#### **Home Buyer Presentation**

The following information contains the services and education we provide throughout the Buying process. The pages that follow provide more detailed information

#### Steps involved in buying a home

**Interview Process** - We get together and determine if I can provide you with the level of service you require and you can give me the most accurate information to provide you with the best support.

**Pre-Loan Approval** – Ensures we are looking for homes in the correct price range, saving everyone involved time and money and to get the best house you can afford.

Assisting the buyer - What we do to help you through the process

Educating the buyer – walk you through & explain each step of the buying process

**Determine your lifestyle and needs –** Areas and homes that best fit your needs

Information we need to narrow-down our search criteria

**Costs involved in the transaction –** Closing costs, down payment, transaction costs

**Negotiating Process -** Getting you the most for your money

**Management Process** – Work with title, escrow, inspectors, lenders, etc. (ensure everyone is on track and following strict timelines during the process)

**Buyer-Broker Agreement –** Agreement between us allowing me to be your exclusive agent for a select period of time

Types of properties available – Describes types of properties available to you

Escrow – Basically just a link within the transaction (receives and distributes funds)

**Title Insurance** – Ensures the property you are purchasing is free and clear of liens, encumbrances, etc.

**General Information** 

**Contact Information** 

#### Steps Involved in Buying a Home

- 1. **Get Pre-approved** Process is quick and painless, lets you know exactly what you can afford and once you have this done, the rest is the fun stuff. (Many people think they cannot afford to purchase a home and are usually surprised when they find out they actually can).
- 2. **Meet with your real estate agent -** When you first meet with me we will:
  - **A.** Educate you on the buying process. I will show you what I am going to do for you, and what I will need you to do. We will give you and walk you through my "Buyer's Handbook".
  - **B.** Review some homes together on the MLS and answer some simple questions so I can find out exactly what type of home you're looking for and the area that fits your needs.
  - **C.** <u>Determine if we can work together</u> so you can be a successful buyer.
  - **D.** <u>Sign agreement and acknowledgements</u> People usually feel overwhelmed with all the contracts. Most of the time it's because they don't understand what they are signing and why. Let me break it down!
    - 1. Real estate acknowledgement form this just shows you I'm actually a licensed realtor.
    - 2. Real Estate Agency disclosure This just shows what my duties are to the client.
    - 3. **Disclosure/consent form for representation** This form just shows you that I can represent more than one buyer/seller in a transaction and your consent to let me do so.
    - 4. **Exclusive Buyer/Broker** Agreement with each other that I will act in your best interest while representing you and you are allowing me to be your exclusive agent.
    - **5. Buyer Material Issue** This is just a list of what you absolutely have to have in a home and what's most important to you. (Schools, neighborhood, etc.).
- 3. The same day, or the next time we meet, we will:
  - **A.** Walk-thru the homes which we picked- out from our MLS search
  - B. Find the best home that fits your needs
  - C. <u>Determine the price to offer</u> At this point, there's only a few more forms to take care
    - 1. The "Offer" to purchase
    - **2. Buyer's advisory** This just says the price could change depending on contingencies
    - **3. APA form** This lets you know if the other party is a licensed real estate agent and also lets you know if anyone in the transaction is related
    - **4.** Local Area disclosure This just says you have been notified of any out of the ordinary circumstances in the area you're moving to

Forms may vary depending on the types and conditions of the property

- D. <u>I'll negotiate terms and conditions</u> in your best interest
- **E.** <u>I'll manage the process</u> of the transaction title, Inspections, contingencies, deposits, loan funding, escrow, timelines and communication with you through the process
- F. I'll Coordinate closing of sale/escrow
- G. I'll Coordinate your move date, transfer of keys, utilities, etc.

**EASY ENOUGH!** NOW, ALL YOU HAVE TO DO IS **GET STARTED**, SO WE CAN GET YOU IN THE HOME YOU WANT, IN THE TIME YOU WANT.

