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NOW Homes

North of Wilshire Homes

BUYER'S GUIDE

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FINDING AN AGENT

WHERE TO START

One of the most important steps on your journey to finding a new home is selecting a real estate professional to work with. While there is more and more information online to help you with your home search, working with the right agent can make a huge difference when writing an offer and negotiating to get an acceptance.

The best place to start is by asking your friends and family if they have any suggestions. One of them may even be an agent who can help you!

The next step is an obvious choice - do an online search. Check yelp, Realtor.com, Zillow, and Google. When searching online, make sure to search for agents in the neighborhood(s) you want to buy in. Agents who spend their time specializing in certain areas generally have a better understanding of home values, neighborhood trends, and other specific information regarding the area. Local agents may also have pre-existing relationships with other agents in the area giving you a leg up during the negotiation process and increasing your chances of finding off-market or “pocket” listings.

Once you’ve found a couple local options, call and/or visit their offices and be ready to interview several different agents. You should feel comfortable around your agent. Depending on your home search, this could be someone you spend a lot of time with. Evaluate your personal style, personality, and business mindset, and look for someone who you think you would work well with.

THE BUYER/AGENT RELATIONSHIP FAQ

Here is a quick breakdown of the client/agent relationship:

Is there a contract between the Buyer and his/her agent?

The Buyer is not required to sign an agreement to work with any specific agent, although some agents will only work with Buyers who are willing to sign the “Buyer Representation Agreement - Exclusive.” This document discloses, in detail, Buyer and agent responsibilities, and protects the Agent’s right to a commission fee if the relationship results in a sale.

What financial obligation do you have to your Agent?

None. In most real estate transactions in California, the commission fee to **both** the Buyer’s Agent and the Seller’s Agent is paid by the Seller of the property. The typical commission paid by the Seller is 5-6%, with 2.5-3% going to the Seller’s Agent and 2.5-3% going to the Buyer’s Agent. This means that your agent will be working for you without pay until you complete the purchase of your home. Most agents understand this dynamic and will work diligently for you without a written contract, but others may require an exclusivity agreement (see below).

What are your responsibilities to your agent?

The most beneficial dynamic you can have with your agent is one of clear and open communication. You should feel comfortable asking them questions and discussing updates to your budget and search criteria. It is also important to know that you are not obligated to continue working with an agent if you decide they are not the right fit for you. If you want the best results from your agent, select one to work with and express to them that you are not working with anyone else. Let them know you are serious and work with them to continue the steps of the buying process.

FINANCING

THE FINANCING PROCESS

- Calculate your budget.
- Apply for a mortgage/paperwork/loan application.
- Obtain Pre-Approval from Lender to determine amount of mortgage you are eligible for.
- Determine budget for Home Purchase Price based on mortgage and down payment.
- Talk to your lender about the major dos and don'ts.
- The search begins.
- You find the house you want.
- You make an offer.
- Upon acceptance of your offer, lender begins processing application.
- Lender provides booklet of estimated closing and related costs.
- Lending institution requests an appraisal of home, a credit report and verification of employment and assets.
- Estimate of your loan costs in form of initial Truth in Lending Disclosure Statement.
- Lender Evaluates the application and approves the loan.
- Lender disburses funds to closing agent.
- Sign closing documents and loan is funded.
- Appropriate documents recorded at local recorder's office. The home is sold and it is yours!

HOW MUCH CAN YOU AFFORD?

Before you can begin to search for a new home, you need to determine your budget and estimate how much you can afford. One of the most important factors in figuring out your financial budget is getting pre-approved for a mortgage. Pre-approval uses basic information as well as electronic credit reporting to determine whether a lender will loan you money. If you are pre-approved for a mortgage, the lender has given you a commitment to support your new purchase.

Once you have been pre-approved, you need to decide which type of mortgage to get. This decision is usually based on the interest rate of the loan and how much time you are given to pay the lender back.

When you apply for a mortgage, you will need to provide information regarding your income, expenses and obligations. To save time, have the following items available for each borrower:

- Two most recent pay stubs
- W-2s for the last two years
- Federal tax returns for the last two years
- Last two months' bank statements
- Long-term debt information (credit cards, child support, auto loans, installment debt, etc.)
- It is helpful to meet with your accountant as you prepare for this process.

CALCULATING YOUR BUDGET

To estimate your budget, add up your total financial worth and then subtract all the costs included in the purchase. Here are some of the expenses you will carry.

