

The RE/MAX Results Buyer's Handbook

A Guide through the Buying Process



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A Guide Through the Buying Process

I. Finding and Purchasing a Home3

This section includes information about the steps leading up to and including the writing and presentation of a formal Purchase Agreement, You will learn about the Multiple Listing Service, the process of viewing homes, and the importance of getting pre-approved for a mortgage.

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This section provides a detailed summary of all the events that will take place to ensure your transaction closes smoothly and on-time. These include the inspection, the appraisal, the final loan commitment and the final walk-through.

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I. Finding and Purchasing a Home

A. Personal Interview

The first step in the process of finding a home usually involves a personal interview. This interview may take place in person, over the telephone, or via email, but in every case, my goal is the same: to learn exactly what you are looking for.

We will discuss all the things that are important to you in determining your choice of a home, including:

- Price
- Location
- Square Footage
- Number of Bedrooms
- Number of Bathrooms
- Garage Size and Type
- Size of the Yard
- Style of Home
- Age of Home
- Amenities – Air-Conditioning, Hardwood Floors, etc
- Anything else that you may be looking for



My job is to listen well, to take complete notes, and then to start showing you homes that fit within your chosen parameters. I will search the Multiple Listing Service (MLS) on a daily or twice daily basis, and I will also search all other sources of information about available houses.

When I find a home (or a group of homes) that fits within your parameters, I will check with your availability, and make an appointment with the listing brokerage to tour the house (or houses). I will be given a code or a “key” into the house, and together, we will visit the home and take a look.

B. Mortgage Pre-Approval

In the meantime, it is important for you to visit a lender and get “pre-approved” for a mortgage. If you do not know a loan officer or have a relationship with one, I will happily recommend someone. What’s important is this: *the loan officer must provide you with a “pre-approval letter” before we can make a serious offer on a house.* It is virtually pointless to submit a purchase agreement that is not accompanied by a “letter of approval.” No listing agent will be willing to take a house off the market without a letter stating that a potential buyer is qualified to purchase the seller’s home.

C. Viewing a Home

The time it takes to view a home varies greatly. Ten to twenty minutes is usually sufficient, though often you will know immediately if it's not for you. There is no reason to spend extra time in a home that doesn't interest you. Conversely, there is no reason to hurry through a home that interests you. Please speak up about what you like, or don't like, about the house. I'm looking for honest feedback, so that I can continue to hone my search for you.



Usually, the seller will not be present while we are walking through the home, so we will be able to speak freely. Don't be afraid of offending me – if you hate the carpet, or the kitchen, say so! Everything you tell me will help me to do a better job for you. After viewing homes together one or two times, I will have a good sense of what you are looking for. At that point, I can go alone to “preview” a house for you and I will be able to judge whether it is worth your time to see the home yourself.

At a certain point, after seeing enough homes and getting a feel for the area and the market, we will walk into a house that will be “the one.” Chances are, you will feel it in your body – you will know that yes, you could live here. You would love to live *here*. . .

Then it's time to write the Purchase Agreement.

D. Writing the Purchase Agreement

The Purchase Agreement (PA) is a written document consisting of several pages that we will fill out together when you are ready to make an offer on a house. (In fact, “making an offer” and “writing a purchase agreement” are the same thing.)

Writing the Purchase Agreement can take from forty-five minutes to a couple hours. If you've been through the process before it may go more quickly. We will discuss issues such as:

- Closing Date
- Time of Possession
- Down Payment Amount
- Earnest Money
- Offer Price
- Multiple Offer Strategies

In writing this offer with you, I will discuss all the pertinent details, and explain any language that you may not immediately understand.

E. Multiple Offer Situations

As we sit down to write the Purchase Agreement, I will place a phone call to the listing agent. Among other things, I will ask: "*Are there any other offers on the table?*"

If there are not, then we may proceed with a certain amount of negotiating power, depending on other factors such as the length of time the house has been on the market, or the condition or location of the home.

If there are other offers expected or already on the table, then we enter into what is called a Multiple Offer Situation.

In a Multiple Offer Situation, the seller holds virtually all the cards, and thus gets to choose between the offers presented by each buyer. Many factors will come into play as the seller decides which offer to work with. Sometimes, a seller or seller's agent will try to play one offer against another. Most times, the seller will choose to accept or negotiate with one specific buyer – whichever one they deem to have made the best offer.

Price is certainly among the most important factors as the sellers make their decision – but sometimes, closing dates, strength of financing, earnest money, contingencies, or other factors may tip the scale in one direction or another.

When entering into a multiple offer situation, it is advisable to make the offer as attractive as possible in all aspects, including price.