DAVID JACQUES 858-775-6305 DJACQUES@KW.COM

Web: www.Jacques4CalProperties.com

#### Buying Real Estate in California

In Southern California, most real estate transactions are handled by escrow companies. The escrow company is the "stakeholder" for both parties, and performs the many operations that are required when transfer of title to property occurs. These operations include the preparation of initial escrow instructions which reflect the terms of sale agreed to in the offer to purchase, amendments when required, obtaining copies of title reports, preparation of loan documents and trust deeds, assembling certain other required documents, e.g. "termite" reports and insurance policies, title transfers and recordings, prorating taxes, interest, payments, disbursing funds at the conclusion of the transaction, and finally, providing the parties with an itemized "closing statement" which accounts for all of the monies involved.

From the standpoint of buyer and seller, the procedure is very simple. Normally, it is not necessary for the buyer and seller to meet, nor is it normally necessary for either to visit the escrow office. The entire escrow operation can be conducted by mail, fax or email.

An explanation of the steps that will be taken follows:

#### **OPENING ESCROW**

The first step taken in processing a sale is to "open" escrow, generally done by your real estate agent. This simply means that the terms of the agreement of sale, or deposit receipt, which specifies the conditions to which both parties have agreed, is communicated to the escrow company and that the check offered to bind the agreement is delivered to escrow. The money is deposited in a trust account and is part of the down payment. The escrow officer then writes the escrow instructions. The instructions are nothing more than a formal recital of the terms of the sale with additional conditions and instructions included by escrow as necessary to ensure both buyer and seller have a clean understanding of the process. Copies are mailed to all of the concerned parties, usually on the following business day. If all parties agree to the terms as stated, the instructions are signed and returned to the escrow officer. If changes are required, the instructions are amended until all parties are in agreement. Note: it is very important that the instructions are reviewed, signed, and returned as soon as possible to avoid delay in meeting the scheduled closing date.

#### LOAN APPLICATION

Concurrent with the preparation of the instructions, the buyer usually will be processing a loan application. This application should be very carefully and accurately completed **immediately** as the lender's processing is quite time consuming. As soon as the loan application is received, an appraisal is ordered. It is conducted by the lender to insure that the property is worth the negotiated sales price. This is done to protect their investment in the property. It can be conducted by an independent appraiser or by an in-house appraiser. The buyer is usually charged a fee for this up front when filling out the loan application.

#### TERMITE REPORT

In anticipation of loan approval, the seller will order a "termite" report from a state licensed pest control operator. This inspection is to insure that there are no termites or other forms of infestation in the house. The name "termite report" is something of a misnomer as it covers other items as well, such as fungus, dry rot, leaks in shower stalls that could cause problems, improper grading that could permit water to run under the house, etc. The property has to have a "clearance" in order to get funding from the lender.

#### FIRE INSURANCE

The buyer should provide escrow with the name of his insurance agent. All lenders require a policy of fire insurance before a loan can be funded. **Note:** You will probably want additional coverage such as a homeowner's policy which includes liability and other coverages. The premium for this policy will be required in escrow at the time of closing, so it is necessary to determine the amount in advance so that sufficient funds will be on deposit to complete the transaction.

#### LOAN DOCUMENTS

The lender will draw up loan documents which will give the specific details of the loan you are obtaining- the amount, interest rate, term in years, due date, etc.

#### **DOWN PAYMENT BALANCE**

Approximately 3 days before the closing, the balance of the funds due on the down payment, the insurance premium and the escrow charges must be brought to escrow in the form of a certified or cashier's check drawn on a California bank whose funds, further, are payable in the State of California. Otherwise, funds may be wired to the escrow trust account from an out-of-state bank. Arrangements must be made in advance if that is the case. **Personal checks are not acceptable.** 

#### RECORDING OF THE DEED AND TRANSFER OF TITLE

The recording and transfer usually occurs at 8:00 a.m. on the specified date, at which time the buyer has bought and the seller has sold the house. However, actual possession should be agreed upon in advance. It is awkward and costly to have two moving vans at the front door at the same time. The sales agent will provide a key.

