
The HOME BUYER'S *Guide*




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BUYERS *checklist*

FINANCIAL CHECKUP & BUDGET

- ☐ Calculate your monthly income and debt
- ☐ Check your credit scores and credit report
- ☐ Use a mortgage calculator to get an idea of how much you qualify for
- ☐ Figure out your down payment
- ☐ Analyze your monthly expenses and decide on a budget
- ☐ Gather your financial information such as tax returns and proof of funds

MORTGAGE PREAPPROVAL

- ☐ Choose a type of mortgage
- ☐ Speak to various lenders to find the best rate and broker for you
- ☐ Get a mortgage pre-approval

FIND A REALTOR

- ☐ Connect with friends and read reviews on local agents
- ☐ Speak with a number of agents to find one you like and trust

HOME WANTS & NEEDS

- ☐ Choose a home type (single family, townhouse, condo)
- ☐ Choose a size
- ☐ Choose an architectural style
- ☐ Choose a neighbourhood that works with your lifestyle

SEARCH FOR HOMES

- ☐ Browse listings online
- ☐ Ask your agent to set up tours of homes that match your criteria
- ☐ Check local newspapers and classifieds
- ☐ Attend open houses

RESEARCH HOMES

- ☐ Ask the reason for selling
- ☐ Review all property disclosures
- ☐ Find out about liens, easements or other restrictions

MAKE AN OFFER

- ☐ Determine the purchase price
- ☐ Include Terms, such as financial, inspection or purchase
- ☐ Spell out any special requests and repairs you want included in the sale
- ☐ Determine an earnest money amount
- ☐ Once both parties agree to the terms, sign the Purchase and Sale Agreement

FINALIZE THE DEAL

- ☐ Get the house appraised
- ☐ Get a professional home inspection
- ☐ Use the appraisal and inspection reports to re-negotiate if necessary
- ☐ Choose a home insurance company
- ☐ Complete the loan process with the lender
- ☐ Do a walk-through inspection prior to closing
- ☐ Set aside cash for the closing costs and down payment

CLOSE THE PURCHASE

- ☐ Review the settlement document at least 2 days before closing to see how funds will be collected and distributed
- ☐ Gather the amount you need to bring to closing, including closing costs

FINANCIALS

Getting pre-approved for a mortgage is one of the first steps in the process of purchasing your new home. Before meeting with a mortgage broker it's important to assess your current financial situation and get an idea of what will impact the amount you're able to borrow.

Saving up for a down payment is a must when looking to purchase a home. The down payment that you need will depend on the purchase price of the home, but it's typically 10%-20% of the purchase price. In addition to the down payment, put aside some money (generally 1.5 to 4% of the home purchase price) to cover future closing costs.

With your finances in order, you're now ready to meet with a mortgage lender and get pre-approved. During this meeting you can expect them to look into things such as:

- Your credit score, do you have good credit?
- Your assets and debts such as cars, other properties, credit cards and existing loans.
- Your employment history and how long you've been at your current job. Is your income stable and predictable?
- Your annual income to assess your debt to income ratio.

Keep in mind, a mortgage pre-approval does not guarantee financing. When you have an accepted offer, the financing condition can be removed after your mortgage lender gives you the final stamp of approval.

DEBT TO INCOME RATIO

A general guideline should be that the total of your monthly housing payment added to your other monthly debt payments should not exceed 40% of your monthly gross income.

HOME *search*

Now that you've got some money saved up for your down payment and a pre-approval in your hands, you're ready to start the fun part! There are various ways to go about searching for a home. It can be useful to make a list of what you are looking for to narrow down your search. Deciding on what features you'd like your new property to have is an exciting process.

You'll want to consider things such as:

- ✓ Preferred home style eg. condo, apartment, town house or single family home
- ✓ Number of bedrooms and bathrooms
- ✓ Features such as a garage, pool or basement suite.
- ✓ Price range
- ✓ Proximity to schools, public transport and shopping.
- ✓ What neighbourhoods are preferred?
- ✓ Would you like a new or existing build?
- ✓ Does the home need renos or repairs?
- ✓ Do you have pets or children that need a fenced yard?

It can be useful to make a list of all of the features so you can refer back to it during your search.



WHERE TO SEARCH?

There are various ways you can go about searching for your home, they include:

- 1 Talking with your Realtor and having them show you homes that match your features list. Realtors typically have inside knowledge about up and coming listings so this can be a great way to find unlisted properties. They also know information about neighborhoods and other things you won't find on an online search.
- 2 Check out various open house listings in your desired area
- 3 Search online through a property search site

SEARCHING FOR YOUR PERFECT HOME
SHOULD BE FUN, SO ENJOY THE PROCESS!



