

Buying a Home

A Step-by-Step Guide



VACCARO & HERZOG
RE/MAX 1st Choice

Let's get started!

We're VACCARO & HERZOG at RE/MAX 1st Choice. Below is our contact information and where to find us online and on social media. Save our numbers and email to your phone, you'll be using them often.

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- Our website - **www.vaccaroherzog.com** - where you'll find information about us, active listings, local and area information, tips on buying and selling, our client testimonials, and much more.
- Check out our social media sites for a little bit of everything - real estate materials, design and décor, local information, area activities, sports, movie reviews, etc. There's something different everyday.

Facebook – **www.facebook.com/vaccaroherzogteam**

Twitter – **www.twitter.com/vaccaroherzog**

YouTube – **www.youtube.com/VACCAROandHERZOG**

What Next?

- ❖ **The very first step** in buying a new home is getting pre-approved by your lender. Once pre-approved, your lender will provide you with a pre-approval letter showing the amount they're willing to lend you to purchase a home. We'll need a copy of that letter to submit with any offer we make on your behalf for a home. Cash buyers will need to provide a bank statement or letter verifying funds are in your account to cover the purchase price of the home.

Once we know how much home you can afford, we can begin the actual search using the Multiple Listing Service, or MLS for short. We'll set up searches so that you'll be notified by email immediately when a home that meets your criteria is newly listed.

While going through this process, you're going to have a ton of questions. Having questions is a good thing!

We'll be utilizing the MLS, as well as contact with other Realtors in the area, to find your new home. We'll search several properties to find THE ONE!

Looking at houses...

- ❖ Here are a few things to consider when we start scheduling and looking at houses.
- **Wear comfortable shoes that slip on and off easily.** We'll be walking around the outside of the homes as well as the inside, and homeowners will often request that buyers and agents remove their shoes when touring a home. Some will provide cloth booties to slip over your shoes, but not all do, so it's good to plan accordingly.
- **Take notes.** After looking at several homes in a given day, the details can start running together.
- **Take pictures.** Put that smartphone to use.
- **Open and look behind doors.** Please don't feel uncomfortable opening closets, looking under sinks, or checking out the storage areas. After all, you have to know how YOUR belongings will fit!
- **Bring a tape measure.** Do you have a special piece of furniture (*i.e.*, a dining room table that's a family heirloom) that you want to make sure has a spot in your new home? Let's do some measuring while we're there!
- **Please be respectful.** While looking at properties, please be mindful, that in most cases, the house you're walking through is still someone's home.

Let's Make an Offer!

- ❖ When making an offer on a home, there are several things to consider. Every property, seller, and buyer is different!

A few things to decide before making an offer:

- Offer amount**
- Closing date** - some loans need more time to close than others.
- Amount of earnest money** - With your offer, we'll submit a copy of your earnest money check that's made out to the seller's title company. Together we'll determine the best amount for the deposit. If your offer is accepted by the seller, we'll then take the actual check to the title company within 72 hours of the acceptance date.
- If you're asking for a home warranty** - we suggest you do.
- If you're asking for anything to be included in the sale** - *i.e.*, appliances, window treatments, etc.
- If you're asking for any closing costs** - your lender can give you an approximate idea of what they will be.
- Your title and closing company** - we will help you with that.
- Any other contingencies** - if you have to sell the home you're in now before you can close on the new one, we'll submit a contingent offer that is based on the successful closing of your current home. Please note that many sellers won't entertain a contingent offer unless your current home is already under contract!

Terms to know...

