

5) Ratify the Contract: Once both parties agree on the offer, they will sign and the contract will be ratified! This means you are under contract to purchase your home! When you ratify, you will also submit your earnest money deposit to show that you are serious about your desire to buy.

6) Inspections: Schedule home inspection, as well as termite and moisture, chimney and lead based paint (if requested) to provide peace of mind and use as a negotiating tool. You can also request any necessary repairs. inspections will help provide a clear picture of whether a property is safe, sound and sanitary for your family. You can choose your own inspector or I can provide inspectors for you to choose from.

7) Appraisal

Your lender will order an appraisal to determine the value of the home. The appraisal is used to ensure the home is worth the amount you are paying for it. The lender will not provide a loan for more than the home's appraised value.

8) Purchase Homeowners Insurance

I will provide a few contacts for home owners insurance, or you can feel free to choose your own. Sometimes you can bundle home and car for a better discount!

9) Schedule Utilities

You will receive a utilities sheet from my transaction coordinator via email about a week before closing.

10) Closing

At closing you will sign home ownership documents and agree to make the monthly payments.

11) YOU ARE NOW A HOMEOWNER!!!!

How Much Will Buying a New Home Cost?

It costs much less to purchase a home than you might realize! Every person is in different circumstances. How much you need is based on the type of mortgage, the cost of the home, and other factors. However every future home buyer should save at least $3000-5000 for upfront fees and an emergency fund. Upfront costs include:

- Earnest Money Deposit: $500-$1000 is the standard amount for an earnest money deposit, which is submitted within 48 hrs of winning an offer. This amount may increase based on home price and seller requirements.

- Home Inspection: $400-500 for a home inspection. Home inspection is an important process in ensuring that your home is safe.

- Closing costs: This amount can vary greatly as it is something that is negotiated. We will discuss this more later. For now, closing costs can range from $0-$8500. (I know!! It is a huge range!! My goal is to make that number as low as possible, but the more you are WILLING AND ABLE to contribute, the more buying power you have)

Don’t forget to ask me about potential lender credits to assist!

- Land Survey: One option you will be offered is to receive a property survey. This measures your property lines and will reveal if the home you wish to purchase has any encroachments. I HIGHLY recommend purchasing a survey. It can protect you from future litigation if you have any issues within your property lines. The cost for a survey is usually about $400.

- Down Payment: The amount of your deposit will depend on the type of loan you are using. Conventional loans require 10-20% of the purchase amount as down payment. FHA loans are typically 3-5%. VA Loans do not require a down payment. (Remember down payment is not the same thing as your earnest money deposit)

How much house can you afford?

Before you begin your home search, you need to do a little planning. Many lenders will offer you a preliminary approval for a mortgage so you can negotiate as a buyer. Knowing your price range will bring your house hunting into focus. How much house you can afford depends on many factors, including how much you can manage for the monthly payment and how much you can contribute toward down payment. Monthly payments include: Principal and Interest on the mortgage loan, property Taxes, and Insurance. These costs are often abbreviated as PITI. For some buyers, monthly housing costs may also include homeowner's association dues, condo fees, and mortgage insurance.

Effective House Hunting Begins With a Mortgage Pre-approval

A mortgage pre-approval is based on a preliminary review of credit information and is not a commitment to lend. Lenders will offer a loan commitment upon verification of application information, satisfying all underwriting requirements and conditions, and providing an acceptable property appraisal and title report. The preliminary approval will let you know the maximum amount for which you qualify. With your application, credit check, and first loan decision phase already complete, you are seen as a serious home buyer.

Mortgage Insurance

If you obtain a conventional loan, you may have to make a down payment of 20% of potentially less. If you make a down payment less than 20%, you may be required to have private mortgage insurance (PMI). This insurance provides protection from losses for the lender should you default on the loan.

One Caution

The larger the down payment, the less money you need to borrow. This means a lower monthly payment. Remember that in addition to down payment and monthly mortgage, you will need money to pay for closing costs, moving, appliances, household setup, family emergencies, and other miscellaneous items. Don't put your last penny down at the closing table.

