



HOME BUYER'S GUIDE

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HOME BUYING GUIDE

A GUIDE TO THE HOME BUYING PROCESS

Welcome!

Most buyers who begin the process of looking for a home begin the journey filled with excitement and a bit of trepidation.

This is understandable when you consider that purchasing a home is one of the biggest financial decisions you will make during your lifetime.

Not only do we understand this, we believe that home ownership is something you can be proud of. We believe, it's an honor and privilege to ensure that the home buying process is the most pleasurable experience possible.

Whether this is your first home or your tenth, this guide is intended to help you navigate the home buying process.

Let's get started on the journey of getting you the home you want!

Daryl

Daryl Palmer – Real Real Estatetist - CRS
REMAX Estate Properties
REMAX Hall of Fame

To Search LIVE MLS like me, DON'T go to Zillow or Redfin or the likes. Their inventory isn't correct.

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TOP 10 REASONS TO BUY A HOME

1. **Quality of Life** - Home ownership is part of a better quality of life for most buyers. The quality of our living situation directly impacts how we feel.
2. **Avoid the Tax Man | Tax Deductions** - Buying a home helps you avoid the tax man with tax deductions for both mortgage interest and property taxes. Property taxes and qualified interest are deductible on an individual's federal income tax return.
3. **Spend Money to Make Money** - With the right real estate consultant, home ownership and the potential for appreciation means that ultimately you have the opportunity to get a return on your investment.
4. **Deferred Gain and Capital Gain Treatment** – This has all changed in the last few years and requires the advice of a good Accountant. The home must have been the taxpayer's principal resident for the previous two years.
5. **Principal Accumulation** - As a homeowner, a portion of each amortized mortgage payment typically goes to principal, which in the long run is an investment. Rent is the opposite of this!
6. **It's The American Dream** - Owning a home is THE American Dream. We work with many first time home-buyers; and it truly is a dream come true for them.
7. **Independence** - For many homeowners, one of the greatest freedoms is acquired through home ownership. They can get rid of their landlord and are no longer surrounded by neighbors in an apartment with thin walls. The freedom to do whatever they wish with their homes is a big incentive for many new homeowners. Renting is NOT freedom!
8. **Leverage** - At the current interest rates, you can put your money to work somewhere else. These days you can still purchase a home for as little as 3.5% down.
9. **Why rent when you can own?** The real cost of renting at \$3,000 per month with 6% rental increase per year means you will pay \$475,243.00 over 10 years. Just think, you could almost pay off a home for that amount! Almost ½ of a MILLION Dollars in rent in 10 years. And 10 years goes by pretty fast!!!
10. **Because you get to work with us! We're experts in guiding you through the mazes and traps involved in Negotiations, Inspections, Escrow, Title Issues, Millions of issues dealing with Lending Institutions, Re-Inspections, Closing issues, Potential wire fraud issues.**

Blah Blah Blah... there's a million moving parts & for that, you need experts... Like US!

5 Buying Tips

WHEN PURCHASING A HOME

These 6 buying tips will save you time, money, and headaches.

1. **Get Pre-APPROVED** – before you can seriously consider purchasing a home, it's important to know exactly how much you can afford. This can be the scariest part of the buying process for some. It's perfectly natural to be nervous, but we can put you in touch with someone you can trust to help get you Pre-Approved. Pre-qualifying is a precursor to Pre-Approval. Pre-Approval is how you help get your offer chosen by a seller if there's multiple offers.
2. **Always Think Resale** – In the South Bay, due to the mobility of our economy, the length of ownership is about 5 to 9 years. This is important to keep in mind when looking for your next home. For instance, homes backing up to a busy street or railroad sell for less, and take longer to sell than other homes in the neighborhood. Easy to buy... hard to sell.
3. **Aesthetics Can Be Changed** – Flooring, light fixtures, plumbing, paint colors and wallpaper can all be changed. Don't let the lime green wallpaper turn you off of your potential dream home. You can change all of that pretty easily. Think of how much fun it will be to make a home yours!
4. **Don't WAIT!** – Too often, we have seen home buyers fall in love with a property, wait a few days to make a decision because they are nervous, and the home that they fell in love with SOLD! If you love the home, don't wait for someone else to live in YOUR home – be prepared to write an offer!
5. **Compare Sales** – to determine the best price to offer, or to know if the asking price is correct, look at the recent sales of similar homes, called "comparable sales." Comparable sales are recent sales of homes that compare closely to the one you are looking to purchase, usually sold in the past few months. Specifically, you want to compare prices of homes that are similar in square footage, views, garage spaces, number of bedrooms and baths, lot size, etc. Let us help you with a Buyer's Market Analysis.
6. **Understand the Current Market** – We need to talk about what's going on in the marketplace right now. That will determine how we posture ourselves when making an offer. If it's a crazy Seller's market and everything has multiple offers, you'll probably pay over the asking price. If it's a Buyer's market and properties aren't selling fast, we have waaaay more options. Also, if it's a neutral market, we operate differently. So make sure you understand what's going on out there before we go out there!