F. Offer Presentation

When we complete the process of writing your offer, I will submit the purchase agreement along with your pre-approval letter to the listing agent. This “offer presentation” will be carried out by fax, phone, hand-delivery, or in a personal meeting – whichever way the listing agent prefers. The tendency nowadays is to present the offer by fax. Listing agents have begun to avoid situations where a skilled buyer's agent might persuade a seller into accepting terms that they might not accept if given time and privacy with their own representative. This fax-style of offer presentation puts more emphasis on the buying agent's professional reputation within the real estate community, and his/her ability to get transactions to close properly and on time.



G. Offer Acceptance

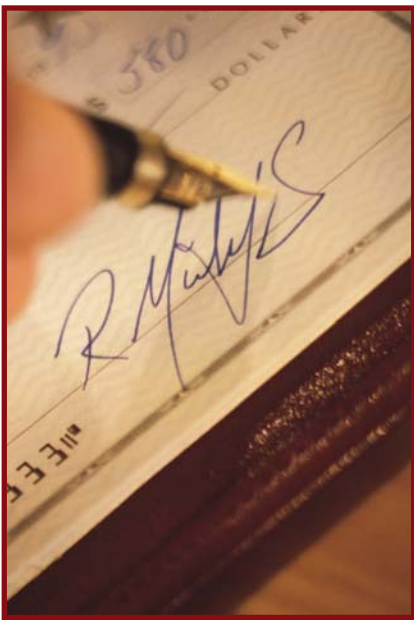
After receiving the fax, the listing agent will then confer with the seller(s), who may accept the agreement as written, reject the offer outright (often in lieu of a stronger offer), or, they may request certain changes. In the event of the third possibility, I will negotiate with the sellers and the listing agent on your behalf, always keeping my fiduciary responsibilities to you as my client at the forefront. (See Agency Disclosure – Fiduciary Duties of Loyalty, Obedience, Disclosure, Confidentiality, Reasonable Care, and Accounting)

If buyers and sellers can come to agreement, the sellers will sign the contract and initial any changes. You as the buyer will also need to initial those changes.

When both parties have signed, delivered and received the Purchase Agreement (such that they each have the signed agreement in hand), the Purchase Agreement becomes a valid contract.

H. Earnest Money

When you submit a Purchase Agreement, you will also submit an Earnest Money Check. Earnest money is the portion of your down payment that you are including with your Purchase Agreement. It usually is written for an amount equaling one to five percent of the purchase price. This amount varies on how much interest there is in the property and on whether your offer will be competing with other offers for the sellers' attention. **It is important that you have adequate funds in a liquid account for writing this check.**



The check will be written to the Listing Brokerage, and will be deposited in the Broker's escrow account within three days of the time the purchase agreement becomes a valid contract. If the contract is not signed and accepted, the earnest money check will be returned immediately and will not have been cashed or deposited.

The earnest money serves as proof that you are EARNEST about the contract. It is money that will be applied to your down payment at closing. However, it is also money that you risk losing if you fail to live up to your end of the contract, or if you pull out of the deal without a valid reason.

What is a valid reason? Your Purchase Agreement contains "contingencies," such as the financing contingency and the inspection contingency. These are provisions of the contract that provide valid reason for dissolving the contract if certain issues are not resolved to your satisfaction.

For example, an inspection contingency states that if during an inspection of the property there is found to be a significant problem, you have the right to:

- Ask the seller's to fix it to your satisfaction.
- Request to reduce the purchase price to allow you to fix the problem yourself.
- Decide that this problem is a deal-breaker and cancel the Purchase Agreement.

If you declare the agreement void in this final case, your earnest money will be refunded to you.

If, however, two weeks before the closing date you break your leg and decide this isn't such a good time to move, you risk losing your earnest money if you try to cancel the contract.

II. The Post-Sale Process

A. Private Inspection

(Note: This inspection is independent of any Truth-in-Housing-type inspection the seller may need to put the house on the market.)

If you have selected, as part of your Purchase Agreement, to make the contract subject to a private inspection, that inspection will need to be completed within one to three days after signing the contract. You may use an inspector of your own choosing, or you may ask me to recommend some names – either way, this inspection is for **YOU**. You pay for it. (It costs around \$300.) You attend and ask as many questions as you want. And, at all times, that inspector is at your service to help you determine if there is anything wrong with the house which would lead you to either renegotiate the price, or cancel the contract.



The inspector is looking for major concerns: The need for more smoke alarms, minor cosmetic upgrades, or sticky door handles are not strong reasons to renegotiate. Significant problems with the roof, furnace, foundation, plumbing, electrical wiring, or evidence of pest infestation, are reasons to go back to the seller with new demands.

Once the inspection has taken place, you as the buyer have a finite period of time within which to make your demands known to the sellers. They have a finite period to respond, and in most cases, any negotiations or changes to the purchase agreement are accomplished within one week of signing it.

B. Homeowners Association Agreement (if applicable)

If the property purchased is a townhome, condominium, or part of a single-family home association, you as the buyer will be supplied with the association's by-laws and covenants, along with association phone numbers and address. You then have 10 days to read the documents, and decide whether you will agree to the association rules and covenants. If there is something in the association documents which you will not accept, (such as a pet exclusion clause), you may cancel the purchase agreement and your earnest money will be refunded.

