

BUYER'S GUIDE



The Buyer's Guide

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Welcome

We are proud of our brokerage and agents and the countless hours they pour into their work, helping clients all over the New Jersey area and beyond. This is driving our company forward so that we can serve you, our clients, in all of your Real Estate transactions.

Take a moment to get to know your Realtor and you'll have both a trusted advocate and a friend for years to come. We are full of knowledge and wisdom and ready to strategically guide you through the entire home buying and selling process.



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Preparing to buy

The home buying process



First, get pre-approved

House shopping is an exciting time! Get pre-approved for a loan first so you are ready to make an offer when you find a home you love.

Pre-approved vs. pre-qualified

Pre-qualified

Pre-qualifying is just the first step. It gives you an idea of how large of a loan you'll likely qualify for. It is only based on the information you give to the lender and can be done over the phone or online and there is usually no cost involved.

Pre-approved

This is the second step. To get pre-approved the lender will ask you for documentation to perform an extensive credit and financial background check. Before making an offer on a house it is best to get pre-approved to show sellers your offer is serious and a lender has already approved you for enough money to purchase the home.

Which loan is right for you?

There are a number of loans to choose from when you buy a home, so it's important to fully understand the advantages and disadvantages of each type before you make a decision.

Conventional loan

This is the most common type of loan which is offered through private lenders. The overall borrowing cost and interest tend to be lower but you have to pay 20% on a down payment or pay PMI (Private Mortgage Insurance) if the down payment is less than 20%. It requires a minimum credit score of 620.

FHA-loan

FHA loans are loans designed for those with a high debt-to-income ratio and a low credit score. They are insured by the Federal Housing Administration. An FHA loan can allow you to buy a home with a credit score as low as 580 and a down payment of 3.5%.

VA-loan

VA loans are insured by the Department of Veterans Affairs. You must meet service requirements in the Armed Forces or National Guard to qualify for a VA loan.

USDA-loan

USDA loans are insured by the United States Department of Agriculture. You must meet income requirements and buy a home in a suburban or rural area in order to qualify.



Type of loan	Down payment	Term	Mortgage Insurance	Credit score
Conventional	3-20%	15-30 years	Only if <20% down payment	620
FHA loan	3,5-20%	15-30 years	Yes	580
VA loan	None	15-30 years	No	No minimum
USDA loan	None	15-30 years	Yes	640

Home loan application

Checklist

Lenders will request paperwork for your mortgage application that proves things like how much money you make and how much debt you have.

Income

- Tax returns last 2 years
- W-2s last 2 years
- Pay stubs last 2 months
- Additional income, child support, pension, retirement etc.

Assets

- Bank statements
- Investment statements
- Insurances like life insurance

Questions for lenders

Interviewing lenders is an important step in determining what type of home loan is best for you.

Not all lenders are the same, and the type of loans available, interest rates, and fees can vary. Here are some questions to consider when interviewing lenders.

1. Which type of home loans do you offer?
2. What is your average loan processing time?
3. What will my interest and annual percentage rates be?
4. Do I qualify for any special programs or discounts?
5. What estimated closing costs can I expect to pay?



Finding your Dream Home

House Wants & Needs Checklist

Determine the features you are looking for in your ideal Dream Home and prioritize which are most important to you.

Type of Home

Price up to _____

Single Family Townhouse Condo

Condition of Home

Move-in ready Fixer Upper Some work needed is OK

Desired Features

____ Bedrooms ____ Bathrooms ____ Car garage

Ideal Square Footage _____

Desired location/ Neighborhood/ School District _____

Is a big yard important to you? Yes No No preference

Must haves

Would like to have

House Hunting Tips

Investigate the area

Drive around the neighborhood that interests you to get a feel for the area, how the homes are cared for, and what traffic is like, etc.

Ask around

Talk to family, friends, and co-workers to see if anyone might know of a house for sale in an area that interests you. You might be lucky and one of them may even know someone that's thinking about selling their house.

