



THE PEZZANO GROUP
POWERED BY LAER

Buyer's Guide



Your complete Guide to your
successful Home-Buying Process.





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Dan is a graduate of Boston University's City Planning and Urban Affairs Program and holds a Master of Urban Affairs Degree. Dan became a Realtor to showcase his hard work ethic to the people of Massachusetts by facilitating a difficult and sometimes once in a lifetime decision. He is dedicated to solving problems and providing opportunities for his clients. Dan's attention to detail and diligence is evident in multiple successful transactions. He is professional and passionate about service and devoted to helping as many people as possible.





Are you ready to purchase a new home? A real estate transaction is one of the biggest financial transactions most people will do in a lifetime. Understanding the buying process demystifies the steps you will take to get the keys for your new home.

This Home Buyer's Guide will give you valuable information and tips for the home buying process.

This Home Buyer's Guide will cover the top 10 stages of home buying. It will give you a better understanding of each stage and how to successfully maneuver each one.

1. Before you begin
2. Talk with a lender
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Before You Begin

Before you start looking for homes or talking with a lender, you need to prepare yourself for a home purchase. Regardless of whether you are buying your first home or your tenth home, the first thing you need to do is identify the reason for buying. What are you hoping to accomplish with this home purchase?

- Is this your first home and you're ready to start building equity?
- Have you outgrown your current home and need more space?
- Is this a job relocation?
- Empty nest? Ready to downsize?

These are just a few of the reasons people begin to think about a home purchase. Some buyers find it's helpful to create a list of musts/needs/like-to-have aspects of the new home. The list should include the home specifics, such as a chef's kitchen or walk-in closet, as well as community elements such as school district or proximity to shopping. Your list will be as unique as you are, but by building your criteria in advance, you will save time and avoid making an expensive mistake.

It doesn't matter if you've been considering a change for months or you were inspired by an open house you viewed, it's important to understand your motivation so you can ensure you find the right home and it fits your needs.



Talk With a Lender

Do you know how much house you can afford? In order to find out you should talk with a lender and get pre-approved for a house loan.

The next step you'll want to take is to speak with a lender. The lender can be your bank or a mortgage broker. If you don't already have a relationship with someone, ask around. Anyone who has purchased a home or refinanced might be a good source of information for you. It's important to get a feel right upfront about how much home you can qualify to purchase.

When you meet with the lender, be prepared to bring all your information with you. You will need your pay stubs, W2s, bank account statements, and the last 2 years' tax returns to verify income. You also need to disclose your debt. The lender will run your credit and use your FICO scores as well as the debt listed on the report to determine your debt-to-income ratio.

Typically you will be able to borrow up to 31% of your gross monthly income with no more than a total monthly debt of about 36%....these are estimates and your lender can help you further with this. It's important that you disclose all your debt, even if it doesn't seem to be on your credit report. Your lender is your advocate, but the last thing you want is for something unexpected to pop up at the last minute and lose you the loan and the home.

There are some important things to avoid while you're trying to get a mortgage too:

- Don't apply for any new credit such as credit cards or car loans
- Don't pay off a credit card balance
- Don't close any credit cards
- Do not max out a credit card
- Do not pay off any collections or old charge offs
- Do not change jobs

While some of these things seem counter-intuitive, credit is a touchy animal, and even doing things that seem "good" could actually lower your score and cost you a loan.

Establish a Price Range



Now that you know how much you can qualify for, it's time to decide how much you want to spend on the new home. These are not necessarily the same thing. Even though you can qualify for up to about 31% of your monthly gross income, that doesn't mean you want to do that. It's easy to be excited about a price range and pre-qualification, but before you head out to see homes, take a moment to understand how that monthly mortgage payment might affect your lifestyle.

What other expenses do you need to include in your monthly expenditures? Do you enjoy dining out on a regular basis or perhaps a round of Sunday golf? What about vacations and children's sports clubs. There are many other demands on our income and it's easy to feel "house poor" by delegating too much for the mortgage payment.

Lenders will help you consider all your loan options as well as give you an estimate about extra costs involved in buying a home such as homeowner's association dues, property taxes, and extra fees. It's important to remember that these costs will vary depending on the home you find to buy: for instance, homeowner's association fees can vary drastically from one community to another. As you review the information you receive from your lender, make sure you notice how much is budgeted for these extra fees.

