



YOUR HOMEBUYER GUIDE



Prepared for you by,

NIKOLAY VELIKOV

REALTOR®

727-481-2281

nikolayvelikov@gmail.com



CONTENTS

3

DECIDING TO BUY

4

PRE-APPROVAL LETTER

5

HIRE A REALTOR

6

MAKE AN OFFER

7

NEGOTIATE THE DEAL

8

INSPECTIONS

9

APPRAISAL

10

MORTGAGE UNDERWRITING

11

FINAL WALK THROUGH

12

CLOSING DAY

13

TIMELINE OF EVENTS

14

UPFRONT/CLOSING COSTS

15

FAQ'S OF HOME BUYING

**BUYING A HOME CAN
BE ONE OF THE MOST
EXCITING
ADVENTURES IN YOUR
LIFE. IT CAN ALSO BE
ONE OF THE MOST
OVERWHELMING IF
YOU TRY TO GO AT IT
ALONE.**

STEP 1: DECIDING TO BUY

APPROACHING THE HOME-BUYING PROCESS WITH THE RIGHT MINDSET

Finding your new home is exciting, but it's also a big transition. From moving neighborhoods to making new friends, house-buying can involve many different decisions.

Buying a new home can launch each of us on a new path—hopefully, a happy and successful one. The house you choose will have a large impact on your family's future, both personally and financially. That's why it is so important to make the right decision. Buying the house is only the first step to building your dream home. A dream home is the place that brings together people, relationships, memorable moments and experiences.

Even though you will most likely use an agent to represent you, it's a wise move to do your homework beforehand. Study the market and familiarize yourself with the area you want to move to. As no one knows your financial situation better than you, do the math and work out how your numbers compare if you were to rent rather than buy, and vice versa. In today's market, if you can afford to pay rent over a set period, you will most likely be able to afford to buy a home.

However, the golden rule is this: keep your total housing payments under 30 percent of your total gross income to avoid over-stretching yourself. In addition, analyze your wants and needs, and consider your short- and long-term goals. The point is that you shouldn't gamble when buying a home, but prepare well, since this is likely to be one of the biggest investments you will ever make. Doing all the above will give you confidence and peace of mind.

Choosing to make your next home a priority is fine as long as everyone understands and anticipates the challenges and sacrifices this will call for. If you go in with your eyes open, you will be better prepared for a happy home life. Set reasonable expectations for yourself and for your family too.

You will know the right time to buy, and if that time is now, the next step is the pre-approval letter.



The home-buying process isn't just a business transaction. It's an emotional decision. It will be one of the biggest investments you are likely to make.

STEP 2: PRE-APPROVAL LETTER

A pre-approval letter is critical for your home search. Even though the letter is not mandatory to view a house, it's beneficial to have a pre-approval letter before submitting an offer. Think about it from the seller's perspective. The seller will not take offers seriously that are not supported by financial documents. If multiple offers are submitted and one of them comes with a pre-approval letter, it is easy to see whose offer the seller will consider first. In short, pre-approval letters give you the competitive advantage. In many cases, sellers require pre-approval letters from anyone submitting an offer.

Let's dig a little bit deeper—what does the pre-approval letter mean?

If you have been pre-approved for a mortgage, a bank or lender has investigated your credit history and assets to work out how much they can lend you so that you can buy a property. The process starts before you find the home you want to buy. First, you need to go to a lender, complete a mortgage application and provide documents related to your financial history. The bank or lender then completes a thorough investigation into your finances in order to determine how much money they are willing to lend you. Please make sure to bring to the lender's attention any of your concerns with your credit history, bankruptcies, etc.

THIS WILL SAVE YOU TIME AND MONEY! The lender will go over different loan programs that would best fit your needs. You will discuss different options for grants and down payment assistance should you need it if you qualify. Make sure you consider property taxes, CDD, condo fees, HOA fees, and homeowner's insurance when discussing your monthly payment.