What Goes Into a Mortgage Payment

In simplest terms, a mortgage is a long-term loan designed to help borrowers purchase a house. It allows individuals to become homeowners without making a large down payment and thus, fulfilling The American Dream. Once you become a homeowner, a mortgage represents one of your life's biggest financial commitments. So it's important to understand the structure of your payments — what percentage goes to principal, interest, and taxes, and what you currently owe on your loan balance.

Remember PITI:
The 4 Major Components of a Mortgage Payment

- <u>P</u>rincipal
- <u>I</u>nterest
- <u>T</u>axes
- <u>I</u>nsurance

These 4 components make up the final amount of your mortgage payment. Each of these is INCLUDED in your payment.
Let's discuss them a bit further on the next page….

PRINCIPAL: The actual amount of money you borrowed from the lender without the interest. It is the face value of your mortgage on the first day. For an instance, if your mortgage is $250,000 with a 4.5% interest rate, your principal remains at $250,000. A portion of each mortgage payment goes to the repayment of the principal. If you take a mortgage with a fixed-interest rate, your principal repayment will be the same for the life of the loan. A greater amount of the principal is paid during the back half of the loan because the majority of the payment in the first few years goes primarily to interest.

To calculate your starting principal balance:

Principal Balance = Purchase Price + Fees Rolled into Mortgage - Down payment

INTEREST: The interest is another big part of your mortgage payment. It is basically the profit that goes to the lender. Think of it as the lender's reward for taking a risk and lending money to a borrower. Lenders will want to earn their interest back in the first few years of the loan repayment before they start reducing principal. Meaning, the majority of your mortgage payment goes to the interest in those first few years, but every month you pay down a little bit of principal as well. This is the method banks use to protect themselves in the event of a default. But the more payments you make, the lesser amounts goto interest and a bit more goes to the principal. For a 30-year loan, the first seven years will go mostly towards the interest. Higher interest rates = higher mortgage payments Interest is accrued annually regardless of whether you have a fixed-rate mortgage or an adjustable-rate mortgage. It's important to note that the interest rate on a mortgage has a direct impact on the size of a mortgage payment.

To calculate how much of your payment goes to interest: Interest Portion = Current Principal Balance x (APR ÷ 12)

TAXES: Almost all lenders require you to include, or escrow, the taxes into your monthly payment. It is because property taxes take first priority over everything else. The tax portion of your payment could vary from year to year depending on the town where you live and your property's value. Real estate taxes are assessed by governmental agencies and used to fund various public services, including the school district, road construction, the police and fire department services, and others.

The amount that is due in taxes is divided by the total number of monthly mortgage payments in each year. If you escrow, you place the next tax payment in advance with your lender and they pay the taxes for you. If you have an extra amount in your escrow account at the end of the year, your lender may cut you a check and then simply roll it over to next year.

INSURANCE: Insurance payments, just like property taxes, are also part of each mortgage payment and held in escrow until the bill is due. This is done to ensure that you are always covered in the event of an emergency. The taxes and insurance typically don't experience much fluctuation, unless there is a run on foreclosures or if your neighborhood was hit by weather issues, then it could change significantly

Side Note: What is amortization?

Amortization is a sliding scale that shows how much of your monthly mortgage payment is going towards principal and how much is going towards interest. It also includes a breakdown of every payment for whatever term you select. To have an idea of where your monthly payment typically goes, visit your lender's website and print off a copy of your amortization schedule. There are also free amortization schedule calculators online that you can use as a guide to estimate the monthly payment on your mortgage.