14 Critical Questions

TO ASK AN AGENT BEFORE YOU BUY

Now that you have a background regarding the *Reasons to Buy a Home* and *Buying Tips*, the question is how will you be able to make sure that you not only find your dream home but that you ensure that the real estate agent you choose to represent you has the knowledge and expertise to help you with the biggest financial decision you will make in the next 5-10 years?

Unfortunately, many people choose a real estate professional based on the idea that all real estate agents are basically the same. They sign with the first agent to come along, only to realize too late that they should have "shopped around."

The following questions are designed to help you avoid that mistake by equipping you with what to look for when selecting an agent to represent you.

First, start by asking friends, acquaintances and/or family for the names of real estate agents they know. A personal referral is the absolute BEST manner in which to select your professional real estate agent. Once you have compiled a list of names referred to you based upon a great experience, use this guide to help you determine which agent is the best for YOU. We recommend interviewing at least 2-3 real estate agents.

Here are the questions you should ask each agent:

1. ***Can you send me some information about yourself?***
Look for professionalism and consistency. What are their professional accomplishments?
2. ***How do you approach your work?***
Look for a businessperson that has a strategy and a team to work with.
3. ***Are you a full time agent in this marketplace?***
Look for an agent who is active in your area and at the top of their industry. Part-time agents are simply unable to keep up with the ever-changing demands of the market.
4. ***Have you written a book about real estate?*** This is obviously a must! ***Check out my #1 Best Selling Book on Amazon. [Dwelling Selling. http://www.amazon.com/author/daryl](http://www.amazon.com/author/daryl)***
5. ***How long have you been in business?***
Longevity in the industry does not always mean success. However, look for an agent that has been in the business for a minimum of 5 years. The fall-out ratio for agents in the business less than 5 years is over 80%. While experience is important, accomplishments are more important. How many homes have they sold in their career?

14 Critical Questions to Ask an Agent Before You Buy (continued from previous page)

6. ***Do you have a personal other support staff working for you?***

Most top agents employ (out of their own pocket) an assistant or staff. It is imperative that the agent has support in order to take care of the details of the transaction. How can your agent be actively showing homes to clients and working on the details of your closing at the same time? Things will fall through the cracks and that could cause critical problems for you. This is Mui Importante!

7. ***What will you do keep me informed?***

Do you want daily or weekly reports from your agent? Will the agent be able to meet these expectations? Determine how much communication you want, and then find an agent who will give you the attention and time you want and deserve.

8. ***Can you provide me with further resources I may need?***

The best agents have built strong relationships with their "Teams" and can often get expedient service or be able to "cash in a favor" for you should a crunch or problem arise.

9. ***Can you give me some references from other clients you have worked with?***

Don't be afraid to ask for references. An agent who provides raving fan service and is proud of their work will be happy to provide references.

10. ***What is the best way for me to get in touch with you?***

You should know exactly how to get through to your agent.

11. ***Are you a fiduciary? And how will you represent my best interests?***

Absolutely do not hire someone that you don't believe will represent YOUR best interests at all times. Have your agent give you examples of how they represent their client. Remember that finding the home is the easy part true representation begins when you sign a contract and continues through negotiation and closing. Ask around for horror stories and you will find that they don't involve the home search BUT after the contract was signed!

12. ***Do you provide a 1 year Home Warranty for me at close of escrow?***

There are Home Warranty companies that provide 1 year Home Warranties after close of escrow in case something breaks. We make CERTAIN you have this at close of escrow. Even if we purchase it for you. It's THAT important and valuable.

