

What happens when you get professional, well-educated, high-level purchasing representation?

Simple ...

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# DORE & GEOFF BAKER



**Your Dream Home ... *BOUGHT!***

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**GEOFF & DORE BAKER**

**Present:**

## **The Home Buying Guide**

**Congratulations!** The decision to buy your own home is an exciting one. The experience of purchasing your new home should be an enjoyable adventure.

**We are** devoted to using our expertise to make your transaction successful with the least amount of hassle.

Purchasing a home is a very important decision. **We will** help you with honest, accurate information so you can make well-informed decisions regarding the purchase of your home. This booklet will give you an idea of what to expect during each phase of your transaction. It also contains reference pages, note pages, deadline information, etc., and is useful as a reference guide even after the transaction is closed.

Please keep this booklet during all house hunting related activities: meetings, house hunting trips, etc. Use it to take notes and to keep track of deadlines. You can even staple cards to relevant pages to keep related materials together. Making this transaction as easy as possible for you is our job. We are happy to serve all your real estate needs!

Remember that we are your consultants, rather than sales people; We are committed to your Best Interest and will do our best to advocate for you!!

# **Step By Step...**

## **The Buying Process**

**Find a  
Realtor→  
you can  
trust...**

### **The First Step...**

In the home buying process is to find experienced Realtors→ that you can trust. This guarantees that your needs will be met professionally and that you will be represented throughout the entire process of buying your home.

**Looking for  
a home...**

### **The Next Step...**

Get pre-approved with your Lender. Make a list of wants and needs; become clear as to the real price range that is comfortable to you.

**Your  
Offer**

### **Be Careful – This is a BIG Step...**

Dore will work with you to find your dream home. Once you do, you should write a Purchase Agreement immediately. The offer should include the pre-approval letter and the earnest money. We have extensive experience in contract negotiations. We will ensure you get just what you want for a fair price – a transaction in your best interest.

**The  
Contract**

### **We're Starting to Jog Now ...**

When the seller accepts your offer, you go “into escrow.” You want to make sure every detail is handled accurately and immediately. This is where Geoff takes over. He will ensure your home closes properly and on time. You will receive a detailed timeline, so that you can anticipate upcoming deadlines.

**Inspections**

### **You're in the “HOME” Stretch!**

Final details are handled and inspections are performed, repairs are negotiated, an appointment will be set for a final walk through to make sure that the repairs were completed and the home is in good condition. We are heading to closing!

**The Lender**

### **Your Lender is busy .....**

Processing the paperwork, ordering the appraisal, working with the underwriters, managing the paperwork, making sure the documents get to the escrow office on time for your signature.

# Buyer FYIs

- ❖ When writing an offer these expenses occur within the first 14 days of the accepted offer:
  1. Earnest Money for approximately 3% of purchase price
  2. Lender costs between \$500-\$1,000
  3. Your structural inspection will be around \$400-\$550
- ❖ At any time during negotiations, the Seller can accept another offer.
- ❖ When viewing properties, be careful what you say because the Sellers could be listening.
- ❖ Get Pre-Approval for your home loan immediately before doing any serious home shopping.
- ❖ Do not buy any big-ticket items before the closing of your new home, even when no payments are due on something for an extended period of time, it will negatively affect your credit rating.
- ❖ Do not quit your job until your home closes.
- ❖ The loan//home buying process can be a downright stressful, so hang in there.
- ❖ Remember that you have to get an insurance policy from your insurance agent, and be sure that information gets to Escrow.
- ❖ If you have any trips scheduled during escrow, please let us know when we are writing up your offer.
- ❖ Call the utility companies approximately one week prior to closing
- ❖ When paperwork is mailed or faxed to you, make sure those documents are all returned promptly.
- ❖ When you receive the escrow paperwork in the mail please fill it out and send it back immediately. Call Geoff with any questions.
- ❖ Be ready to sign the loan papers when requested. You should set aside about two hours for the signing, although it usually does not take that long. A delay in signing could result in a delay of closing.
- ❖ Bring your Good-Faith Estimate with you to your closing appointment.

# **The Home Buying Guide**

1. About Geoff & Dore
2. Financing and Costs
3. Finding the Right Home
4. Sample Purchase Agreement and Aviara Addendum
5. Making an Offer
6. Signed Documents
7. Disclosure and Discovery
8. Time to Move In

# About Geoff & Dore

## Client Testimonials

*Being first time buyers we were nervous about all that was involved in buying a home. Geoff and Dore put us at ease with their vast knowledge of the whole process and experience in the field. They helped us with every step of the process and were available to answer any questions. It is without reservation that we would recommend them to all our friends.....J. Best*

*Geoff and Dore greatly eased our move to a new community. Their patience, support, kindness and honesty made the normally stressful process of home buying a nice experience.....T. Garber*

*Geoff & Dore were referred to us by our close friends and we were not disappointed. They are truly a cut above, particularly in the way they presented our home through advertising and flyers. We felt the tips they provided to us to get our home ready for sale made a tremendous impact. Geoff and Dore are also very easy to talk to, especially under stress and anxiety that goes with the territory..... S. Stendel*

*Our experience with Dore and Geoff in buying real estate, selling real estate and finding us an excellent rental was above any criticism and left us with a good feeling of work well done.....M.A. Clark*

*Geoff & Dore were knowledgeable and professional. Their attention to detail was impressive and they were always available to answer questions and handle concerns as they guided us through the home buying process. We recommend them with enthusiasm.....S. Keim*

*Great team that works to help you purchase the "home of your dreams". Very communicative, efficient and professional. Will recommend to all friends and family!.....J. Neufeld*

# Client References

Josh and Jana Best  
Newbury Park, CA  
805-375-5874

Sue Wells  
Oak Park, CA  
818-970-8020

Kristina McIntosh  
Upland, CA  
909-367-6494

Virginia McCorkle  
Thousand Oaks, CA  
805-551-6597

Darin and Theresa Nielsen  
Moorpark, CA  
805-523-0406

Eric and Amanda Berg  
Thousand Oaks, CA  
805-493-4522

We would be happy to provide further references upon request.