Keep an open mind

Finding your dream home is exciting but not always an easy task. Have a priorities list but keep an open mind when viewing houses.

Take pictures and notes

When you visit multiple houses it gets difficult to remember specific details about each one. Take pictures and notes while touring houses so that you can reference them later when comparing the properties that you have seen.

Be ready to make an offer

When you find a home you want to buy keep in mind there may be others interested in it as well. Be ready to make a solid offer quickly in order to have the best chance possible to get that home.

Compare properties sheet

Address _____ Price _____

Bedrooms _____ Bathrooms _____ Square feet _____

Best feature _____ Worst feature _____

Additional notes

Address _____ Price _____

Bedrooms _____ Bathrooms _____ Square feet _____

Best feature _____ Worst feature _____

Additional notes

Address _____ Price _____

Bedrooms _____ Bathrooms _____ Square feet _____

Best feature _____ Worst feature _____

Additional notes



Making an offer

Negotiations when

buying a home

01 Assess housing market conditions

Find out whether the house you hope to purchase is in a buyer's market or seller's market. In a buyer's market, you'll be able to negotiate more forcefully and can put a lower offer in initially—there are more houses than there are buyers, so sellers are more eager to get homes off their hands. In a seller's market, there are more potential buyers than there are available houses, so sellers have more bargaining power.

02 Be ready to haggle

If you're in a buyer's market, you can start with a lower initial offer price than the seller listed. But even if you're in a seller's market, you should still be ready to haggle to get to the best price for you. Always be ready with a counteroffer until you're sure the seller won't budge anymore. While the seller expects you to haggle, avoid making lowball offers so small that they feel you're wasting their time. Similarly, don't go in with a higher offer than you can afford.

03 Get your mortgage loan ready

Prior to making an offer on a home, work with your bank or whichever mortgage lender you plan to use to provide proof of your home loan approval. This pre-approval letter will allow you to negotiate more strongly, as it proves you'll be able to pay a mortgage for the house over which you're haggling.

04 Inspect the house

Work with the home seller to do a thorough home inspection before making any final offers. This helps you figure out if there are any necessary renovations required or issues with the house that the seller failed to disclose up front. Occasionally, you can insist the seller pay for these changes before they sell you the house, which knocks down your overall costs.



How to make an offer

on a house

Decide how much to offer

It's important to stay within your budget, but you shouldn't just throw out a random number. You're looking for that sweet spot between getting the best possible price and not insulting the seller by making a lowball offer. Consider how long the home has been on the market, comparable homes in the area, necessary repairs and renovation and the competition on the home when making an offer.

Decide on contingencies

Contingencies are clauses in a sales contract that allow buyers to walk away from a sale with their earnest money, which is essentially a type of security deposit. Common contingencies include the home inspection, appraisal, financing, and title. When a contingent condition fails to be met, either party can cancel the deal and pursue other prospects.

Decide how much earnest money to offer

Earnest money is technically a good faith deposit you have to submit when making an offer. The earnest money requirement varies from market to market but is typically 1 – 2% of the total home price. That said, the more money you offer, the better your offer looks in the eyes of the seller. This money will be held in an escrow account and will later be applied to your mortgage down payment.

Write your offer

When you've come up with an offer amount, it's time to convey that offer to the seller. Your real estate agent usually draws up the offer letter for you. The offer letter includes the address of the house you want to buy, the name(s) of people who will be on the house title, the amount of money you want to offer, your mortgage approval letter, contingencies as well as other things.

Negotiate the price and terms

After you formally made your offer, it's up to the seller if they want to accept it. The seller can accept your offer, make a counteroffer or reject your offer completely.

Counteroffer



If the seller responds with a counteroffer, it's up to you to decide what to do next. Your real estate agent can get in contact with the seller or their agent to get a feel for what the seller hopes to get for their home and whether they're willing to negotiate with you on price and terms.