- ❖ Your offer was accepted! Now we get into the details. Here are some important terms and definitions that you may hear throughout the process:
 - **Appraisal:** Your lender will have an appraisal done on the property you are purchasing. An appraisal will tell the lender that the property is worth as much or more than the amount you've offered to pay for it. If your appraisal comes back lower than the contracted amount, then you have the option to leave the contract with written notice, or try to renegotiate the purchase price. The seller does not have to take a lower price for their home if the appraisal comes back low. Most lenders require an appraisal to be paid for before the appraisal is performed. Please check with your lender to find out.
 - **Appraiser:** The person who will perform the appraisal on the property. This person will use comparable properties that have sold within a certain time frame, and are located within a certain radius from the property under contract. The appraiser will also review your contract.
 - **Clear to Close:** This is an exciting term! This means that we have the all clear for you to sign on the dotted line(s).
 - **Closing:** This is the date you will close (and likely take possession) of your new home. Everything we do from here on out is to get us to closing.
 - **Closing Costs:** These are the costs associated with closing your property. These costs may include the deed transfer fees, prorated property taxes, prorated Homeowner Association (HOA) dues, attorney fees, and the first year of homeowners insurance. These costs usually equal close to 3% of the purchase price, and can be negotiated for the sellers to pay.

Terms continued...

- **Contingency:** A “clause” in your contract that can protect the buyer. An example of a contingency is the appraisal contingency. Should the property not appraise, the buyer then has the opportunity to notify the seller that they will not be performing on the contract because the appraisal contingency could not be removed.
- **Earnest Money:** This is a “good faith” deposit. The deposit will generally be held by the listing office until closing. At closing the earnest money will be returned to you in the form of a credit towards your purchase. Your earnest money can be returned to you if your contingencies are not removed.
- **Escrow Account:** An account that holds a portion of your monthly mortgage payment every month in order to pay your property taxes and homeowners insurance when they come due every year.
- **Inspections:** Inspections are different than your appraisal. You’re encouraged to have a home inspection performed on the property. We can provide you with the names of inspectors that we’ve used and would recommend. You can choose any home inspector you’re comfortable with. They’ll perform a mechanical inspection of the home and can also perform a test for radon levels. You may also be required to have a termite inspection. We’ll generally setup the inspections for you and we’ll be present for them as well. Inspections take between 2-4 hours and, if possible, we’d like you to be there for, at least, the last hour so the inspector can explain their findings in detail. Please bring a check with you to pay the inspection company. Once completed, you’ll receive a detailed written report of the inspection.

Terms continued...

- **HUD:** This is your closing statement. It lists everything that is cost associated with both the buyer and sellers side including any lender fees, transfers fees, credits, closing costs, agent commissions, etc.
- **Multiple Offers:** If you're in a multiple offer situation, then the seller has likely notified us that you're not the only person who has made an offer on this home. You'll likely be asked to bring your highest and best offer to the table before the seller decides.
- **Title Company:** The title company will likely perform your closing with one of their representatives and issue your title insurance.
- **Title Insurance:** Title insurance is a policy issued by an insurance company guaranteeing that the title to real property is clear of any claims or liens, is properly in the name of the title owner, and that the owner has the right to sell or otherwise transfer the property to another. The insurance company will pay the damages to the new title holder or secured lender or take steps to correct the problem if a problem with the property ownership is later discovered.
- **Underwriter:** It's the job of underwriters to make sure all of these factors meet particular loan guidelines. They make sure that all of the tax, title, insurance and closing documentation are in place. Underwriters also review the appraisal to make sure it's accurate and thorough, so the home is worth at least the purchase price. The underwriter has final approval and final responsibility for the loan and may give you conditions before closing your loan. Generally, they're easily taken care of with our help, or your loan officers'.

FAQ's

- 1. What is the first step?** The first step is getting pre-approved! Different loans have different requirements for your pre-approval. If you need help getting a pre-approval or picking a lender, contact us.
- 2. What will the lender need to get my pre-approval?** It will be helpful to go ahead and have your last three paycheck stubs, your last two years tax returns, your most recent bank statement, and your rental history on hand. If you are self-employed, you will need at least 2 full years of self-employment income.
- 3. How long do I have to get the lender what they need?** Please get the lender everything in a timely manner, or within 24 hours of their request.
- 4. Can you show me houses from other real estate companies or listing agents?** YES! We're licensed Realtors and can show you ANY property, regardless of the listing agent or the company.
- 5. We have found a home, what next?** Our next step is to put in an offer on the home and negotiate a price that is acceptable to both parties. Several things can happen through this process. They will be discussed below.
- 6. What is a multiple offer situation?** When you've put in an offer on a home and have been notified that there are multiple offers, it's important to bring your highest and best offer. This means that you're bidding for the home you like against one or more other people. The seller will likely take the most attractive offer.

