

How to Purchase a Home

The home-buying process encompasses many often complicated steps, from the pre-qualification phase, to negotiating a sale price, right down to your final walk-through.

Here's What You Can Generally Expect:

Find a REALTOR®

Nothing can substitute for the broad market knowledge of a REALTOR® when it comes to buying a home. A REALTOR®'s expertise, experience, commitment to a code of ethics, and promise to keep up-to-date on the latest industry news and changes in real estate practice ensure an opportunity to negotiate the best price on a home. In addition, a REALTOR® is able to offer impartial and unemotional advice as you navigate the road to homeownership.

Get Pre-Qualified

Work with a qualified lender and obtain a pre-qualification letter that will give you a clear picture of your borrowing and buying power. The pre-qualification letter tells a seller that you are a serious buyer, and can save you time during the home-search process.

Shop Around

The current real estate market is not impacting all neighborhoods equally. For example: The median home price in Los Angeles in November 2007 was \$520,960, while in Riverside/San Bernardino counties it was \$344,140, and in the San Francisco Bay Area it was \$793,930. A qualified REALTOR® can break down this kind of data by neighborhood and provide other critical information about homes in your area. For example, did you know that in today's market, homes are listed for an average of between six and eight weeks, in some cases longer, before they are sold. You have more time to consider your options today, and more homes from which to choose.

Make an Offer

The bidding wars that prevailed as recently as a year ago have subsided considerably in many areas. Roughly 55 percent of the sellers of homes on the market in 2004 received multiple offers. Today, the number is roughly 27 percent. Once you have found the home you would like to buy, a REALTOR® can help you complete a written offer to purchase the home. This crucial document should include your initial offer on the house and a comprehensive list of terms of the sale, including the price you are offering; deposit amount; escrow closing date; termite work; loan terms; inspection schedules; and other fee arrangements to be promised by either you or the seller.

Make a Deposit

Once you and the seller have a signed purchase agreement, your "good-faith" deposit may be delivered to escrow, and credited toward your down payment. The U.S. Dept. of Housing and Urban Development (HUD) advises that a good-faith deposit typically be a minimum of between 1 to 5 percent of the purchase price.

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Have the Home Inspected

Arrange for the home to be inspected for termite damages and construction and mechanical soundness, as well as the functionality of the home's plumbing, heating, and electrical systems, among other things. The buyer usually pays for his or her own inspection, so prepare to pay these fees either directly to the inspector or through escrow, unless you are able to negotiate with the seller to cover a portion or all of them.

Get a Copy of the Appraisal

Once you've made an offer to purchase a home, your lender may order an appraisal of the home. An appraisal is an estimate of your home's value based on the current housing market, the home's age, condition, and other factors. An appraisal amount is not the same as a listing price, but rather an estimate of what a professional believes a home is worth. Your appraisal will likely include comparables for a minimum of three similar properties in your buying area; an evaluation of the overall market conditions nearby; and detailed comments about the characteristics and features of the home.

The Escrow Process

Once your offer has been accepted by the seller, you and the seller may open an escrow account with an escrow company to coordinate your sales transaction. The escrow agent's role is to serve as an independent monitor of the sales transaction, helping to keep your deposit safe until the sale process closes, typically between 30 and 90 days, depending on the terms of your contract.

You also may want to conduct a "final walk-through" of the home during the final stages of the escrow process prior to signing your closing documents. This is your opportunity to make sure that all of the repairs you've requested have been completed, and that no unauthorized changes have been made to the home since you signed your initial purchase agreement.

Close the Deal

A day or two before closing, you should review your final closing statement, or HUD-1 Statement, which outlines the fees and details originally agreed upon in your purchase agreement. You should review this document carefully to make sure that all of your deposits have been fully credited, and that escrow and title fees are accurate. At this point, all or most of the conditions of the purchase agreement have likely been settled between you and the seller, and the escrow officer should be coordinating the official recording of the grant deed to your home with the county recorder's office. Once all closing documents are signed, and your loan is funded, you should be ready to take ownership of your home.