Common Types Of Insurance Included in Mortgage Payments

Private Mortgage Insurance (PMI):

This type of insurance is mandatory for homeowners who purchased a home with a down payment of less than 20% percent of the home's purchase price (not required for VA loans). It protects the lender from financial loss in the event that a borrower defaults on the loan. The rates for PMI differ from loan to loan and depends on several factors, including the borrower's credit and the amount of down payment. Typically, this insurance costs between 0.3% to 1.15% of the mortgage loan amount. For most conventional loans, the payment for PMI is necessary until you have at least 20 percent equity in your property. A borrower also has the option to choose from different payment plans: annual, monthly, and upfront payment.

Homeowner's Insurance:

This is a form of property insurance that covers losses and damages to an individual's house and assets in the home. It also provides liability coverage against accidents in the home or on the property. Homeowner's insurance is often bundled with mortgage payments. It's important that homeowners educate themselves on the amount of their homeowner's insurance premium every month.

Mortgage Insurance Premium (MIP) in FHA Loans:

The MIP is an insurance policy used in FHA Loans. It protects lenders against losses that result from defaults on home mortgages. In an FHA loan, both upfront and annual mortgage insurance are required for all borrowers, regardless of the amount of down payment. Borrowers can check the annual MIP rates on the FHA website.

Shopping

When deciding on a home, here are some important factors to consider:

Financial Details…

● Do you prefer the city, suburbs, semi-rural, or rural areas? ● How do you commute to work? What is the maximum commute time you are comfortable with?
● What are the schools like?
● What does the area have to offer in regards to shopping, entertainment, and recreation?
● What is parking like? Is there street parking?
● What are the crime rates for the area?
● What are disadvantages of the area? Is there jet noise? Heavy traffic? Is the home in a flood zone?

The right house for you…

● How many people will be living in the house?
● How many beds and baths do you need?
● Do you prefer a new construction? Resale? Fixer upper? ● Do you have a preferred style? Townhouse, colonial, cape cod, ranch, contemporary, split level, and rambler are common styles.
● Do you desire certain features, like a garage or fireplace? ● What appliances are included?
● Try not to get too caught up on smaller cosmetic items such as paint or light fixtures. Knowing which aspects you are willing to be flexible about can increase your home options. Plus, it can be inexpensive to change them to your taste.
● Is the asking price comparable to other similar houses in the area? (I am happy to check for you)
● What is the required deposit or down payment? What financing method is acceptable to seller?
● Are there any HOA or Condo fees?
● What are the annual property taxes?
● What type of fuel does the heating system use? About how much does that cost?

Shopping from a distance…

I assist a lot of buyers that are not able to visit the area for house hunting. As a military spouse myself, I completely understand how stressful that can be. I offer many options to assist with choosing a home from afar:
● Virtual Showings- I will Video Chat with you and show you the entire home from top to bottom. I will also drive around the neighborhood so that you can see the area. If I see it, you will see it!
● If you are able to come to the area for a couple days or a weekend, I will dedicate my entire time to you for those days to assist with finding you the right home.
● Crime mapping- Trulia.com offers a very helpful crime map to ensure your home is in a neighborhood you are comfortable with.
● Schools- greatschools.org is a great resource for school ratings. There are also some awesome groups on social media to help get school information directly from the parents.

Submitting an Offer & Going Under Contract

Negotiating the Purchase:
You've found your dream house! Now it is time to make an offer. I will assist you in deciding on a fair, competitive offer amount. You will submit the offer by signing a purchase agreement. Once signed by you and the seller, this will be a binding contract. Before you sign, make sure to read the documents carefully and ensure you understand every detail. I am happy to answer any and all questions! I will submit your signed offer to the listing agent and seller. After reviewing, the seller may accept the offer as written, reject the offer, or they may counter with desired changes. If they counter, you have the same options. Once both parties initial any changes and sign, we will ratify. This means we are under contract! At this point you will submit your earnest money deposit to show you are serious about buying the home. We will also schedule inspections and you will make sure you have all documents submitted to the lender to begin processing your loan.

Personal Property:
Any items, such as light fixtures, appliances, draperies, blinds, firewood, swimming pool accessories, etc. that you desire to be included with your purchase should be included in writing on the contract.