When the pre-approval process is complete, you should be given an exact loan amount. This allows you to look for homes at that price point or lower. By this point, you should also have a good idea of the interest rate you'll be given at the end of the pre-approval process.

The real advantage of getting pre-approved is that when you find a place, you will be able to move quickly. Once you make an offer, you won't have to scramble for financing since you're pre-approved.

On top of that, it takes only minutes for a bank or lender to get you pre-approved. Talk to a lender who has a good reputation or to your local bank and get this process started.



Pre-approval will tell you how much you can afford and help you move faster and with greater confidence in the competitive markets.



STEP 3: HIRE A REALTOR



DISCUSS YOUR WANTS AND NEEDS, SEARCH FOR A PROPERTY AND SCHEDULE A SHOWING

For most people, this is the fun bit! It is also the time when you will most likely need help from a real estate agent. Take time to find the right person. You need someone with whom you can establish a personal relationship, someone who is trust-worthy and who will always look out for your best interests.

Once you find the right realtor, here are the questions you can ask yourself so you can give your answers to your realtor and they can help you find your best home:

- Location-wise, where do I want my house to be?
- What do I need the house to be close to (schools etc.)?
- Size-wise, what size should it be, and how much space do I need?
- Which is the more critical issue: location or size?
- Am I interested in a fixer-upper?
- Is home value appreciation important to me?
- Is the stability of the neighborhood a priority for me?
- Do I want a single-family house, a townhouse or a condo?
- Am I interested in new construction homes?
- What features and amenities do I want in the property?
- Which do I really need and what am I prepared to do without?

These are some of the questions that will help narrow the search and help the agent find the home that suits you and your family best.

Once that job is complete and your realtor appointed, it's time to review some listings and schedule a showing with your agent. Yes, at this stage, you will view properties that have caught your eye and that you want to consider buying. It's exciting... I promise, there will be a home that you will visit and say to yourself, "This is it. I LOVE it. I can imagine living here and creating a wonderful home for my family."

If that gut feeling kicks in, you are likely to make an offer. What happens next?



STEP 4: MAKE AN OFFER

Remember step two—the pre-approval letter, which means you are ready to go. Sellers and agents know you're serious and will give your offer more consideration (even if it's lower) when you are pre-approved and ready to close without a ton of hoops to jump through.

When making an offer, think about terms, contingencies and price. This is a business decision. You want to find the best possible deal for your new home. Please don't let your emotions guide you. Sometimes, certain features will blind a buyer. Perhaps the polished hardwood floors are something you have always hankered after. Or there is a swimming pool that cries out for relaxed, happy afternoons with the family. This might mean buyers overlook obvious defects, which is why it's vital you hire an agent. The agent has no personal connection to the property and can help out if you fall in love with a property that is going to blow your budget.

It is also wise not to make a low-ball offer on a home you really want. If you do, you run the risk of insulting the seller and losing the home. Remember, this property might have been the seller's dream home at one point and the place where they raised their family. The seller is looking for someone who will care for the home the same way they did. You are much better off making a low-side offer that entices the seller just enough to accept.

Another mistake could be submitting a low-ball offer that is not supported by sales data. This is when advice from your realtor comes in useful since he/she can help you formulate an attractive offer based on sales of comparable homes in the area ("comps").

Some other crucial factors to consider when submitting an offer:

- Conveyances—This refers to the items that remain with the house when the seller leaves.
- Deposit—This protects the seller from the possibility of you unexpectedly pulling out of the deal. Sellers like this because it shows them you are serious about your offer. A deposit is often between 1% and 3% of the purchase price, but it might be more in a hot market. The more you put down, the stronger your offer will look.
- Closing costs—It is standard for buyers to pay their closing costs, but if you want to roll the costs into the loan or ask the seller to contribute toward the buyer's closing cost, it needs to be written into the contract.
- Repairs—Check the seller's disclosure report before making your offer. If you think updates need to be done, create an addendum to a purchase contract itemizing the repairs you want.
- Contingencies - Discuss with your realtor which contingencies to include in your offer. These might include appraisal, financing, inspection, loan approval, sale of a home you currently own, or subject to review condo/HOA documents (if applicable).