The last step you should take is to consult your tax professional. Learn how a possible new purchase will affect your taxes. If you are a first time home buyer, you might find that even with a larger monthly payment, you may save money due to the tax savings.

Evaluating Locations & Communities

Now that you have an idea of your budget, it's time to consider where you would like to live. If you are simply looking to up or down-size, this might be as simple as looking around the corner or down the street, but most of the time it's more involved than this. You might be moving across town or even across the country and how can you decide where the best possible community is for you and your family.

Fortunately, there are many online tools available to help you. With websites offering everything from home listings to school and crime statistics, you can do some preliminary research to help you identify some possible options. Of course unless you're already familiar with the area, you'll need to see the neighborhoods in person, but you should be able to narrow the search by spending a little time online.

Your research should include:

- Home listings
- Local schools and rankings
- Commute time to jobs
- Crime statistics
- Environmental considerations
- Noise considerations (trains, airports, quarries)
- Smells from farming and other industries
- Access to solar and alternative energies
- Local events, theater, art
- Shopping and dining
- Upcoming tax assessments
- Building and zoning ordinances
- Parking



There are many sites available for you to peruse. Another tip is to use Google Earth to zoom into the communities and homes you see.

Why work with a REALTOR®?



Complex, ever-changing real estate

regulations: Buying or selling a home is not like purchasing a plane ticket. Every home is different, and laws change every year and vary from state to state. Generally speaking, people purchase a new home every 7-10 years, and a lot can—and usually does—change between transactions. REALTORS® are immersed in real estate, and they must stay current with all the updates in regulations, laws, contracts, and practices. Once you retain your REALTOR®, they put that knowledge to work for you.

Following a code of ethics: When you work with a REALTOR®, you're partnering with a professional who operates according to a strict code of ethics. In place for over 100 years, the REALTOR® Code of Ethics ensures that consumers who work with a REALTOR® are treated professionally and ethically in all transaction-related matters.



Why work with a REALTOR®?



Help finding the right home, beyond square footage and baths: Browsing online is a terrific way to start a home search—in fact, almost 90 percent of people start their home search online. But when it's time to buy, knowing all the pros and cons of a property can help you make the right decision. REALTORS® live and breathe real estate, and they can share information about a home that you wouldn't otherwise know. For example, they can tell you about the perils of polybutylene piping (a plumbing material that's prone to bursting), or the concerns with FRT plywood (a roofing material that can spontaneously combust in higher temperatures, like those in attics). Your REALTOR® can go beyond the aesthetics and tell you important details about homes you're considering.

Pricing and selling a home: There are lots of sites where you can view price estimates for your home before you list it for sale, but you take a risk using them. In some markets, online estimates can be off by as much as 35 percent, and they often rely on tax records and data that is extremely outdated. REALTORS® know the local market, have access to the freshest sale data and can price your house in line with the market to maximize your earnings.

Contracts and negotiations: Finding the right home is the fun part. Then the real work begins. Today's contracts can be 20 pages long—not to mention addendums and riders. REALTORS® can help you navigate these complex documents and craft an attractive offer that makes sense for you. Plus, when it comes to negotiations, your REALTOR® is your advocate and can bring an objective voice to a very subjective situation.





Viewing Homes & Writing the Offer

THE LOCATION

Once you purchase your house, You can always have things inside changed but you cannot change your home's location. When you go house hunting, consider location as an important factor to your home. Also consider factors like: Ease of access, traffic, noise, commute time, play areas, schools and public transportation.



THE SITE

Beyond location, look at the site of the home. Do you have lots of stairs to climb? Do the neighbors windows look directly into the home? Is the front yard suitable for kids or pets?

THE WINDOWS & LIGHTING

Do you love a bright sunny room or do you love privacy? Look at your potential home with light and sunshine in mind. Look at locations of electrical outlets. Will they suit your lighting needs?



WANTS & NEEDS

Consider your list of needs and wants as you view each home and make sure you do not compromise on essentials because you've fallen in love with the kitchen backsplash.

THE OFFER

Once you find a home you'd like to write an offer on, your agent will supply important information like asking price and terms. If you can't offer full price, sometimes offering a quick escrow or fewer contingencies can still help you succeed with your offer.

What Happens When You Are Under Contract?