13. ***Do you provide professional cleaning in my new home before I move in?***

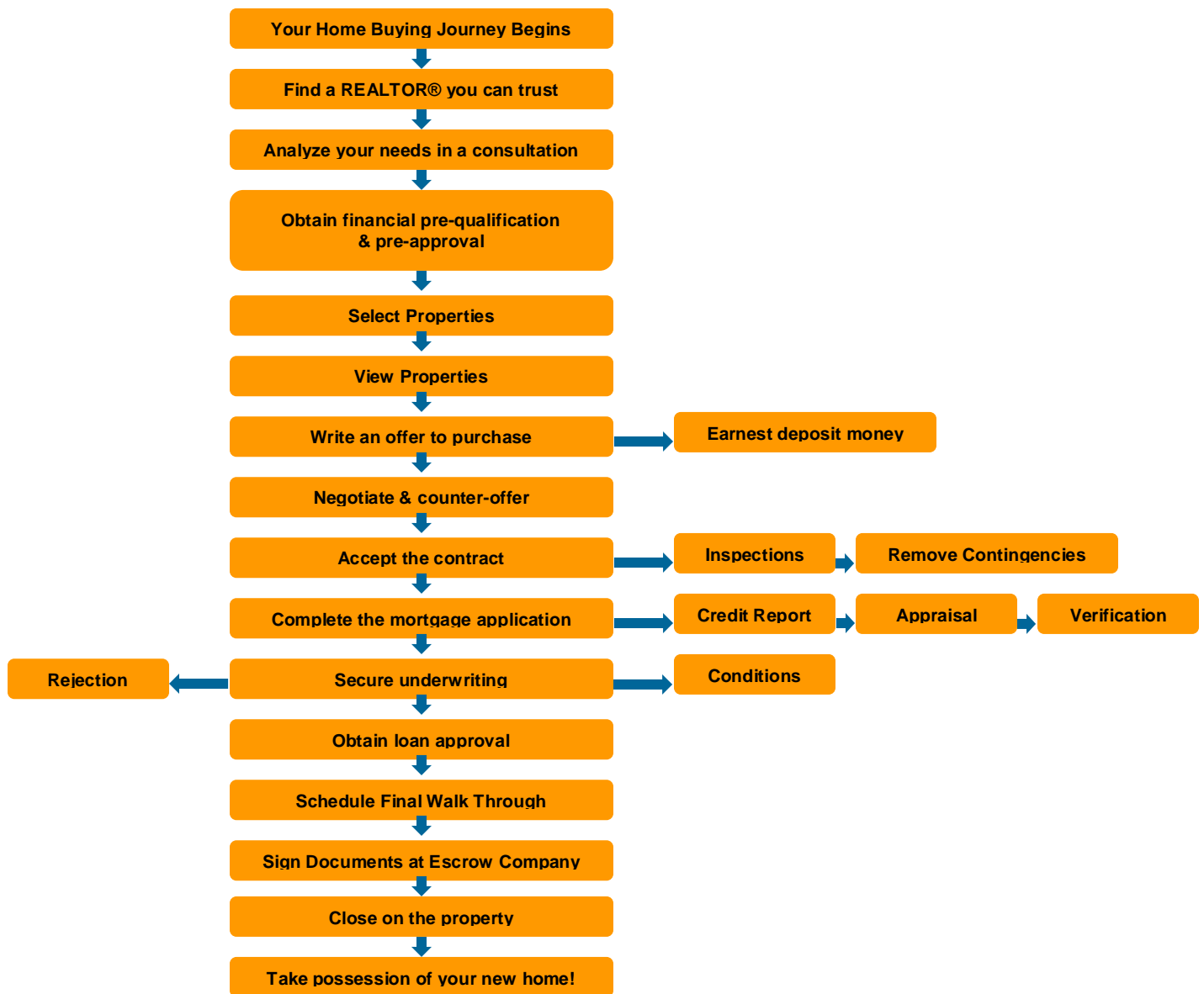
Absolutely! Sometimes Sellers are in a hurry to get out or too tired to go back and clean where the refrigerator and couch were. YUK. I send my crew over to clean up & wipe down because no one wants to move into a dirty house! This is another part of my Platinum Concierge Service!

14. ***Will you be available to us AFTER the closing for guidance, advice, service providers, designers, landscapers etc.?***

Yes I am! You're stuck with me. Almost all of my clients have turned into friends and we see each other now and then. Unless you're grumpy, then you have to go sit with my dad.