When making an offer on a home, your real estate consultant can be relied on to negotiate the best price and help protect your best interest.

STEP 5: NEGOTIATE THE DEAL AND ACCEPT THE CONTRACT



The negotiations begin once the seller receives a written offer. As everything is negotiable, agents for the buyer and seller go back and forth in writing, communication by email or signed forms. Even though negotiations can be stressful, it is a part of the deal, and buyers should consider it very seriously. If you don't ask, you don't get! Let's go over some questions buyers and sellers might ask when negotiating the deal:

- **Price**—In general, buyers and sellers negotiate the best possible price for themselves. However, this is not always the case, especially from the seller's perspective. Homes come with memories and emotions attached—sometimes this becomes a deal-breaker if multiple offers are submitted. At the end of the day, it is the seller's decision whose offer he or she accepts. On the other hand, buyers don't want to overpay or put themselves in a situation where they have over-stretched themselves.
- **Home repairs**—If a home needs a lot of repairs, buyers usually have more room for negotiations. In this case, a buyer can ask for a lower selling price because of the costs this will incur. This process can take a couple of weeks going back and forth between buyers and sellers until a deal is made that satisfies both parties. However, the seller may opt-out of any repairs specifying the home is sold as-is, and that they don't want to make any repairs. Then, it is the buyer's choice to decide if this home makes the best financial sense or if they should walk away and look for better alternatives.
- **Closing cost**—This is common practice where buyers have to pay prepaid closing costs for their mortgage, which is money the mortgage lender holds in escrow for items such as taxes and insurance. When negotiating a deal, a buyer might ask a seller to pay a flat dollar amount toward their closing costs, or up to a percentage for what's an allowable contribution for a lender. Seller-paid closing costs or seller concessions are monies paid toward the closing on a buyer's behalf. Generally, but not always, this money is applied to the buyer's closing costs. Seller concessions allow you to legally roll the closing expenses back to your home loan. Keep in mind, the home must appraise for the necessary value needed for seller concessions to work. If the home doesn't appraise for the amount that is needed, further negotiations between buyer and seller will be necessary.
- **Home warranty and insurance**—A buyer can ask for a home warranty, or a seller can offer one. This protection plan covers the home's appliances and systems, such as the air conditioning, roof, and water heater, in the event these things break or need repair. In addition, a buyer can purchase a homeowners insurance, which can protect you in case of loss or damage to the property itself, theft and vandalism, or a structural damage.

All the above are additional costs to the buyer that can be negotiated when submitting an offer.



STEP 6: INSPECTIONS

A home inspection usually takes place once the seller accepts the buyer's offer. After the purchase agreement has been signed by the buyer and the seller, the property goes into pending status. This is typically when the buyer hires a home inspector to carry out a thorough inspection of the property. The inspector conducts the home inspection and goes over any issues or discrepancies with the buyer. He or she will also provide a detailed inspection report on paper. The buyer decides which items they want to be corrected and which items they accept. At this point, the buyer can ask the seller to fix all, some, or none of the requested items.

It is worth noting the seller has no obligation to do so. This is where market leverage comes into the picture. The deal can be negotiated again, or the buyer can back out if the inspector finds a serious issue.

For this reason, many buyers include a home inspection contingency within their purchase offer. It gives the buyer a way to back out without losing their deposit.

MOST INSPECTIONS MUST BE CONDUCTED WITHIN 10-15 DAYS OF CONTRACT ACCEPTANCE.

WHAT WILL BE INSPECTED?

