

THE PATH TO HOME OWNERSHIP

A Buyer's Guide








HI, I'M LUCA

After a successful career in client service, I decided to become a real estate agent, seeking to pursue my belief that everyone deserves the home of their dreams. I pride myself on my ability to provide exceptional customer service through active listening and thoughtful communication.

Each of my clients is unique, and it's my priority to meet you where you are, and advocate for you every step of the way. Purchasing a home should be a fun and exciting journey, but it can also be stressful and overwhelming. As your agent, I will guide you through the process so you can make your real estate goals a reality, and have some fun along the way.

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WHY OWN A HOME?

1. TAX BENEFITS

The U.S. Tax Code lets you deduct the interest you pay on your mortgage, your property taxes, and some of the costs involved in buying a home.

2. APPRECIATION

Historically, real estate has had long-term, stable growth in value. In fact, median single-family existing-home sale prices have increased on average 5.2 percent each year from 1972 through 2014, according to the National Association of REALTORS®. The recent housing crisis has caused some to question the long-term value of real estate, but even in the most recent 10 years, which included quite a few very bad years for housing, values are still up 7.0 percent on a cumulative basis. In addition, the number of U.S. households is expected to rise 10 to 15 percent over the next decade, creating continued high demand for housing.

3. EQUITY

Money paid for rent is money that you'll never see again, but mortgage payments let you build equity ownership interest in your home.

4. SAVINGS

Building equity in your home is a ready-made savings plan. And when you sell, you can generally take up to \$250,000 (\$500,000 for a married couple) as gain without owning any federal income tax.

5. PREDICTABILITY

Unlike rent, your fixed-rate mortgage payments don't rise over the years so your housing costs may actually decline as you own the home longer. However, keep in mind that property taxes and insurance costs will likely increase.

6. FREEDOM

The home is yours. You can decorate it any way you want and choose the types of upgrades and new amenities that appeal to your lifestyle.

7. STABILITY

Remaining in one neighborhood for several years allows you and your family time to build long-lasting relationships within the community. It also offers children the benefit of educational and social continuity.



TALK TO A LENDER EARLY IN YOUR SEARCH

GET PRE-APPROVED BEFORE YOU START TO LOOK

Your lender will pull your credit report and review all of your financial documents—tax returns, pay stubs, bank statements, credit card statements, student and auto loans, etc.—to determine how much you can borrow and issue a pre-approval letter.



QUESTIONS TO ASK A LENDER

1. How much are your lender fees?
2. What programs do you offer for first-time home buyers
3. How quickly can you close?
4. Is your entire team local?
5. Are you available outside of typical business hours?



HOT TIP: Ask your lender about getting a pre-underwritten pre-approval to strengthen your offer in a competitive market.

PREPARE YOUR BUDGET

CLOSING COSTS

Closing costs are due at the final signing appointment, and include settlement fees, lender fees, and title insurance, and typically range from 2-5% of the purchase price of the home.

INSPECTION

Inspections typically range from \$200-600 depending on the size of the home, type of home, and whether you'd like a full written report provided.

MOVING COSTS

Don't forget to plan for costs associated with moving, such as fees for breaking a lease, moving equipment rental, moving labor, packaging. Some HOA's also require a move-in fee.

EARNEST MONEY

Earnest money will be applied to your down payment and closing costs, but will need to be delivered to the escrow agent quickly upon mutual acceptance of your offer.

DOWN PAYMENT

Typically 20% of sale price, but can vary. Generally, a higher down payment means a stronger offer and a better interest rate.

MONTHLY PAYMENT

The standard recommendation is that your monthly housing payment should not exceed 30% of your gross monthly income.

As a home buyer, your agent's commission is paid by the seller of the home in almost all circumstances. This means your agent representations costs you nothing!



CONTINGENCIES

Contingencies provide a way for buyers to back out of a real estate contract, and keep their earnest money, if certain specified conditions are not met.