# Why You Need A Realtor

**A Realtor→ brings a wealth of knowledge and experience to the business of buying a home. In fact, a licensed real estate professional provides much more than the service of helping you find the home of your dreams. Realtors→ are not just sales agents. They are expert negotiators, seasoned financial advisors, and superb navigators around the local neighborhood. They are members of the National Association of Realtors (NAR) and must abide by a Code of Ethics and Standards of Practice enforced by the NAR. A professional Realtor→ is your best resource when purchasing to buy a home.**

## **With Us as Your Guides —**

- ☐ You will save endless amounts of time, money and frustration.
- ☐ You will avoid a “wild goose chase” because we know the housing market inside and out.
- ☐ You can view or purchase *any* home ... even those offered by other real estate companies, or by new home builders.
- ☐ You will have access to the best lenders in the area. They can help you get pre-approved for a mortgage, and can discuss down payments, closing costs, and monthly payment options.
- ☐ You will have an excellent source for general information about the community, specific information about schools, churches, shopping, transportation, plus tips on house inspection.
- ☐ You have access to our extensive experience when it comes to home values and pricing.
- ☐ You will have experienced agents presenting your offer to the homeowner or listing agent and you will have guidance through the entire process.

**And the BEST thing is that all this help normally will not cost you a cent. Generally, the seller pays the commission to Realtors→. However, that does not affect our dedication or the spirit of teamwork that we will put into helping you find and buy the home of your dreams. After all, our success depends on your success.**

# **Definition of Real Estate Brokerage Relationships**

## **IN CALIFORNIA**

Real estate brokers and their salespersons are required to disclose the type of working relationship they have with the buyers in a real estate transaction. There are several types of relationships that are available to you. You should understand these at the time a broker provides specific assistance to you in buying real estate. Buyer's Agent and Seller's Agent relationships are commonly referred to as "agency" relationships and carry with them legal duties and responsibilities for the broker as well as for the buyer and seller.

## **BUYER'S AGENT**

A Buyer's Agent acts solely on behalf of the buyer and owes duties to the buyer that includes the utmost good faith, loyalty, and fidelity. The agent will negotiate on behalf of, and act as an advocate for the buyer; to advise the Buyer to seek expert advice on matters relating to the transaction that is beyond the agent's expertise; and, not to disclose any confidential information from or about the Buyer, except under subpoena or court order, even after termination of the agency relationship. A written Buyers Agreement will set forth the duties and obligations of the parties.

## **SELLER'S AGENT**

A Seller's Agent acts solely on behalf of the seller and owes duties to the seller that includes the utmost good faith, loyalty, and fidelity. The agent will negotiate on behalf of, and act as an advocate for the seller. The seller is legally responsible for the actions of the agent when that agent is acting within the scope of the agency. The agent must disclose to buyers or tenants all adverse material facts about the property known by the broker. A separate written listing agreement is required which sets forth the duties and obligations of the parties.

## **DUAL AGENCY**

A Dual Agency exists when both the buyer and the seller are being represented by the same real estate company. They may or may not be represented by the same agent. Agency is viewed at the broker level and every company has a "broker of record". In California, it is legal for a company or agent to represent both parties in a transaction. However, if you are not comfortable with that scenario, you should speak with your agent about your concerns and explore other options.

# **Financing and Costs**

# How Much Home Can You Afford?

When you are ready to begin looking at various houses to find your dream home, you need to prepare all of the necessary materials to present to the lender. Your lender will tell you exactly what you can afford so that you do not spend time looking at “too much” home. There are three key factors that you will need to consider when determining how much home you can afford. These are: the down payment; your ability to qualify for a mortgage; and, the closing costs associated with your transaction.

## DOWN PAYMENT REQUIREMENTS—

Most loans today require a down payment of between 0% and 5% depending on the type and terms of the loan. If you are able to come up with 20-25% down payment, you may be eligible to take advantage of special fast-track programs and possibly eliminate mortgage insurance.

It is often thought that bigger is better when it comes to down payments. In many cases, this may be true. However, the arithmetic will differ from case to case. A bigger down payment means smaller monthly payments and lower interest expense for as long as you remain with a mortgage. This can be an important factor for many people. But if you can put your available funds to work for you so that they can earn more than the interest rate on your loan, you could be dollars ahead with a smaller down payment. Also, a smaller down payment may allow you to keep extra cash liquid and available for an emergency.

## CLOSING COSTS—

Don't forget to think ahead carefully. In addition to the down payment on your dream home, you will be required to pay fees for loan processing and other closing costs. These fees must be paid in full, in cash, at the time of the final settlement, unless you are able to include these in your financing. Typically, total closing costs will range between 2-5% of your mortgage loan. A more detailed schedule is included herein in the section detailing your closing.

## QUALIFYING FOR THE MORTGAGE—

Most lenders require that your monthly payment range between 25-28% of your gross monthly income. Your mortgage payment to the lender includes four items...the PITI. These items are discussed in detail on the page entitled, “Predicting Your Monthly Payment (The PITI).” Remember, when you buy a home all interest is tax deductible, so you will qualify for a major tax advantage that will effectively increase your take-home pay. Your total monthly PITI and all debts (from installments to revolving charge accounts) should range between 33-41% of your gross monthly income. This is a general rule of thumb, but other key factors specifically determine your ability for a home loan. These factors are:

**INCOME:** History of employment, stability of income, potential for future earning, education, vocational training and background, and any secondary income such as bonuses, commissions, child support, etc.

**CREDIT REPORT:** History of debt repayment, total outstanding debt and total available credit. If you have concerns about your credit report, consider contacting one of the major credit bureaus for a copy of your file: TRW (1-800-422-4879), Trans Union (1-602-933-1200), and CSC Credit (1-800-759-5979).

**ASSETS:** Cash on hand, other liquid assets such as savings, checking, CDs, stocks, etc.

**PROPERTY:** The home you are buying must be appraised to determine that it has adequate value and is marketable to ensure it will secure the loan.

# Pre-Approval vs. Pre-Qualification

**Loan Pre-qualification** is a simple process. It takes into account very basic information regarding your financial status and gives you an amount for which you may qualify. This can be done strictly on a verbal level or electronically over the Internet. The pre-qualified amount is based solely on the information you provide. In most markets, pre-qualified buyers usually hold little clout compared to pre-approved buyers due to the fact that the information given during the pre-qualification process is not thoroughly investigated and therefore may be unreliable. Where a pre-approved buyer is actually approved for a loan of a certain amount, a pre-qualified buyer is only told that they *might* be approved for a certain amount.