DOWN PAYMENT

Most homeowners contribute a down payment on his or her new property. The down payment is a percentage of the purchase price that the buyer pays in full before closing. The larger the down payment, the smaller your mortgage will be.

COST

There are quite a few costs when you're buying a new property and it's important to factor them into your budget. Here are some examples:

- **Monthly Costs:** The calculation of your entire monthly costs including the mortgage, insurance, taxes, utilities, homeowner dues, etc.
- **Points:** Borrowers have the opportunity to reduce the interest rate on their mortgage by paying points at the beginning of the loan. One point is 1% of the new loan.

FINAL BUDGET

Now you're ready to calculate your final budget. Remember to include all of your available monies, monthly salary, additional income, and then subtract the down payment, monthly mortgage payment, closing costs, moving costs, and any additional expenditures you might accrue. When you have arrived at your estimated budget, you are ready to begin the search for your new house.

SEARCHING FOR A HOME

SETTING PRIORITIES

Can you picture your dream house? Does it have a huge backyard? What kind of neighborhood is it in? Is it important to have a good school system nearby? What about public transportation or daycare facilities? Do you want to live by the beach or close to a park? These are just a few of the questions you should consider before you begin your search.

Here are a few items you should consider during your home search:

- Single Family vs. Condo
- # Bedrooms
- # Bathrooms
- # Parking Spaces
- Year Built
- Square Feet
- Outdoor space - yard/patio/rooftop deck
- Private Garage - direct entry or not?
- Single Story vs Townhome
- Natural Light/Sun Exposure
- School District
- HOA Dues + Reserves of HOA
- Local Parking Restrictions
- Condo Amenities - i.e. pool, gym, security
- Age of Appliances and Other Systems
- Proximity to Airport

It's important to prioritize the items on this list and any other features that may be important to you.

THE SEARCH

Once you've narrowed down your location, size, price, and other priorities, you can begin to actively search for and tour available properties.

TOOLS

There are several tools available to assist you during your search for the perfect home. Online tools like Zillow and Trulia make it easy to search for homes in your desired area, view photos, and find open houses. Other tools include local newspaper classifieds and real estate magazines. But the most important tool for your search will be your Real Estate Agent. See "Finding an Agent" on page 10 for details on the best strategy to find the right agent for you - hint-hint, it's us! Your agent will have access to off market listings and exclusive listings on your local Multiple Listing Service website.

THE PROCESS

Once you've discussed your search criteria with your agent, you will work together using all of the available tools to select listings to tour in person. You will then start going to public open houses, and your Realtor® will help you schedule private showings. Finding the right home for you can be a fast or slow process depending on the market you're searching in. It's important to be patient and maintain clear communication with your agent. They should be your first point of contact for questions, concerns, changes to your search priorities, etc.

WRITING THE OFFER

After you've found a home that meets all of your necessary criteria, you may decide to write an offer. This can be very exciting, stressful, and in certain markets can be a time sensitive process. Your agent will walk you through the process and should be there to explain the contract and various options to strengthen your offer. The purchase contract is called the California Associations of Realtors Residential Purchase Agreement (RPA).

The RPA is a 10 page agreement that acts as an instruction guide during the escrow process (see Opening Escrow page 10). A few of the items addressed on the RPA are the following:

- The Name(s) of the Buyer(s)
- Purchase Price
- Financing vs. All Cash
- Duration of Escrow
- Selection of Escrow and Title Companies
- Inspection, Appraisal, Loan, and other Contingency Periods

You will discuss each part of the Purchase Agreement with your Agent to determine how much you are willing to pay for the property, how many days you need to close, etc. These decisions will be used as negotiating items between your Agent and the listing Agent. Your Agent should be negotiating on your behalf to help get an acceptance of your offer.

TITLE INSURANCE

WHAT IS THE IMPORTANCE OF TITLE INSURANCE?

The purchase of a home is usually the most expensive and long-term financial undertaking an individual or family ever makes, therefore it is very important to fully protect the investment. You and your mortgage lender will want to make sure the property is indeed yours, and that no one else has any lien, claim, or encumbrance on your property. Safe, sound and reliable title insurance provides the basic home ownership protection you need.

WHAT IS THE BASIC FUNCTION OF A TITLE COMPANY?

