

BUYING A HOME

A BUYER'S GUIDE TO NAVIGATING THE PROCESS



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This booklet is intended as a helpful guide to help you through the process of home buying. It is not intended to be a comprehensive or all-inclusive book. Please use it to help you but also use other resources available to you when buying a home.

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BUYING A HOME: STEP BY STEP

This brochure can help you as you begin the process of purchasing a home. There will be many people who play a part along the way and it helps to know what their roles are and when they will come in before beginning. You do not need to be an expert but you do need to know the basic process that will take place so that you can ask questions and make decisions with confidence.

A PURCHASE HAS TWO PARTIES:

The Seller's Needs:

- ❑ To sell at the highest possible price
- ❑ To have few duties to improve property for the new owners
- ❑ To have few hassles
- ❑ To have the least possible expenses associated with the sale

The Buyer's Needs:

- ❑ To buy the best property at the lowest cost
- ❑ To buy a home that is in the least need of fixing up
- ❑ To buy a home that will not lose value
- ❑ To have few hassles

EMOTIONS RUN HIGH AT TIMES!

Try to remember:

- ❑ You will do your best when you recognize your emotional involvement
- ❑ There are ALWAYS other houses
- ❑ You need to believe in your instincts
- ❑ You need to take the time to check out the property physically and legally
- ❑ Your Agent should be a trusted advisor whom you enjoy spending time with and respect their knowledge and advice
- ❑ You will need to be decisive when the time comes to make an offer

ATTORNEYS

- ❑ Ask questions about the process and how you will interact with your lawyer
- ❑ If the lawyer says there are too many risks in the purchase, listen!
- ❑ The more you know about the lawyer's job, the easier it will be to get the help you need during your purchase process
- ❑ Confirm that your attorney is a real estate expert. When purchasing a condo, make sure they also have experience with reviewing condo documents thoroughly!
- ❑ Be sure to discuss the fee during the first meeting so that your bill is not a surprise. If possible, ask for a set fee instead of hourly. An hourly amount could be less if it is a less complicated closing but if anything comes up, that fee could go up quickly

WHAT WILL AN ATTORNEY DO FOR YOU?

- ❑ Help negotiate on your behalf if issues come up after the offer or home inspections.
- ❑ Revise the Purchase and Sale Agreement and add clauses that further protect you and your interests
- ❑ Assist the Bank Attorney during the mortgage process when necessary
- ❑ Prepare your financial accounting portion of the purchase and answer questions that come up such as how much to bring to closing and whether real costs are the same as quoted initially from the lender
- ❑ Attend the closing if you decide that is necessary
- ❑ Clear up any title issues that come up during purchase process
- ❑ Prepare a Homestead and Title Insurance if needed and requested (*make sure you ask the attorney about these!*)

TIME LINE:

This is a general guide although actual times vary considerably

Before Looking at Homes:

- ❑ Choose an Buyer Agent
- ❑ Get Prequalified by a Mortgage Lender
- ❑ Sign up for Daily Emails in markets you like
- ❑ Spend some time in towns you like

Begin Your Search

- ❑ Look at everything in the towns you like in your price range. Some homes may not show well in MLS or even with a drive by.

Make an Offer – generally they have an acceptance window of 8-12 hours.

- ❑ Once Offer is Accepted:
- ❑ Obtain an Attorney
- ❑ Schedule a Home Inspection – should be done with 5–7 days of accepted offer
- ❑ Begin Mortgage Application
- ❑ Sign Purchase and Sale – 10–14 days from accepted offer

Once Purchase and Sale is Signed:

- ❑ Schedule Movers
- ❑ Finalize Mortgage Application
- ❑ Obtain Mortgage Commitment by date listed in P&S (usually 3–4 weeks from application)
- ❑ Schedule Closing Time/Place/Date (Your Attorney will help with this)
- ❑ Obtain Home Owner's Insurance for the new home

One Day from Closing:

- ❑ Walkthrough property to make sure everything is as you expect

Closing:

- ❑ Bring your license, checkbook, evidence of Home Owners Insurance and any other items the closing Attorney requests
- ❑ Relax and get ready to sign a lot of papers
- ❑ You Have Done It! Congratulations!!!