**Loan Pre-approval** is a much more involved. The lender will take all pertinent information regarding your finances and perform an extensive check on your current financial status. This will ultimately give you the exact amount that you will be eligible for (depending on what type of loan you decide to go with). Being pre-approved lets the seller know that you have gone through an extensive financial background check and there should be no unexpected obstacles to buying the home. You can see how being pre-approved would be more attractive to a Seller than just being pre-qualified.

**Your agent can save you time and money** by being a professional guide through the entire loan process. Your Realtor® will be able to counsel you on the advantages and disadvantages of certain types of loans and help you understand the “real ” cost of a mortgage. Your agent also acts as your personal advocate and liaison between you and the lender as you proceed through the approval process and closing by working with your lender on a regular basis.

# Loan Application Checklist



## General:

- ☐ Picture ID with social security number of borrower and co-borrowers
- ☐ Payment to cover the application fee
- ☐ Name and complete address of all landlords for the past two years

## Income:

- ☐ Employment history for the past two years including names, addresses, phone numbers, and length of time with company
- ☐ Copies of your most recent pay stubs and W-2 forms (past two years)
- ☐ Verification of other income (social security, child support, retirement)
- ☐ If self-employed, you need copies of the past two years signed tax returns including all schedules, and a signed profit and loss statement of the current year. Retirees need tax returns for the past two years.
- ☐ If you have rental property income, bring a copy of all lease agreements

## Assets:

- ☐ Copies of all bank and credit union statements for the past three months
- ☐ Copies of all stock/bond certificates and/or the past three statements from all investment and retirement accounts
- ☐ Prepare a list of household items and their values
- ☐ Copies of title documents for all automobiles, boats, motorcycles, etc
- ☐ Face amount, monthly premiums and cash values of all life insurance policies. (Cash value may be used for closing costs or down payments. You need documentation from the carrier indicating cash value).

## Creditors:

- ☐ Credit cards (account numbers, current balances, and monthly payments)
- ☐ Installment loans (car, student, etc.). Same details as for credit cards.
- ☐ Mortgage loans (property address, lender with address, account numbers, monthly payment and balance owed on all properties presently owned or sold within the last two years). Bring proof of sale of properties sold.
- ☐ Childcare expense/support (name, address, phone number)

## Other:

- ☐ Bankruptcy – bring discharge and schedule of creditors
- ☐ Adverse credit – bring letters of explanation
- ☐ Divorce – bring Divorce Decrees, property settlements, quitclaim deeds, modifications, etc. for all divorces by yourself or your spouse.
- ☐ VA only – bring Form DD214 and Certificate of Eligibility
- ☐ Retirees – bring retirement and/or Social Security Award Letter

# Predicting Your Monthly Payment (The PITI)

Your monthly payment (PITI) is the sum of four items – the principle on the loan (P), the interest on the loan (I), property taxes (T), and homeowner’s insurance (I). To predict your monthly payment for a 30-year fixed rate loan, use the following table to determine the principal and interest part of the payment. Simply divide the loan amount by 1,000 and then multiply that figure by the appropriate interest rate factor from the table below. To that sum add 1/12<sup>th</sup> of the amount of your yearly taxes and 1/12<sup>th</sup> the amount of your yearly insurance.

For example: If your mortgage loan amount is \$500,000 and the interest rate is 7%, your monthly “PI” would be:

$$\frac{\$500,000}{1,000} = 500$$

$$500 \times 6.65 = \$3,325.00$$

Then add your monthly insurance premium (approximately \$25-\$75) and your property tax to your principal and interest and this is your monthly payment.

PRINCIPAL AND INTEREST PAYMENT TABLE	
If your interest is:	Your PI Factor is:
6.00%	6.00
6.50%	6.32
7.00%	6.65
7.50%	6.99
8.00%	7.34
8.50%	7.69
9.00%	8.05
9.50%	8.41
10.00%	8.78
10.50%	9.15
11.00%	9.52
11.50%	9.90
12.00%	10.29
12.50%	10.67
13.00%	11.06

Hazard Insurance covering your home for its contract value is required by your mortgage lender. You are at liberty to choose any insurance company and agent you wish. Ask your agent to quote you a policy for insurance coverage.

# Property Taxes

All property owners must pay general real estate taxes. These taxes are also called “ad valorem” taxes because the amount of the taxes varies, according to the value of your property. General real estate is levied for the operations of various governmental agencies and municipalities. Other taxing bodies may include school districts, drainage, water, sanitary, and recreation districts.

Properties are valued or assessed by the county assessor. The land and buildings are usually assessed separately. If an owner feels the assessed value of their property is incorrect, they can present their objection through the local taxing authority on an annual basis.

There are two ways to pay your property taxes:

1. Monthly
2. Bi-Annually

## Paying Property Taxes Monthly

If you select this option, your annual tax amount will be divided into 12 equal payments that will be added to your mortgage payment. Your mortgage company will require you to set up an impound account at the close of escrow. The dollar amount that you put into the account will be equal to between 4-6 months of property taxes. (The exact amount is determined by your lender.) If you put down less than 10% on the purchase of your home, the lender may require that you pay your taxes monthly.

## Paying Property Taxes Bi-Annually

The tax year is divided into two sections. July 1<sup>st</sup> - December 31<sup>st</sup> and January 1<sup>st</sup> - June 30<sup>th</sup>. If you select this option, your annual tax amount will be divided into 2 equal payments. You will receive one tax bill on November 1<sup>st</sup> that is considered late after December 10<sup>th</sup> and another on February 1<sup>st</sup> that is late after April 10<sup>th</sup>. **With this option, it is important to understand that the county tax assessor tends to run a little behind with respect to home sales. The first one or two tax bills that you receive could be based on the old tax base, (the value the previous owner was taxed at), as opposed to the value that you paid for the home. Do not get excited, your total taxes will be between 1% - 1.25% of your purchase price. When the county catches up on things, they will send you a “Supplemental Tax Bill” to make up for their error.**

## Which Option Should You Choose???

Accountants typically recommend paying your taxes bi-annually. The idea is “Why give the government your money earlier than you have to so they can make interest on it?” If you are disciplined enough to put aside money for taxes each month, then you can benefit from the interest. Ultimately, you need to select the payment option that makes the most sense for your financial situation.



# Closing Costs

Closing costs typically are approximately 4% of Sales Price.