Contingencies:
Generally the contract is contingent upon property inspection. The cost of inspection will be your responsibility. A certified home inspector will do a thorough check of the home and help you find any potential problems. At that point we will negotiate with the seller to fix any issues that come up on the inspection report or request repair cost concessions.

Termites and Moisture:
The contract may require you or the seller to pay for a termite and moisture inspection. If there is any damage to be repaired or treatments needed, the seller will be responsible for such repairs, for up to 1% of the contract price. Many loan types require a clear termite and moisture report in order to purchase the home.

Well & Septic:
Some homes may have a well or septic tank. You will want to have these inspected to ensure they are in working order.

Title Attorney or Insurance Company:
In most circumstances you have the right to choose your own closing attorney and title insurance company. They will be the ones doing a title search to ensure the home is able to be sold without issue, offering title insurance in case later issues arise, and conducting your settlement and closing. I do have wonderful title companies that I work with if you need assistance finding the right fit.

Closing and Occupancy Date:
This date will be decided by coordination with you, me, the lender, and sometimes the seller. The date is included in your contract. On this date you will sign for the home and receive the keys! Sometimes, though, there can be other arrangements needed, such as a daily rent back by the seller.

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Financing

10 Details Most Lenders Will Need From You:

1. The amount of money you wish to borrow and the length of time you will need the money. Typically this will be the purchase price of your home and a 30 yr mortgage.
2. Your current address and any other addresses you've lived in the past 2 yrs.
3. Your social security number
4. Your current employer's name, address, and phone number. They will need the same info for all employers in the past 2 yrs.
5. Your gross monthly income, with documentation such as pay stubs, w-2s, tax returns, and/or LES
6. Complete account statements for any banks, credit unions, retirement or brokerage accounts for the past 90 days.
7. Your assets, including real estate, personal property, stock and bonds, life insurance, and cash value
8. A complete list of your debts, including account numbers, balances, and minimum payments.
9. A copy of the purchase agreement (I will provide this)
10. An account, in writing, of any problems concerning your application and any documentation of the circumstances of these problems.

Once they have all of this information, they will begin processing your loan. This generally means: Reviewing your application, verifying the facts, getting a credit report, obtaining appraisal on the property, making a decision on approval.

Questions You Should Ask:

1. What is your interest rate?
2. What is the loan origination charge?
3. How long can you lock in at the current interest rate? 4. Do you have to pay any points?
5. Will mortgage insurance be required?
6. Is there a pre-payment penalty?
7. What is the grace period for payment? What happens if you miss a payment?

Types of Loans:

- Conventional: this is a mortgage between you and the lender. Typically it requires a 3-20% down payment and mortgage insurance may be required.
- VA Loan: This is a loan that is back by the department of Veteran's Affairs. It is only available to eligible veterans. Typically no down payment or mortgage insurance is required.
- FHA Loan: FHA is the Federal Housing Administration, a division of the U.S. Dept of Housing & Urban
Development. The FHA does not lend money, but like the VA, it insures the mortgage. Down payments can be as low as 3.5%.

IMPORTANT!!!!!

During the loan process (from pre-approval to close) it is imperative that you do not do ANYTHING that could affect your credit. This means that you do not take out any loans, for any reason, until after closing. If there is a car you had in mind, or you wanted to take out a personal loan for furniture, WAIT! These can all be done AFTER you close. Make sure you continue to pay all current debts on time. Additionally, do not make any large cash deposits without documentation. Doing any of these things can cause denial of your loan!

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VA Loans

The Veterans Affairs home loans are unique mortgage options that allow current and former members of the military to own a piece of the American dream by potentially qualifying for homes that they might have thought to be out of reach. Veterans, active-duty service personnel, and select Reservists or National Guard members are among those who can qualify for VA loans. These flexible loans come with outstanding benefits like no down payment, no mortgage insurance, more lenient credit requirements, and also have the lowest average interest rates on the market. The National Association of Realtors (NAR) 2017 Profile of Home Buyers and Sellers showed that 18 percent of recent home buyers are veterans, while three percent are active-duty service members. However, misinformation and misconceptions about VA loans continue to hinder many veterans from actually benefiting from this program, which is a tangible way of showing gratitude towards their service to the people and the nation

#1 Misconception: It is a one-time benefit.