TITLE CONTINGENCY

The title contingency gives you time to review the title report and back out of the contract if you find anything you're uncomfortable with.

Consider reviewing the title report prior to submitting an offer.

INSPECTION CONTINGENCY

The inspection contingency gives you time to have the property inspected by a licensed professional to verify the condition, and to back out of the contract if you are uncomfortable with the findings.

Consider conducting a pre-inspection prior to submitting an offer, or including a pass/fail inspection contingency to indicate that you won't ask the seller to complete any repairs.

APPRAISAL CONTINGENCY

Lenders won't approve a loan for more than the appraised value. If your loan is denied for this reason, the appraisal contingency will allow you to back out of the contract or re-negotiate the sale price with the seller.

Consider waiving if you have an abundance of cash on hand to cover an appraisal gap, or ask for a partial waiver that will allow you to cover an appraisal gap up to a capped amount.

FINANCING CONTINGENCY

If for any reason you're unable to obtain financing for the property, the financing contingency allows you to back out of the contract.

Consider talking to your lender prior to waiving this contingency, and obtain a fully underwritten pre-approval to lessen the risk.

HOME SALE CONTINGENCY

A Home sale contingency will allow you to back out of the contract if your offer is dependent on the sale of your current home, and the sale falls through.

Consider talking to your lender about financing options to buy another home while you pay your current mortgage.

HOW TO WIN IN A COMPETITIVE MARKET

Here are some ways we can tailor your offer to meet the specific needs of the seller and stand out amongst the competition.



CLOSING DATE

Seller's needs can vary, but generally the faster you can close, the more competitive your offer. Ask your lender to underwrite your pre-approval to shorten your closing timeline.

EARNEST MONEY

A typical earnest money amount in a competitive market is 3-5% of the purchase price, however, the more you're willing to put down, the stronger your offer.

DOWN PAYMENT

A higher down payment is more likely to avoid financing issues that can jeopardize the deal and force the seller to go back on market.

APPRAISAL GAPS

Dedicating a set amount to cover an appraisal gap can be extremely helpful in a market that is appreciating at rapid speeds.

WAIVING CONTINGENCIES

Contingencies can be included in your offer to protect your earnest money. Generally, the fewer contingencies you have, the stronger your offer.

PRICE ESCALATION ADDENDUM

You can stipulate that if the seller receives any offers higher than yours, you'll beat it by a certain amount, up to a cap. This helps you avoid overpaying while remaining competitive.

RENT BACK

If the seller needs extra time to move out, you can choose to rent the home back to them after closing. Keep in mind that landlord/tenant laws will apply in this scenario.

RELEASING EARNEST MONEY EARLY

Earnest money is typically released at closing, but offers that release earnest money early can be very appealing to sellers. Note: This option only makes sense when waiving all contingencies.

KEY TERMS TO KNOW

AMENDMENTS

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

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.

COMPARATIVE MARKET ANALYSIS (CMA)

An in-depth analysis that determines the estimated value of a home based on recently sold homes in the area, with similar condition, size, features, and age.

COMPS

Comparable homes in a given area that recently sold and are used to determine a home's value.

DAYS ON MARKET (DOM)

The number of days a property listing is considered active, prior to going under contract.

EARNEST MONEY DEPOSIT

Down payment made by the Buyer, sometimes referred to as a “good faith deposit”, and is applied to closing costs and/or down payment at the Close of Escrow.

EASEMENT

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

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, etc.

LOAN-TO-VALUE RATIO (LTV)

The amount of the loan divided by the price of the house. Lenders reward lower LTV ratios with better loan terms.

PRIVATE MORTGAGE INSURANCE (PMI)

A fee charged to borrowers who make a down payment that is less than 20% of the home's value. The fee, which is a small percentage of the yearly loan amount, can be canceled in certain circumstances once the borrower reaches 20% equity.

UNDERWRITING

The process a lender follows to assess a home loan applicant's income, assets and credit, and the risk involved in offering the applicant a mortgage.