The following fees and services comprise closing costs:

- ❖ **Appraisal Fee**
- ❖ **Loan Fee**
- ❖ **Loan Discount**
- ❖ **Credit Report**
- ❖ **Tax Registration**
- ❖ **Recording Fees**
- ❖ **Pro-ration of Taxes**
- ❖ **Reserve Account Setups ... Taxes, Insurance, HOA Dues**
- ❖ **Title Insurance for Lender**
- ❖ **Escrow Fee**
- ❖ **Pre-Paid Interest (This applies if you don't close escrow at the end of a month)**
- ❖ **Mortgage Insurance Premium (if down payment is less than 20%)**
- ❖ **One Year's Hazard Insurance Premium**
- ❖ **One Year's Flood Insurance Premium (if applicable)**
- ❖ **Preparation Fees for Processing, Underwriting, and Lender Documents**

**Your lender should be able to provide you with a detailed list of the specific costs of these items once you decide on a home price. That list is called a Good Faith Estimate of Costs.**

# Good Faith Estimates

The following data is for information purposes only and accuracy of the figures is not guaranteed.

Naturally, the actual costs with respect to each transaction will vary depending upon the circumstances.

Sales Price	\$500,000
Down Payment (20%)	\$100,000
Loan Amount	\$400,000
Estimated Interest Rate (fixed)	5.0%
Term of the Loan (in years)	30

## Estimated Closing Costs

Buyer Paid Discount Points	0
ALTA Policy	1,509
Escrow Fee	1,200
Appraisal Fee	450
Document Preparation Fee	550
Physical Inspector	450
Miscellaneous Expense(s)	250
Total Estimated Closing Costs	\$4,409

## Estimated Prepaid Expenses

*Prepaid Interest (15 days worth of mortgage)	1,074
Homeowners Insurance Reserves (12 mo.)	900
**Property Tax Reserves (6 mo.)	3,125
Total Estimated Prepaid Expenses	\$5,099

Total Closing Costs & Prepaid Expenses	\$9,508
Plus Down Payment	<u>\$100,000</u>
Estimated Cash Required	\$109,508

Monthly Principal & Interest	2,147
Monthly Property Taxes	521
Monthly Homeowners Insurance	75
Monthly Homeowners Association Dues	0
Estimated Total Monthly Payment	\$2,743

\*This cost applies only if you do not close escrow within a couple days of the end of any month. For example: If you close between May 27<sup>th</sup> and June 4<sup>th</sup>, you would not have this expense.

**\*\*This cost applies if you choose, or your lender dictates, that you pay your property taxes monthly as opposed to bi-annually.**

**Finding  
the  
Right Home**

# Helpful Websites

**[www.californiahomes.to](http://www.californiahomes.to)** This is our personal website. It is loaded with great community information about the areas we serve, local schools and demographics.

**<http://vcrdsmls.rapmls.com>** This is the site that we use as agents to locate properties. It has a public access portion where you can view what homes are available at any given time. This is THE MOST up to the minute information.

## Don't Get Swept Away When Shopping

When touring homes you will find that there are many beautiful homes on the market. There are three things you must do before looking at homes.

1. Find out from your lender how much you qualify to spend on the home. It is very easy to become excited about features found in homes that are out of your price range. Before you get your heart set on that big, tree-shaded home on the hill, you need to pin down your financial details and be sure that the monthly payment is comfortable for you.
2. Complete this list below. Please take a moment to decide what features are “Requirements” (location, pool, number of bedrooms, eating space, architectural style, garage, etc...) and which features are “Extras” (fireplace, walk-in closets, wet bar, view, vaulted ceilings, etc...). There are many different features in homes that range from necessary to luxury. It is easy to get caught up in the excitement of a beautiful home loaded with amenities. It is important that you select a home that truly meets all or most of your requirements first and foremost!
3. Visit our website at **[www.californiahomes.to](http://www.californiahomes.to)** and there you will find data on schools, income, education, demographics and homes sold in the neighborhood.

As you tour homes, check back to this list to make sure the home meets your requirements. The extras should only come into play when you make your final decision between homes that meet all or most of your requirements.

Requirements	Extras

# Choosing The Right Neighborhood Is As Important As Choosing The Right House!

There are many factors to consider when selecting a neighborhood that is right for you. Below are just a few of the many factors -- You may think of others that are important to you. Please write them on your Requirements List so they are not forgotten.

Neighborhoods have characteristic personalities designed to best suit single people, growing families, two-career couples, or retirees. Investigate to determine that the neighborhood in which you choose to look for a home matches your lifestyle and personality.



## Scout out the Neighborhood!

It is important that you scout the neighborhood in person. Talk to people who live there. Drive through the entire area at different times of the day, morning, afternoon, evening, and late at night, as well as going during the week and on weekends. Look carefully at how well other homes in the area are being maintained; are they painted, are the yards well cared for; are parked cars in good condition, etc.

## Neighborhood Factors to Consider --

Look for things like access to major thoroughfares, highways, and shopping. Listen for noise created by commerce, roads, railways, public areas, schools, etc. Smell the air for adjacent commerce or agriculture. Check with local civic, police, fire, and school officials to find information about the area. Look at traffic patterns around the area during different times of the day and drive from the area to work. Is the neighborhood near parks, churches, recreation centers, shopping, theaters, restaurants, schools, etc.? Does the neighborhood belong to a Homeowner's Association?

Remember to visit our website, where you can find more information such as income, schools, demographics and homes sold in your future neighborhood.

# Using A Realtor To Purchase A New Home

## WHY SHOULD I USE A REALTOR TO PURCHASE A NEW HOME?

The advantages of having us help you purchase a new home are the same as those for purchasing a resale home...knowledge of the market, help in finding the perfect home quickly, expertise in contract writing/negotiation, and closing assistance. The builder has a professional representative watching out for his/her needs, and you need the same expert representation.

Buying a new home is a little more difficult and time-consuming than buying a resale. We can professionally guide you through this process. It is easy to be swept up in the excitement after looking at a model home. We are able to keep a level head and help you watch for potential pitfalls.

## IS THERE ANY ADVANTAGE TO NOT USING A REALTOR TO PURCHASE A NEW HOME?

**No.** There is no financial advantage for you to buy directly from the builder. Builders have a “single-price” policy, meaning you will be charged the same price whether your interests are represented by a Realtor→ or not. Just as in any resale, the Seller pays your Realtor’s fee.