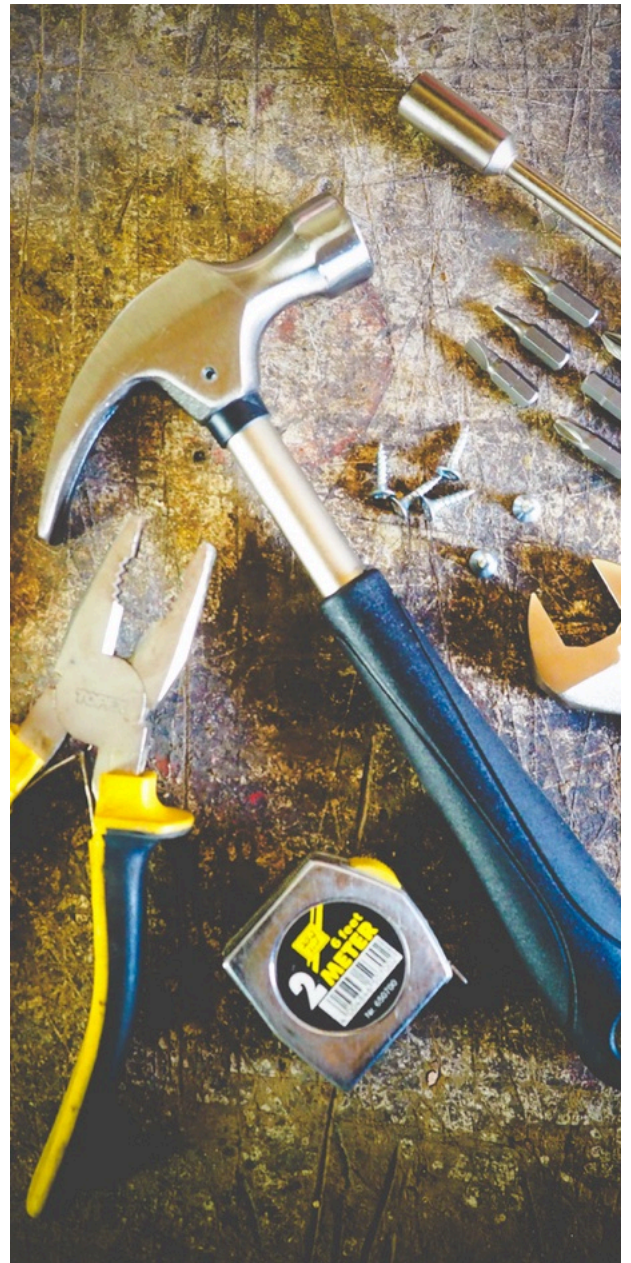
- Roof
- Electrical System
- Plumbing
- Heating and Cooling
- General Structure

SOME ADDITIONAL INSPECTIONS

- Wind Mitigation
- Pest/Termite Inspection
- Lead-Based Paint
- Mold
- Radon
- Chimney
- Sewer/Septic

COST OF A HOME INSPECTION

Depending on the square footage of the house, the price will vary. A general home inspection will range from \$300-\$600 not including the cost of potential additional inspections.



STEP 7: APPRAISAL



Shortly after the purchase agreement has been signed, your mortgage lender will order an appraisal. The appraisal determines how much the property is worth. Most commonly, the process is carried out by a walk-through, which involves the appraiser taking pictures and making notes on the condition and distinctive features of the property. They then evaluate it against recent sales of comparable properties in the area. For example, a three-bedroom house is compared with other three-bedroom houses usually within no more than a mile or two of the property being assessed. The distance may be extended in rural areas where there are fewer houses. Based on these factors, the appraiser comes up with a value.

In some cases, an appraisal can come with a lower figure than the purchase price agreement. If you are looking to buy a house with a brand-new pool, and no other three-bedroom houses around have a brand-new pool, you wouldn't necessarily end up with as high a value because there's nothing comparable nearby.

Certain features and improvements add more value than others. This does not mean renovations are bad or not worth it, particularly if it adds to your enjoyment of the home. It is just that certain features add more monetary value than others. From a buyer's perspective, if an appraisal comes back lower than expected, there are a few options.