FACT: **Getting a VA loan is a lifetime benefit.**

Some veterans think that they must use the benefit immediately or lose it, or that if they used it once, they can't use it again. The reality is that it is a lifetime benefit. You can use it again to purchase another property, as long as you have paid off your previous VA loan.

#2 Misconception: VA loans take longer to close than FHA or conventional loans.

FACT: **There's not much time difference when closing VA loans compared to any loans**.

Many home buyers think that VA loans take more than 60 days to close, but it certainly isn't true. The process has become much more automated and efficient with the Guaranty Program, and it can now be closed in 30 days or less. Similarly, the average VA mortgage closes in 45 days, according to mortgage industry analysts Ellie Mae. While the average closing time for all loans is 42 days, which only has a three-day difference.

#3 Misconception: The VA appraisal is quite a nightmare.

FACT: **The VA appraisal isn't really different from the average conventional appraisal**.

Unless the buyer pursues a home in a very poor condition, then the appraisal process could really be terrible. The truth is that only VA-approved appraisers inspect the homes to make sure they meet minimum property requirements, and to make sure that they are "safe, sound and sanitary." VA appraisers also tend to have *stricter standards* than a typical home appraiser. Otherwise, if the service member chooses a home that is in good condition, then the VA appraisal will be a breeze

#4 Misconception: You can't get a VA loan if you've had a foreclosure or bankruptcy.

FACT: **VA loans only require that there has not been a foreclosure or bankruptcy in the past two years**.

VA loans are more lenient than other loan products when it comes to bankruptcy and foreclosure. In some cases, it is also possible to get a loan within a year. This is a much shorter period compared to what FHA loans and conventional mortgages require, which includes a 3- year waiting period.

#5 Misconception: Hiring *any* real estate agent will do.

FACT: **An agent who's had experience working with military buyers can help you better navigate the process.**

While any realtor can technically help you, finding a military-friendly real estate agent who particularly had experienced working with military buyers before — and have the time to focus on your needs — can make a world of difference. For many veterans, housing needs go far beyond the usual housing criteria, such as the number of bedrooms, price range and location. An agent who specializes in VA loans can help save you an awful lot of headaches as they better understand the loan process, the VA appraisal, and has a special eye and heart towards your specific situation. And that is why I would love to be your agent!

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Caveat Emptor

Virginia is a “Caveat Emptor” or “Buyer Beware” state. This means that buyers are responsible to do their own due diligence regarding the purchase of their home. The seller, for the most part, is not responsible for any issues the buyer has after the sale is complete. It is extremely important to protect yourself and your purchase.

Homeowner’s Insurance:

Most lenders require a home buyer to provide home insurance on the property to complete the loan. I can assist you with finding the right insurance company if needed.

What to expect from Home Inspection:

A home inspector’s fees are based on the size of the property and complexity of their report. Always make sure your inspector is DPOR certified.
The inspector will check the home for any flaws that you may not see on your own. They will try all light switches, check outlets, check toilets, showers, and drains. They will turn on the furnace and a/c to ensure proper function, test all appliances, and check windows. They will also check the crawl space if there is one, and the roof. Specific repair items to look out for on your inspection report are as follows:

- Serious problems: heating and cooling systems, roofing issues, plumbing, structural.
- Medium problems: insulation, paint
- Minor problems: electrical outlets, kitchen sink, loose fixtures. If the inspector notes potentially serious problems, it is recommending to have a specialist for that specific system do a specific, thorough inspection of that item to notate any need for repair or replacement.