**REMEMBER – most Builders require your Realtor→ accompany you on your first visit to the Builder’s sales office, or they will NOT PAY your representative’s fee!**

This article originally appeared in the Denver Post

### “Should You Use a Realtor When Buying a New Home? YES!”

Think of planning a trip to Europe without the help of a travel agent...or how about buying insurance without an insurance agent? Then imagine being involved in a major league business dispute, and you’re representing yourself in front of the judge and jury. If you depend on people in the service industry for travel needs, filing a claim for hail damage to your roof, or handling legal matters, then why would you want to represent yourself in the most expensive and probably most important purchase of your lifetime...your new home?

It is a common conception that buying a new home directly from the builder, without the assistance of a Realtor, will save you money. Not so! The price of a new home is the same whether you have a Realtor or not. Since this is the case, common sense would tell you to utilize a professional to help you with contract negotiations, researching loans, or helping you to decide which lot is best suited for you!

Phyllis Sinclair, a broker associate, has been on both sides of the fence. For 10 years she represented builders as an on-site salesperson. During the past three years she has represented both buyers and sellers in resale and the purchase of new homes. Sinclair sums up new homes sales as, “A one price policy...buyers receive all of the services and don’t pay them any extra, but they also don’t receive any discounts. I always felt concern for buyers who weren’t associated with a Realtor, as they didn’t have the support system they deserve in such a major lifetime transaction.”

In our current, fast-paced real estate market, there are many new home communities to choose from. You need to ask yourself some pertinent questions when looking for a new home. Is this a good builder? Does he have a solid reputation, years in business, etc.? How does the quality of his product compare to that of other builders? What are the existing inventories of the various builders? How do builder models meet your needs (floor plans, square footage, and location)? If I sell in a few years, what upgrades should I include to be competitive?

When you find the answers to these questions, ask yourself if the time spent in researching these answers was time well spent – put a dollar value on your time. Real estate professionals can be a valuable asset in collecting information in areas, which may affect your decision on the purchase of a new home.

If builders rely on real estate professionals to sell their homes, then why wouldn’t you, the buyer, take the same precautions in assuring yourself the best service and expertise in making this important decision?

# CONDOMINIUMS & TOWNHOMES

Condominiums and townhomes are the “starter home” of choice for many home Buyers today because they are generally smaller and less expensive than conventional single-family houses. The term “condominium” does not describe a particular style of architecture, but rather a type of joint ownership. Each living unit is individually owned, while the facilities and common space (the surrounding land and any recreational facilities) are owned collectively by the owners of each unit. In addition to their monthly mortgage payment, condominium/townhome owners pay a “homeowner’s fee” that pays for the management of the complex, upkeep of the common property areas, and usually the cost of some of the utilities.

Condominiums/townhomes combine some of the advantages (and disadvantages) of apartment living with those of home ownership. Condominium/townhome owners reap the same financial benefits (tax breaks and equity buildup) as other homeowners without many of the traditional chores of home ownership (such as being responsible for the gardening and hiring a contractor to fix the leaky roof). Moreover, condominiums/townhomes often offer such amenities as landscaping, meeting rooms and recreation rooms. Many are in planned communities offering wooded areas and ample play space.

Selecting a condominium/townhome is more complex than buying a single-family home because it also involves joining a social group and buying into a business. As a result, you need to investigate not only the specific unit in which you are interested, but also the entire project, both from a physical and financial standpoint.

Here are some questions you might want to ask when you contact the condo association or items to review when the CC & R’s are in your possession:

1. What percentage of units is owner-occupied? What percentage is tenant-occupied? Generally, the higher the percentage of owner-occupied units, the more marketable the units will be at resale.
2. What covenants, bylaws, and restrictions govern the property? What grandfather clauses are in place?
3. How much does the association keep in reserve? How is the money being invested?
4. Are association assessments keeping pace with the annual rate of inflation?
5. What does and doesn’t the assessment cover – common area maintenance, recreational facilities, trash collection, cable, water?



6. What special assessments have been mandated in the past five year? How much was each owner responsible for? Some special assessments are unavoidable. But repeated, expensive assessments could be a red flag about the condition of the building or the board's fiscal policy.
7. How much turnover occurs in the building?
8. Is the project in litigation? If the builders or homeowners are involved in a lawsuit, reserves can be depleted quickly.
9. Ask residents about their perception. Is the management company responsive to homeowners requests?
10. Are multiple associations involved in the property? In very large developments, umbrella associations, as well as the smaller association into which you are buying may require separate assessments.

A townhome is the same as a condominium in that the unit will share common walls with other units. However, a townhome differs in that each unit has its own ground space, so you will not have other units above or below your unit.

Important documents for you to review prior to closing escrow on a condo or townhome are:

- 1) Copy of the Conditions, Covenants and Restrictions (CC&R's)
- 2) Budgets and By-Laws (usually incorporated in CC&Rs)



# **Making an Offer**

# Making an Offer

**Now that you have found the home** you would like to purchase, it is time to make an offer. Taking into account the recent sales of homes in that neighborhood, which are similar in size, quality, conveniences, and amenities, what are you willing to pay for the home?

Make sure that you have everything down in written form...**no verbal agreements**. We will present the seller with a written document detailing what needs to be done by both parties to execute the transaction. The contract should protect the best interests of all parties involved and should be comprehensive in nature. Once the seller accepts it, it may be too late to make any changes, so make sure you review your offer thoroughly before submitting it. The contract, though not limited to this list, should include the following:

- ❖ A legal description of the property
- ❖ The offering price and down payment
- ❖ Financing arrangements
- ❖ A list of fees and who will pay them
- ❖ Amount of the Earnest Money
- ❖ Inspection rights and timeframes
- ❖ Naming of the title and escrow companies who will handle the closing
- ❖ A list of appliances and furnishings that will stay with the home or are excluded beyond what is standard practice.
- ❖ The settlement/closing date
- ❖ Any relevant contingencies

If you have any questions or concerns, they need to be addressed right away. After all, no one has ever said at their closing “I wish I had asked fewer questions.”