Home Buying Process

10 Steps to Buying a Home



Home Buying Process

10 Steps to Buying a Home

1. Get pre-qualified with a lending specialist. I recommend getting full Pre-Approval.
2. Shop for your dream home with an accomplished real estate professional
3. Choose a top 3 list. Fall "In Like" with 3 ...Don't fall in love until after the inspection!
4. Place an offer on #1
5. Be prepared for a counter offer
6. Sign and date the effective contract
7. Take note of the inspection period & loan contingency period. Usually 10-14 days.
8. Order inspections and negotiate repairs if any. BE REALISTIC here!
9. Terminate or proceed with the contract
10. After final approval, go to closing to sign and own your new home

In addition to the 10 steps to buying a home you will need to consider the following up-front costs in order to determine if you have the appropriate cash reserves to get started:

- Earnest money –3% of sales price. Given upon Contract Acceptance.
- Inspection fee - \$700 - \$2,000+
- Appraisal - \$700-\$5,000+
- Credit report - \$250+

Now that you know the upfront costs, let's explore what you will need in order to determine your buying power and how to get pre-APPROVED for financing.

**** Are we having fun yet?**

*****Have you been reading my book? We go over this in great detail, with lame jokes and such as well. If you don't have a copy of Dwelling Selling, ask me for one!**

The Pre-Qualification & Pre-Approval Processes

Now that you know you want to buy a house, how do you know how much you can afford and if you can qualify for a loan? The way to get started is to go through the pre-qualification and pre-approval process with a lending specialist.

Pre-Qualification versus Pre-Approval

1. **Pre-Qualification** is how much money a bank will lend you based on your income, assets, and debts. Pre-Qualification is typically done over the phone with a lending specialist. This is the first step to get started in the buying process. The lending specialist will do a minimal credit review over the phone which means discussing your credit background. When you begin the Pre-Approval process the lending specialist will actually check your credit but during Pre-Qualification they will simply gather basic information regarding your financial and credit situation. This can take a couple of hours or less.
2. **Pre-Approval** is a more formal process and includes completing a loan application on-line and providing documentation regarding income and assets. During the Pre-Approval process the lending specialist will ask for authorization to check credit in order to analyze debt ratios. After all the items required by the lender are in their possession, an Underwriter will give a final Approval. (***read Dwelling Selling Chapter 12***) This Pre- Approval is typically done prior to looking for houses with a real estate agent or prior to writing an offer. Pre-Approval is the only way to compete with cash offers & multiple offers on a property. Don't leave home without it!

What Factors Affect What I Can Afford?

There are three factors that affect how much you can afford when you decide you would like to buy a home.

1. The down payment - do you have enough liquid cash to make a down payment?
2. Your ability to qualify for a loan - as mentioned earlier this is determined during the Pre-Qualification & Pre-Approval Process
3. The associated closing costs on your home.

How Much is My Down Payment?

Most loans today require a down payment between 3.0% and 30%. Contrary to what many people think, there are still loans that have lower down payment requirements depending on the type and terms of the loan. Keep in mind, if you are able to come up with 20-25% down you will eliminate mortgage insurance.

The Pre-Qualification & Pre-Approval Processes (continued from previous page)

How Much are Closing Costs?

You will be required to pay fees for acquiring the loan and other closing costs. These fees must be paid in full at the closing unless you are able to include them in your financing. Typically, closing costs will range between 3-6% of your mortgage loan. This depends a lot on the type of loan you are getting.

Best thing is to ask the Lender what their fees are.

Shopping rates and fees can sound great... yet there's a LOT of terrible lenders and loan officers out there. (**read Dwelling Selling Chapter 11**) And thus there's a lot of bait and switch going on. If you use one of our trusted Lender Partners, your experience will be much nicer than using a stranger who may ruin everything for you and cost you your earnest deposit! (3% of purchase price)

What Does my Monthly Mortgage Payment Include?

Most lenders require that your monthly payment range between 29-36% of your gross monthly income. Your mortgage payment to the lender includes the following:

- The principal on the loan (**P**)
- The interest on the loan (**I**)
- Property taxes (**T**)
- The homeowner's insurance (**I**)

This is what we call **PITI** and your total monthly PITI and all debt (from installments to revolving charge accounts) should range between 36-45% of your gross monthly income. These key factors determine your ability to secure a home loan: Credit, Assets, Income and Debt Ratios.