FAQ's continued...

7. Once our offer is accepted, what happens next? Several things will happen in the next few weeks. In no specific order you will: receive disclosures from the lender that will list your interest rate and payment amount, schedule your home and termite inspections, have your appraisal ordered (an appraisal fee may be required. Please check with your lender for cost), and receive a list of everything you'll need to get to the lender.

8. How much does a home inspection cost? Is it required? Is it important? A home inspection varies in cost depending on the square footage of the home and detail of the inspector. A general home inspection runs about \$350-\$450, and while it's not required, it's HIGHLY SUGGESTED. An inspection assists in your purchase of the home by allowing you to negotiate repairs, get an overall condition of important aspects of the home (*i.e.*, HVAC, roof, plumbing, foundation, electrical, and radon levels), giving you an idea of costs that you may incur once the home is yours.

9. How much does a termite inspection cost? Is it required? A termite inspection varies in price (averages \$30-\$50) and is likely to be required by your lender.

10. Will the seller fix everything in the home inspection report? Maybe. It's negotiable. You can request certain repairs, the seller may agree to or counter your requests, you may choose to walk away from the contract if something is found that you are not comfortable with, or if you and the seller can't reach a mutual agreement regarding repairs. Sometimes a seller will estimate the cost of repairs and ask to reduce the purchase price by that amount.

FAQ's continued...

11. **What happens if termites are found?** Per the contracts we use, the seller will treat for termites if termites are present.

12. **What is earnest money? Do I need earnest money? What happens to the earnest money?** In short, earnest money is a “good faith” deposit that will generally be held by the listing brokerage or title company until closing. This money is your money and will be used as a credit to you at closing, usually in the form of closing costs or prepaid items. Giving earnest money can be the difference in having an offer accepted or rejected by the seller. It shows the seller that you are serious about purchasing their home. Earnest money is held until closing or until it is requested back from an unsatisfied contingency in your contract.

13, **What is an underwriter?** An underwriter is employed by your lender to access your eligibility for the loan. It is usually up to the underwriter to make the final decision as to whether or not to lend you the money for your new home.

14. **How long until we close?** The closing date is written into your contract based on the type of loan you have and a conversation with your lender regarding how long they will need to process your loan.

15. **Can we close early?** Maybe.

16. **Will we close on time?** Maybe. Maybe not. There are things that can happen within the process of your loan that may require you needing an extension.

FAQ's continued...

17. **Can I make other large purchases during this process?** No. Please don't. We would not advise putting anything big on a credit card or making any large ticket purchases such as a car, boat, or motorcycle. Basically, if you can't afford to pay for it flat-out, wait for it until you have your house.

18. **What is an appraisal?** An appraisal is ordered by your lender to access the value of the home that you are purchasing. Your lender will want your appraisal to come back either at or above the purchase price.

19. **Who pays your commission?** The seller pays our commission.

20. **Will you reduce your commission?** No. This is our career. We work hard and strive for the best possible experience for our clients. We only work on commission and are not hourly or salaried employees. (Certain circumstances may arise where it may be possible for us to reduce our commission, though generally we will not do so.)

21. **Can you check my credit?** No. The lender will be responsible for checking your credit.

22. **What will my payment be?** There is no way for us to give you an accurate monthly payment until we have all of the factors. Each of the following will determine your monthly payment: purchase price, property taxes, and interest rate will all factor. Other factors may be if you are rolling in your closing costs, funding fee, or down payment. Until we have all of those factors, we can only give you an estimated monthly payment.

23. **How long does closing take?** Generally around an hour.

FAQ's continued...

24. Can we go see this house right now? Maybe. Maybe not. If a home is occupied, the seller may want more notice than less than an hour. We generally try to set all of our appointments at least 2 hours, but often, 24 hours in advance.

25. What does my credit score have to be to purchase a home? There are some programs that require a 640 or above, some that will go down to a 600, and others that will go down to a 570. It really depends on what program you are interested in and eligible for.

