



BUYER'S GUIDE

Presented by Finely Crafted Realty



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About Us &
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STEP 1

Hire your agent



Experience

We are educated in the entire process from start to finish & have foresight to see problems before they happen.



Paperwork

We help you with contracts, disclosures, and all the other necessary paperwork



Pricing

We understand local pricing, what adds value, and will help you look at any listing objectively.



Negotiations

We will work tirelessly to set yourself up to get the best deal possible.



Today's Market

We understand today's market and can discuss ways to give you a competitive edge as a home buyer.

Very Important!

The Home Seller pays the commission at Closing.
Using an agent to help you purchase a home typically costs NOTHING to you!!

STEP 2 *Pre-approval*

- We can provide you with our contacts for local, preferred mortgage lenders. Don't underestimate the value of working with someone local as opposed to an online big box company
- We recommend obtaining a pre-approval vs. pre-qualification letter
- You will be required to provide documentation including letter of employment, pay stubs and past 2 year tax returns. Your credit report will be pulled
- Bring to the lenders attention any of your concerns about credit history, bankruptcies, etc. This will save you time, money, and a lot of heartache
- Ask lender about different loan programs available to determine what works best for you
- Ask about your monthly mortgage payment amount at different price points including principal, interest, taxes, mortgage insurance(if applicable), homeowners insurance, and any HOA fees.

How Much Can You Afford?
Key Factors to Consider



Down Payment
Interest Rate
Debt to Income Ratio
Closing Costs



Why a Pre-approval is Important

Oftentimes, the number of buyers searching for their dream homes greatly exceeds the number of homes for sale. This has led to a competitive marketplace where buyers often need to stand out. One way to show you are serious about buying your dream home is to get pre-approved for a mortgage before starting your search. Find a reputable lender to help you get preapproved!

It's highly recommended that you work with your lender to get pre-approved before you begin house hunting. Pre-approval will tell you how much home you can afford and can help you move faster, and with greater confidence, in competitive markets.



Freddie Mac describes the '4 Cs' that help determine the amount you will be qualified to borrow:

- 1. Capacity:** Your current and future ability to make your payments
- 2. Capital or Cash Reserves:** The money, savings, and investments you have that can be sold quickly for cash
- 3. Collateral:** The home, or type of home, that you would like to purchase
- 4. Credit:** Your history of paying bills and other debts on time

Getting pre-approved is one of many steps that will show home sellers that you are serious about buying, and it often helps speed up the process once your offer has been accepted.

The bottom line is many potential homebuyers overestimate the down payment and credit scores needed to qualify for a mortgage today. If you are ready and willing to buy, you may be surprised at your ability to do so.

STEP 3

Home Search

Let the fun begin!

Now that we know what you can afford to spend, let's talk about the specifics of finding your new home!

We will discuss:

- wants vs. needs
- ideal areas
- timeline
- setting expectations
- current market conditions
- search criteria

We will work together to set you up to receive new listings from the MLS...

...and we will discuss proactive ways to target off market properties!



Let's Rock & Roll!

STEP 4 *Make an Offer*

Position of Strength

- Pre-approval on hand
- Type of financing
- Negotiating with listing agent
- Comparable sales to support offer
- Make it a mutual win
- Create connection

Multiple Offer Strategy

- Letter to the homeowner
- Higher earnest Money Deposit
- Delayed possession
- Timeline compromises
- Less or shorter contingencies



Making an Offer

Once we've found the house you wish to purchase, you'll need to determine what offer you are willing to make on the home. After all, you are the one making the payments!

What to Consider

- Sales price
- Supporting sales
- Earnest money
- Financing terms
- Inspection period
- Closing date
- Personal property
- Seller concessions

STEP 5 *Inspections*

If you are purchasing a resale property, we highly recommend that you have a professional home inspector conduct a thorough inspection. You need an inspector that is exceedingly thorough and detailed so as to minimize surprises for you. However, the inspection is not meant to be used to low ball the seller post-price negotiations, as all existing homes have minor imperfections.

The inspection is intended to report on major damage or serious problems that require repair. Your home cannot "pass or fail" an inspection. The inspector's job is to make you aware of repairs that are recommended or necessary.

