



Property Buying Tutorial



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Is now the best time to buy?

I think so.

If you're a first-time homebuyer, the fact that you qualify to buy a home says you can likely use the tax write-offs. So, in a way it's costing you money not to buy.

Consider what home prices were when you first started to rent and what they are today and kick yourself for not buying back then.

If you're a move up buyer, the better deals seem to be on upper middle-class homes, because many upper middle-class baby boomers are selling their homes and retiring out of state where it's more affordable to live on a fixed retirement. This puts more inventory on the market at a price point that first-time homebuyers are having difficulty with. If you can afford to, and you would like to, it's a good time to buy a larger home.

Both prices and interest rates are up but not quite as high as they were at their recent peaks. Here is what's new and different today:

Prices on homes are down from where they were a few years ago, with a slightly bigger drop in larger, nicer, pricier or what are commonly called move up homes.

There is more inventory to choose from so a buyer can be pickier. Bidding wars on property mostly ceased. A buyer can take their time and fully inspect a property and not be pushed to close quickly as in recent times.

The concept of "negotiating a price" is coming back.

I currently have 27 years of real estate industry experience and even longer being a homeowner and landlord. This experience has taught me that housing prices, in the short term, fluctuate up and down but over long periods of time, they always go up due to inflation.

Some believe interest rates may come down a little this year. If rates come down, housing prices go up. If rates go up, housing prices come down. It's a balancing act with home prices lagging about six months to a year behind interest rates. Because the average homeowner keeps their home for 20+ years but on average refinances every five years or so your home is a long-term investment not only in money but in your lifestyle and happiness. The interest rate is temporary until you refinance.

Common Industry Terms

for first timers this is a short, abridged, loose translations - not to be used for legal matters

MLS: Multiple listing service, the Internet database where real estate agents showcase homes for sale.

Open House: A home that is for sale and openly available for the public to simply stop in and view it during posted hours or while signs are up.

Listing: A home in contract to be offered for sale by a licensed real estate agent and their broker.

Down (payment): The cash portion of the home purchase not financed.

Earnest Money: Funds given when an offer is accepted, up to 3% of the purchase price. Money is held in an escrow account. Money transfers to seller upon completion of sale.

Escrow / Title: An independent third-party service provided to ensure safe transfer of funds to buy home and title to home, between buyer, seller and lending institutions. Can only follow instructions agreed to by both buyer and seller or judicial action.

Offer: The written offer to purchase a property. Becomes the accepted offer / purchase contract when signed by both buyer and seller.

Counteroffer: Typically made by the seller to negotiate the buyer's offer. If accepted must be signed by both buyer and seller.

Contingencies (conditions to be met prior to final sale): **1-financing** - buyer promises the ability to secure financing for the home, **2-appraisal** - the home appraises at sufficient value (typically, to allow for financing), **3-inspections** - the buyer is content with the results of the inspections (typically, meaning no big surprises).

Contingency Period: The time allotted in the contract for the buyer to remove all contingencies in writing.

Closing: The final step where the property changes hands legally, (here's the keys)

DOC's: The documentation typically signed several days before closing and often notarized, includes all the transfer papers and loan papers.

What to Expect

Your attorney's or real estate agent's advice takes precedence. This is not legal advice or instructions, simply a rough idea of what to expect.

1. **You will look at many homes online and in person.** Don't be in a rush.
2. **You will be asked to qualify for your loan with a bank** or mortgage broker or prove with bank statements you can pay cash for the home you wish to buy. Assuming you're getting a loan, the bank may ask you for pay stubs, bank statements, W-2s, tax returns and more.
3. **When you submit an offer to buy a home, if accepted, you will need to provide up to 3% of the purchase price** to be held by an escrow company called good faith or earnest money. The seller will get this money when you close escrow. It will become part of your down payment.
4. **If you use a California Association of Realtors contract, which I highly recommend,** there are sections to allow for contingencies such as your ability to secure a loan, the home appraising at your offer price and you being satisfied with whatever inspections you wish to have done on the property. These are all time sensitive, based on what you agreed to. Not complying to these time frames could be considered a breach of contract. During this time allotment you either remove your inspection contingency or negotiate repairs or their costs or bow out of the contract. **You must have your agent explain this to you in detail. If done improperly it could cost you your earnest money deposit!**
5. **You will be given numerous disclosures to read and sign.** You should understand them. If you do not, you should have your real estate agent explain them to you.
6. **Several days before close of escrow you will need to sign a stack of papers conservatively ½ inch thick.** These will include your purchase contract, numerous disclosures and your loan contract with the bank. You should understand what you're signing. If you have any doubt, ask your agent to explain it to you. **When I am your agent,** I will be happy to explain each page you sign in detail. **At this time, you will transfer all the funds needed to close** which will include the balance of your down payment, any loan fees to the bank, and a plethora of miscellaneous expenses including but not limited to: appraisal and notary fees, escrow fees, title insurance fees, prorated taxes and insurance and even a small category believe it or not called junk fees. There should be no surprises as you'll know this sum in advance.
7. **Typically, within a few days from then you will close escrow.** That means here's the keys, the house is yours.
8. **Start to finish the entire process typically takes about 30 days** though this can vary.

General Guidance

Once you decide to buy a home do not make any large purchases or do anything that accesses your credit in any way. Do not cosign a loan for anyone else. These can hurt you when it's time to buy your home.

