

GOOD EXPERIENCE v. BAD EXPERIENCE Preparedness by both buyers and their agents is vital to a good (successful) experience. Real estate transactions are complex with many legalities, contractual requirements, expenses, parties, and decisions involved. Even when everyone understands the process, a trusting partnership between buyers and their agents is just as important.

Begin preparing by:

- (1) *Assessing financial position and identifying your budget early*
- (2) *Understanding the real estate transaction process*
- (3) *Understanding real estate contracts*
- (4) *Knowing who is involved and their roles*
- (5) *Interviewing prospective agents before selecting one*

Financing And Your Budget – Start Now

A common mistake that causes many problems is a late start in assessing financial position and identifying a home buying budget. Starting many months or even a year or more in advance of looking for a home can be helpful. Why? What's involved?

Assessing financial position includes consideration of credit reports, financial reserves like savings and retirement funds, employment status and income, and more. Consulting with a lender early can help buyers identify things they may need to do in order to qualify for a home loan, and some of these may take a while to complete like paying off a debt, saving more money, or having a job longer. (For some home loans, borrowers must have their current job for 2 or more years.) Also, many people who doubt they can qualify for a home loan are pleased to learn that they can qualify for a loan now.

The home loan is provided on the Settlement day to buy the home which is usually about one month after signing a sales contract, yet there are buyer expenses before then. Ensure your real estate agent guides you on these.

Take A Tip:

- *Consult With Multiple Lenders.* Loans, interest rates, incentives, and more can vary.
- *Start With Setting A Monthly Payment Limit And Then Identify The Amount Of A Loan You Want.*

- *Ask About Loan Options And Compare.* Qualifying criteria, interest rates, down payments, and more can vary.
- *Seller Concessions.* Buyers can negotiate to receive monies from home sellers to help with closing costs. There are limits based on the type of home loan.
- *Recasting.* Some lenders will permit recasting which is identifying a new, often lower, monthly payment following a borrower placing a large payment on principal.
- *Private Mortgage Insurance.* Providing a 20% down payment and only taking a home loan at 80% of the home sale price can save hundreds of dollars a month in PMI.
- *Budget For Additional Expenses:* Earnest Money Deposit, inspections, appraisal, closing costs, homeowners insurance, title insurance, moving, utility account deposits.

Note: A description of the buyer's financing and a copy of a loan pre-approval letter are included in offers. This is another reason consulting with a lender early is essential.

Real Estate Transaction Process

The details of each transaction will vary, yet there are many common components. The sequence of components may vary, too. Ensure your agent thoroughly reviews the process for your specific transaction so you understand what to expect and what to do. Here's an overview:

- *Showings and Property Evaluations.* A "showing" is a visit to a home. Thoroughly evaluate the home for material condition, appropriate pricing, alignment with your selection criteria, etc.
- *Offers and Contracts.* An offer to buy property includes multiple terms and conditions such as price, schedule, contingencies, and more. When buyers submit an offer, the seller has three options: Accept in full, decline in full, or counteroffer. With a counteroffer, sellers are now offerors providing buyers with their preferred terms and conditions. Buyers now have those same three options: Accept, decline, or counteroffer. If an offer is eventually accepted, signing and dating by all parties results in a ratified legally binding contract.
- *Contract milestones.* EMD submission, inspections and negotiations, Disclosure Packet review, loan application continuation, appraisal, other applicable contingencies.
- *Settlement.* This is the actual purchase event facilitated by a settlement firm. The settlement firm prepares the final documentation, identifies itemized costs and receipts for all parties, receives and distributes funds, records transfer of ownership, etc.



The Offer And Contract

▶ **Contracts are legally binding agreements.** When a party does not comply with terms and conditions, the wronged party (i.e., victim) may be able to seek legal recourse. A party cannot simply walk away from a residential sales contract without penalty. There must be a legally permissible basis. All parties are required to perform timely and with due diligence, or risk being in breach of the contract. This means meeting deadlines, working persistently without inexcusable delays, and in good faith.

Offers are submitted using the contract form so that once the offer is signed and dated by all parties it becomes the ratified contract. Legally binding contract, right? Offers include many terms and conditions, some are common to all transactions and tailored ones can be added and agreed upon by buyers and sellers. Here's an overview of the common items in an offer and contract.

- *Identification of Parties and the Property Being Sold.* Persons' names must be legal names. Sellers listed must have legal right to sell the property. Buyers listed will be on the new deed. All real property subject to the transaction must be appropriately described.
- *Earnest Money Deposit Amount and Deadline.* EMD is due to the settlement firm within 5 business days to be held in escrow and applied to buyer closing costs. Sellers can claim the EMD should buyers default on the contract. EMD is usually 1% of sales contract value.
- *Selection of Settlement Firm.* Virginia law states only the buyer may select the settlement firm.
- *Description of Financing and A Copy Of The Loan Pre-approval Letter* – Type of loan, amount to be financed and amount of down payment.
- *Inspection Contingencies With Deadlines.* Some inspections are optional, some are required depending on the type of home loan. With a "contingency", buyers may be able to void a contract without penalty based on the inspection reports, or negotiate with sellers for repairs or financial consideration.
- *Disclosures.* Legally mandated property disclosures.

- *Financing and Appraisal Contingencies With Deadlines*
- *Offer price*
- *Resale Certificate Review.* Per Virginia law, buyers have 3 days to review HOA/Condo Association Resale Certificates within which they may void the contract without penalty.
- *Walkthrough.* Buyers are entitled to conduct a walkthrough inspection within 7 days preceding date of settlement.
- *Date of Settlement.* This is usually about one month after ratifying the contract.
- *Other terms and conditions, contingencies and addenda, etc., that sellers and buyers agree upon.*

Who's Who

Buyers and Sellers
Home Inspectors
Radon Inspectors
Wood Destroying Insect Inspectors
Well and Septic Inspectors
Other Inspectors As Identified
Settlement Firm (processors, agents, lawyers)
Lenders (loan officers, underwriters)
Appraisers
Surveyors
Home Insurance Companies
Title Insurance Companies
Real Estate Agents
HOA/Condo Associations, Community Managers
Virginia Circuit Court

▶ *The complexity of real estate transactions can lead to great risk and missed home ownership opportunities. We believe it is very important for home buyers and their agents to communicate openly and often, and to consult. We encourage all home buyers to interview agents before selecting.*

*We provide **no-cost consultations** to educate on the process and for us all to learn about each other.*