#### **CLOSING COSTS**

Separate forms are available which illustrate the elements of buyer's and seller's closing costs. Such forms can be completed by your sales agent prior to or at the time the purchase agreement is completed. While the various pro-rations, insurance premiums, etc. are not known at the time, and thus the costs cannot be exact, they will be sufficiently accurate to eliminate any "surprises" at closing time. The term "closing costs" is another misnomer, in that all of the elements are not actually associated with the purchase of the home. For example, if the seller has paid the taxes in advance, that money is refunded to him through escrow, and he is charged only for the actual time that he has lived in the house during the tax period. Prepaid interest is another item or "closing cost". This is interest that is pre-paid by the buyer to cover the time from the close of escrow until the regular monthly payment begins. There may be added pro-rations that will require cash in escrow in **addition to the down payment.** 

#### START OF INTEREST CHARGES

The interest on the loan generally begins the **day before closing**, concurrent with the funding of the loan. The lender disburses the funds the business day before closing, as the money must be available at 8:00 a.m. the following day. Interest is charged from the date of disbursement (funding).

#### TITLE INSURANCE

The seller is required to furnish a policy of title insurance to the buyer. This policy protects the buyer against possible defects in the title and against possible liens that may exist against the property. The buyer, in turn, is required to provide a policy of title insurance to the lender, which insures the **Lender** against loss from any title irregularity.

#### PROPERTY INSPECTION

A professionally conducted home inspection followed by a written evaluation and report is becoming a standard procedure in home buying and is strongly recommended. It gives an objective evaluation of the **current** condition of a home and its major systems. It is not an assurance that there won't be a need for future repairs but may reveal the probable life expectancy of some of the home's components. It gives the buyer the opportunity to learn as much about the condition of the home before finalizing the purchase. It is worth the money spent as it protects the biggest investment a buyer will make.

#### **HOME WARRANTY**

Home Warranty programs are contractual guarantees that certain systems of a property are free from specified defects, and if such defects appear, those systems will be repaired or replaced, after payment of a deductible. Home warranties cover undisclosed defects caused by normal usage or lack of preventive maintenance by the previous owner. A home warranty program can be purchased by either the buyer or the seller. The price of the program can be included in the purchase price or be treated as part of the closing costs.

#### **CONCLUSION**

The State of California has pioneered many advances in the field of real estate and has developed many procedures that are now used in other states. The industry is controlled and regulated by the Real Estate Commissions which rigidly supervises its licensees and at the same time actively develops programs for raising professional standards. The California Association of Realtors works toward the same goal through its educational programs.

# Benefits of the Pre-Loan Approval

BUYERS & AGENTS WILL SAVE TIME

AND MONEY BY LOOKING ONLY AT

HOMES THEY KNOW THEY CAN AFFORD

SELLERS ARE MORE LIKELY TO ACCEPT OFFER FROM A BUYER THEY KNOW IS QUALIFIED AND/OR APPROVED

ESCROWS CAN CLOSE WITHIN YOUR
DESIRED TIME FRAME

HELPS AGENTS TO NEGOTIATE A
BETTER TRANSACTION FOR BUYER
VERIFY FUNDS TO CLOSE

### This is how we assist buyers:

- 1. Analyze buyer's preferences, needs and lifestyles by asking the right questions and listening intently.
- **2.** Assist the buyer in pre-qualifying for a loan—by speaking with a lender first, you won't fall in love with something you can't afford.
- **3.** I only work with 3 buyers at a time—so I can devote the time necessary to do a thorough home search.
- 4. Select and show housing that best fits your criteria.
- **5. Educate you on the whole buying process,** answering all your questions, so you understand what is involved in a real estate transaction.
- **6. Negotiate the best price and terms** once we find you the home that you love.
- **7. Schedule all inspections and oversee the paperwork** to remove all the stress and relieve you of any worry.
- **8.** Coordinate the closing of escrow and the possession of the property, assisting with the transfer of utilities and keys.

### Educating The Buyer

DIFFERENT FINANCING OPTIONS

LENDER REQUIREMENTS FOR A LOAN

WHAT IS INVOLVED IN MAKING AN OFFER

WHY INSPECTIONS AND WHAT CAN
THE BUYER REALISTICALLY ASK FOR

DETERMINE BEST HOME FOR BUYER'S LIFESTYLE

DETERMINE PRICE TO OFFER

WHAT HAPPENS IN ESCROW

# Costs Involved in Purchasing a Home

NOW THAT YOU HAVE DECIDED TO PURCHASE A HOME, PLEASE NOTE THE FOLLOWING COSTS OR INVESTMENT THAT NEEDS TO BE MADE:

