

HOME BUYING PROCESS WITH SHANNON MAHONEY



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SHANNON MAHONEY



BERKSHIRE HATHAWAY
HomeServices
California Properties

Your Objectives

Objectives are the most important piece in the decisionmaking process.

These are questions that determine the motivation to buy.

- What are your goals?
- What are your expectations?
- What is most important to you?

Market Dynamics

To gather a pulse of the real estate market, experts use what is called “month's supply of inventory.” This is the amount of time it would take to sell all current listings if no new listings became available.

“**Sellers market**” is defined as inventory of less than 3 months supply of houses on the market.

- “**Buyers market**” is defined as inventory of more than 6 months supply of houses on the market.

- “**Neutral market**” is defined as inventory between 3 and 6 month supply of houses on the market. In this case, the buyers and sellers negotiating positions are equal. Typically this market does not last long.



Lending Process

The first step when considering buying a home is to meet with a mortgage lender to discuss what would be required to apply for a home loan. If you need guidance, I have many preferred lenders who will walk you through the entire process.

Important key factors when getting qualified for a loan:

1. Steady job/income
2. Two-years of tax returns
3. Bank statement showing funds for down payment which can range from 3.5–20%
4. Comfortable monthly mortgage payment amount.

Shopping

Once you know what you can afford and have a clear understanding of the current market conditions, I can begin your home search.

This process is a learning experience. The more inventory you see, the easier it is to understand what you do want and what you do not want. It is my mission to help guide you on making the right decision by educating you on the “comparable” recent sales or “comps” in the area, as well as providing information about the specifics of the home and neighborhood.

Distinguishing factors that you can and can not change:

- You can easily change paint, flooring, kitchen, bathrooms, landscaping, and sometimes may be able to easily move or add a wall.
- You can not change lifestyle, school district, lot size, freeway noise, the neighbor's yard, etc.
- Once we find the home with the right criteria, we are ready to write an offer.

Writing an Offer

Before submitting an offer you will need:

1. Pre-approval letter from your lender written in the past 30 days.
2. Optional, but highly recommended; a cover letter addressed to the seller to introduce yourself and to inform them on any information that could potentially position you better for an accepted offer.
3. The residential purchase agreement (RPA) that I will go over in detail prior to you making your offer. This form was created to keep both the buyer and seller protected. It maps out the timelines and responsibility of both the buyer and the seller.

Terms, Money, Time, & Services

- How much to offer?
- When do you want to take possession?
- How long do you need to complete your due diligence? (Home inspections, review of all Seller Disclosures such as the Seller Property Questionnaire, Transfer Disclosure Statement, the Preliminary Title Report, and HOA Documents (if applicable)).
- How long will your lender need for the Appraisal and Loan Contingency (your lender will order an appraisal to determine the value of the home and will collect many financial documents from you before providing full loan approval).
- Who pays for what services? (Escrow fees, termite repairs/fumigation, title insurance policy, home warranty).

Depending on the current market dynamics, you may need to be more aggressive when writing your offer. I will help you understand how aggressive you need to be with the terms of your offer.

Negotiations

When responding to your offer, the seller will do one of the following:

1. Accept
2. Counter
3. Decline

Acceptance

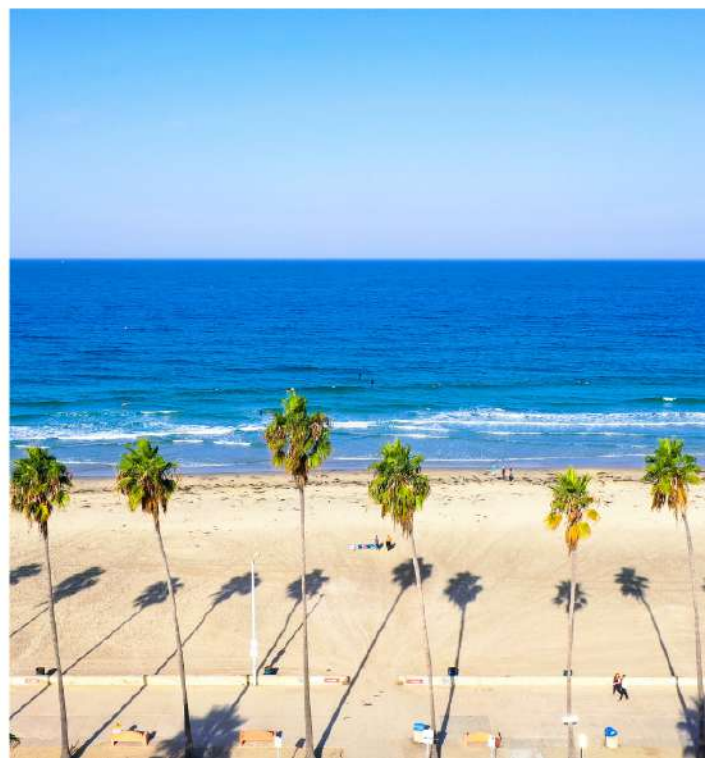
This is when the seller accepts your offer with all of your terms. After the seller signs, the listing agent will send confirmation of acceptance and will then "open escrow."