**All these numbers can change and can vary depending on your financial situation, credit score, etc.

*****Are we having fun yet? Are you still here reading this?**

******Have you read Chapter 11-12 of my book Dwelling Selling? If you don't have a copy, ask me for one. You'll have Ninja skills!**

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How Much Home You Can You Afford

Skip this if you're not a Number Nerd! I copied it. Ask your lender...

Use the following chart to determine your monthly principal and interest payments at various interest rates for either a 15 or 30-year term: (We need a new chart! Rates have never been [Off The Chart!](#))

| Interest Rate Factors Per \$1,000 | | | | | |
|-----------------------------------|---------------|---------------|----------------|---------------|---------------|
| Interest Rates | Term 15 Years | Term 30 Years | Interest Rates | Term 15 Years | Term 30 Years |
| 4 | 7.40 | 4.77 | 8 | 9.56 | 7.34 |
| 4 ¼ | 7.52 | 4.92 | 8 ¼ | 9.70 | 7.51 |
| 4 ½ | 7.65 | 5.07 | 8 ½ | 9.85 | 7.69 |
| 4 ¾ | 7.78 | 5.22 | 8 ¾ | 9.99 | 7.87 |
| 5 | 7.91 | 5.37 | 9 | 10.14 | 8.05 |
| 5 ¼ | 8.04 | 5.52 | 9 ¼ | 10.29 | 8.23 |
| 5 ½ | 8.17 | 5.68 | 9 ½ | 10.44 | 8.41 |
| 5 ¾ | 8.30 | 5.84 | 9 ¾ | 10.59 | 8.59 |
| 6 | 8.44 | 6.00 | 10 | 10.75 | 8.77 |
| 6 ¼ | 8.57 | 6.16 | 10 ¼ | 10.90 | 8.96 |
| 6 ½ | 8.71 | 6.32 | 10 ½ | 11.05 | 9.15 |
| 6 ¾ | 8.85 | 6.48 | 10 ¾ | 11.21 | 9.33 |
| 7 | 8.99 | 6.65 | 11 | 11.36 | 9.52 |
| 7 ¼ | 9.13 | 6.82 | 11 ¼ | 11.52 | 9.71 |
| 7 ½ | 9.27 | 6.99 | 11 ½ | 11.68 | 9.90 |
| 7 ¾ | 9.41 | 7.16 | 11 ¾ | 11.84 | 10.09 |

1. Find the appropriate interest rate from the chart above.
2. Look across the column to the appropriate term to determine your interest rate factor.
3. Multiply the interest rate factor by your loan amount in \$1,000s.

Example:

- Interest Rate = 6.5%
- Desired term = 15 years
- Interest rate factor per \$1,000 = 8.71
- Mortgage = \$200,000
- Monthly Principal & Interest = \$1,742 (8.71 x 200)

Add your monthly insurance premium and your property tax to your principal and interest to determine your total monthly payment.

The above information is provided as a guide. We strongly recommend that you contact our lending specialist to determine exactly home much you can afford.

Loan Application

CHECKLIST

Most lenders will have you go online to apply in order to gain pre-approval. Following is the information you need to provide during the loan application process (these documents are usually uploaded to the lending specialist through a secured link):

This is just a sampling of the crazy amount of paper they will require of you & not an exhaustive list! Have you read my book Dwelling Selling Chapter 11?

General

- Non-expired Government ID and Social Security Number
- Name and complete address for past 2 years of residence

Income

- Employment history, including names, addresses, phone numbers for the past 2 years.
- Copies of your most recent pay stubs and W-2 forms (past 2 years).
- Verification of other income (social security, child support, retirement).
- Copies of signed tax returns including all schedules (past 2 years).
- Social Security & Pension Award letters.
- If you have rental property income: Copies of all signed lease agreements.

Assets

- Copies of all bank statements from checking/savings accounts (past 2 months).
- CD certificates and statements for retirement accounts (most recent 2 months or quarterly statement).
- Gift funds will need gift letter of proof of gift.