INITIAL GOOD FAITH DEPOSIT OF AT LEAST 1% OF PURCHASE PRICE

CLOSING COSTS CAN BE 1½ TO 2%OF PURCHASE PRICE

DOWN PAYMENT- CAN VARY DEPENDING ON LOAN TYPE SELECTED

AND ABILITY TO QUALIFY FOR THAT LOAN

RESERVES: MOST LENDERS REQUIRE THAT BUYERS HAVE 2-3
MONTHS OF TAX AND INSURANCE PAYMENTS IN SAVINGS

(UNLESS YOU HAVE A 20% DOWN PAYMENT)

WE DO NOT RECOMMEND THAT YOU BUY OUT OF YOUR COMFORT ZONE!

ALLOW A SAFETY ZONE IN CASE OF EMERGENCIES IN THE FUTURE.

## Real Estate Transaction Costs

#### The **Seller** Will Generally Be

#### **Expected To Pay For:**

- Real Estate commission
- Title and Escrow fees
- Document preparation fee for Deed
- Document recording charges that affect the seller
- County Transfer Tax (\$1.10 per \$1,000 of sales price in San Diego) (This varies with county and city)
- Any loan fees required by buyer's lender
- Notary fees seller's documents
- Termite inspection and repairs according to contract
- Any city transfer / reconveyance tax
- Special delivery / courier fees
- Payoff of all loans in seller's name
- Interest accrued to old lender, statement fees, reconveyance fees and any prepayment penalties
- Homeowner's Association transfer fee and prorate dues
- Bonds of assessments according to contract
- Home warranty according to contract
- All delinquent taxes
- Any judgments, tax liens, etc. against seller
- Tax proration
- Recording charges to clear all documents of record against seller

#### The **Buyer** Will Generally Be

#### **Expected To Pay For:**

- Title insurance premium covering loan policy (ALTA)
- Notary fees buyer's documents
- Document preparation fees buyer's documents
- Tax proration
- Inspection fees (roofing, geological, property etc.)
- Special delivery / courier fees
- All new loan charges (except those required by the lender for the seller to pay)
- Interest on new loan from date of funding to 30 days prior to first payment date
- Fire insurance premium for the first year
- Preliminary change of ownership fee
- Assumption / Change of records fees for takeover of existing loan
- Other proration where applicable

## Negotiating Process

DO A MARKET ANALYSIS ON PROPERTY

FIND OUT WHY SELLER IS SELLING

VERIFY ALL INFORMATION ON PROPERTY (SQ.FT., LOT SIZE, ETC.)

ANALYSE PROPERTY PROFILE FOR OPEN DEEDS & LIENS, ETC.

DETERMINE A FAIR MARKET VALUE AND WRITE AN OFFER

PRESENT AND NEGOTIATE OFFER

### Management Process

**OPEN ESCROW & ORDER INSPECTIONS** 

OBTAIN ALL NECESSARY FORMS FROM LISTING AGENT TO SIGN

EXPLAIN ALL REPORTS AND RESPOND PROMPTLY TO ADHERE TO TIME LINES

COMMUNICATE WITH ESCROW, LENDER, INSPECTORS, COOPERATING BROKER AND BUYER THROUGHOUT ESCROW

COORDINATE CLOSING - TRANSFER OF UTILITIES, MOVING DAY, TRANSFER OF KEYS, ETC.

### **Primary Markets**

#### **Contractor/Developers**

New homes require extra costs for landscaping, upgrades, decorating...

#### **Bank or Lender Owned Properties**

Often below market, sometimes "Fixers"

#### Forced-Sale (relocation)

Often discounted for a quick sale

#### **Distress Sales**

Often below market for quick sale

#### For Sale by Owner

Want to save on commission (Buyer might end-up paying above market value, risk of non-disclosures)

#### **Listed Properties**

#### **ESCROW**

Notifies agents of signed or delivered documents.

Obtains information from beneficiaries, lien holders, title companies, title lien holders, insurance companies or lenders in a timely manner

Delivers paperwork

Follows the deal properly through closing.

