COMPASS

# Home Buyers Strategy Guide

Helping you navigate the home buying process.

# Home Buyers Strategy Guide

This guide is meant to give you an overview of the entire buyer's process. Please be sure to check in with your Realtor® to delve deeper into any of these points.

# Home Buyers Strategy Guide

Do you have a strategy for buying your next home?

Buying a home is one of the biggest financial decisions in your life and it's something we take very seriously at Compass. Our goal is to prepare you for buying a home and to guide you confidently through the process. We are your ambassador in introducing you to the current market and available properties, your strategist in making the right offer, and your negotiator, by your side through the close of escrow and beyond.

A buyer's agent is able to provide you with current up-to-date knowledge of the market, and has access to the latest listings, both on and off market. Additionally, our market has many pocket (off market) listings that may not be posted online. Some online sites have old listings or inaccurate info as well, and your Agent can help you identify the ones that are still available.

We also have relationships with lenders, escrow companies, title companies, and inspectors to provide necessary expertise to help you make the most informed decisions. Let's get started!

1. *Preparation*
2. *Making an offer*
3. *Escrow, Inspections and Appraisal*
4. *Closing*

# 1

# *Preparation*

# There are 2 Main Types of Preparations

**FINANCIAL PREPARATION:**

The first step in the home search process will be deciding if you are in a position to pay cash or if you'll need to obtain a loan. It starts with knowing your finances. This includes a full analysis of what you can afford on a monthly basis, the amount of your down payment (if you are getting a loan), and how much you want to pay overall.

There are many types of loans and it's very important to meet with a reputable lender who can explain the types of loans to you and make suggestions as to what is the best fit for you. For some people, work on their credit scores may be necessary before loan approval, so it's a good first step to do a deep dive on your financial status before looking for homes. A reputable lender will help with this.

If you don't need a loan and intend to pay all cash, you'll need to provide a proof of funds document, generally a bank statement, showing sufficient funds to close escrow, including purchase price and closing costs.

**SEARCH PREPARATION:**

Before you start searching, decide what you are looking for in a home and on what you are willing to compromise. The buyer's questionnaire in the back of this guide can help you narrow down what is most important to you.

Factors to look at may include location, architectural style, number of bedrooms and bathrooms, proximity to neighbors, and outdoor space/lot size. Another factor to address is how much updating you are willing to do. Some people are interested in spending time and money to customize a home, others want a turnkey property.

Your home is an investment, so it's important to buy, not just with an eye to what you want in a home, but the value of the property long term. Plans can change especially in our mobile world so the investment angle of the purchase must also be considered.

# 2

## *Making an offer*

# Making an offer

Once you find a home you are willing to make an offer on, the real excitement begins.

**THE PURCHASE AGREEMENT:**
The Residential Purchase Agreement (also known as RPA) is the contract that California Association of Realtors® has created for the purchase of residential property. Compass real estate professionals regularly attend intensive contract classes and meetings so that they may better explain key aspects of the contract. It's important, as you are beginning the purchase process and making an offer on a home, to carefully review each aspect of the contract. This is the time to ask any questions that you might have.

**CONTINGENCIES: PHYSICAL INVESTIGATION, LOAN, AND APPRAISAL**
The contract contains contingencies that allow the buyer to cancel the contract based on certain conditions. When you write an offer on a property, there will be a time period for you to investigate the property, obtain financing, verify the value of the property, and also exit the contract, if needed, without penalty.

Contingency clauses include:

**PHYSICAL INVESTIGATION CONTINGENCY:** As a buyer, you have the right to investigate any and all conditions and elements of the property. You may engage the services of multiple advisors and inspectors. This contingency will help you determine whether or not you're moving forward with the transaction. Additionally, this is also when you get to review the disclosures and reports provided by the seller.

Examples include the following:

**Property Investigation:** This can include inspections to make sure all the home's systems and components are in good working order. If defects are discovered or repairs are needed, the contract may need to be renegotiated.

**Title Report:** The Title Report is typically paid for and provided by the seller. The buyer receives the Preliminary Title Report which specifies any encumbrances, easements and legal matters that may affect the property. Title insurance ensures that there are no "clouds" on the title to the property.