Creditors

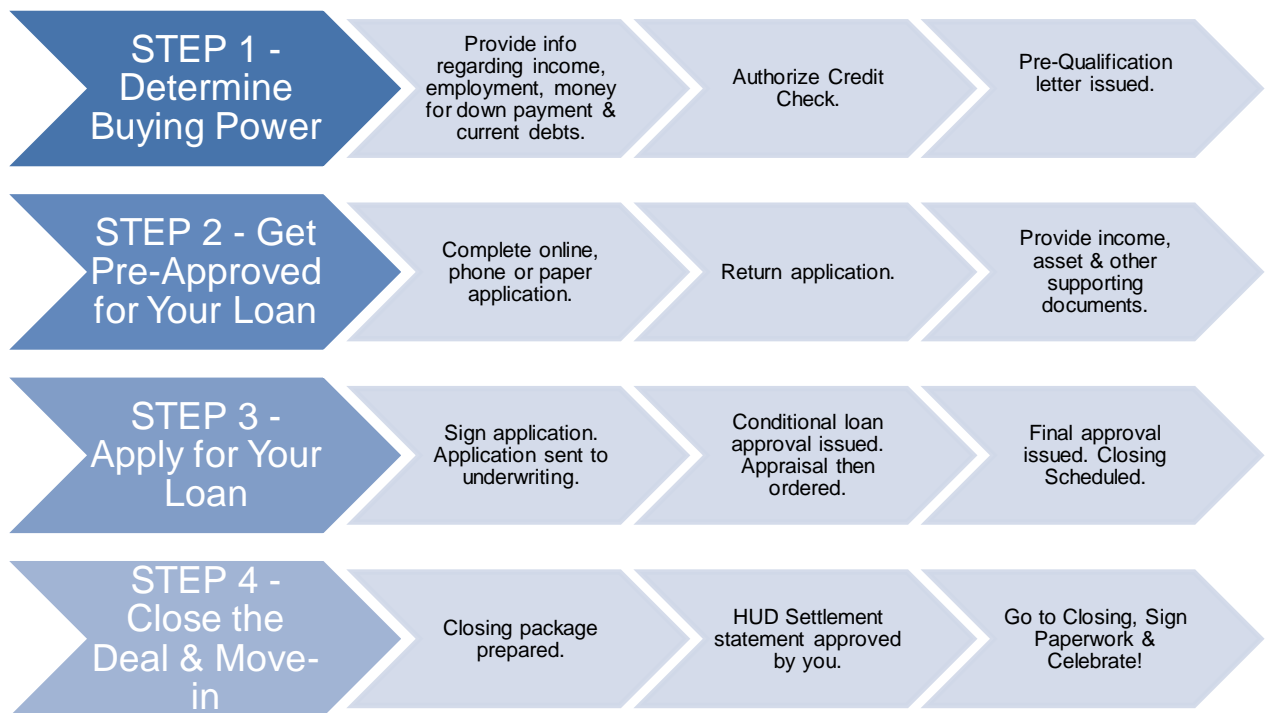
- Credit cards (current balances and monthly payments).
- Installment loans (car, student, etc.).
- Mortgage loans (property address, lender with address, account numbers, monthly payment and balance owed on all properties presently owned or sold within the last 2 years). Bring proof of sale for properties sold..
- Childcare expense/support (name, address, phone number). [VA loans only]

Other

- Bankruptcy – bring discharge and schedule of creditors.
- Adverse credit – bring letters of explanation.
- Divorce – bring your Divorce Decrees, property settlements, quitclaim deeds, modifications, etc.
- VA only – bring Form DD214 and Certificate of Eligibility.
- Retires – bring retirement and/or Social Security Award Letter.

HASSLE-FREE LOAN PROCESS

Our preferred lending partners provide the following 4-step process:



10 COMMANDMENTS

WHEN APPLYING FOR A REAL ESTATE LOAN

Last but not least, these are important rules to follow to ensure a smooth loan process.

1. Thou shalt not change jobs, become self-employed or quit your job.
2. Thou shalt not buy a car, truck, van, boat, plane, or an island etc. (or you may be living in it)!
3. Thou shalt not use charge cards excessively or let your accounts fall behind.
4. Thou shalt not spend money you have set aside for closing.
5. Thou shalt not omit debts or liabilities from your loan application.
6. Thou shalt not buy furniture or appliances.
7. Thou shalt not originate any inquiries into your credit. ANY!
8. Thou shalt not make large deposits without first checking with your loan officer.
9. Thou shalt not change bank accounts.
10. Thou shalt not co-sign a loan, a lease, a car lease or loan for anyone.

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I'm making fun, but this is IMPORTANT!

I hope you have found this guide valuable.

When you are ready, give me a call!

Daryl Palmer - Real Estatetist– “Famous Author” – CRS – etc.

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