

Getting Started in the Home Buying Process



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EXPERIENCE WHAT MORE CAN DO

1.

Buying a House: Step By Step

This brochure is designed to introduce you to the purchase process and the roles of the people you will meet during your home buying adventure. To succeed in the real estate market, you need not be an expert yourself. You must, however, know where to find help during the process and know the questions to ask to make informed and practical decisions so you can get what you need.

REMEMBER THAT THE PURCHASE HAS TWO PARTIES

The **Seller** wants:

- To sell at the highest possible price
- To have few duties to improve the property for new owners
- To have few hassles
- To have the least possible expenses for the whole deal

The **Buyer** wants:

- To buy the best property for the lowest cost
- To buy a home that has been fixed up
- To buy a home that will not lose value
- To have few hassles

IT IS IMPOSSIBLE NOT TO BE EMOTIONALLY INVOLVED BUT

Try to remember that:

- You will do your best when you recognize your emotional involvement.
- There ARE other houses.
- You need to believe in your instincts.
- Take the time to check out the property physically and legally.
- Find an agent you can trust and like, then use his/her expertise to inform you and ease your concerns.

LET YOUR LAWYER DO HIS/HER JOB

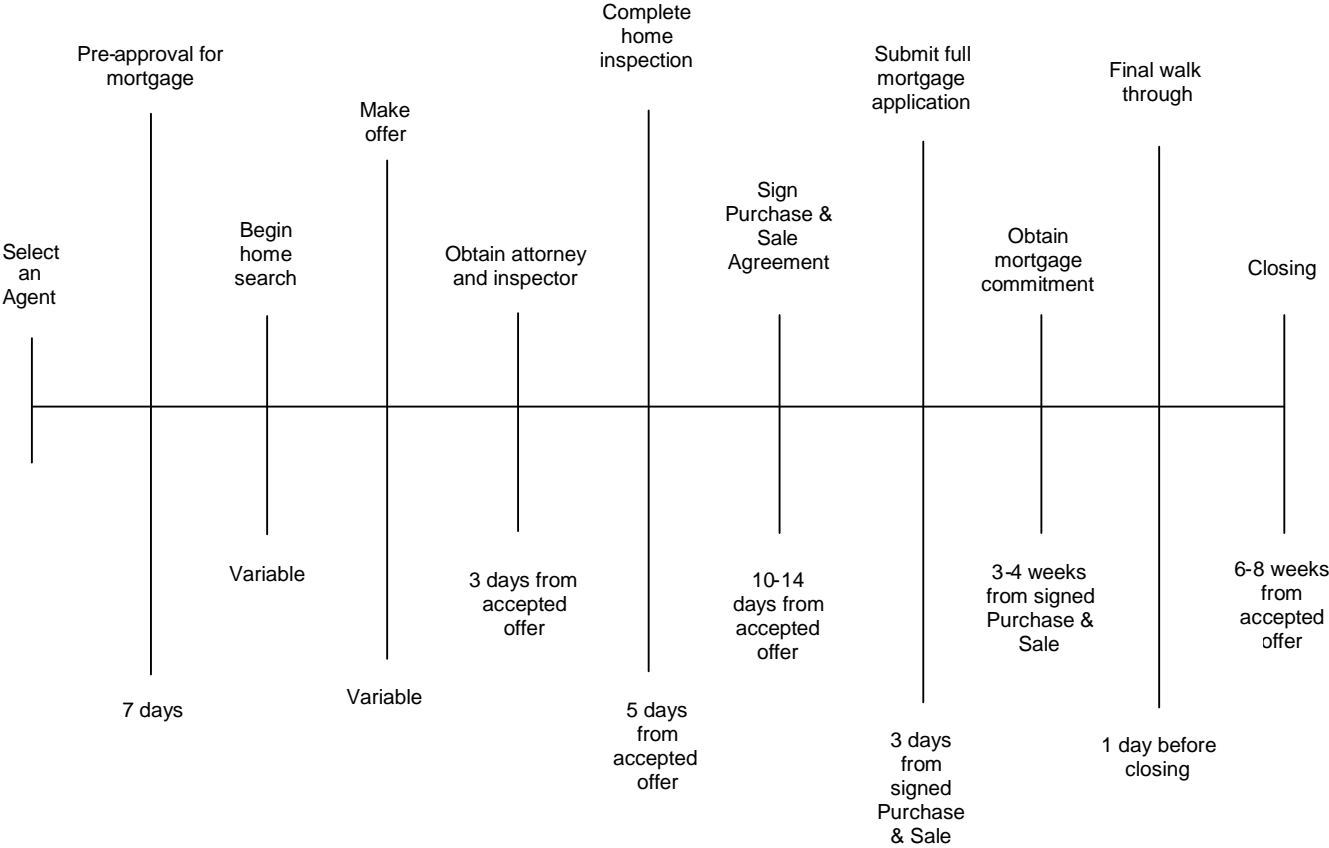
- Ask questions about the process and how you will interact with your lawyer.
- If the lawyer says that there are too many risks in the purchase, listen.
- The more you know about the lawyer's job, the easier it will be to get the help you need in the purchase process.
- Confirm that your lawyer is a real estate expert (especially if you are purchasing a condo).
- Be sure to discuss fees in the first meeting so that your bill is not a surprise!
- Some attorneys charge a flat fee. But you may prefer an attorney who bills hourly for services rendered. If your transaction is uncomplicated, your bill may be lower if billed hourly versus a flat fee.