Here are 3 tips when receiving a counteroffer

1. You can negotiate more than just the price


You may be willing to trade concession or repair requests for a lower purchase price. Work with your real estate agent and the seller to see if you can reach an agreement for the home.

2. Try to find out where the sellers' pain points are

Do they need to close quickly? Or would they rather push closing out as far as possible while they look for their next home? If you're flexible, you might be able to solve a problem and make your offer more attractive to the seller at the same time.

3. Write a home offer letter

Your agent can help you decide whether this is a good strategy for your particular situation. This should be a heartfelt letter from you to the seller that lays out your reasons for wanting to buy their home. If your offer is similar to others that they're entertaining, your personal plea might just be enough to push your offer to the top of the pile.

A modern bedroom interior featuring a dark, vertically-grained wood-paneled wall. In the foreground, a bed is dressed in dark, textured bedding, including a duvet and pillows. To the right, a light-colored, upholstered chair is partially visible. The floor is covered with a patterned rug. A semi-transparent dark rectangle is overlaid on the center of the image, containing white text.

Under contract
& in escrow

What not to do during

the home buying process

Remember, your credit and finances will be monitored right up until your loan closes. Here are seven things to avoid as you prepare to buy a house.

DON'T do the following things:



Lease or buy a new car



Change jobs



Move money around



Disrupt your Credit score



Open a new line of credit



Make a major purchase



Miss bill payments

Offer accepted

Once you and the seller have agreed on terms, a sales agreement is signed and the home is officially under contract and in escrow. Here are the steps that follow:

01 Put your deposit into an escrow account

Your earnest money deposit will be put into an escrow account that will be managed by a neutral third party (typically a title company or bank) who holds the money for the duration of the escrow period. They will manage all the funds and documents required for closing and your deposit will go towards your down payment which is paid at closing.

02 Schedule a home inspection

Home inspections are optional but highly recommended to make sure the home is in the condition for which it appears. Inspections are typically completed within 10-14 days after signing the sales agreement.

03 Renegotiate if necessary


The home inspection will tell you if there are any dangerous or costly defects in the home that need to be addressed. You can then decide to back out of the deal completely, ask the seller for repairs, or negotiate a lower price and handle the repairs yourself.

04 Complete your Mortgage application

Once you've come to an agreement on the final offer, it's time to finalize your loan application and lock in your interest rate if you haven't done so already. You may need to provide additional documentation for your lender.

05 Order an appraisal

An appraisal will be required by your lender to confirm the home is really worth the loan amount. The appraisal takes different factors into account like similar property values, the home's age, location, size, and condition to determine the current value of the property.



Final steps & Closing

Congratulations!

Final steps before closing

Insurance requirements

Most lenders require both homeowners insurance and title insurance. See the following pages for more details about each one of them.

Final Walk-Through

A final walkthrough is an opportunity for home buyers to inspect the house before the official closing. The final walkthrough allows the buyer and their real estate agent to go through the house room by room without the seller being present.

Closing disclosure

Your lender is required to give you your Closing Disclosure, which tells you what you need to pay at closing and summarizes your loan details. It includes the loan terms, your projected monthly payments, and how much you will pay in fees and other costs to get your mortgage (closing costs).



Homeowners Insurance

Why do you need Homeowners Insurance?

Homeowner Insurance protects your home and possessions against damage and theft and is required by lenders before finalizing your loan. Policies vary and are completely customizable so it's recommended to get quotes from multiple companies to compare price, coverage and limits.

What does the insurance cover?

Homeowners Insurance typically covers destruction and damage to the interior and exterior of a home due to things like fire, hurricanes, hail, lightning or vandalism. It also covers loss or theft of possessions, and personal liability for harm to others.

What does it NOT cover?

Most policies do not cover flood or earthquake damage, and you may need to purchase additional earthquake or flood insurance for this type of coverage.

What are policy rates based on?