Once the sellers accept your offer, you may enter an inspection period. This is also the time during which you should hire a home inspector and complete any and all final due diligence and investigations of the home condition. It's a good idea to interview home inspectors and ask for recommendations as to what type of due diligence may be needed. In addition to a home inspection, there are several other inspections you may consider such as lead inspection, radon inspection, water test, septic inspection, pest inspections, and more. It is a good practice to work with an inspector who is familiar with the area and who is licensed so that they understand the nuances of the construction, materials, and climate that could impact the health and safety of homes in the area.

The sellers may provide you with a complete disclosure of issues they are aware of with the home and neighborhood for you to review (this is required by law in some states). During the inspection period, you can still cancel the purchase without any financial penalty, so this is the time to check out the community, the home, and any factors that may affect your use and enjoyment of the property.

While it is possible to waive the inspection period, it's never a good idea, since it puts any earnest monies deposited at risk.

Contingencies

As soon as you have entered into an agreement with the sellers, you begin the contingency period. This is the time to do all your investigations regarding the property and your ability to enjoy living in the home. Purchase contracts include a variety of contingencies that must be released in writing or they remain in effect. Until you remove these contingencies, you can still cancel the transaction with little to no monetary penalty.

Typical contingencies include:

- Home inspection
- Mold or environmental inspection
- Pest inspection
- Septic inspection
- Water tests
- Appraisal, the home must appraise for the offered value (only if you include an appraisal addendum)
- Mortgage
- Clear title, the sellers must have the legal ability to sell
- Insurability, you must be able to obtain reasonable home fire insurance
- HOA, this includes the condo documents and condo financials
- Home Sale/Suitable Housing

One of the most common misunderstandings about contingencies is that as long as the seller fixes the issue, the buyer must complete the sale. This is not true. For instance, if the home inspection discovers a root problem with a tree that is pulling up the sidewalk, the seller might take out the tree. But what if there are a few other similar trees on the property? They could eventually cause a problem, as could the roots which were left in the ground. As you can see, the buyer has the option of canceling based on the desire not to acquire possible future problems.



Request for Repairs

The contract is an "as is" contract. However, during the inspection period, if the home inspector discovers an issue the buyers are uncomfortable with, they can ask the sellers to make repairs. This is a formal request for repairs. The form used will release the buyer's home inspection contingency if the seller agrees to the repairs, so it's important to take this step once all inspections have been completed and issues uncovered.

If the seller refuses to do the repairs as requested by the buyer, the buyer may cancel the contract and receive their full deposit back. This must be done before the inspection period is over.

Once the seller receives the request for repairs they can:

1. Agree to the requested repairs
2. Refuse to do any or all of the repairs
3. Offer a monetary amount in lieu of making repairs

Just like the original contract, a request for repairs can have several counter-offers made before an agreement is made. Again it's important to realize that once the parties come to an understanding, then the home inspection contingency is removed and the buyer cannot use that as a reason for cancellation without a possible monetary penalty.



What kind of house do you want?



For some homebuyers, living in a particular neighborhood takes over all other priorities, but for others, the home itself matters more.

Ideally, you'll find the perfect home in the neighborhood you love at a price that's below your budget, but realistically, you will have to make some compromises if you have a long list of requirements.

How many bedrooms do you need? Do you want a garage? Is a walkable neighborhood important? Do you require a particular school system?

The Close

The closing often not as dramatic an ending as you might expect. By this time the loan approval has been completed and mortgage documents signed. The close is really just the day the title transfers from sellers to buyers. This is accomplished in a series of steps which involve:

- Final walk-through and systems check
- Signing the closing documents
- Funding the loan
- Recording the deed
- Getting the keys

That's it! You own the new home!

Buying a home is exciting! By taking it step-by-step, you can easily navigate the process and find the right home for you and your family.



Real estate cannot be lost or stolen, nor can it be carried away. Purchased with common sense, paid for in full, and managed with reasonable care, it is about the safest investment in the world.

- Franklin D. Roosevelt



MISSION STATEMENT

The Pezzano Group is a dedicated team of real estate professionals focused on providing strategies that put sellers and buyers in a position to succeed in their real estate transactions. We strive to solve problems and provide opportunities for our clients.

We are passionate and professional about service and our goal is to be transparent throughout the process by effectively communicating each step in the transaction. Our access to resources will aid in a smooth and successful transaction.