YOU NEED AN ATTORNEY TO BUY A HOUSE TO:

- Help negotiate on your behalf if issues occur after the offer or the home inspection.
- Draft and/or revise the Purchase and Sale Agreement to protect your interests.
- Assist with any problem areas of the mortgage process.
- Prepare you for the financial accounting portion of the purchase and answer such questions as, "How much money do I need to bring to the closing?" and, "Do the real mortgage closing costs reflect the estimates that were given to us by the bank at the start of the process?"
- Attend the closing, if you decide he/she is needed.

2.

Typical Time Frame



3.

Shopping For a Home

WHERE DO YOU WANT TO LIVE?

- Commute, stores, schools, trees, etc.
- Designate the areas/towns in which you will concentrate your search.
- Read the real estate classifieds in *The Boston Globe* and the local papers in your area every day/week for new listings and prices.
- Read the real estate newspaper, *Banker & Tradesman*, to see what's selling and at what price. This paper can be found in your local library or on Boston newsstands.
- Speak to a mortgage consultant to see what you can afford.
- Drive or walk around neighborhoods to get a feeling for the ambiance and convenience.
- Ask me to set you up on an automatic e-mail listing alert service or [register](http://www.jackievanas.com) on my web site www.jackievanas.com.

CHOOSING THE RIGHT AGENT AND BROKERAGE FIRM

- In selecting an agent, be sure that you are comfortable with the agent, that the agent listens to you and asks good questions, and always be sure the agent professionally orients you to the market.
- Be sure the agent gives you an AGENCY DISCLOSURE form, which describes who works for whom, and gives you the right to choose whether you want to work with an agent who works for the Seller or one that works for the Buyer.

WHEN YOU LOOK AT PROPERTIES

- First, find out how you FEEL about the property. Is it the right lifestyle choice? Does it have the elements you are looking for? If it does not suit your needs, drop it from your list and remove it from your mind so that you can be clear headed when you see the RIGHT home.
- ASK QUESTIONS. Under the law, the agent must tell you the truth about any known defects or adversarial situations at the property. If the agent does not know the answer, he/she should find it out for you.
- See as many houses as you can so you can learn what works for you and what does not. The RIGHT house may come along at any moment, and the more you know, the better you can do in being able to make the right moves.
- When you see a home you like, think about it. Drive by in the evening. See what the neighborhood is like after everyone is back from work.
- Don't forget to tell the Broker's at the Open Houses that you are working with me.

4.

What Is This House Worth?

What Should I Pay For This House?

WHAT KIND OF A MARKET IS IT – BUYERS MARKET OR SELLERS MARKET?

- Ask your agent to tell you about current market conditions.
- How are market conditions affecting how Buyers structure offers and negotiate?

LOOK AT OTHER HOUSES THAT HAVE SOLD IN THE TOWN FOR THE LAST SEVERAL MONTHS

- Remember that markets do change.
- The market value of the house last year could have been more or less.
- The more recent the “comparable sale,” the better – as it indicates current market value.

LOOK AT THE TAX ASSESSMENT OF THE PROPERTY

- This is not an absolute sign of value (and sometimes is quite far off from market value) but it remains one estimation of value in the eyes of the town.
- You may wish to check out the history of assessments in your town – how prices have compared in past years.

LOOK AT YOUR TRUE FEELINGS ABOUT THE HOUSE AND ITS VALUE TO YOU

- How much do you love the house?
- How will you feel if you do NOT get this house?
- Are you willing to pay more than everyone else to get this house?

5.

Making The Offer

THE OFFER TO PURCHASE REAL ESTATE

- When you find the house you want, the purchase process begins with a written offer to purchase real estate.
- Verbal offers are not valid in Massachusetts, but will still be presented if the Seller agrees.
- There is a standard offer form that most agents use and then contingency pages are added.
- There is no one right way to make an offer. Any written form is acceptable and must be presented to the Seller by the agent.

YOU ARE IN CONTROL OF THE OFFER FORM TO BE SUBMITTED

- You must make sure you are very clear about this part of the purchase.
- YOU are the one making the offer to buy the house.
- You need to learn from the agent what “standard” timetables are, and then, be sure they fit your schedule and needs.
- You will want to set the purchase price and deposit amount – usually \$1,000 at the offer and 5-10% at Purchase and Sale.
- You will need to work with your agent to know what will be your best “strategic” plan. Knowing what you say, how you say it and what contingencies you put in will have an impact on the Seller, how the Seller views you and how interested the Seller becomes in your offer.