**Seller Disclosures:** This includes but is not limited to Real Estate Transfer Disclosure Statement (TDS), Seller Property Questionnaire (SPQ), Natural Hazard Disclosure Statement (NHD), Lead-paint disclosure if the home was built before 1978, and HOA documents if applicable.

# Making an offer continued

**SPECIALIZED INVESTIGATIONS:**
**Geologic Inspections:** Do you need a geologic inspection? Many buyers believe that if they are buying a hillside home, they must have a geologic inspection, but if they are buying a home on flat ground they don't need one. This isn't always the case, it depends on the individual property. Many hillside locations are actually very stable because of the shallow depth of the bedrock, while homes in the flats can be located in an ancient dry riverbed, flood channel, or a liquefaction zone, which could mean that the home may settle or crack during an earthquake. The best way to determine if a home is in an unstable zone or area, is to hire a reputable geologic inspector.

**Mold | Environmental | Asbestos:** There are a number of environmental/"dangerous elements" inspections that can be conducted at a property. The most common are mold and asbestos. Other optional inspections include radon gas, lead content, measurement of EMR (Electro Magnetic Radiation), etc. These inspectors will make recommendations regarding elimination of hazardous conditions.

**Roof Inspection:** If the general inspector notices some areas on the roof that are either dried out, worn, damaged, or show signs of water pooling, a roof inspection may be needed. That is enough reason to have a roofer tell you how it looks, and let you know how many years it may have left. A high quality roof can last for many years depending on the type of roof.

**Sewer/Septic Inspection:** It's important to know what type of waste removal system the house has, whether it's a septic tank or sewer line to the city. Most often the homes in L.A. will be on city sewer, however some areas are also on septic tanks. Maintaining the sewer line from the house to the city connection is the homeowner's responsibility. Doing a sewer line inspection when buying is important so that you can negotiate with the Seller if repair or replacement of the line is needed.

**Fireplace/Chimney Inspection:** Many older chimneys are made of bricks and mortar. A chimney inspector will use a camera and look for cracks or separations inside the chimney that a "flashlight inspection" will not reveal. It may also show any code violations and such that are not visible from below. Sometimes a decorative or architectural touch-up to a fireplace may be a fire hazard. Get a good inspection to confirm.

**Drainage:** A drainage inspector will investigate the water conditions at the house, and on the grounds. The inspector may make recommendations regarding modifications and/or enhancements to the drainage system of the structures and property. Most drainage inspectors may also provide a cost estimate of recommended work.

**Structural/Engineering:** A structural or engineering inspection will analyze the safety condition, liability, and code compliance of the structural elements of buildings and landscape elements on the property.

**HVAC:** An HVAC inspection will assess the efficiency and operation of heating, ventilation and air conditioning systems on the property. HVAC will make recommendations on equipment repair and/or replacement and code compliance.

# Making an offer continued

**ADDITIONAL PROVISIONS:**
**Home Warranties:** A home warranty can offer protection against some of the things that can go wrong early on. Often the seller, when asked, will provide a one-year home warranty plan to the buyer, which offers protection on the property if any of the covered items fail during the first year.

**Dispute Resolution:** Mediation and arbitration of dispute. The contract provides preliminary agreements on dispute resolution. Mediation is a part of every contract, and both parties can agree to arbitration in the event of a dispute.

**Liquidated Damages:** Liquidated damages, if agreed to, determine damages in the event that the buyer defaults after all contingencies are removed. Typically, the buyer may be in danger of forfeiting their initial deposit, usually limited to 3% of purchase price.

When you are signing a purchase agreement for a home, be sure to go over all of these provisions carefully.