OFFER PROCESS

You have your pre-approval letter and found that perfect property, now is the time to make an offer! If you're working with a real estate agent, they will draft up the offer letter for you. It will include things such as:

- your legal name, the name of the seller, and the address of the property
- the amount of money you're offering to pay and the amount of your deposit
- any extra items you want to be included in the purchase such as window treatments and light fixtures
- your mortgage preapproval letter so the seller knows you can fund the purchase
- the date you expect to close on your loan
- any contingencies that must be met before the contract is finalized
- the date you want to take possession
- the deadline the offer expires

Once your offer is sent, the seller will either accept, reject or counter offer. This process is all about making the best deal for you and the seller.

ACCEPTED OFFER

Congratulations! The seller accepts your offer! Now they will proceed with signing the purchase and sale contract. Now, it's time to move forward with your mortgage lender and schedule the home inspection and appraisal visits.

COUNTEROFFER

If they counter by offering terms, you can either accept some or all of their counter offer or counter back. It's common for the negotiations to go back and forth a few times. You may want to negotiate not only the price, but also home repairs, contingencies, furnishings and closing timeline.



COUNTEROFFER TIPS

- 1 Try to find out what is holding the seller back. Do they need to close quickly or do they want to push closing out as far as possible while they look for their next home? By being flexible, you might be able to solve a problem for the seller and make your offer more attractive.
- 2 Write a home offer letter. This is a heartfelt and personal letter from you to the seller that communicates your reasons for wanting to purchase their home. If your offer is similar to other offers they are entertaining, the home offer letter might be the one thing that separates you from the rest.

REJECTED OFFER

Sometimes, it's not meant to be. Maybe your offer was too low or the seller decided they aren't ready to sell. Although a rejection may leave you feeling disappointed, consider it a learning experience. Your dream home could be just around the corner.

HOME *inspection*

A home inspection is the buyer's last chance to discover problems with the house before purchasing. It's also a chance for the seller to address those problems and potentially negotiate pricing with the buyer.

What to expect on Inspection Day:

- ✓ A home inspector will look at things such as the foundation, roof, HVAC, plumbing, and electrical systems, then provide a written home inspection report with the results
- ✓ A home inspection typically takes 2-4 hours, but may take longer depending on the size of the house.
- ✓ Buyers should attend the inspection so they ask questions and get all of the details from the inspector. This can give you much more information than the report alone.

If the home inspection report showed only minor issues, the home buying process will most likely continue as planned. If your home inspector uncovers safety or structural issues, you'll have to decide if you should still buy the home. If you do decide to move forward you may want to consider getting additional inspections, negotiating the price or adding in repairs as a condition of the offer.

APPRAISAL

The appraisal takes place right after the buyer and seller have agreed on a price and an agreement has been signed. After all the details have been finalized, the lender will send an appraiser to determine the value of the home. An appraisal can cost anywhere between \$300 - \$600 and is usually part of the closing costs of the transaction. Several factors can impact the value of your home including:

- Age
- Location
- Condition
- Additions or renovations
- Recent sales of comparable homes
- Market Trends

When the appraisal is finished, a written report is issued with their opinion of the value of the home. Three things could happen next:

1

The appraiser's valuation matches the price you and the seller agreed to for the home: Your lender will proceed to underwrite your loan. This is the final step in your mortgage application process!

2

The appraiser's valuation is higher than what you're paying for the home: Congratulations! Although rare, this means you've gained immediate equity in your property.

3

The appraisal is lower than what you've agreed to pay for the home: Your lender won't give you a loan for more than the appraised value. So what happens next?

If the appraisal comes in low, the best strategy is to persuade the seller to lower the sales price, or to split the difference between the home's appraised value and the price with you. This is when you can rely on your agent and their negotiating skills to get the best possible outcome for you.



CLOSING DAY

Closing is the last step in the home buying process. It usually takes place four to eight weeks after the offer on the home is accepted. This allows time for home inspections, home appraisals, funding and title searches. Come closing day, you and the seller sign all the necessary papers and the ownership of the property is officially transferred to you, the buyer. This day consists of transferring funds from your lender to your lawyer or notary and paying any additional closing costs. Once the payments have been finalized, the lawyer registers your name on title making the purchase official.

WHAT TO BRING

Bring all necessary paperwork with you to closing and ensure nothing is missing or overlooked. Some important documents include a photo ID, your home insurance certificate and cashier's or certified check for the closing costs.

CONGRATULATIONS!

Break out the bubbly! Now that you've signed the papers and paid the seller, the home is officially yours.