DEADLINES ARE IMPORTANT

- Time is very important in real estate deals.
- We often succeed or fail based upon our ability to meet deadlines in the offer form.
- Make sure you allow yourself enough time to get an inspection, negotiate the Purchase and Sale Agreement, make applications and obtain mortgage financing for the purchase, and plan for the closing day.

THE OFFER IS A LEGALLY-BINDING CONTRACT

- When the Buyer and Seller sign the offer and a deposit check is attached, there is a bona fide contract for the purchase.
- The offer/contract contains all details of the deal and courts have upheld their validity time after time.
- The offer is an important and valid legal contract.

6.

Inspecting The House

The Physical Inspection of the House

It is most important to hire an expert to conduct a home and pest inspection of the house **AFTER** the offer has been signed, but **BEFORE** you sign the Purchase and Sale Agreement.

HOW DO I FIND AN INSPECTOR?

- Ask friends whom they have used for their inspections.
- Get referrals from your lawyer and agent (only a Buyer's agent can refer Home Inspectors).
- Phone several people and compare prices.

HERE'S WHAT MAKES A GOOD INSPECTOR:

- They will book appointments relatively quickly for you.
- They will spend between 1 ½ to 3 hours at the house.
- They will examine ALL of the home's major systems – plumbing, electrical, heating and the structural integrity.
- They will provide a written report ON THE SPOT.
- They will normally charge between \$250 and \$500.

YOU MAY ALSO WISH TO INSPECT FOR:

- Termites
- Other pests
- Asbestos
- Urea Formaldehyde Insulation (U.F.F.I.)
- Radon
- Lead paint
- Wet basements
- Underground oil tanks
- Pesticide usage

7.

Purchase and Sales Agreement

WHAT IS A PURCHASE AND SALE AGREEMENT?

- This is a contract for the purchase of property.
- It often contains a four-page document and various riders added by the lawyers for the parties.
- It is vital that Buyers receive legal advice on this contract PRIOR to signing this document.

CAN THIS DOCUMENT BE CHANGED?

- YES, but typically there is a negotiation process between the Seller's attorney and the Buyer's attorney to draft a document acceptable to both sides of the transaction.
- Buyers should not sign this contract until it has been reviewed by their lawyer.
- Buyers must understand the terms of their deal, the consequences of their actions and the protections in place for their deposit money.

WHAT KIND OF PROTECTIONS SHOULD I HAVE IN THIS CONTRACT?

Buyers need protections in many areas, including:

- Mortgage details
- Title problems
- Deposit details
- Repairs to be completed by the Seller
- Access to the house prior to the closing
- Notices between the parties prior to the closing
- Preparations and adjustments for the closing
- Inclusion of any modified terms since the accepted offer to purchase real estate

8.

Final Inspection

WHAT IS A FINAL INSPECTION OF THE PROPERTY?

- This is the Buyers last chance to check the condition of the property before the purchase.
- The final inspection is usually arranged through the agents in the transaction.
- The Buyer walks through the property and examines the exterior of the premises to check if the property is in the same condition now as it was the day the Buyer signed the Purchase and Sales Agreement.
- If the condition of the property is significantly different, you may wish to speak with your lawyer to plan your next course of action.

IF THE INSPECTION REVEALS ISSUES, CAN I BACK OUT OF THE CLOSING?

- YES, BUT...
 - Most of the time, Buyers want the problem cured by the Seller or the cost of fixing the problem paid by the Seller. This is often the better answer.
 - After so much time and so much money to get to the closing, few Buyers are willing to jeopardize the purchase because of a condition issue at the house.

WHAT IF I DON'T HAVE TIME TO DO A FINAL INSPECTION?

- MAKE THE TIME! If a problem with the house is discovered AFTER the closing, you will have no recourse. You will be stuck with the problem.

9.

The Closing

WHAT HAPPENS DURING A REAL ESTATE CLOSING?

- This is a meeting to complete the transfer of the property from the Seller to the Buyer.
- Don't forget to bring your Driver's License or Passport as well as your check book.
- All parties meet at the Registry of Deeds for the county in which the property is located or at the office of the Buyer's bank's attorney or at the real estate office.
- Attending the closing will be:
 - ❑ All Buyers
 - ❑ All Sellers (or Seller's representative)
 - ❑ The bank's attorney, who prepared the closing documents
 - ❑ The Buyer's attorney (if you choose to have him/her there)
 - ❑ The Seller's attorney (if the Seller chooses to have him/her there)
 - ❑ The Selling Broker
 - ❑ The Listing Broker
- 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 documents:
 - ❑ THE PROMISSORY NOTE, which obligates the Buyer to pay back to the bank the loan amount over a term of years with a stated amount of interest; and
 - ❑ THE MORTGAGE, which attaches the Buyer's promise to repay the debt onto the house, so that if the bank does not receive its 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.