**Making the Right Offer:** In our market we often see multiple offers. Part of your home buying strategy is considering the right offer to make. The goal is to make the offer that is most appropriate for the home's value and most likely to get accepted. There are many factors that go into this process. Items to review include:

- Number of days the home has been on the market
- Current price (is it in line with local comparable homes?)
- Condition of the home and any repairs needed
- Number of competing offers

**Other ways to make your offer the one that is chosen:**

- **Financial:** The better you can make these terms for the seller - whether it be a larger down payment or shorter loan contingency - the better your offer will look to the seller.
- **Waiving contingencies:** THIS IS NOT RECOMMENDED. If other offers contain contingencies and yours doesn't it may be more appealing to the seller. There is potential danger in doing this but there may be other protections that your agent can explain to you.
- **Sharing costs:** There are costs in the purchase contract that need to be incurred by one party or the other. Paying for some of these costs or splitting them with the seller may increase your chances of getting your offer accepted.

**FINAL WALK THROUGH:**
**Final Verification of Condition:** This is the final walk-through of the property. This is done to verify that the condition of the property is essentially the same as it was when the offer was accepted and to verify that any required repairs have been completed.

**EXPERTISE — COOL UNDER FIRE:**
It all comes down to keeping cool under fire. Most brokers know how to get an offer accepted for their clients. What defines expertise is being able to navigate through the entirety of the deal with ease and efficiency, maintaining open communication with all parties and handling any issues which arise with integrity and poise.

# 3

## *Escrow, Inspections & Appraisals*

# Escrow, Inspections & Appraisals

**THE ESCROW PROCESS:**

**WHAT IS ESCROW?**
The Escrow company is a neutral third party with the responsibility of overseeing the contract to make certain that no funds or property will change hands until all conditions of the purchase contract have been met, and to make sure that the interests of all parties to the transaction are protected.

The escrow company is determined and agreed upon between the buyer and seller (this is a negotiable item as with all the other terms of the contract). Upon acceptance of the RPA by buyer and seller, the escrow process begins and the contract is now officially active. The Realtors® will provide the purchase agreement to the escrow holder and include the contact information for all parties. The escrow holder then reviews the contract, reaches out to the buyer and seller, and provides wire instructions for the buyer's earnest money deposit, which is typically 3% of the purchase price.

The earnest money deposit is due into escrow no later than three business days from acceptance, and is held in-trust by the escrow company.

After reviewing the contract, the escrow officer will prepare the escrow instructions. These instructions outline the duties of the escrow holder and incorporate the legal description of the subject property, and include the contingency dates as agreed upon in the contract. The escrow holder will generate opening packages that contain documents that need to be signed, completed, and at times notarized. The opening package is to be returned to escrow within 5 days of receipt. Escrow is happy to help guide you through the package. The escrow officer will also open a title order, if not already done by the listing agent, and will review the preliminary title report. Escrow will work with the seller and the title company to ensure that clear title will pass to the buyer at the close of escrow. This means all encumbrances, liens, property taxes, or other obligations that may be against the property will be paid.

The escrow holder works with every party in the transaction and is a great resource to go to with any questions, updates, or concerns.

*Wire fraud is on the rise, so buyers should always contact the escrow officer by phone to confirm the wire instructions that they've received from escrow. This is just another measure of safety and should be a standard practice anytime funds are being wired.

It is extremely important to use an escrow company that is in compliance with the CFPB (Consumer Financial Protection Bureau). Escrow companies that are not in compliance with the CFPB can put a buyer's and seller's personal information at risk.

# 4

# *The Closing Process*

# The Closing Process

The closing date (the target date to close the transaction and transfer ownership) is determined by the buyer and seller when the parties have agreed to and accepted the terms of the purchase agreement. This date may be amended by the mutual agreement or delayed due to remaining outstanding conditions required to close.

The escrow officer confirms that all the conditions of the purchase agreement have been met, including but not limited to:

- All required documents have been delivered to escrow holder
- Buyer's contingencies have all been removed
- Clear title has been verified
- Buyer's signed loan documents (if applicable) are complete
- Seller's notarized recording documents have been delivered to escrow
- Estimated closing statements have been reviewed and approved
- Buyer's closing funds have been received by escrow
- If the buyer is getting a loan, the completed loan documents are returned to the lender by escrow, the buyer's closing funds are deposited with escrow and the buyer's loan funds.