Survey:

A land survey will help protect your investment. A survey can reveal the exact property dimensions, size and location of the home on the property, as well as any other improvements on the land, such as a driveway that may be crossing a property line

Title Insurance:

Title Insurance provides protection in the event past actions threaten the title to your property. Most lenders will require title insurance to protect their interests. Ask about an owner’s policy as well to protect your title. You may save money if you buy owner’s title insurance at the same time as the mortgage title insurance rather than buying separately.

Walk Through Inspection:

The purpose of a walk through inspection is to determine if all conditions in the contract have been satisfied. It should be conducted the day of, or a few days before closing. If there are any defects that need correction, this will be notated and submitted to the seller to be settled before closing. It is up to YOU to perform the walk through inspection, not me, and not the seller. I will accompany you and assist, of course, but you are the one that needs to be sure all is in working order. If there are issues, funds may be held from the seller until repairs are complete.

Factors an Appraiser Considers to Determine a Home’s Worth

An appraisal is an integral part of the home buying process as it determines the objective value of a property. Lenders require an appraisal to help them evaluate a home before they issue a mortgage. Appraisals are done by trained and licensed appraisers, who will then give an unbiased report of the home’s market value.

The Home’s Exterior : The appraiser will pay serious attention to the structural aspects of a home, specifically its foundation, the walls, and roof. The checks will determine the integrity and functionality of those three major components, as well as any defects or damage in the general construction. Any problem with the roof or foundation can immediately dismiss the home unlivable. The inspection will also assess the age of the home, any issues with siding or guttering, and evidence of leaks, cracks or water damage. Be aware that the appraiser will greatly focus on these things as they could definitely impact a home’s value. Other external factors that will be checked include any potential issues like flood-prone areas and dead trees, parking facilities, and the home’s observable external condition

Size of the Property: When the home is being evaluated, the size of the lot and the size of the home itself are all important considerations. An appraiser will be concerned with the total square footage and the home’s functional layout, as well as the number of bedrooms and bathrooms. The more bedrooms and bathrooms there are in a home, the higher its expected value because most buyers would want the most number of rooms.

The Condition of the Home’s Interior: For an appraiser, the condition of the home’s interior is just as important as its exterior. Appraisers will check the materials and condition of the windows and doors, flooring, plumbing and electrical systems, the number and quality of appliances, the kitchen, bathroom, and all other important parts of the home. He or she will also check for health and safety issues, such as fire escapes and handrails. If the home has undergone a major remodel, it is his/her job to check the code compliance requirements for certain renovation projects. Appraisers will also look closely and itemize all appliances and fixtures installed in the home, including the dishwasher, refrigerator, washer/dryer, oven, and others.

Factors an Appraiser Considers to Determine a Home's Worth CONT…

Quality Home Improvements: The appraiser will also be very interested in any improvements you made to your home, as well as the quality of those improvements. Quality upgrades that make your home more desirable will be considered by the appraiser to determine your home's overall value. A new floor, a renovated kitchen or bathroom, new HVAC system, upgraded appliances, insulated windows, renovations to the attic, a garage, and any smart technology systems installed, can all add to the lasting value of the property. These upgrades are all critical elements and will be itemized during the home appraisal. Appraisers will also check for amenities like a fireplace, patio, fence, porch, and other home additions.

Using Comparable Sales or "Comps": The home's location and neighborhood also have an impact on its value since appraisers also use "comparable sales" when finding the value of a home. Comparable sales refer to the prices of homes in the neighborhood that have similar age, size, and construction to the home being appraised and which have been currently sold. Appraisers will chiefly consider the square footage and the number of rooms of the home and compare it to other properties. The comparison should be apples to apples, meaning, residential homes will be compared to other homes and condos are compared to other condos. Appraisers can then make adjustments with these "comps" based on the features and qualities of the subject property. A home can be priced higher if it has more bedrooms, or its value can be lowered if there's a problem with the roof or its foundation.