Coordinates with all parties for signature, needs and deal requirements

Intermediary for transfer of funds

# Payment Factor on \$ Per \$1,000 of Loan Amount

Interest	Tern			n of Loan in Years	
Rate	30	20		15	10
3.750%	\$4.631	\$5.929		\$7.272	\$10.006
3.875%	\$4.702	\$5.994		\$7.334	\$10.065
4.000%	\$4.774	\$6.060		\$7.397	\$10.125
4.125%	\$4.846	\$6.126		\$7.460	\$10.184
4.250%	\$4.919	\$6.192		\$7.523	\$10.244
4.375%	\$4.993	\$6.259		\$7.586	\$10.304
4.500%	\$5.067	\$6.326		\$7.650	\$10.364
4.625%	\$5.141	\$6.394		\$7.714	\$10.424
4.750%	\$5.216	\$6.462		\$7.778	\$10.485
4.875%	\$5.292	\$6.531		\$7.843	\$10.546
5.000%	\$5.368	\$6.600		\$7.908	\$10.607
5.125%	\$5.445	\$6.669		\$7.973	\$10.668
5.250%	\$5.522	\$6.738		\$8.039	\$10.729
5.375%	\$5.600	\$6.808		\$8.105	\$10.791
5.500%	\$5.678	\$6.879		\$8.171	\$10.853
5625%.	5757.	6950.		8237.	10915.
5.750%	\$5.836	\$7.021		\$8.304	\$10.977
5.875%	\$5.915	\$7.092		\$8.371	\$11.039
6.000%	\$5.996	\$7.164		\$8.439	\$11.102

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#### First-time Buyers Drive February Sales

Existing-home sales increased in February, reversing losses in January, according to the latest report by the NATIONAL ASSOCIATION OF REALTORS®. However, sales activity remains relatively soft, reflecting additional layoffs and buyers waiting for housing provisions in the economic stimulus package to take effect, according to NAR.

Existing-home sales— including single-family, townhomes, condominiums and co-ops—rose 5.1 percent to a seasonally adjusted annual rate of 4.72 million units in February from a pace of 4.49 million units in January. Lawrence Yun, NAR chief economist, says first-time buyers accounted for half of all home sales last month, with activity concentrated in lower price ranges.

"Because entry level buyers are shopping for bargains, distressed sales accounted for 40 to 45 percent of transactions in February," he says. "Our analysis shows that distressed homes typically are selling for 20 percent less than the normal market price, and this naturally is drawing down the overall median price."

#### **Home Buyer Tax Credit Increases Activity**

NAR President Charles McMillan says home shopping activity has picked up with housing affordability at a record high.

"The number of buyers looking for homes rose 5 percent in February, and also was 5 percent above a year ago," he says. "It appears most of the increase in buyer traffic occurred in the latter part of the month after the \$8,000 first-time buyer tax credit was put in place. At the same time, mortgage purchase applications have risen, so we expect to see sales picking up around late spring."

McMillan notes that more potential buyers are learning about the tax credit, just as the traditional spring homebuying season begins.

#### **Existing-Home Sales Rise in February**

Housing inventory: Total housing inventory at the end of February rose 5.2 percent to 3.80 million existing homes available for sale.

Single-family home sales: rose 4.4 percent to a seasonally adjusted annual rate of 4.23 million in February from a level of 4.05 million in January.

Existing condominium and co-op sales: increased 11.4 percent to a seasonally adjusted annual rate of 490,000 units in February from 440,000 units in January, but are 13.1 percent lower than the 564,000-unit pace a year ago. The median existing condo price was \$172,200 in February, which is 18.7 percent lower than February 2008.

#### Regional Breakdown

Yun says a recovery in the West is much stronger than expected. "Strong sales gains in the West are led by California, where the median listing price is beginning to rise for the first time in three years," he says.

The bill provides for a \$8,000 tax credit that would be available to first-time home buyers for the purchase of a principal residence on or after January 1, 2009 and before December 1, 2009. The credit does not require repayment. Most of the mechanics of the credit will be the same as under the 2008 rules: the credit will be claimed on a tax return to reduce the purchaser's income tax liability. If any credit amount remains unused, then the unused amount will be refunded as a check to the purchaser.

### I Hope this information helps

I would like to assist you in your buying experience

If you have any real estate related questions, please contact me

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