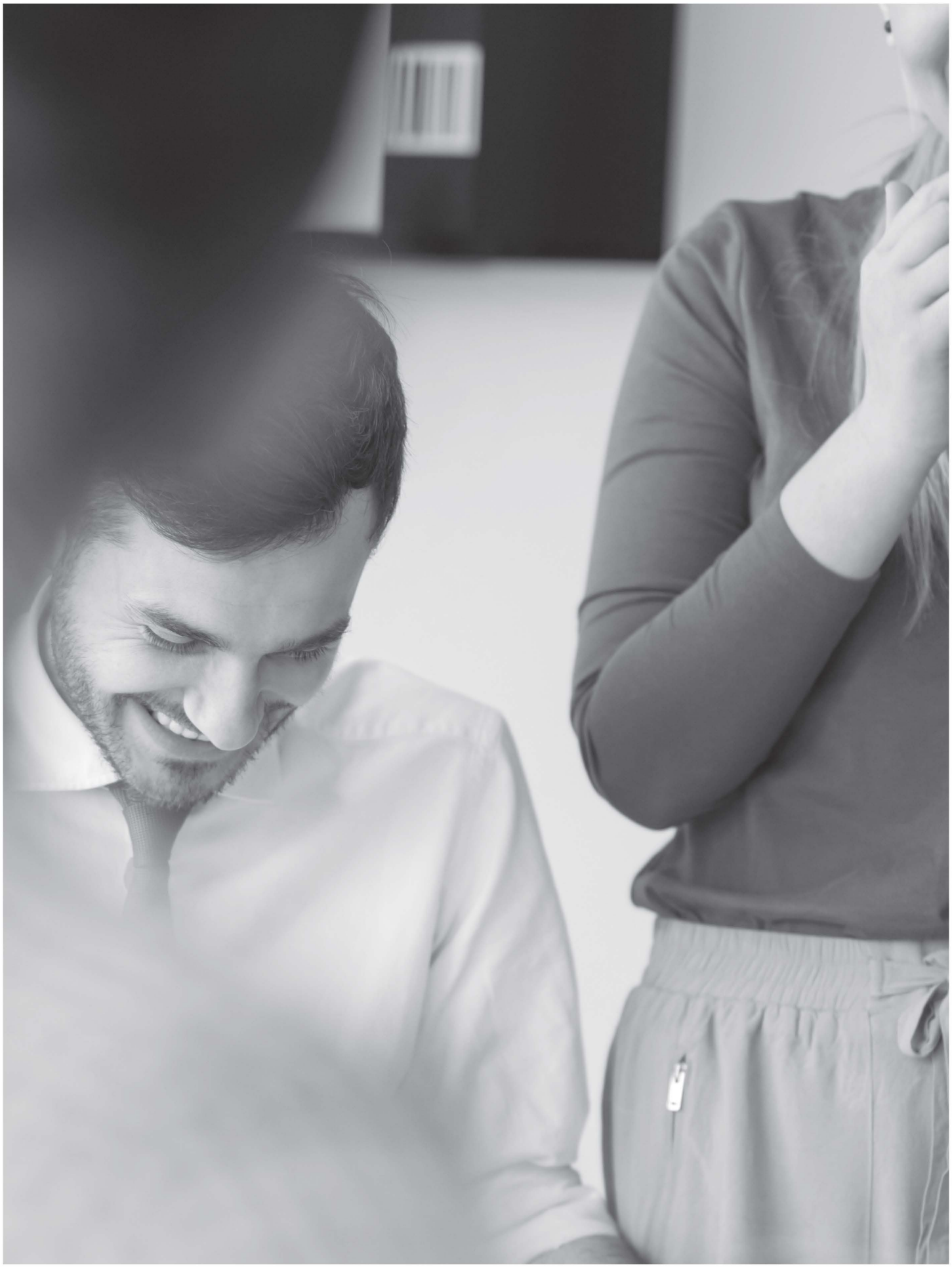
The escrow holder will then call the title company, confirm the final details of the transaction, order the title insurance policy as called for in the purchase contract, and release the file for recording (also known as "closing"), with the county recorder's office for the next business day.