A TYPICAL INSPECTION INCLUDES...

- Appliances
- HVAC
- Plumbing
- Roof and Attic (if accessible)
- Electrical
- General Structure

The seller may be willing to negotiate completion of repairs or you may decide that the home will take too much work and money and rescind the offer during the inspection period.

Your inspection is a contingency to the purchase and sale agreement and needs to be completed and any repairs requested within the due diligence date on purchase agreement, usually a 7- 10 day period

Estimated Costs

Standard Home Inspection:

Starting at \$375-550
Depending on size and age

Termite Inspection: \$150

Radon Test: \$150

Septic Inspection: \$500

✦ Not all inspections are necessarily required, although they are definitely recommended!

STEP 6

Loan processing & appraisal

Once you clear inspections, it's time to give your lender the green light to proceed.

Your loan will continue the underwriting process, and your lender will order the appraisal.

The term "underwriting" refers to the process that leads to a final loan approval .

Once an underwriter has reviewed all of your information and documentation, a decision will be made on the loan's status.

If you've been up front with your lender, and have selected a lender wisely, you should have a good outcome.



Choosing a local & reputable lender

truly matters!

STEP 7



Appraisal

An appraisal is an opinion of value from a licensed real estate appraiser. They visit the home to inspect size, condition, function, & quality.

Next, the appraiser researches similar homes in the area and compares recent sales to determine a fair market value.

The appraiser then gives a final appraisal report which includes a final "opinion of value."

A real estate appraisal helps to establish a home's market value – the expected price it would fetch if offered in an open, competitive real estate market.

Appraisals can help buyers ensure that they don't overpay for a home.

By law, mortgage companies cannot complete their own appraisals. Many hire an appraisal management company (AMC) which gives the work to a licensed professional appraiser.

STEP 8

Receive Loan Approval

After a file has been fully underwritten and all of the conditions are satisfactorily met, a final underwriting approval will be issued. This is known as a "Clear to Close". These are the magic words!

Clear to Close means that the documentation you provided to your lender have met their approval, and that no additional paperwork is required.

When you're Clear to Close, your lender is ready to fund your loan and will begin communicating with the title company to prepare your documentation for closing. It typically takes up to 5 days.



STEP 9

Ready to Close

Homeowners Insurance

- Highly competitive rates
- Impacts your monthly payment

Title Company

- Quality management of process
- Manages all parties in transaction
- Leverage for getting problems solved
- Closing on time
- Protecting your interest
- Transferring ownership

The Final Details

- All docs to lender in timely manner
- Closing & settlement review
- Final walk through
- Transfer of utilities
- Possession & getting the keys





You have gone through all the hoops to get to this day. Today is the day you go from home seeker to homeowner! But before you get those keys, there are a few things you need to do...

Final Walk-through
Have you done a final walkthrough? This is very important! Scheduling this last look at the property will ensure that all of the seller's belongings have been removed and all repairs have been completed. If you asked for appliances to stay, see that that they are in place. Make sure all of the lights, heating/air and plumbing are working properly. Check on any specific items you agreed to in your contract.

STEP 9

Closing Day!

Who will be there?

- **You, the buyer(s)**
- **Seller(s)**
- **Buyer's agent**
- **Listing agent**
- **Closing attorney**, a person representing the title company and responsible for ensuring the title is transferred to you
- Occasionally **your loan officer**

What will you need?

- **Drivers License & a second form of ID** showing your name.
- **Cashier's check or wire for your cash to close** (your loan officer will tell you this amount approx. 24 hours prior to closing. Your attorney may have you wire money. Avoid wire fraud and verify account number with attorney)
- **Personal check** in case of any adjustments

Timeline of Events

- ✕ Once you are under contract, we will provide you with an overview of your timeline to ensure we keep everything on track. We will make sure you understand deadlines for any contract contingencies.
- ✕ Earnest money is typically due within 3 days of contract signing.
- ✕ Inspection deadlines are typically 7-10 days from contract signing.
- ✕ Closing time frames typically range from 30-60 days.