Key Terms

Appraisal Assessment of the property's market value, for the purpose of obtaining a mortgage and performed by a licensed appraiser.

Assessed Value Value placed upon property for property tax purposes by the tax collector.

Closing Costs Expenses incidental to a sale of real estate, such as loan fees, appraisal fees, title insurance and escrow fees.

Closing Statement The statement which lists the financial settlement between Buyer and Seller, and the costs each must pay.

Contingency Certain criteria that have to be met in order to finalize the sale.

Conventional Mortgage A mortgage or Deed of Trust not obtained under a government insured program such as FHA or VA.

Credit Money given to a buyer from a seller through escrow at closing.

Escrow A neutral third party that handles the transfer of any money during the sale of a home from initial deposit to final funding and closing.

Earnest Money Deposit Buyers in California usually deposit 3% of the purchase price to show that the buyer is serious about purchasing the home. It is usually refundable in the event a contingency in the sales contract cannot be met.

Fixed Rate Mortgage A loan on which the interest rate and monthly payment do not change.

Home Warranty A policy that covers certain repairs (e.g. plumbing/heating) of a newly purchased home for a period of time, typically one year.

Preliminary Title Report A report showing the condition of title before a sale or loan transaction. After completion of the transaction, a new title insurance policy will be issued.

Title Insurance Insurance to protect the buyer and lender against losses arising from disputes over the ownership of a property.

Recording Fees Money paid to the lender for recording a home sale with the local authorities, thereby making it part of the public records.

Key Stakeholders in a Transaction

The Seller: The seller is the legal owner of the subject property that is listed for sale. It could be an individual, or an entity.

The Buyer: The person/s or entity purchasing the property.

The Seller's Real Estate Agent: A licensed professional who represents the sellers of real estate property. The seller's agent works for the seller. Also known as the listing agent, their role is to list the property in the MLS and perform various marketing duties for the seller.

The Buyer's Real Estate Agent: A licensed professional who represents the buyers of real estate property. The buyer's agent works for the buyer. He or she will help you find your dream home, set up showings, negotiate a fair price for the property on your behalf, and guide you through the legal requirements for completing your purchase.

The Loan Officer: A loan officer is a representative of a bank or any other financial institution.

He or she will examine your financial information and credit report to determine if you qualify for a mortgage, and will even help you get pre-approved for the loan.

Pre-approval is important to the home buyer because it shows the seller/agent how serious you're about buying the house. If your loan application is not approved, the loan officer can also guide you on what to do to improve your credit score

The Lender: The lender is often an institution, rather than an individual, who provides you with the financing you need to purchase a home. It could be a commercial bank, credit union, savings & credit institution, or any other type of financial institution. These institutions rely on the information provided by the loan officer to qualify you for a loan/mortgage.

The Real Estate Attorney(s): Both buyer and seller have an attorney representing them. Each attorney will review the purchase and sale agreement, negotiate contract terms with one another, review any documents (i.e. condo docs), and advocate for you in any disputes that may arise prior to closing.

*For buyers - the attorney may represent your lender as closing counsel to certify clear title to you, prepare documents for closing, conduct closing, and receive/disburse funds in connection with the closing.

The Home Inspector: A home inspector is a professional hired by the buyer to ensure the building is up to code. He or she will inspect the property with you from top to bottom and provide a comprehensive analysis of the state of the home's major components and systems, including:

- Walls, roof, and floors
- Electrical systems
- Plumbing systems

In the event the home inspector identifies any structural defects, they'll notify you, and you can use the home inspection report to negotiate a better price. This inspection can also give you insights into repair costs that you're likely to incur in the future.

The Home Appraiser: Before the lender can approve a home loan, they will require a home appraisal to confirm the value of the home prior to closing. An appraisal is an unbiased estimate of the true value of what a property is worth.

In this context, a home appraiser will review the home and compare it with the prices of similar properties in the area to determine the home's market value.

Although a home appraiser works for the lender, you're responsible for paying the appraisal fees.

The Insurance Company: Risk management is vital in such a high-value purchase, and that's why an insurance representative is a must-have party in any property deals. Property insurance is critical as it will help you avoid being hit by a major financial burden in the event of injuries. It also helps to protect your home in the event of a fire, flood, and other natural disasters.