C. Appraisal and Final Underwriting

Once the house has passed the inspection, the lender will require an appraisal of the property. They require this to ensure that the house is worth the money that they will be loaning on the property. Also, it will protect their investment if a buyer is unable to make the payments. (Payment for this appraisal will be your responsibility, and you will be charged for it as part of your total closing costs.)

In the vast majority of cases, the home's appraised value will equal or surpass the negotiated sale price, since most sellers obtain market evaluations from a licensed Realtor prior to listing their home.

In some occasions, most often with VA or FHA loans, the appraiser may require some work to be done before the home can appraise at the sale price. Such items could be as simple as fixing a cracked front step, or as complex as painting an exterior or replacing a roof or furnace. The seller typically covers costs for these "work orders," though in competitive bidding situations, the buyer may assume responsibility for them. In either case, these contingencies will have been addressed when writing the purchase agreement.

D. Purchase of Homeowners Insurance

Before the day of closing, preferably a few weeks before, you will need to contact an insurance agent and purchase a homeowners policy. Your lender will require you to bring proof of this purchase, in the form of a paid receipt, to the closing. You should contact your loan officer for the exact language that he/she requires in the mortgagee's loss payable clause, and the exact amount for which the policy should be written.



E. Completion of Title Work

Also taking place in this interim period before closing is the work of assuring that there is "clear title" to the property. A title company will research government records, and will develop and present a legal opinion on *whether the property is actually owned by the seller*, and consequently, whether the seller can legally deliver "clear title" to you. Determining "clear title" is a somewhat complicated and inexact procedure, and it is always *possible* that someone may at some point appear and assert a claim for part or all of your home. But this is very rare. Usually the completion of the title work is a routine process that should present no worries to either seller or buyer.

However, just to make sure that there are no future problems with the title, your lender will require you to purchase a Title Insurance Policy. This will insure that if ever a mistake is found, or a claimant arises, you will still own the property. The insurance will be used to pay off the claimant, if that is ever necessary.



While the lender requires a “lender’s policy” to cover their mortgage investment in the property, it is your choice as to whether to purchase an “owner’s policy” at the same time. An owner’s policy will cover you for your share in the investment – an amount equal to your downpayment in the beginning, but which will increase each month as you pay down your principle. If you purchase an owner’s policy at the same time that you purchase the lender’s policy, this owner’s policy will cost a relatively small amount of money when compared to the risk of losing your ownership share. Like most agents, I always recommend purchasing an owner’s policy.

F. Contacting Utilities

It is wise to contact the local utility companies (gas & electric, phone, city water, etc.) **at least a week before you close**, to notify them of your move date and to set up the time for your new service to begin. They should conduct or at least estimate a final reading for the close date.

It is also a good idea to contact the post office to enter your change of address.

G. Notice of Closing

Your closer should contact you at least two weeks in advance of the closing, to confirm the time and place of the closing. I will contact you to make sure you received this notice, and that you understand what you need to bring to the closing. We will also discuss plans for getting to the closing, in terms of directions to the location, and whether or not we will drive together.

A day or two before closing, I will examine your “HUD statement” to determine that your actual closing costs match the good-faith estimate you received from your lender. This HUD statement is an accounting statement of all the costs you will have incurred in purchasing the home, along with any credits you may receive -- such as payments made from the seller for improvements or pro-rated taxes. If there are any issues or inconsistencies, I will address those with you prior to closing.

H. Final Walk-Through

The Purchase Agreement gives the buyer the right to view the house just prior to closing. The “walk through” is usually scheduled for a day or two before closing, or on the day of closing itself. The purpose of the walk-through is to determine that the home is in the same condition it was in when it was purchased. If there are changes, such as broken windows, new stains in the carpet, or the disappearance of a gorgeous chandelier, these issues will need to be addressed before the closing. If an issue does arise at the walk-through, I will immediately contact the listing agent and start the process of negotiating a fair resolution to the problem. Often these issues are redressed through minor reductions in the purchase price of the home, or by cash rebates from the seller to the buyer.

I. Closing

By the date of closing, we will have attended to all these details and there will be nothing left to do but sign the paperwork. You will simply need to bring the required items listed in the closing notice and be ready to start signing documents.



I will be present as the closer guides you through the process. In a matter of 30 minutes or so, after signing about 20 documents, you will be the proud owner of your new home.

The Celebration

Hopefully, at this point, you then will turn to me and say, “Thank you, RE/MAX Results agent. This was so easy! And fun!” And I will humbly say, “I’m so glad.”

And it will be true. I will be very happy to have helped you through this process. I love being a Realtor. Finding homes for people is a great pleasure for me.

And on that note, I thank you in advance for the pleasure of working with you. May we find exactly what you’re looking for, and may the entire process be fun and successful!