



HOME BUYING GUIDE

AVENUE
REALTY

THE WAY HOME

HOME BUYING GUIDE



Purchasing a home is one of the most important investments you will make during your lifetime, and one that will likely impact you financially for many years to come. It is important to educate yourself on the home buying process which will help you to make a the best investment possible. For first time buyers, or even the most seasoned buyers, the process of purchasing a home can be both confusing and daunting, but with the assistance of a knowledgeable real estate professional, it is certainly manageable. Here are some steps that can help make the buying process simpler and less stressful. For the sake of explanation, we have illustrated the process based on an eight week timeline.

WHEN IS THE RIGHT TIME TO BUY A HOME?

IS IT THE RIGHT TIME TO BUY?

1. It is always most beneficial to purchase during a buyer's market when mortgage rates are low and there is more supply than demand for homes.

2. In most areas, buying can be about 44% less expensive than renting long term.

- a. If you plan on staying in a home more than 5 years, buying becomes a much more attractive option.
- b. According to the New York Times, buying can save you around \$1,743 per year as opposed to renting.

3. In view of the financial considerations above, purchasing a home at this time makes perfect sense if it aligns with your personal objectives and needs. Now its time to learn about the home buying process.

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STEP HOME BUYING PROCESS

STEP 1: CONSULT WITH A REALTOR



It is important that you have a Realtor® you trust.

A Realtor® will sit down with you to discuss your needs and wants in a home, and then the home search will begin. Make a list and evaluate what you absolutely need in your new home (number of bedrooms and bathrooms, square footage, etc.) what you want (pool, finished basement, lawn size, etc.). This information will begin to shape your type of home and price range.

During the process your Realtor® will be representing you and your rights. He or she will also be offering you guidance and advice. It is important that you have a Realtor® you trust.

STEP 2: CONNECT WITH A LENDER



- a. Contact two to three lenders. Avenue Realty can provide you with a list of proven lenders that we are familiar with and have helped our past clients. Avoid indiscriminate inquiries online since some of those companies may continue to pull your credit report more often than needed, which could affect your credit score.
- b. Next you will need to determine if purchasing a home is financially feasible. Speak with your lender of choice to review your finances. Your lender will likely ask for permission to obtain your credit score. If your credit score needs to be improved, the lender can offer advice on improving your credit. You will also be asked for some documentation such as bank statements and paycheck stubs. All this information will enable the lender to determine a purchase price of a home that you can afford.

Notes about being preapproved for a loan:

- Preapproval will help guide you in your home search and will ensure you are searching for homes within your means.
- You will gain insight into closing costs associated with purchasing a home.
- This is a good time to ask a lender to explain tax benefits associated with home ownership.
- There should not be a fee for preapproval. If the lender is charging a fee, move on to the next lender.
- Obtaining a preapproval letter from a specific lender does not commit you to using that lender.
- Offers will be contingent on loan approval. However, preapproval letters are submitted with sales contracts to let the seller know you are a qualified buyer.

1 2 3 4 5 6 7 8

WEEK 1:

1-2 HOURS OF YOUR TIME

This is usually done in the first week which ultimately saves you time and energy because you know the amount of the loan you will qualify for before searching for a home.

STEP 3: RESEARCH AREA HOMES



1 2 3 4 5 6 7 8

WEEK 1:

1 WEEK OF YOUR TIME

At the same time you are interviewing lenders, you will want to research and learn more about the areas where you're considering buying a home. This is the appropriate time to look at the surrounding area and have an understanding of things like average home prices, demographics, schools, recreational facilities and other criteria that are important to you. Your Avenue Realty Realtor® will educate you on the sales history in your desired neighborhoods which will help you to understand the home's current value and possibly future value should you be purchasing the home as an investment.

STEP 4: BEGIN TOURING HOMES



1 2 3 4 5 6 7 8

WEEK 2-4:

2-4 FULL DAYS OF YOUR

TIME

Depending on your timeline and the inventory of homes, touring homes could take anywhere from a weekend to several months.

- a. Take time touring different homes, and make sure to ask about the neighborhood and surrounding area. We encourage our clients to speak with potential neighbors and visit the home at different times of day. The area might be very different on Monday at 11AM versus Saturday at 2PM.
- b. Your Avenue Realty Realtor® will set up showings for the homes that peak your interest, be there to explore your potential new home, and point out the pros and cons from their professional perspective.

STEP 5: SUBMIT AN OFFICIAL OFFER



1 2 3 4 5 6 7 8

WEEK 5:

1-3 HOURS OF YOUR TIME

- a. Once you have found a home that you would like to purchase, it's time to make an offer to the seller. This begins a contractual process which can be confusing to navigate, but Avenue Realty will be there to help ensure that you get the best deal possible.
- b. Your Realtor® will help you develop the terms of your offer. You will need to consider items like purchase price, closing date, home inspection and finance contingencies and more. Once you have determined what you would like to submit to the seller, your Realtor® will type the contract for you to sign. If the offer is accepted by the seller, the contract is ratified and you are in a binding contract with the seller.

OFFER TERMS

- | | |
|------------------------------|--|
| -purchase price | -Earnest money deposit |
| -closing date | -appraisal and financial contingencies |
| -loan commitment date | -possible additional contingencies, |
| -home inspection contingency | such as a home sale contingency |

STEP 5: SUBMIT AN OFFICIAL OFFER - CONT.



- c. When your offer is submitted, you will also need to include an Earnest Money Deposit (EMD). Typically this is 1% of the purchase price and assures the seller you are serious about purchasing their home. The EMD is deposited in the Avenue Realty Escrow account which is a non-interest bearing account at an insured bank. In the event that you do not purchase the home due to cause, you will be refunded the EMD.
- d. If contingencies cannot be removed without fault, you can exit the contract without penalty. Your Avenue Realty Realtor® can explain in detail what this means and how you are safe guarded from purchasing a home you no longer want due to cause.