BEGINNING THE PROCESS

WHERE DO YOU WANT TO LIVE?

- ❑ Schools, jobs, public, topography, demographics, town size all should be considered
- ❑ Sign up for daily emails in those identified towns which sends new listings, price changes and solds so that you get an overview of what is happening in those towns. There are also many resources to find out more information on the towns. Ask your Agent! They can help you find them.
- ❑ If you don't have daily email access, ask your Agent to get your this information to you quickly so that it is still relevant. They could call or send mail to you.
- ❑ Meet with one or several Mortgage lenders to see what you can afford and what your comfortable range for purchase price will be. If you don't have anyone you have a relationship with, ask your Agent - we usually have a list of people who we have worked with and who have helped make previous transactions smooth and free of surprises
- ❑ Spend some time driving around the areas you are interested in to get a better feeling for the community and it's neighborhoods

WHEN YOU START LOOKING AT HOMES

- ❑ Develop a list of things that are important to you in order of priority or a "Must Have" list as well as a "Would Love To Have" list
- ❑ Use this list each time you look at a house, during and right after looking so that you can remember what worked and what didn't and why. Drop homes from your list that don't fit your "Must Have" list
- ❑ Ask Questions! Agents must disclose anything they know about a property that would be considered a defect or problem if they are aware of it. If you have questions though, your agent should either be able to find out or give you the resources to find out.
- ❑ See everything in your price range in the towns you want to live in! Buying is a process of elimination. Every house you look at will give you more clues to find "Your Home"
- ❑ Once you have a house in mind, use the next page before making an offer so that you are sure it is the right home for you

STOP! BEFORE MAKING AN OFFER

- ❑ Call the local police department and tell them you are thinking of purchasing a house and give them the address. Ask them if there have been any problems in the neighborhood and what types of problems.
- ❑ If possible, spend some time in the neighborhood and try to speak with people about how they like it. In the winter this may be a little more difficult but ask your agent, they could give some ways you could approach this. Neighbors can be a fountain of information.
- ❑ If you are planning on any type of renovations or additions, you should try and meet with or at least call the local building department to discuss what your plans are for the house and what their restrictions may be. If you do go in, have a plot plan and a good idea of what you are trying to do in hand, especially if you are going to put an extension on the home.
- ❑ If the house is on a septic system, you should get maps of that system. The local Board of Health should have these maps on file.
- ❑ If schools are a concern with you and your family, go on line to find out more and think about making an appointment to visit the schools.
- ❑ Go to the house at different times of the day to get a better feel of what traffic and the neighborhood can be like.
- ❑ Call the town or city planning office to find out if there are any type of planned changes or developments that might affect the neighborhood or area you are considering. These can be positive or negative changes but you should be aware of both.
- ❑ If community is important to you, spend some time in the library and downtown of the area you are considering.
- ❑ Start looking for a home inspector you will be using once an offer is accepted. www.ashi.com is the one resource for that. Many inspectors have websites you can link to in order to find out what services they offer.
- ❑ Once you have decided to make an offer on the property, make sure your lender knows you will be extending an offer. They can write a prequalification letter that is specific to that property and the price you will be offering.

HOW MUCH SHOULD I OFFER?