**We can save you time and money** by making sure that your contract meets all the legal requirements according to local and national guidelines. We will be able to expertly advise you on how to create an offer that will have the best chance of being accepted. Also, we will ensure your financial position as the buyer by including any necessary contingencies, which would protect you if a particular requirement were not met. (NOTE: We cannot give you any legal advice)

## **Five Items We Negotiate**

- 1. Price**
- 2. Terms**
- 3. Inclusions**
- 4. Possession**
- 5. Contingencies**

The key to successful negotiating is keeping in mind that you, the buyer, and the seller are happy. Other wise, negative feelings will persist throughout the remainder of the process and someone my walk away feeling that they were not treated fairly.

**We will work through all of these together!**

***That's Our Commitment to You!***

# **Earnest Money**

When you decide to make an offer, you must be prepared to make an earnest money deposit. That deposit is a sign of your good faith that you are seriously interested in buying a home and you have the wherewithal to do so. The check should not be made payable to the Seller or to your Realtor®, but rather, to the Real Estate Company or to the Escrow Company. Your earnest money deposit may be forfeited if the Seller accepts the contract and you decide to back out of the deal outside the terms of the contract. Typically, an earnest money is 3% of the offer amount.

## **WHERE DOES MY EARNEST MONEY GO?**

Once both the Buyer and the Seller have reached an agreement, the earnest money is deposited into the Escrow Company trust account. That deposit becomes part of the down payment. The earnest money is not deposited until there is a mutual acceptance of the offer. After acceptance, we have three business days to make that deposit.

## **CAN I LOSE MY EARNEST MONEY?**

Very rarely does any purchaser lose the earnest money. Most offers are contingent on the Buyer obtaining financing and conducting an inspection of the home. Prior to removing your contingencies regarding these things, your deposit is safe. However, if you decide that you do not want to buy the house, after removing all of your contingencies, your earnest money would be in jeopardy. In either situation, your earnest money is not released by the escrow company until both the Buyer and the Seller sign off, agreeing to whom the deposit is being released. If you have not yet released your contingencies, the Seller would have no legitimate reason to withhold your deposit. If the Buyer and Seller cannot agree on what will be done with the earnest money, the funds will remain in the escrow account until the matter is resolved by either the court system or through mediation.

# Home Warranty Protection

## NEW HOME WARRANTIES —

When you purchase a newly built home, the builder usually offers some sort of full or limited warranty on things such as the quality of design, materials, and workmanship. These warranties are usually for a period of one-year from the purchase of the home.

At closing, the builder will assign to you the manufacturer's warranties that were provided to the builder for materials, appliances, fixtures, etc. For example, if your dishwasher were to become faulty within one year from the purchase of your newly built home, you would call the manufacturer of the dishwasher – not the builder.

If the homebuilder does not offer a warranty, BE SURE TO ASK WHY!

## RESALE HOME WARRANTIES —

When you purchase a resale home, you can purchase warranties that will protect you against most ordinary flaws and breakdowns for the first year of occupancy. The warranty is a negotiated point during the offer process and may be paid for by the Seller. If the Seller does not agree to cover the expense, you as the Buyer should consider purchasing Home Warranty Insurance yourself. Even with a warranty, you should have the home carefully inspected before you purchase it.

A home warranty program will give you peace of mind, knowing that the major covered components in your home will be repaired if necessary. Ask us for more details about home warranty packages.

WARRANTY INFORMATION			
Company Name		Contact	
Address		Phone	
		Fax	
Policy Number		Policy Value	
Added Coverage		End Date	

**Sample  
Purchase  
Agreement  
and  
Aviara Addendums**

# Real Estate Forms

Throughout the real estate process you will encounter many pre-printed forms. Make no mistake, these forms are contracts. They are legally binding.

We want to make sure you understand them, so we have included a couple of samples for your review.

Please take a moment to look them over. Ask us to explain anything that is unclear.

Rest assured that we will review all of the applicable forms with you before you sign anything.



**Your Escrow**

# BUYER'S ESCROW PLANNING TIMELINE

IMPORTANT EVENTS	YOUR DATE
<b>Day 0:</b> The contract is accepted by both parties/acceptance is confirmed.	
<b>Day 1:</b> The first day AFTER acceptance. All contingencies based on “days after acceptance” or similar wording start on this date.	
<b>Day 3:</b> The last working day to deliver your deposit to escrow, which will be held in a non-interest bearing account. Your deposit will be applied towards your total down payment due at escrow close.	
<b>Day 7:</b> The last day for us to deliver Proof of Funds to the Seller’s agent. This will likely be a bank statement and it must show enough money to cover the balance of your down payment <u>and</u> closing costs.	
<b>Day 17:</b> Typically, the last day for you to remove your contingencies in writing. This includes Discovery (Inspections), Disclosures & Reports, HOA CC&R’s (if applicable), Appraisal and Loan . This time frame may have been negotiated to a different number of days in the contract.	
<b>COE minus 5-10 Days:</b> The time frame when you will sign your loan documents at your escrow officer’s office. The earlier the better so that the loan funding date is not delayed.	
<b>COE minus 5 Days:</b> The first day you can perform your final walk-through of the property to ensure it is in an acceptable condition.	
<b>COE minus 5 Days:</b> Don’t forget to order your utilities turned on.	
<b>COE minus 1-2 Working Days:</b> The normal time frame in which you will be required to bring or electronically transfer* the balance of monies due from you to close escrow (balance of down payment/closing costs).	
<b>COE minus 1 Working Day:</b> Loan funding day. Your lender provides funds to escrow so that your purchase can occur. If funds don’t arrive, escrow closing will be delayed (possibly with a penalty to you).	
<b>COE (Close of Escrow):</b> Your deed is recorded at the County Recorder’s Office. You now own your home. The time and date when you can physically occupy your home is specified in the contract.	

**\*Remember that an electronic transfer can take as long as two days. Make sure you have discussed the method of transfer, time frames and funds required with your escrow officer before this date.**

Escrow time periods are typically 30-45 days, beginning on day 1. The seller will provide to you, either through us or escrow (if ordered through a third party), disclosures such as the TDS-11, SSD, SPQ, CC&R’s, Pest Control Report, Natural Hazards Disclosure, Environmental Hazards Booklet, etc. Time periods for the seller’s disclosures are specified in your contract. You have a responsibility to review these disclosures and/or acknowledge receipt of these documents in a timely fashion. Your right to disapprove any of these documents and cancel is also specified in your contract.