Get pre-qualified with the lender of your choice. You can pick whoever you choose. They will let you know what you're qualified to buy and what to expect in payments in a given price range. I can refer a few if you like.

Pick the city and neighborhood you're wanting to live in. Choose two different possible locations so you could see what your money buys in each.

All the major websites such as Zillow, Realtor.com, etc. get the same information from MLS but are not always as current. Don't drive yourself crazy looking at all the different websites just have your agent arrange a search of any parameters you wish and you will be emailed pictures and information on every property that matches that search. If you are not working with an agent, reach out to me tell me what you want and I'll set it up for you. No one will harass you.

It's good to do a drive-by to see if it's a neighborhood you like. Drive-by in the evening also, ghosts and ruffraff come out at night.

Knock on the neighbor's door and ask questions about the house and neighborhood. You might learn something you didn't know about the home or area

Visit and look at no less than 10 homes in the same price range. The more homes you see the better a judge of value you will have.

Consider how long you will be living in the home and your future needs. Statistics say people typically live in their first home for 10-12 years and the second home they purchase for 20-30 years.

Conclusion:

The more homes you look at the more knowledgeable you will be with regards to price, value, style and condition of available homes in your price range. If you are blessed with the luxury, let an experienced loved one voice an opinion. Always get the home inspected. I promise I will help you find a home of good value with little to no surprises. I will help you with all of this and more. Simply ask.

How To Make An Offer That Looks Good

There are two parts to an offer, how high it is and how likely it is to close. The highest price is easy to understand but if the offer fails to close and the house has to go back on the market this can hurt the seller. This makes the likelihood to close important. All cash is safe because nothing can go wrong with the loan. Being over qualified for the loan makes a buyer look strong and likely to close. Examples of being over qualified are: having more cash available than necessary if a larger down payment is required at the 11th hour, having cash reserves to cover surprises, putting a larger down payment than necessary and being willing, in writing, as part of your offer, to increase your down payment if necessary. All of the above make an offer more likely to close therefore more enticing to a seller.

Your first priority should be the home that best suits your needs and wishes and your second priority the price. From my experience as both a home owner and real estate broker, in years to come, there will be many reasons the home you purchased and lived in will have been good or bad for you but seldom will the last \$5,000 or \$10,000 you paid or saved be one of those reasons.

Inspections

Once your offer is accepted, have the home inspected prior to removing contingencies. California Association of Realtors home purchasing contracts will have grace periods to inspect the home, get an appraisal and arrange financing prior to full commitment to purchasing the home unless waived. I recommend the following 3 inspections at a minimum and often more. All three inspections combined typically cost \$500 to \$1,300 depending on the home's size and location. As follows:

General home inspection: This overly looks at plumbing, electrical, HVAC, noticeably worn, broken or improper items needing repair or replacement. Cost of repairs are not given, and must be obtained from independent bids. Although this inspection doesn't inspect every inch of the home, it is typically does provide an excellent overall professional view and opinion of the general condition of the home.

Pest inspection: This inspection identifies damage caused by water or moisture such as dry rot, mold, mildew, moss, fungus and so on, and critters such as termites, boring beetles, bees, mice, rats, bats and so on. Cost of repairs and/or extermination are typically given.

Roof inspection: This identifies needed roof repairs and estimates, also often estimates the remaining usable life of the roof. Cost of any needed repairs are usually given.

Other inspections and reports available:

Sometimes additional target specific inspections and reports are warranted by law, observations or prudence. Some examples are: environmental hazard reports, flood reports, CLUE reports (insurance claims), testing for lead base paint, asbestos, specific types of mold, radon gas, soil movement or soundness, foundation soundness, chimney soundness, tree disease and other inspections.

What to expect from inspections:

Inspectors typically find various things needing repair in a home. It's their job. It is your opinion and decision if the needed repairs are too scary or costly to proceed with the purchase. If needed repairs are too extensive and/or obvious, banks may not loan on the property until repairs are completed.

Other odd but significant things to consider:

Has the home had a water damage insurance claim filed or paid against it in the last 5 years? Is the home in a known flood or earthquake zone? Has there been a death in the home in the past 3 years? Has the home ever been associated with a methamphetamine lab or any other illegal drug activity? Does the number of bedrooms and baths and square footage of the home match the tax records? Not matching can mean un-permitted room additions.

1

If You Are Not A US Citizen

Yes, it is legal to purchase real estate in the United States even if you are not a US citizen. Most real estate purchases in the United States give true land ownership. Non-US citizens often or program or program allows farmers to get a green card by opening a business US is EB five still in effect EB five investor program EB five immigrant investor program dollars \$15 per pound pay cash because getting a mortgage here will be difficult without US tax returns and a US social security number.

Reasons to buy US, California, real estate:

1. Student housing for your child
2. Rental income
3. Appreciation
4. Vacation home
5. Future housing
6. Develop housing for profit and to [get a Green Card](#)
7. Now is a perfect time because California real estate prices are cheap and the dollar exchange is good. From \$100,000 US to \$50,000,000 US - there is something for every need and budget.

2

Using IRA Funds

Under many circumstances, rental property can be purchased with funds from your self-directed IRA account. As with all retirement accounts, the rules are strict but can benefit you with great tax savings. I have no affiliation with these firms but give them a try for more information on the subject [Equity Trust](#), [Provident Trust Group](#), also GOOGLE the IRS and self directed IRA's. I'm sure there are other firms providing such services.

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