1. First of all, ask your agent if it is a Buyer's market or a Seller's market. This is very important to know before you make an offer – it affects what you offer and the approach you take when making the offer.
2. Have your Agent do a market analysis of the house to compare it to homes sold recently (within the last 6 months if possible) in the area. You should know how the price compares both per square foot and against overall comparable sales. Do not compare it with other homes on the market. Sold price is the only number you should use in finding the right offer price!!
3. Ask yourself a few questions when making your offer:
 - ❑ How much do you love the home?
 - ❑ How will you feel if your offer is not accepted?
 - ❑ Are you willing to pay more than anyone else for this home?
 - ❑ What other non-monetary incentives could you make to “sweeten the pot”? Things such as a flexible or quick closing date, excellent credit, promising not to “nit pick” on inspection items. Every Seller has different things that they would like to have that may tip the balance in your favor when considering your offer. Your Agent can often help find out what these things may be.

MAKING AN OFFER

The Offer to Purchase Real Estate

- When you are ready to purchase the home you have chosen, the process is precipitated by a written offer to purchase – This is generally done on a standard form and contingency page (see the end of this packet).
- Their Agent **MUST** present all offers to the Seller!

Things to Know:

- You must make sure you are very clear about this part of the purchase
- **YOU** are the one making the offer to buy the home
- Your agent will help you with timelines but you should make sure they fit into your schedule and needs
- With the offer you will put down a deposit, usually around \$1000. This will not be deposited into an escrow account until your offer is accepted. The Brokerage representing the Seller will hold this money in escrow
- With Purchase and Sale, you will need to put additional money down – generally between 5–10% of purchase price
- Deadlines are deadlines! The dates you have committed to on the offer are part of a binding contract with the Seller. Be sure of the dates and your ability to meet them. This includes your mortgage commitment date.
- Offers are a binding legal contract. The contingency page will give you the time you need to have the home inspected, documents reviewed and mortgage finalized

HOME INSPECTION

A thorough home inspection by a qualified home and pest inspector is most important. This is typically done within 10 days of an offer being accepted but BEFORE you sign a purchase and sale agreement.

HOW TO FIND AN INSPECTOR:

- ❑ Go to www.ashi.com to find a complete list of inspectors who work in the area you are buying in.
- ❑ Get referrals from friends and co-workers. They are an excellent source of information.
- ❑ Get a referral from your attorney and/or Buyer Agent (only a Buyer Agent can give you a list of names).
- ❑ Call several of the inspectors and get a list of services they provide, availability and prices. They vary widely.

THINGS TO ASK:

- ❑ Can they inspect before you need to sign purchase and sale?
- ❑ How long do they typically spend on an inspection?
- ❑ Do they inspect all of the homes major systems (heating, air conditioning, plumbing, structural, roof)?
- ❑ Do they offer pest inspection as well?
- ❑ Will they issue a written report on the spot or mail it to you?
- ❑ How much are tests such as radon, water, well, pest?
- ❑ What lab do they use?

ADDITIONAL INSPECTIONS TO CONSIDER:

- ❑ Termites
- ❑ Other pests (carpenter ants, rodent, other)
- ❑ Radon
- ❑ Water Quality
- ❑ Mold & Mildew
- ❑ Asbestos
- ❑ Urea Formaldehyde Insulation
- ❑ Lead Paint
- ❑ Wet basement
- ❑ Underground Oil Tank
- ❑ Pesticide Usage

PURCHASE AND SALE AGREEMENT

WHAT IS A PURCHASE AND SALE (OR “P & S)

- This is a contract for the purchase of the property
- It is often 4 standard pages plus various riders that are added by both the Buyer and Seller’s attorneys
- Buyers and Sellers should never sign the P & S until both attorneys have thoroughly reviewed and approved the agreement. Both Buyer and Seller should also thoroughly have reviewed before signing.

CAN IT BE CHANGED?

- Yes, but usually only during the draft phase. The attorney’s on both sides will work to draft an acceptable document.
- Buyers and Sellers must understand the terms the deal lays out, the consequences of any changes once signed and the protections in place for their deposit money

WHAT IS IN A P & S?

- For the Buyer, there should be some basic protections
- Mortgage details
- Title problems
- Deposit details
- Repairs to be done by the Seller before closing
- Access to the house prior to closing
- Notices between the parties prior to closing
- Preparations and adjustments for closing
- Inclusion of any modified terms since the accepted offer to purchase was completed

FINAL WALKTHROUGH

WHAT IS A FINAL WALKTHROUGH?