Bottom Line: Remember that an appraisal is not an exact science but only an opinion of a home's value based on the comparable homes and the actual condition of the home in question. In other words, appraisers are looking for any items that can affect the home's value. The final valuation will be based on real estate market trends, current sale prices, and the specific characteristics of the home. The final appraisal report includes the information used by the appraiser, details about the subject property, and the explanations of the valuation results. The report will be given back to the lender, who will then use it as a guide before making a decision about the loan.

Closing

The Big Day!

Closing Costs

Under the Real Estate Settlement Procedure Act (RESPA), the homebuyer is provided an estimate of closing costs by the lender in advance of closing. Some, or all, of the closing costs may be paid by the seller.

Settlement fees vary depending on price, location, and other factors, but generally they are 3-6% of the purchase price of the home. Items that are included in these costs are the loan origination fee, mortgage insurance premium, attorney fees, owner and lender title insurance, recording fees, county tax stamps, state tax stamps, and the survey fee. In addition, the lender may require an appraisal fee and a credit report fee.

A few other items may have to paid at closing, such as advance deposits held in escrow for property taxes and insurance. The lender collects a portion of these every month and then pays the insurance and taxes when they are due. Sometimes closing costs can amount to a sizable sum. Remember that some of these items are tax deductible.

Your earnest money deposit will go towards your closings costs.

Signing on the Dotted Line

Today there will be a lot of paper signing and the passing of the keys!

At the settlement, there will be an attorney or the title rep, all buyers, and me! (The seller will close separately)

The escrow company will have done a title search to ensure the title is clear and the home can be sold. They will also make sure all lender requirements have been satisfied.

The attorney will explain the documents to you, and have you sign. This is when you will pay and down payments or closing costs. This will be done by wire or certified check.
With the seller, the attorney explains the settlement sheets and gets the seller’s signature on them and the deed. The seller pays the appropriate closing costs.

If the seller’s taxes or insurance have been escrowed, they will receive any money that has accumulated in the account. Taxes and homeowner’s association dues or condo fees will be prorated on a daily basis. The sellers, buyers, and brokers will all receive a copy of settlement sheets for their records.

The house keys are passed, and you are now a home owner. CONGRATULATIONS!!!!

To wrap this all up and tie it with a bow, I am so excited to be your advocate through the process of buying a home. My job is to make sure every “i” is dotted, and every “t” is crossed, and it is so important that you are aware of every aspect that comes together to complete the purchase of your home. Home ownership is such a fantastic accomplishment, and one of the largest purchases you’ll make in your lifetime, and I am so excited for this journey we are about to embark on together. If you have questions on anything you’ve read in my home buyer’s manual, please feel free to reach out by phone, text, or email.

Home Buyer’s Glossary

Abstract Of Title – A complete historical summary of the public records relating to the legal ownership of a particular property from the time of the first transfer to the present.

Adjustable Rate Mortgage (ARM) – Also known as a variable-rate loan, an ARM is one in which the interest rate changes over time, relative to an index like the Treasury index.

Agreement of Sale – Also known as contract of purchase, purchase agreement, or sales agreement according to location or jurisdiction. A contract in which a seller and buyer agree to transact under certain terms spelled out in writing and signed by both parties.

Amortization – The process of reducing the principal debt through a schedule of fixed payments at regular intervals of time, with an interest rate specified in a loan document. Appraisal – A professional appraiser’s estimate of the market value of a property based on local market data and the recent sale prices of similar properties.

Assessed Value – The value placed on a home by municipal assessors for the purposes of determining property taxes

Closing – The final steps in the transfer of property ownership. On the Closing Date, as specified by the sales agreement, the buyer inspects and signs all the documents relating to the transaction and the final disbursements are paid. Also referred to as the Settlement.

Closing Costs – The costs to complete a real estate transaction in addition to the price of the home, to include: points, taxes, title insurance, appraisal fees and legal fees.

Comparative Market Analysis (CMA) – A real estate professional - prepared document, typically included in a listing presentation to a prospective seller, designed to help the seller set a strategic asking price for their home. Drawn from the local Multiple Listing Service (MLS), a CMA presents pricing and property information for homes similar to the seller’s that recently sold, failed to sell, or are currently on the market.

