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HOME

BUYER'S

GUIDE

SOUTHERN CALIFORNIA HOME BUYING GUIDE

Buying a home may be the most complicated financial process of your entire life. Buying a home in Southern California can be either stressful or hassle-free. Here is a guide to help you go through this process in the smoothest, most stress-free way possible.

Step 1: Check your Credit Rating

Your credit score will have a huge impact on what type of property you can buy and at what interest rate because it will determine what tier of loan "borrower" you will be. It is recommended that you check your credit rating with an experienced lending institution so that you can have a better understanding of what loan you will be eligible for. Most lenders pull a tri-merged credit report which combines the reports of three of the major credit agencies Equifax, Experian and Trans Union.

For the do-it-yourselfer, we would recommend using a free credit source such as Credit Karma. Follow their guidelines and recommendation to improve your credit rating.

Step 2: Find out how Much you can Afford

You don't want to find yourself in a situation wherein you've found the home of your dreams only to find out you can't actually afford it. Determining just how much you can afford should be done as early in the process as possible. Once you have a budget and a price range, you can narrow down your options, which will save you a lot of time.

To determine your budget, you have to consider the following factors:

- Your income (and if it has the potential to change soon – and specifically reduce)
- Your credit rating
- How much you spend on a monthly basis on other expenses
- The down payment
- Current interest rates

Step 3: Research and Compare Available Mortgage Programs

Once you've found out just how much you can afford, it's time to research and compare available mortgages. There are different kinds of loan products out there. Researching and comparing loans allow you to choose the best plan for you.

When it comes to mortgages and loans, it's important to ask questions. Don't be intimidated to ask about fees, down payments, mortgage insurance, and other rates you may encounter. Once you have every ounce of information you want and need to know, it's time to negotiate with your chosen lender and get pre-approved.

Why get pre-approved? Not only does this give you a concrete number, having a pre-approval in hand tells sellers that you're a serious buyer.

What will be needed to apply:

- Proof of income (2 years' Tax Returns, Pay-Stubs, Bank and Financial Statements)
- Complete Lender's application

- Debt to Income Ratio (New mortgage payment with taxes and insurance plus all payments that appear on your credit report: loans, auto payments, credit cards, liens, etc.) Depending on your credit and income this ratio can vary but you generally want to keep it below 40%

Step 4: Hire a Professional

Finding the right real estate agent will help ensure the smooth running of the whole home-buying process. A good real estate agent will keep your best interests at heart and guide you the whole way, from helping you find the right home and neighborhood to negotiating on your behalf.

Step 5: Set your Criteria

Making a checklist of the features you want in your new home is a must. Knowing what you want and what you need allows you to stay within your budget or adjust. Should it have to have a master suite? A walk-in closet? Is a modern kitchen a must-have in your next home, or are you willing to compromise?

- Identify your needs and wants list and prioritize desired features.
- Find the neighborhoods you like best and do your homework on surroundings like schools, shopping, etc.

Researching about different neighborhoods and their amenities helps you narrow down your choices. Keep in mind your short-term and long-term goals such as a growing family, proximity to work, etc.

Knowing what you don't want is also very important. Let your real estate agent know about any possible deal breakers.

Step 6: Check out Homes for Sell

Just like purchasing most things, there are many ways to search online and your agent should be able to give you access to searching the MLS as well. Shopping is fun and looking online at homes can help you find ones you are definitely interested in and also narrow down ones you are not that fond of.

With your checklist and your agent, it's time to go and see houses that meet your specifications. Remember that sometimes you just can't get everything you want and compromise is not a bad thing. Keep your budget and your checklist in mind, and you're sure to find a house that's right for you (and your finances).

Once you've found the home you want, it's time to make an offer. Ask your agent to come up with a market analysis on the neighborhood you've chosen to see if the asking price is fair. Knowing if it's right or out of line allows you to make a good offer that the seller will seriously consider. A really good real estate agent will negotiate for you so you can get a good deal.

Step 7: Review the Contract and Perform Inspections

The contract of sale is a legally binding document that sets forth the conditions of the home purchase; this is why it's absolutely necessary for you to review it. Retain the services of a lawyer to review the contract and its terms as well to make sure everything is covered.

Some important tips to keep in mind to streamline the process:

- Keep written records of everything. For the sake of clarity, it will be extremely useful to transcribe all verbal agreements including counter-offers and addendums and to convert them into written agreements to be signed by both parties. We will handle all the paperwork and for convenience, we have a professional Transaction Coordinator that will keep records of all paperwork and be sure you receive copies.
- Stick to the schedule. Now that you have chosen your home and submitted the offer, you and the seller will be given a timeline to mark every stage in the process of closing the real estate contract. Meeting the requirements on time ensures a smoother flow of negotiations so that each party involved is not in breach of their agreement or having to extend escrow which could incur penalties. During the process we will keep you constantly updated so you will always be prepared for the next step.

Sellers are obliged to disclose any issues (i.e. problems with the title or deed of the house, mold, termites, etc.) regarding the home, but of course you can't just rely on the disclosure documents. To be absolutely sure, hire a professional home inspector. Any problems found will allow you to renegotiate with the seller or cancel the purchase if you deem these issues unacceptable (this is one of those things that you'll want to make sure is covered in the contract).