- Buyers and their agent will walk through and around the property on either the day before or the day of closing to assure that the condition of the property is in the same or better condition that the day they signed purchase and sale.
- Buyers have a chance to make sure any contracted repairs were done to their satisfaction
- If the property is not in expected condition, contact your attorney immediately to discuss a course of action. These could include holding back money at closing to cover the costs of repairs, postponing closing until repairs are made or making a monetary settlement to cover costs of repairs, cleaning or clearing out.
- Property on day of closing should be broom clean.
- You will often check the level of the oil tank and/or propane tanks so that you can reimburse the Seller at closing for what is in them. Generally a call is made to the current oil and/or propane provider on the day of closing to get the cost of those products on that day.
- According to the law, any item that was “affixed” to the property, such as curtain rods, hardwired lights, cabinets, dishwashers, etc., unless they were specifically excluded in the purchase and sale, should all remain in tact on the property.

MAKE THE TIME FOR FINAL INSPECTION!

- If a problem arises after the closing you will have little to no recourse!

THE CLOSING!

WHAT IS A CLOSING AND WHAT HAPPENS?

- This is the final meeting to complete the transfer of property from Seller to Buyer
- All parties meet at a prearranged destination – often the bank attorney’s office or the Registry of Deeds for the county the property is located in.
- People who typically attend are
 - All Buyers
 - All Sellers (or their representatives)
 - Bank Attorney who prepared closing documents
 - Buyer’s attorney (if you choose to have him/her attend)
 - Seller’s attorney (if they choose to have him/her attend)
 - The Buyer Agent
 - The Listing Agent

- During the meeting, the Seller will present the deed of transfer to the Buyer and execute several documents affirming that the closing is taking place as planned by all parties.
- The buyer will sign many pieces of paper, including the two most important ones:

Promissory Note: obligates the Buyer to promises to pay back to the bank the loan amount over a term of years with a stated amount of interest

The Mortgage: This attaches the Buyer promise to repay a debt onto the house so that if the bank does not receive the money, the bank may foreclose on the property. This means that if the Buyer does not pay the mortgage debt each month, the bank may take and sell the house to repay the Buyer’s unpaid debt.

Important Note: You do not own the home until the deed has been recorded at the registry of deeds in the county the home is in. Please note that you may not get the keys to the home until this has occurred!!

WHY A CONTRACTED BUYER AGENT?

- They represent YOU in purchase negotiation
- They will help strategize in negotiation
- They will work to obtain the lowest price and best terms for YOU
- They work in YOUR best interest and approach the entire transaction with YOU in mind
- They will disclose anything they can find out about the property including the Seller's urgency to sell or motivation for selling if this information becomes available to them. They will try to find this information out for you!
- They provide and help evaluate the market data to determine the home's value
- They will disclose to you the length of time a property has been on the market, whether they have had previous offers and what types of price changes have been made
- Give you help and advice on finding out more about the neighborhood and town you are considering
- They will continue to work with you on finding the right house for you, not just try and sell the listings they have.
- They will be on your team looking for the things you want in a house along with you. Often, they may have advance notice of listings so that you know ahead of others that a good match is coming on the market.
- They will help guide you through the entire purchase, helping to make recommendations and give advice whenever they can.
- In MOST cases, **the Buyer does not pay a Buyer Agent.** The Seller gives their agent a percentage of the sale and that agent in turn offers compensation to the Buyer Agent who delivers a Buyer. Unrepresented Sellers are often willing to compensate the Buyer Agent through negotiation as well.
- A Buyer Agent can save you considerable money and time. They will help you negotiate a better price, advise you on how to negotiate repairs needed for the property, help find you an inspector and attorney who will also be in your corner and run documents around for you. These are just a few of the things we end up helping with.