First, try to negotiate with the seller. If the gap is not that big between the appraisal and your offer price, try to meet somewhere in the middle with the seller. On the other hand, if there is no room for negotiations, move on. Sometimes, deals just fall through and the house isn't meant for you. Even if you really love the home, you shouldn't have to extend your budget to buy a property that is overpriced. Be prepared to walk away from the deal and continue your search. There will always be another home.

If everything goes smoothly and the appraisal works out how you expected—great! The loan file moves to the underwriter, who reviews all the documents and determines whether or not the borrower can move on to closing.



STEP 8: OBTAIN A MORTGAGE/UNDERWRITING

When you submit an application to your lender, it is known as "going into underwriting." The term "underwriting" refers to the process that leads to a final loan approval or denial. A loan's approval status is made by a professional underwriter who uses special software programs and number-crunching analysis. Remember, this is different than the pre-approval letter. You'll sign a lot of paperwork, which is due prior to closing. It is now very important to stay on top of your finances. It is strongly recommended you avoid making major purchases or bank withdrawals between the home appraisal and closing. If your financial situation changes significantly during this time, it could sound off warning bells or even derail the loan process. At the end of the day, the underwriter will ensure that you don't close on a mortgage that you can't afford. During this process the underwriter will examine your credit history, verify your income and employment, evaluate your assets, look at your debt-to-income ratio, and assure your savings and down payment.

- Credit History - Underwriters look at your credit score and pull your credit report. Your payment history is also part of this record. If you have delinquent accounts, bankruptcies, foreclosures or lawsuits, these can also be found in your credit report.
- Income and Employment - Your underwriter will ask you to prove your income and employment situation.
- Assets - Lenders want to confirm that enough of your assets are liquid in case a financial emergency leaves you unable to keep up with your mortgage payments. Most likely you will be asked to provide bank statements, retirement accounts, stocks, cars, or other real estate properties owned.
- Debt-to-Income - An underwriter examines your debts and compares them to your income to ensure you have more than enough cash flow to cover your monthly mortgage payments, taxes and insurance.
- Savings and Down Payment - Lenders want to make sure you have enough savings to supplement your income or to use as a down payment at closing.



THIS IS WHY IT IS SUPER IMPORTANT THAT YOU HAVE NOT MADE ANY LARGE PURCHASES FROM YOUR TIME OF PRE-APPROVAL TO NOW. PLEASE LET YOUR LENDER KNOW IF YOU PLAN TO CHANGE JOBS DURING THIS TIME.



STEP 9: PREPARE TO CLOSE/FINAL WALK THROUGH



Congrats! You got the green light to close! Assuming this process is completed and approved, your lender will issue a clear-to-close notification and you will be ready to settle on your home. You will soon be provided with a Closing Disclosure (CD). The Closing Disclosure will provide the final details about the mortgage loan you have selected. It includes the loan terms, projected monthly payments, and how much you will pay in fees and other costs to get your mortgage. You must receive this at least 3 days prior to the settlement date. Depending on the amount of money needed for closing, you will most likely have to wire the funds to the title company. They will provide all the information for this process.

Remember to do your final walk-through a day before or even hours before the closing. Its main purpose is to ensure that the property is in the condition you agreed in which to buy it. This is not the time to begin negotiations with the seller to do repairs, nor is it a contingency of sale.

However, it is still very important so that you can assure yourself nothing has gone wrong with the home since you last looked at it. Here are a list of items to check during the final walk-through:

- Turn every light fixture on and off
- Test the heating and air conditioning
- Open and close all the doors in the property
- Open and close the windows
- Run the water and check for leaks under sinks
- Make sure all the debris and the seller's personal belongings have been removed from the home
- Flush the toilets
- Test all the appliances
- Check the garage door openers
- Inspect the ceilings, walls and floors
- Run the garbage disposal and exhaust fans
- Make sure the removal process hasn't damaged the home

You are still not in the clear to open new credit cards or increase your spending on your current ones!