Upfront Costs

- ✕ Earnest money deposit: Up to 1% of purchase price
- ✕ Home Inspection: \$500+/-
- ✕ Appraisal: \$500 +/-
- ✕ Survey: \$500 +/-
- ✕ Closing Costs & Pre-Paid: 3- 5% of purchase price
- ✕ Down Payment: TBD depending on your loan type

**Note the Earnest Money Deposit is applied towards down payment and/or closing costs*



**Above is an estimate of upfront costs please speak to your lender or realtor about your particular upfront costs on your particular transaction.*



What is Earnest Money

The earnest money deposit is an important part of the home buying process. It helps show the seller that you are a committed buyer.

Assuming that all goes well and your offer is accepted by the seller, the earnest money will go toward the purchase price. In many circumstances, you can get most of your deposit back if you discover something that you don't like about the home.

The amount of your earnest money deposit is typically around 1% of the purchase price of the home, and must be collected within 3 days of acceptance.

After turning over the deposit, the funds are held in an escrow account until the home sale is in the final stages. Once everything is ready, the funds are released from escrow and applied to your purchase price.

What are Closing Costs?

Your down-payment is different than closing costs and pre-pays. The down payment amount is the difference between the purchase price of the property and the amount of money borrowed to purchase. Depending on your loan program, your down payment amount can vary.

Property Taxes

Property taxes are calculated based on the value of the property. Property taxes are prorated between parties at closing.

Interest Adjustment

The interest adjustment is the amount of interest accrued between the closing day and the date of the first mortgage payment.

Legal Fees/Disbursements

Legal fees include conducting a title search on the property, putting title insurance in place, registering the home in the buyer's name, and facilitating financial disbursements upon closing.

Lender Fees

These fees generally include Origination Fees, Appraisal, Credit Report, and Points. (Money you pay to get a lower rate)



Tax and Homeowners Insurance Escrow

Some lenders require prepaying taxes and one full year of homeowners insurance at closing and are placed in an escrow account so the money is always there when its needed. This account is maintained in monthly payments



61%

of First-Time Home Buyers Put Down Less Than 6%

According to the National Association of Realtors 61% of first-time homebuyers purchased their homes with down payments below 6%.

Many potential homebuyers believe that a 20% down payment is necessary in order to buy a home and many have disqualified themselves without even trying.

Despite first-time buyers struggling to achieve homeownership, Realtors in most areas say demand is still the strongest at the entry-level segment of the market. For prospective first-timers looking to begin their home search, competition will remain swift. That is why it's important to be fully prepared with a pre-approval from a lender, and to begin conversations with a Realtor early about what you're looking for and where.

It's no surprise that with rents rising, more and more first-time buyers are taking advantage of low-down-payment mortgage options to secure their monthly housing costs and finally attain their dream homes.

Bottom line, If you are one of the many first-time buyers unsure of whether or not you would qualify for a low-down-payment mortgage, let's get together to set you on your path to homeownership!

Smooth Closing Checklist



- Work with us to follow contract timeframes
- Get your lender all documents and info they need on time
- Get Homeowners Insurance. You may want to shop around! Most Insurance companies give you a discount for bundling home and auto. Provide Insurance into to Lender upon thier request.
- Preview Closing Disclosure statement (Must be acknowledged/signed at least 3 days before closing).
- Complete the Final Walk Through at the property.
- Arrange for your 'Cash to Close' to be brought to closing via wire or cashier's check. Be SURE to verify wiring instructions over the phone with the title company.
- Put Utilities in your name and turn on effective on the closing day
- Bring your Drivers License & second form of ID to the closing table
- Get the Keys. In most cases you get the keys at closing and are able to take possession right away once closing is complete.
- Move In! You should be thinking about the upcoming logistics of your move prior to closing, depending on your situation.



let's stay
connected

Finely Crafted Realty is a local, independent real estate company serving Greater Louisville area home buyers and sellers, with a focus in Oldham County.

We are a team of thinkers, doers, problem solvers, and most importantly — protectors of our clients. We craft purposeful relationships with the people we serve and we are constantly reinvesting in local projects. All of what we do fuels our goal of building better communities around us.

We know that buying or selling can be stressful, time-consuming and complex. We make life easy for our clients by educating them on every step of the process, and guiding them to their ideal outcome with ease.

Buying and selling **CAN** be fun... and we are always having a ball!

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