26. Can I have the sellers phone number? No. You may write them a letter, if you like, and we'll see that it gets to them. If you have specific questions for the seller, please let us know and we'll have all of your answers in a timely manner.

27. What is a home warranty? A home warranty is something that you can ask the sellers to provide for you. They generally cover things like HVAC, plumbing, and appliances for up to a year after you close on your home. We recommend that all buyers ask the seller to pay for a one-year home warranty. At the end of the first year, most home warranty companies will provide options for you to extend your warranty, of course, this would then be at your expense.

28. When do we get our keys? Most often you will receive the keys to your new home at closing. Sometimes, the seller may have negotiated to give occupancy after the closing date. If that's the case, we'll make arrangements to get you the keys on the day you've agreed to take occupancy.

FAQ's continued...

29. **How much money do I need to bring to closing?** We won't know the exact dollar amount of what to bring until we get closer to closing. You may know up to 3-4 days prior; however, it is not uncommon to find out the exact amount a day or two before closing.

30. **Can I back out?** Probably not. If you have entered into a legally binding document and do not have a contingency to satisfy, you can't just back out. You can be held legally responsible for breaching your contract. In some situations you may have the legal right to walk away from the contract. These situations pertain to certain contingencies which have not, or cannot be met.

31. **How do you get paid?** The buyer DOES NOT pay our commission in a transaction. The seller will pay the buyer's agent commission at the time of closing. Our services are free for you to use. There is a \$300 transaction fee that is charged by our broker. This fee will be paid at closing. Most offices do have a fee of this nature and it is not un-common practice. This fee is not a part of our commission.

- ❖ Did we miss anything?
- ❖ If so, be sure to write it down so you can ask us later!

Forms and Contracts

- ❖ In addition to any forms you'll fill out for your lender, the following are forms and other documents we'll use to make your offer and complete your transaction:
- ❑ **Agency Disclosure Brochure** - tells you about the different types of agency and representation.
- ❑ **Buyer's Agency Agreement** - states that we will be representing you as your agents.
- ❑ **Franchise Disclosure** - tells our affiliation with RE/MAX 1st Choice.
- ❑ **Residential Real Estate Contract** - this will be your main contract and your first offer.
- ❑ **Seller's Disclosure** - everything the seller knows about their house.
- ❑ **Legal Description Addendum** - the legal description of the property.
- ❑ **Contingency For Sale and Closing Addendum** - this is used if you have to sell you home first in order to buy a new home.
- ❑ **Counter Offer Addendum** - will not be needed in every transaction.
- ❑ **Inspection Notice** - submitted with inspection documents.
- ❑ **Resolution of Unacceptables Amendment** - used to renegotiate the contract after the findings during inspections.
- ❑ **FHA/VA Loan Addendum** - this only applies to FHA and VA loans.
- ❑ **Additional Addendums** - as needed.

Additional information...

Your mortgage insurance, homeowners insurance, and taxes will all be included in your monthly mortgage payment.

You'll be responsible for obtaining your homeowners insurance and getting the information to your lender.

You'll be responsible for contacting the utility companies to arrange for their transfer on or near the date of closing. This date will be coordinated with the seller to make for a smooth transition.

If one is provided by the seller, we'll make the arrangements for your home warranty coverage.

2-4 days prior to closing we'll perform a final walk-thru of the home with you to confirm that any and all repairs have been completed by the seller and that the home is in good condition.

Thank you!

Thank you for choosing us to represent you as your Realtors. Buying a home should be a great experience and having a good understanding of the process can make all the difference. If you have any questions as we go along, don't hesitate to ask. That's what we're here for!

Real estate is a time sensitive business and we know the importance of that! Prompt action, good communication, and a timely response is our commitment to you.

Providing service above and beyond is our specialty!

- ❖ ***Testimonials and referrals drive our business!*** We truly appreciate your time in providing one and also sharing your experience with us with your family and friends. When you're all settled into your new home, we would greatly appreciate a brief written testimonial as to the services we've provided and your experience with us as your Realtors. To make it easy, you can simply email it to us and we'll use it, both online and in print. Thank you!

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