Contingency – A clause in the purchase contract that describes certain conditions that must be met and agreed upon by both buyer and seller before the contract is binding. Counter-offer – An offer, made in response to a previous offer, that rejects all or part of it while enabling negotiations to continue towards a mutually-acceptable sales contract.

Conventional Mortgage – One that is not insured or guaranteed by the federal government.

Debt-to-Income Ratio – A ratio that measures total debt burden. It is calculated by dividing gross monthly debt repayments, including mortgages, by gross monthly income.

Down Payment – The money paid by the buyer to the lender at the time of the closing. The amount is the difference between the sales price and the mortgage loan. Requirements vary by loan type. Smaller down payments, less than 20%, usually requires mortgage insurance.
Earnest Money – A deposit given by the buyer to bind a purchase offer which is held in escrow. If the property sale is closed, the deposit is applied to the purchase price. If the buyer does not fulfill all contract obligations, the deposit may be forfeited.
Equity – The value of the property, less the loan balance and any outstanding liens or other debts against the property.
Easements – Legal right of access and use of a property by individuals or groups for specific purposes. Easements may affect property values and are sometimes part of the deed.
Escrow – Funds held by a neutral third party (the escrow agent) until certain conditions of a contract are met and the funds can be paid out. Escrow accounts are also used by loan servicers to pay property taxes and homeowner's insurance.
Fixed-Rate Mortgage – A type of mortgage loan in which the interest rate does not change during the entire term of the loan.
Free Market Evaluation – An offer by a real estate professional, usually presented in marketing materials, to provide a complimentary assessment of your home's current market value.
Home Inspection – Professional inspection of a home, paid for by the buyer, to evaluate the quality and safety of its plumbing, heating, wiring, appliances, roof, foundation, etc.
Homeowner's Insurance – A policy that protects you and the lender from fire or flood, a liability such as visitor injury, or damage to your personal property.
Lien – A claim or charge on property for payment of a debt. With a mortgage, the lender has the right to take the title to your property if you don't make the mortgage payments.
Listing Presentation – A presentation given by a real estate professional to a prospective home seller in hopes that the seller will allow the realtor to represent their interests throughout the sales process. Typically delivered in the seller's home, the presentation includes the realtor's pricing, marketing and showing strategies, as well as a suggested asking price.
Market Value – The amount a willing buyer would pay a willing seller for a home. An appraised value is an estimate of the current fair market value.

Mortgage Insurance – Purchased by the buyer to protect the lender in the event of default (typically for loans with less than 20% down. Available through a government agency like the Federal Housing Administration (FHA) or through private mortgage insurers (PMI).

Possession Date – The date, as specified by the sales agreement, that the buyer can move into the property. Generally, it occurs within a couple days of the Closing Date.

Pre-Approval Letter – A letter from a mortgage lender indicating that a buyer qualifies for a mortgage of a specific amount.

Principal – The amount of money borrowed from a lender to buy a home, or the amount of the loan that has not yet been repaid. Does not include the interest paid to borrow.

Purchase Offer – A detailed, written document which makes an offer to purchase a property, and which may be amended several times in the process of negotiations. When signed by all parties involved in the sale, the purchase offer becomes a legally-binding sales agreement.

Title – The right to, and the ownership of, property. A Title or Deed is sometimes used as proof of ownership of land. Clear title refers to a title that has no legal defects.

Title Insurance – Insurance policy that guarantees the accuracy of the title search and protects lenders and homeowners against legal problems with the title.

Truth-In-Lending Act (TILA) – Federal law that requires disclosure of a truth-in-lending statement for consumer loans. The statement includes a summary of the total cost of credit.

Title Search – A historical review of all legal documents relating to ownership of a property to determine if there have been any flaws in prior transfers of ownership or if there are any claims or encumbrances on the title to the property