STEP 10: IT'S CLOSING DAY!

You have gone through all the hoops to get to this day...**CLOSING DAY!!** Today is the day you go from home seeker to homeowner!

After you have received the clear to close from your lender, your closing will be set on or before the date designated in your contract. At your closing, the title company officer will review with you and the seller the financials relating to your closing. The seller will sign over the property to you and give you the keys. You will sign off on all your loan documents, and after doing so, funds will be disbursed to the seller and you will be able to take possession of your new home.

Be prepared for a lot of signing, and don't forget to bring your ID!

WHO WILL BE AT CLOSING?

- You, the Buyer(s)
- The Seller(s) (may or may not need to attend).
- Buyer's Agent
- Listing Agent (may or may not need to attend).
- Escrow Agent/Closing Attorney will take in all of the documents, funds, and other items needed to close from the parties assigned to furnish them, pay out the money necessary to clear title, pay off all of the old lenders and lien-holders, and pay the sales agents and other service providers.
- Occasionally, your lender (via phone) will be available for any last-minute questions or issues pertaining to your loan.



TIMELINE OF EVENTS/ CRITICAL DATES AFTER CONTRACT ACCEPTANCE

1-3 Days

FOR DEPOSIT

1-5 Days

FOR LOAN APPLICATION

10-15 Days

FOR HOME INSPECTIONS

27-30 Days

FOR LOAN COMMITMENT

3-5 Days

BEFORE CLOSING TO RECEIVE
CLOSING DISCLOSURE

30-60 Days

UNTIL CLOSING!



UPFRONT COST AND CLOSING COST



UPFRONT COSTS

- Deposit: 1-2% of purchase price
- Home inspection: \$300-\$600
- Appraisal: \$300-\$550
- Closing costs: 3-5% of purchase price
- Down payment: 0%-20%+ determined by what lender and you decide is best for your situation.

CLOSING COSTS

- Prorated taxes
- Loan fees: Processing, underwriting, wires, prepaid interest, points (if any)
- Title fees: Title insurance policies, deed preparation, settlement fees, wires
- Survey
- Prepaid homeowners insurance
- Government fees: Recording fees, transfer tax fees

Your lender will be able to run an estimate of everything prior to submitting an offer so you are prepared for settlement and what to expect!



FAQ'S OF HOME BUYING

WHO PAYS THE REALTOR FEES WHEN BUYING A HOME?

The seller will pay the commission during the transaction.

HOW MANY HOMES SHOULD I LOOK AT BEFORE PUTTING IN AN OFFER?

There is no specific number of homes you should look at. Once you walk into the right home, you will know it. It may be the 1st home you see, or it may be the 20th home you see!

DO I HAVE TO PUT DOWN THE NORMAL 20% OF THE PURCHASE PRICE?

No. Not even close. There are many different loan options, and your lender will go through what is best for you. Twenty percent is not realistic for most first-time home buyers.

WHAT IS TITLE?

Title is your ownership right to your property.

WHAT IS THE DIFFERENCE BETWEEN DOWN PAYMENT AND CLOSING COSTS?

Down payment is a percentage of the purchase price of the home. Lenders require that borrowers must invest a certain percentage of the purchase price in the home. Closing costs are the other, non-down payment costs, paid at settlement. These include all the fees associated with closing a loan.

IF THE CONTRACT FALLS THROUGH, DO I GET MY MONEY BACK?

It is very uncommon for a contract to fall through, but depending on who is at fault, you should receive back your deposit, but anything paid for, like home inspections, is forfeited.

WHY DO I NEED TO GET PRE-APPROVED?

Getting pre-approved shows that you are a motivated buyer. If we go to see a house and you are not pre-approved, you cannot put in that offer until we have your pre-approval. This takes time and someone who is already pre-approved can move much faster on an offer. You do not want to lose your dream home!