UNDERSTANDING CONTINGENCIES

- A home inspection contingency means there is a part of your ratified sales contract that needs to be satisfied before proceeding to closing. A contract to purchase a home is typically contingent on the results of a home inspection, termite inspection, radon gas inspection and appraisal.
- A finance contingency is relevant to all offers except for cash offers. This tells the seller that your offer is contingent upon the purchaser receiving a loan. The prequalification letter assures the seller that you are qualified, but final loan approval is still needed.
- If obtaining a loan, the home must appraise at or above the purchase price or the bank won't issue the loan. The price of the home can be renegotiated at this time if the home does not appraise at or above the contract price.
- If your financing is contingent upon selling a home before you are financially qualified to purchase another home, a home sale contingency will also be included in the contract to purchase.

1 2 3 4 5 6 7 8

WEEK 5:

1-3 HOURS OF YOUR TIME

STEP 6: HOME & TERMITE INSPECTION



- a. A home inspection primarily serves the interest of the buyer and is intended to allow a general inspector to have access to the home to identify and assess any problems, need repairs, and provide the buyer with home maintenance tips. This is a necessary step to make sure you are purchasing a sound home prior moving from the contract phase to closing. You may accompany the inspector during the inspection which gives you an opportunity to ask questions and learn about the home's main systems (heating, cooling, plumbing, electrical, etc.). The American Society of Home Inspectors requires inspectors to evaluate structural components, roofing, heating, cooling, plumbing, electrical, appliances, flooring, insulation, ventilation, siding, decks, storage buildings, etc.
- b. The home inspection is paid for by the buyer and typically costs \$300-\$600, depending on the size and age of the home.

1 2 3 4 5 6 7 8

WEEK 6:

2-4 HOURS OF YOUR TIME

STEP 6: HOME & TERMITE INSPECTION - CONT.



- c. A lender and/or title company will require a termite inspection to make sure there are no signs of wood-destroying insects before issuing a loan on the property and title insurance. If termites are found, a buyer will ask the seller to remedy the situation before purchasing the home. The termite inspection is paid for by the buyer or seller, depending on negotiations, and costs less than \$100.00.

STEP 7: REVIEW HOA DOCUMENTATION

(WHEN APPLICABLE)



This typically happens after the home inspection is complete, but documents may be received anytime between the ratified contract and closing.

- a. If you purchase a home or condominium with a Homeowner's Association (HOA), you will receive documents about the HOA to review.
- b. These documents are ordered by the seller and can sometimes take a couple of weeks to be received. The buyer has three days from the date of receipt to review the documents and terminate the contract without fault if there is anything about the HOA that makes the buyer not want to proceed with the purchase.
- c. These documents will include rules and conveniences as well as the HOA's financials. These documents should be reviewed carefully.

1 2 3 4 5 6 7 8

WEEK 6:

30-60 MINUTES OF
YOUR TIME

STEP 8: HOME APPRAISAL



The purchaser pays for the appraisal which is typically scheduled by the lender and paid for at the time of closing through the Closing Disclosure.

- a. Lenders require an appraisal to be conducted so they can receive an independent assessment of the home's value before providing you money, via a loan, to purchase it. This safe guards you and the bank from paying more than the home is worth.
- b. If the appraisal comes in at a higher value than the sales price, the seller is not privileged to this information. If the appraisal comes back at a lower value than the sales price, the "appraisal addendum" will simply ask the seller to reduce the sales price down to the appraised value. If the seller doesn't agree, you can terminate the contract at no fault.

1 2 3 4 5 6 7 8

WEEK 7:

NOTHING IS REQUIRED
OF YOU

STEP 9: LOAN APPROVAL AND CLOSING DISCLOSURE



1 2 3 4 5 6 7 8

WEEK 7:

1-3 HOURS OF YOUR TIME
OVER 2-3 DAYS

About one week before closing you will receive loan approval and closing documents.

- a. Your loan will go through underwriting and final approval of the loan will result in the release of the finance contingency. This means the purchase of the home is no longer awaiting financial approval from a lender.
- b. You may be asked again for bank statements, employment history, recent pay stubs, and more. The lender will notify you if they need any additional documentation.
- c. A Closing Disclosure will be delivered to you for signature at least three days prior to closing. It is very important to review and sign as soon as it is received. A delay in signature will result in a delay in closing. However, do take your time to review the Closing Disclosure carefully as it will detail your loan amount, monthly payment, and the amount (if applicable) you are expected to bring to closing.

STEP 10: FINAL WALK-THROUGH AND CLOSING

SOLD

1 2 3 4 5 6 7 8

WEEK 8:

2-3 HOURS OF YOUR TIME

You have made it to closing day and are just hours away from owning your new home. There are just a couple more items of business to take care of before receiving the keys.

- a. You and your Realtor® will walk through the home to confirm that all agreed upon home inspection repairs have been completed and the condition of the home has not changed since the time of the home inspection.
- b. At the closing, the settlement attorney or agent will explain each line item on the Closing Disclosure you were given a few days in advance of closing to review. You will also sign many documents to complete the purchase of your new home.
- c. The keys to the home will be released to you once the deed has been recorded. If you close in the morning, it is likely the keys will be yours on the same business day. If you have an afternoon closing, it may be the next business day before you legally own the home.

AFTER THE CLOSING IS COMPLETE, THE HOME IS YOURS, AND ITS MOVING TIME.



CONGRATULATIONS!



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