Counter

This is when the seller accepts your offer, subject to specific terms, ultimately amending your original offer. In some cases there may be a "multiple counter" situation, which means you are competing with other current offers on the same property.

Decline

This is when the seller does not wish to engage in any negotiations with the presented offer.





30 Day Escrow Timeline Example

Week One

1. The Residential Purchase Agreement and any/all addendum(s) and counter(s) have been signed by both parties and have been delivered to the designated Escrow Office ("Opening Escrow"). You will be introduced to your escrow officer who will provide you with the wire instruction to send your initial deposit.

2. We will schedule the professional General Home Inspection.

3. Your lender will order the home Appraisal Report.

4. We will receive all Seller Disclosures, Preliminary Title Report, HOA Documents. This will give you a clear understanding of the condition of the home, as well as any past repairs or improvements that have been completed. The property must have a clear title report with no liens (meaning the seller does not owe on anything connected to the property other than their existing mortgage which will be paid off at closing.)

5. Your lender will receive the Home Appraisal Report to verify the value. If the home "does not appraise at the value" of what you offered, this will need to be negotiated between the buyer (you) and the seller to come to an agreement on an adjusted price. If the seller does not agree to adjust the price to the appraised value, and you the buyer still would like to go through with the purchase, you will be required to come up with value difference from another source or may talk with your lender to re-structure your loan. The lender will only fund up to the appraised value of the home.

Week Two

1. We will review the General Home Inspection Report and Seller Disclosures to determine if there are any additional inspections that need to be scheduled from our findings. Additional inspections may include plumbing, electrical, foundation, etc.

2. If there are any safety, structural, or material defects, you are allowed to make a request to the seller to "Repair/Replace" the items of concern. We will send a formal "Request for Repair" document outlining your requests which may include a "list of repairs to be completed prior to closing". Sometimes the Seller is not in a position to make repairs, and therefore it may be better to negotiate a "Credit to be applied to Purchase Price in lieu of Repair Request". Keep in mind, The seller does not have to agree to any repair or credit requests and/or can counter with what they are willing to repair or credit.

3. **Decision to Proceed or Cancel:** This is the time to make certain that this property is right for you. If there is anything revealed during the inspection period that is a red flag and the seller is not willing to remedy it (and you do not want to proceed with the purchase), you then have the right to cancel the contract due to your "dissatisfaction of the material facts or condition of the home". **If you "Cancel" at this point, your initial deposit (typically 1-3% of the purchase price) will be returned to you.**

4. **Decision to Proceed:** After repair requests/credits have been negotiated, and you have decided to move forward with the purchase, you will then remove your "Physical Inspection Contingency" and the "Review of all Seller Disclosures Contingency". The due date for removal of these Contingencies is stated in your offer. **At this point, your initial deposit (typically 1-3% of the purchase price) will become non-refundable.**

Week Three

1. You will provide "Full Contingency Removal" to the seller once we have received the final loan approval from your lender.

2. There may be required items called "conditions" that your lender will ask for you to get resolved- such as providing a "Letter of Explanation" from a recent filing on your credit report. It is important to make sure you work efficiently on retrieving any necessary information to stay compliant with the escrow timeline. Once all conditions have been satisfied, the final loan documents will be sent to escrow.

3. The escrow officer will schedule a time for you to sign final documents at their office, or at your preferred location with a mobile notary. It is important to plan accordingly and make this a priority to avoid delays with the closing timeline. The Escrow officer will also provide you with specific instructions on where and how to pay the remaining down payment balance to the escrow account for closing.

Week Four

Closing week! You will work with escrow to schedule a wire-transfer or provide a cashier's check for the remaining balance of the down payment. This is a good time to make arrangements for all utilities to be transferred.

Once your name has officially been "Recorded on Title", the escrow officer will notify us that we have "Confirmation of Recording." At this point, escrow has officially closed!

CONGRATULATIONS! I will provide you with all the keys and necessary information for the home.