Ordering your home insurance plan, completing your discovery and your right to accept and disapprove items discovered by you or disclosed by the seller are of the highest priority. The time periods for your inspections/other discovery are governed by your contract.

# **DISCLOSURE and DISCOVERY**

# Disclosure

Once we have an agreed upon offer on a property, the Seller will make a number of disclosures to you. These are all required by the state and some are a bit lacking in specific information about the home. There are however, a couple of disclosures that are very informative.

## THE NATURAL HAZARDS DISCLOSURE –

The Natural Hazards Disclosure will be provided to you by a third party company. This report will inform you about the natural hazards of a home or area that may affect this property. It will also give you a good idea as to whether or not you will need to carry flood insurance or additional fire insurance on the home.

## THE TRANSFER DISCLOSURE STATEMENT –

This is a document that is filled out directly by the Seller. It discloses to you in great detail what the home has and does not have, as well as what things may not be functional. This disclosure could also alert you to possible neighborhood nuisances or other factors of the home that would only be known by the Seller. Regardless of when you receive this document during the escrow time period, you have 72 hours to cancel the purchase once you are given this disclosure.

## THE WOOD DESTROYING PEST INSPECTION –

In California, every home that is sold must have a termite inspection. This is typically paid for by the Seller. The report lets us know if there is wood damage due to pests or dry rot, which is caused by water. Whether the Buyer or Seller pays for the repairs required by the pest inspection is a negotiable point that will be addressed when we make an offer.

# Discovery

Discovery is your right as the Buyer to “discover” aspects of the home and factors affecting its value during the escrow time period. This is a weighty responsibility and should not be taken lightly. You will be hiring inspectors to visit the property and provide you with information. You may also want to call the police department to inquire about crime in the neighborhood, the city to learn about what future developments may be occurring in the area, and you may want to knock on the doors of your future neighbors to see how they feel about the neighborhood. The most important aspect of your discovery is the Home Inspection, so we will talk more about that now.

# **How To Choose A Good Inspection Company**

## **IS AN INSPECTION NECESSARY?**

For any property you are thinking of purchasing, you have the right to arrange an inspection by a professional inspector of your choice. You should always exercise your option to have the physical condition of the property and its inclusions inspected. Many of the more severe and expensive problems such as mechanical, electrical, structural and plumbing are not noticeable to the untrained eye. If repairs are needed, we will negotiate those issues during the escrow timeframe. A professionally conducted home inspection followed by a written evaluation is standard procedure in home buying.

## **ARE INSPECTORS LICENSED?**

You have the right to hire whomever you choose to conduct your inspection. However, it is recommended that you select a licensed and bonded home inspector. Such a qualified person will be better versed in the intricacies of home construction that vary due to the age and style of the home.

## **WHAT DOES AN INSPECTION ENTAIL?**

A qualified inspector will follow Standards of Practice in conducting their inspection. The inspection consists of a physical inspection of the home followed by a summation walk through with the purchaser present a written report detailing their findings. They report on the general condition of the home's electrical, heating, and air systems, plumbing, roof, visible insulation, walls, ceilings, floors, windows, doors, foundation, and visible structure. The inspection is not designed to criticize every minor problem or defect in the home. No home is perfect. It is intended to report on damage or problems that require repair for the well being of the home and that might require significant expense.

# More Inspection Information...

## **BUYER EDUCATION IS NECESSARY —**

The primary purpose of the inspection is to educate the buyer to make an informed purchasing decision. A good home inspector knows how the home's many systems and components work together and how to minimize the damaging effects of sun and water. The buyer's attendance at the summation of the inspection provides them with an over all idea of possible future repair costs and maintenance routines. This is valuable information, which could increase the life span, and perhaps the future selling price of the home.

## **TIME AND FEE GUIDELINES FOR THE INSPECTION —**

The time necessary to properly inspect a home, as well as the fee charged by an inspector, varies according to market location, the size and age of the home, and the individual inspection company. However, you can expect that it will take an average of one and a half to three hours to competently inspect a typical one-family, three-bedroom home, with an average cost of \$300 to \$450.

## **QUESTIONS TO ASK WHEN HIRING AN INSPECTOR —**

- ☐ How much do you charge for the inspection?
- ☐ When will the final report be ready?
- ☐ Will it be typed or handwritten?
- ☐ Will you tell me if I have asbestos, aluminum wiring or galvanized steel pipes in the home?
- ☐ Can you determine the condition and estimated life of the roof?
- ☐ Will you determine the condition of the foundation?
- ☐ Do you inspect pool/spa areas and operating systems, in-ground water sprinklers, lighting systems and low voltage systems?
- ☐ Do you inspect chimneys?
- ☐ Do you inspect the attic and ductwork?
- ☐ What other areas do you inspect?
- ☐ When can you do the inspection?
- ☐ What time should I be there?

## **ADDITIONAL INSPECTIONS —**

Your Home Inspector may recommend further inspections be done by more specific individuals. The items that sometimes require further inspection are the chimney, pool and spa, and roof.

# HOMEOWNER'S INSURANCE



Your lender will require that you purchase homeowner's or "hazard" insurance. This protects you and the lender from loss in the event the house is damaged or destroyed by fire. Most homebuyers purchase a homeowner's package of insurance that includes:

1. Personal liability insurance, which protects you in the event you are sued by someone who is injured on your property or injured by a member of your family (except in an automobile accident).
2. Coverage against fire, theft and certain weather-related hazards
3. You will want to get quotes from several companies as to what types of coverage your homeowner's policy should include and how much coverage you need. Generally the lender will require you to get only minimal coverage up to the "replacement value" of the home.

**The ability to acquire insurance for a home is based on two factors: the home's history of claims and your history of claims. The insurance companies have a shared database of all claims dating back 7 years and they have become much more stringent in issuing policies. Getting home insurance through a standard carrier is no longer an automatic thing, so you should start getting quotes immediately after opening escrow on your new home.**

**Be sure when you compare quotes from different companies that you have been quoted rates for exactly the same types and amounts of coverage. You want to obtain a "fully underwritten policy", not a "binder". A "binder" is a temporary insurance policy and can be reviewed in 90 days. At that time, the insurance company can raise your premium or decide not to insure you at all.**

As the saying goes, "there is someone for everyone", there is also an insurance policy for every home. If you cannot get a policy through a standard carrier, California Fair Plan Insurance could be an option, however it is significantly more expensive. It is important to have this knowledge early in the escrow time period so that you can cancel your purchase if you feel that the insurance costs are prohibitive.