The basic function of a title insurance company is to take steps to minimize the risk that a policyholder will suffer any loss, or be subject to, any adverse claim, as well as to safeguard his ownership of, or claims in, the property. If title problems do arise in spite of this preventative work, title insurance will pay for the costs of defending against an attack on the title as insured, as well as any valid claims.

WHO NEEDS TITLE INSURANCE?

Buyers and lenders in real estate transactions need title insurance. Both want to know that the property they are involved with is insured against certain title defects. Title companies provide this needed insurance coverage subject to the terms of the policy. The seller, buyer and lender all benefit from the insurance provided by title companies.

THE ESCROW PROCESS

WHAT IS ESCROW?

Escrow is a process that provides for a fair and equitable transfer of property between a buyer and a seller whereas both parties to the real estate transaction entrust legal documents and various funds to the escrow holder. The escrow holder in turn has the responsibility of seeing that all the terms and conditions of escrow are carried out before the transfer of any funds or property are exchanged.

WHAT DOES ESCROW DO?

Escrow is a neutral third party that carries out written instructions given by the principals, including:

- Receiving funds and documents necessary to comply with the instructions
- Completing or obtaining required forms
- Handling final delivery of all items to the proper parties upon the successful completion of escrow

Escrow must be provided with all of the necessary information to close the transaction. This information may include, but is not limited to, the following:

- Loan documents
- Tax statements
- Fire and other insurance policies
- Title insurance policies
- Terms of sale and any seller-assisted financing
- Requests for payment for various services to be paid out of escrow funds

WHAT DOES THE ESCROW HOLDER DO?

The following items represent a typical list of what an escrow holder does:

- Serves as a neutral third party and the vehicle by which the mutual instructions of all parties are carried out
- Prepares escrow instructions
- Requests a preliminary title search to determine the present condition of title to the property
- Requests a beneficiary's statement if debt or obligation is to be taken over by the buyer
- Complies with lender's requirements, specified in the escrow agreement
- Receives purchase funds from the buyer
- Prepares or secures the deed or other documents related to escrow
- Prorates taxes, interest, insurance, and rents according to instructions
- Secures releases of all contingencies or other conditions as imposed on any particular escrow
- Instructs title to record documents at the County Recorder's Office
- Closes escrow when all the instructions of buyer and seller have been carried out
- Requests issuance of the title insurance policy
- Disburses funds as authorized by instructions, including charges for title insurance, recording fees, real estate commissions and loan payoffs
- Prepares final statements for the parties accounting for the disposition of all funds deposited in escrow (these are useful in the preparation of tax returns)

WHAT DOES THE ESCROW HOLDER NOT DO?

The Escrow officer does not do the following:

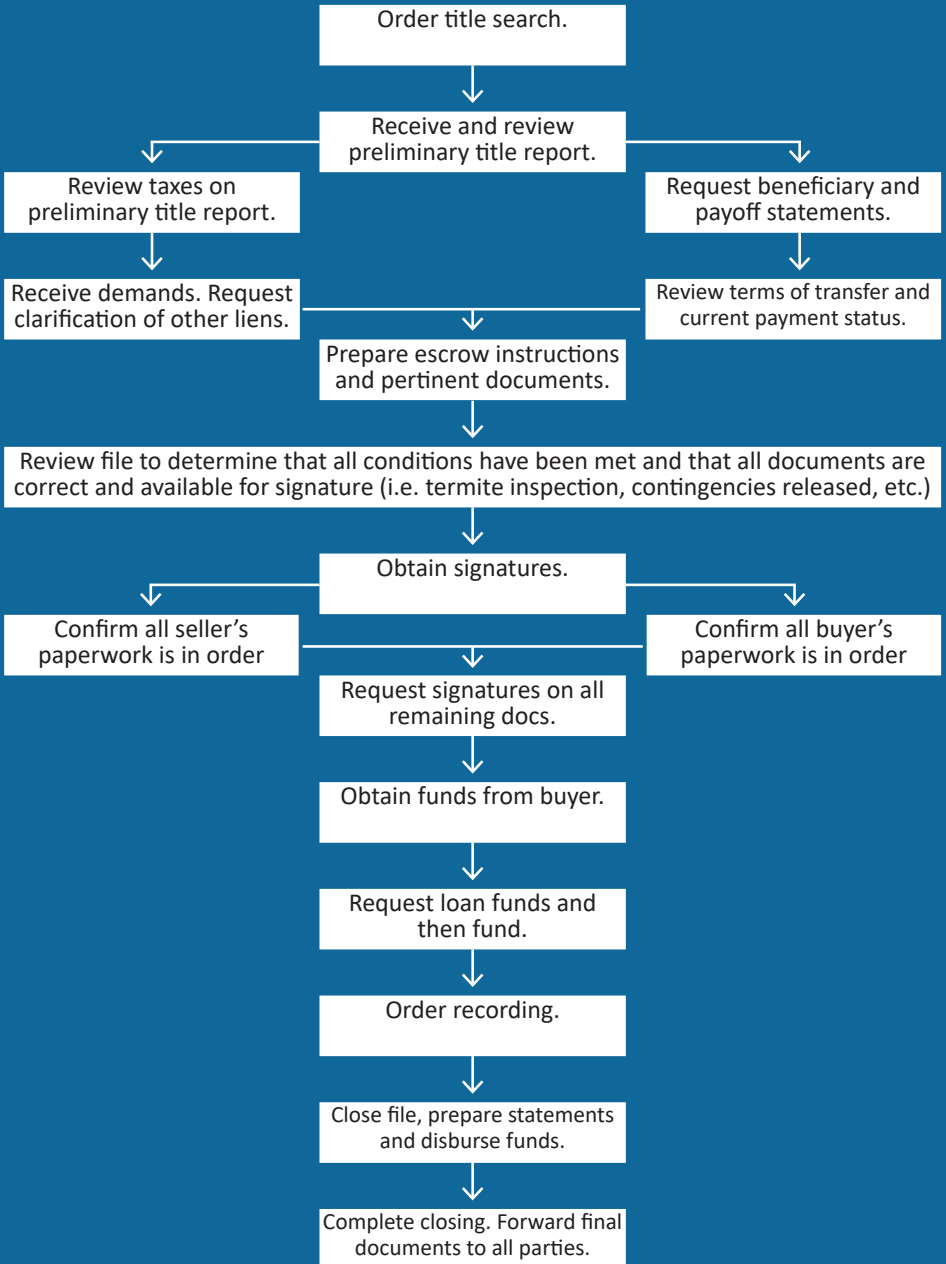
- Offer legal advice
- Negotiate the transaction
- Offer investment advice

THE CLOSING PROCESS

When all instructions in the escrow have been carried out, the closing can take place. At this time, all outstanding funds are collected and fees, such as title insurance premiums, real estate commissions and termite inspection, charges are paid. Title to the property is then transferred under the terms of the escrow instructions and appropriate title insurance is issued.



THE LIFE OF AN ESCROW



WHO PAYS WHAT?

SELLER

- “Owner’s” Title Insurance Policy Premium
- Escrow fee
- Real estate commission
- Document preparation fee for deed
- Documentary transfer tax (typically \$1.10 per \$1,000.00 of sales price)
- City transfer or conveyance tax
- Any loan fees required by buyer’s lender (FHA, VA)
- Payoff all loans in seller’s name (or existing loan balance if being assumed by buyer)
- Interest accrued to lender being paid off, statement fees, reconveyance fees and prepayment penalties
- Termite work (negotiable)
- Home warranty
- Any judgments, tax liens, etc., against the seller
- Tax proration (for any taxes unpaid at time of transfer of title)
- Any unpaid homeowner’s dues
- Recording charges to clear all documents of record against seller
- Any bonds or assessments
- Any and all delinquent taxes
- Notary fees
- Homeowner’s transfer fee
- Messenger fees (if applicable)

BUYER

- “Lender’s” Title Insurance Policy premium
- Escrow fee
- Document preparation
- Notary fees
- Recording charges for all documents in buyer’s name
- Termite inspection (defined by contract)
- Tax proration (from date of acquisition)
- All new loan charges (except those required by lender for seller to pay)
- Interest on new loan from date of funding to 30 days prior to first payment date
- Assumption or change of records fee for takeover of existing loan
- Beneficiary statement fee for assumption of existing loan
- Inspection fees (roofing, property inspection, geological, etc.)
- Home warranty (defined by contract)
- City transfer or conveyance tax (defined by contract)
- Fire insurance premium for the first year
- Messenger fees (of applicable)

PLEASE NOTE: All of the sellers and buyers closing costs listed are negotiable and are defined by the contract between the two parties.

BUYER'S GUIDE

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