Step 8: Close the Deal

After the home has been inspected and the sellers have met the contingencies, you're almost at the end of your journey.

Depending on the outcome of the inspections, a couple things may happen

1. The home is in great shape and nothing else is needed
2. There were additional recommendation by the home inspector to have additional items more closely inspected by a licensed professional (roofing contractor, electrician, plumber, etc)
3. Items are in need of repair. If there are a few things in the inspections that are recommended to be repaired we can submit a "request to repair" to the seller. There are some options to that as well: one, we can ask for those repairs to be completed before close or; two, ask for a credit for those repairs and handle them after close.

Just before closing the contract, get a paid homeowner's insurance policy as it is required to complete the settlement. A homeowner's insurance policy must be in effect by the close of escrow.

Final Walk-Through Inspection: More of a formality than anything else. the final inspection takes place the day before, or a few days before, the day of closing. You will visit the property to verify that all is in working order, everything is in the same condition as when you last viewed the property, that there are no extra items left behind, and that everything included in your purchase is still at the property. This is also a good time to take measurements for your items that will be going into the home.

Once that's done, it's time for more paperwork. The closing agent (escrow officer) will furnish all parties involved with a settlement statement, which summarizes and details the financial transactions enacted in the process. You and the seller(s) will sign this statement, as well as the closing agent, certifying its accuracy. If you are obtaining financing, you will need to sign all paperwork (loan docs) required by the lender. The amount you plan on putting down on the home can either be wired to the closing agent's escrow account or you can bring in a certified check in the amount specified to the closing.

The seller should arrange to have all property keys and any other important information for you at the closing so that you may receive these items at that time.

Finally, you'll get the keys to your new home. Congratulations!

Moving is never so fun as to when you are moving into a new home you just purchased.

Terms you Should Know

Amendments

A change—either to alter, add to, or correct—part of an agreement without changing the principal idea or essence.

Appraisal

An estimate of value of property resulting from analysis of facts about the property; an opinion of value.

Beneficiary

The recipient of benefits, often from a deed of trust; usually the lender.

Close of Escrow

Generally the date the documents are recorded and title passes from Seller to Buyer. On this date, the Buyer becomes the legal owner, and title insurance becomes effective.

Comparable Sales

Sales that have similar characteristics as the subject real property, used for analysis in the appraisal. Commonly called “comps.”

Deed of Trust

An instrument used in many states in place of a mortgage.

Deed Restrictions

Limitations in the deed to a parcel of real property that dictate certain uses that may or may not be made of the real property.

Earnest Money Deposit

Down payment made by a purchaser of real property as evidence of good faith; a deposit or partial payment.

Easement

A right, privilege or interest limited to a specific purpose that one party has in the land of another.

Hazard Insurance

Real estate insurance protecting against fire, some natural causes, vandalism, etc., depending upon the policy. Buyer often adds liability insurance and extended coverage for personal property.

Impounds

A trust type of account established by lenders for the accumulation of borrower's funds to meet periodic payments of taxes, mortgage insurance premiums and/or future insurance policy premiums, required to protect their security.

Legal Description

A description of land recognized by law, based on government surveys, spelling out the exact boundaries of the entire parcel of land. It should so thoroughly identify a parcel of land that it cannot be confused with any other.

Lien

A form of encumbrance that usually makes a specific parcel of real property the security for the payment of a debt or discharge of an obligation. For example, judgments, taxes, mortgages, deeds of trust.

Mortgage

The instrument by which real property is pledged as security for repayment of a loan.

PITI

A payment that combines Principal, Interest, Taxes, and Insurance.

Power of Attorney

A written instrument whereby a principal gives authority to an agent. The agent acting under such a grant is sometimes called an "Attorney-in-Fact." (often used within Military families)

Purchase Agreement

The purchase contract between the Buyer and Seller. It is usually completed by the real estate agent and signed by the Buyer and Seller.

Recording

Filing documents affecting real property with the County Recorder as a matter of public record.

The Professionals

REALTOR®

A Realtor® is a licensed real estate agent and a member of the National Association of Realtors®, a real estate trade association. Realtors also belong to their state and local Association of Realtors.

REAL ESTATE AGENT

A real estate agent is licensed by the state to represent parties in the transfer of property. Every Realtor is a real estate agent, but not every real estate agent has the professional designation of a Realtor®.

LISTING AGENT

A key role of the listing agent or broker is to form a legal relationship with the homeowner to sell the property and place the property in the Multiple Listing Service.

BUYER'S AGENT (Selling Agent)

A key role of the buyer's agent or broker is to work with the buyer to locate a suitable property and negotiate a successful home purchase.

MULTIPLE LISTING SERVICE (MLS)

The MLS is a database of properties listed for sale by Realtors who are members of the local Association of Realtors. Information on an MLS property is available to thousands of Realtors.

Title Company

These are the people who carry out the title search and examination, work with you to eliminate the title exceptions you are not willing to take subject to, and provide the policy of title insurance regarding title to the real property.

Escrow Officer

An escrow officer leads the facilitation of your escrow, including escrow instructions preparation, document preparation, funds disbursement, and more.