In some cases, the lender may recommend a particular policy. Or, you may want to use an insurance company with which you already do business: you may save money by having two or more policies with the same company. In any case, make sure the coverage is what you want and need.

Lenders typically want the first year's premium to be paid at closing. A lender may insist on paying subsequent hazard insurance premiums in order to ensure the policy remain in effect for the life of the loan. If so, the cost of the insurance policy will be added to your monthly mortgage payment. The lender will then keep this portion of your payments in an escrow account and will pay the insurance bill when it come due each year.

**Moving In**



# **Now, We Close Your Transaction!**

## **2-3 DAYS BEFORE CLOSING –**

2-3 days before closing you will be required to pay the “funds needed to close”. This consists of the balance of your down payment and all closing costs in the form of “guaranteed funds” such as a cashier’s check or wire transfer. Your escrow officer or Geoff will notify you of the exact amount.

## **1 DAY BEFORE CLOSING –**

Your lender will wire the loan funds into the escrow account.

## **CLOSE OF ESCROW DAY –**

The title company transferring ownership of the property will have a representative at the County Clerks office. They will record your ownership with the County. At that time, title is considered transferred and you own the home. This event could take place at any time between 8:30 and 5:00 on the day of close of escrow. Geoff will call you to let you know when we have been notified of the recording.

It is important to understand that ownership and possession are two different things. We will negotiate your possession date as part of the purchase contract. For instance, we may close escrow on Friday, but your possession of the home may not begin until Saturday at 5:00 pm. Geoff will be able to give you your new key in time for you to take possession of the home at the agreed upon time.

## **WHAT SHOULD I DO TO PREPARE FOR THE CLOSING?**

Pack your things, coordinate your movers (or your friends that own trucks), set up house cleaners or carpet cleaners as needed. In California, it is not necessary for you to be present on the day of close of escrow. Everything that you will need to sign will have been done by this time.

## **WHAT IS AN ESCROW ACCOUNT?**

An escrow account is a neutral depository for funds that will be used to pay expenses incurred by the property, such as taxes, assessments, property insurance, or mortgage insurance premiums which fall due in the future. You will pay one-twelfth of the annual amount of these bills each month with your regular mortgage payment. When the bills fall due they are paid by the lender from the special account. At closing, it may be necessary to pay enough into the account to cover these amounts for several months so that funds will be available to pay the bills as they fall due. You may also be required to refund items prepaid by the Seller. For example, if the Seller has paid the special assessments or taxes for that year, you may be required to refund the value of the months remaining in the year when you take possession of the property. An escrow fee is usually charged to set up the account.

# **We're Moving!**

**NOW THAT YOU HAVE A NEW ADDRESS, SEND OUT ALL YOUR CHANGE OF ADDRESS NOTICES.**

Complete your Change of Address notices and mail them to the following people. Keep in mind that the post office will forward your mail for some time (if you fill out the proper form), but they do expect that you are sending notices to everyone who sends you mail.

- ☐ Friends and relatives
- ☐ Magazine and mail order subscriptions
- ☐ Professional organizations of which you are a member
- ☐ Clubs, social or civic organizations with mailings
- ☐ Charge accounts, insurance carriers, and creditors
- ☐ DMV to receive tag notices

**DON'T FORGET THE NEEDS OF YOUR FURRY FRIENDS!**

Do not transport your pets much farther than they have safely traveled in the past without consulting your veterinarian. To transport animals by air, you need an airline-approved animal carrier. Depending on the weather, you may want to verify with the airline whether or not their cargo area is climate controlled. A moving company can inform you of any state regulations for pet entry, vaccination or quarantine procedures. Ask about regulations, licenses, tags, etc. for pets. Also, do not forget to obtain a copy of your pet's medical records.

**KEEP DETAILED RECORDS – SOME MOVING EXPENSES ARE TAX DEDUCTIBLE!**

Keep detailed records of all moving expenses if your move is job related. Many expenses, including house-hunting trips, could be tax deductible. If your move is 35 miles or more from your home, you can deduct your family's travel expenses, including meals and lodging; the cost of transporting furniture, other household goods and personal belongings; food and hotel bills for up to 30 days in the new city if you have to wait to move into your new home; and the costs associated with selling your old home or leasing your new home. Please consult with your tax accountant.

Note: There is a ceiling on deductions which is outlined in detail in the IRS's Publication 521, "Tax Information on Moving Expenses," available free from the IRS offices.

# More About Moving ...

## WHEN YOU CLOSE ON YOUR NEW HOME, YOU SHOULD COMPLETE THE FOLLOWING:

- ☐ Ask your bank about electronically transferring your funds to a bank in your new area. Discuss branch options and arrange for check cashing in your new location.
- ☐ Close out your safety deposit box.
- ☐ Obtain travelers checks for traveling funds and for funds while you are settling into your new location.
- ☐ Ask your insurance agent to transfer coverage to your new home. Make sure all coverage (life, health, automobile, personal belongings, etc.) is in force while you are en route.
- ☐ Schedule a moving company to assist you or begin notifying people who are helping you of your planned move date.
- ☐ Begin depleting your store of canned and frozen foods. Defrost your freezer and use charcoal to dispel odors.

## NOW THAT YOU HAVE A NEW ADDRESS, YOU CAN BEGIN TRANSFERRING OR CANCELING HOME SERVICES:

- |   |   |
|---|---|
| <input type="checkbox"/> Electric _____     | <input type="checkbox"/> Garbage _____  |
| <input type="checkbox"/> Gas _____          | <input type="checkbox"/> Cable _____    |
| <input type="checkbox"/> Telephone _____    | <input type="checkbox"/> Internet _____ |
| <input type="checkbox"/> Water, Sewer _____ |   |

## MAKE ARRANGEMENTS FOR CANCELING HOME DELIVERIES AND SERVICES SUCH AS THE FOLLOWING. ARRANGE FOR SERVICE AT YOUR NEW ADDRESS.

- ☐ Newspaper \_\_\_\_\_
- ☐ Cleaning Service \_\_\_\_\_
- ☐ Lawn Service \_\_\_\_\_
- ☐ Laundry/Diaper Service \_\_\_\_\_