Close of escrow happens when the notarized grant deed that the seller has signed is recorded at the county recorder's office. This deed transfers title of property from the seller to the new buyer.

Upon the escrow holder's confirmation from the county recorder's office that the file has closed, the escrow officer will notify all parties. Keys are exchanged between agents, seller and buyer.

The escrow holder will then process the closing, balance the final figures of the file, disburse the funds accordingly (including any refunds to the buyer), and generate and disburse the final closing statements.

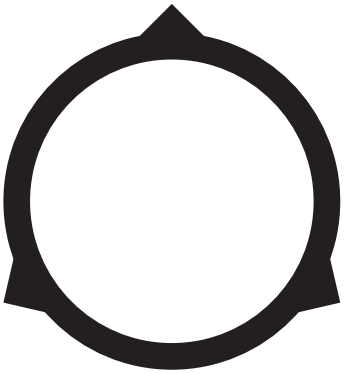
**CONGRATULATIONS! YOU ARE OFFICIALLY THE NEW OWNER!!!**



# How We Demonstrate Our Commitment To You

**AMBASSADOR**

Honoring your needs and staying true to your intention while using our good reputation in the brokerage community to benefit you — The buyer



**STRATEGIST**

Understanding and defining your specific needs in crafting in the right offer

**NEOGOTIATOR**

Representing you in a manner that will lead to your successful acquisition of a property

# Home Buyers

## Questionnaire

Client Name: _____ Email Address: _____

Phone (Mobile):_____ Phone (Home/Work):_____

Partner/Spouse Name: _____ Email Address:_____

Phone (Mobile):_____ Phone (Home/Work):_____

Current Address:_____

Profession(s) or Field(s):_____

Do you currently own or rent?_____ How long have you lived there?_____

If you are renting, how long is your lease and what is the flexibility?_____

If you own, will it be necessary to sell your current home before purchasing?_____

Why are you planning on moving?_____

When would you like to be in your new home?_____

What area(s) are you considering?_____

Are you familiar with that/those area(s)? _____

If so, please explain what it is that you particularly like about each area:_____

_____

_____

What are the most important features in a home that you are looking for and why?_____

_____

_____

What style(s) are you attracted to?_____

What style(s) do you not gravitate toward and why?_____

1.) _____

2.) _____

3.) _____

Approximately how many square feet are you looking for? Do you know how to estimate? _____

_____

How many bedrooms do you need?_____ How many bathrooms?_____

How many family members will be living with you?_____

Do you have pets and if so what needs do you have for them?_____

Where do you spend most of your time in your home?_____

Do you entertain often?_____

Do you commute to work?_____ If so, where?_____

Do you need/want to be in any specific school district or near any specific facilities, and if so which ones?_____

_____

If so, how important is proximity? (on a scale of 1-5, 5=most important)_____

What are your parking needs?_____

Any family members with special needs?_____

What are the 3 most important features you can't live without in your home & why? _____

1.) _____

2.) _____

3.) _____

What would you be willing to compromise or give up to ensure that you have your #1 feature?_____

_____

Are there other amenities you are looking for and if so, what are they?_____

_____

On a scale of 1-5 (1=All for it; 5=Not a chance!), how do you feel about remodeling?_____

On a scale of 1-5 (1=All for it; 5=Not a Chance!), how do you feel about New Construction?_____

How long have you been looking for a home?_____

What is the price range you are considering?_____

Will you be paying Cash or Financing a loan? Please check: Cash _____Financing _____

Have you already spoken with a lender? Yes_____ No_____ If yes, whom?_____

Do you have a current pre-approval letter? Yes_____ No_____

What are your expectations in terms of listing price and an offer you will make?_____

_____

How many homes do you expect to view before feeling comfortable enough to purchase?_____

If there are multiple offers on a property, does that affect your interest in making an offer? Yes_____ No_____

Will you hesitate to enter into a multiple offer situation? Yes _____ No_____

What are the best days/times for you to look at homes?_____

Are you available during Sunday Open Houses? Yes_____ No_____

Are you available during Tuesday Broker's Caravan? Yes_____ No_____

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