Rates are determined mainly by the insurer's risk that you will file a claim. The risk is based on your personal history of claims, frequency, the severity of claims, past history of claims on the home, neighborhood statistics, and the home's condition.

How can you qualify for discounts?

Many insurance companies offer discounts to seniors and also to customers who have multiple policies with them, like auto or health insurance. Having security systems, smoke alarms and carbon monoxide detectors can also lower annual premium rates. When getting quotes, be sure to ask each company about their discounts and cost saving options.

Title Insurance

A title search is an examination of public records to determine and confirm a property's legal ownership and determine whether there are any claims on the property. A clear title is necessary for any Real Estate transaction.

Title insurance protects both lenders and homebuyers against loss or damage occurring from liens, encumbrances, or defects in a property's title or actual ownership. Common claims filed against a title are back taxes, liens and conflicting wills.



A basic owner's title insurance policy typically covers the following:

- Ownership by another party
- Incorrect signatures on documents, in addition to forgery and fraud
- Flawed records
- Unrecorded easements
- Outstanding lawsuits and liens

There are two types of title insurance: lender's title insurance and owner's title insurance. Almost all lenders require the borrower to purchase a lender's title insurance policy to protect the lender in the event that the seller was not legally able to transfer the title of ownership rights. While lender's title insurance is required for you to get your mortgage loan, owner's title insurance, which is purchased by the seller to protect the buyer against defects in the title, is optional.

Closing Day

Congratulations

This is the final step of the home buying process. On the Closing day, you'll be going over and signing all the paperwork. This is also when you pay your down payment and closing costs.

Items to bring to Closing

- Copy of Closing disclosure
- Proof of funds for closing costs
- Homewners Insurance Certificate
- Final Purchase Agreement
- Government photo issued ID

Congratulations! The ownership of the property is transferred to you and you are now officially a homeowner.

Real Estate Terms

Explained

Debt-to-income-ratio

Your debt-to-income ratio (DTI) compares how much debt you owe each month to how much you earn. This number is one way lenders measure your ability to manage the monthly payments to repay the money you plan to borrow.

Private Mortgage Insurance

Private mortgage insurance, also called PMI, is a type of mortgage insurance you might be required to pay for if you have a conventional loan and make a down payment of less than 20 percent of the home's purchase price.

Purchase agreement

A purchase agreement is a binding contract between a buyer and seller that outlines the details of a home sale transaction.

Contingency

A contingency refers to a clause in a purchase agreement specifying an action or requirement that must be met for the contract between a buyer and a seller to become legally binding.

Disclosures

Disclosure is a legal document that requires sellers to provide previously undisclosed details about the property's condition, for example pumping leaks that prospective buyers may find unfavorable.

Earnest money

Earnest money, or good faith deposit, is a sum of money the buyer puts down to demonstrate their seriousness about buying a home.

Offer

Once you've decided on a house you have to make an offer to the seller. This includes the amount of your deposit, the amount you are offering, the amount you intend as your down payment and financing details.

Appraisal

A home appraisal is a process through which a real estate appraiser determines the fair market value of a home. It can assure you, the buyer and your lender that the price you've agreed to pay for a home is fair.

Title search

A property title search examines public records on the property to confirm the property's rightful legal owner. The title search usually also reveals if there are any claims or liens on the property that could affect the home purchase.

Home inspections

A home inspection assesses the condition of a property, including its heating and cooling systems, plumbing, electrical work, water, and sewage, as well as some fire and safety issues. In addition, the home inspector will look for any other issue that may affect the property's value.

HOA

A homeowner's association is a private association that manages a planned community or condominium. When you purchase a property that is managed by an HOA, you agree to abide by the HOA's rules and pay its monthly or annually HOA dues.

Congratulations



HOME BUYING IS A MAJOR MILESTONE


As your Real Estate Agent, I'm so happy that I could help you find your new house and I can't wait for you to make amazing memories in it!

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