COMPASS

AZ

HOMEBUYER'S GUIDE

TEAM ACHUCK ZECH

TABLE OF CONTENTS

1 Buyer's timeline

2 Intro

3 Financing your home

4 Property updates/buying

5 Making an offer

6 Home inspections

7 Closing

8 Escrow

1 BUYER'S TIMELINE

1. **Get pre-approved for a mortgage.**
   This is a key step. Don't worry, we can help find a lender.

2. **Begin the hunt**
   We'll work together to identify the home of your Pinterest board dreams.

3. **Make an offer to purchase**
   Translation: details on what you are offering, plus a pre-approval letter or proof of cash funds.

4. **Your offer is accepted.**
   Put the bubbly on ice and hang tight. There are still a few more key steps.

5. **Open escrow**
   Now we open escrow. Aka, deposit earnest money into escrow account – typically 3% of your purchase price.

6. **Submit your mortgage application**
   All mortgage paperwork should be in your lender's hands. Or inbox. Either works.

7. **Cross home inspections off the list**
   Not as scary as it sounds, these typically include home, pest, and structural inspections. They should be complete within 14 days of an accepted offer.

8. **Appraisal approved**
   An appraiser will walk through the home, compare it against similar homes, and verify that the home value is equal to or more than loan amount. Should everything check out, the appraiser will submit a final report to lender.

9. **Get your mortgage commitment**
   This should come about 21 days after submitting your application.

10. **Contingency removal**
    Once all contingencies have been satisfied, the contingences are released, and you're placed in a pending period. FYI, the 3% earnest deposit becomes non-refundable at this point.

11. **Conduct a final walkthrough**
    Just prior to closing, this is your last chance to ensure everything is as you expected, from wainscoting to crown molding.

12. **Hooray! Closing day.**
    You'll close 30 days from the date of an accepted offer. Go ahead. Pop the Veuve. You did it!

2 INTRO

Not surprisingly, Marin is one of the most sought-after real estate markets in the world. (Kudos to you. You've got great taste.) That said, we understand that navigating the buying process can feel like a decathlon at times. That's where we come in. With decades of experience under our belts and bolstered by insider insight, we'll guide you through every step of the way to land the perfect home that fits your needs, budget, and lifestyle.

LET'S CHAT, SHALL WE?

We always love meeting clients for the first time, face-to-face. This is where we get a feel for your specific real estate goals. Think: preferred neighborhood, price range, and can't-live- without amenities.

Then comes your first homework assignment. To ensure we find exactly what you're looking for, we ask that you create a wish list of must-haves for your dream home. Maybe it's a pet- friendly backyard. Perhaps it's husband-friendly 6-car garage. Whatever the case, it's okay if your list is a moving target. We'll refine, together, as we go.

HERE'S A QUICK CHEAT SHEET

- ◯ What's your price range?
- ◯ What type of property are you looking for? (Single-family home, condo)
- ◯ Do you have a preferred neighborhood?
- ◯ Do you have children?
- ◯ How about pets?
- ◯ Is proximity to public transport a deal-breaker?
- ◯ What amenities are most important to you? (parking, yard, etc.)

3 FINANCING YOUR HOME

One of the most crucial steps in the homebuying process is obtaining pre-approval. Simply put, it's confirmation of your buying power when submitting an offer. Pre-approval allows you to fully understand the price range that you should be targeting.

We always recommend obtaining pre-approval before even crossing the threshold for your first showing. Why? Before submitting your first offer, you'll need a letter from a mortgage broker. More often than not, our team is hustling to write offers after business hours and against the clock. Suffice to say, it's smart to have one on hand at all times.

FINANCING 101

Loan pre-approval

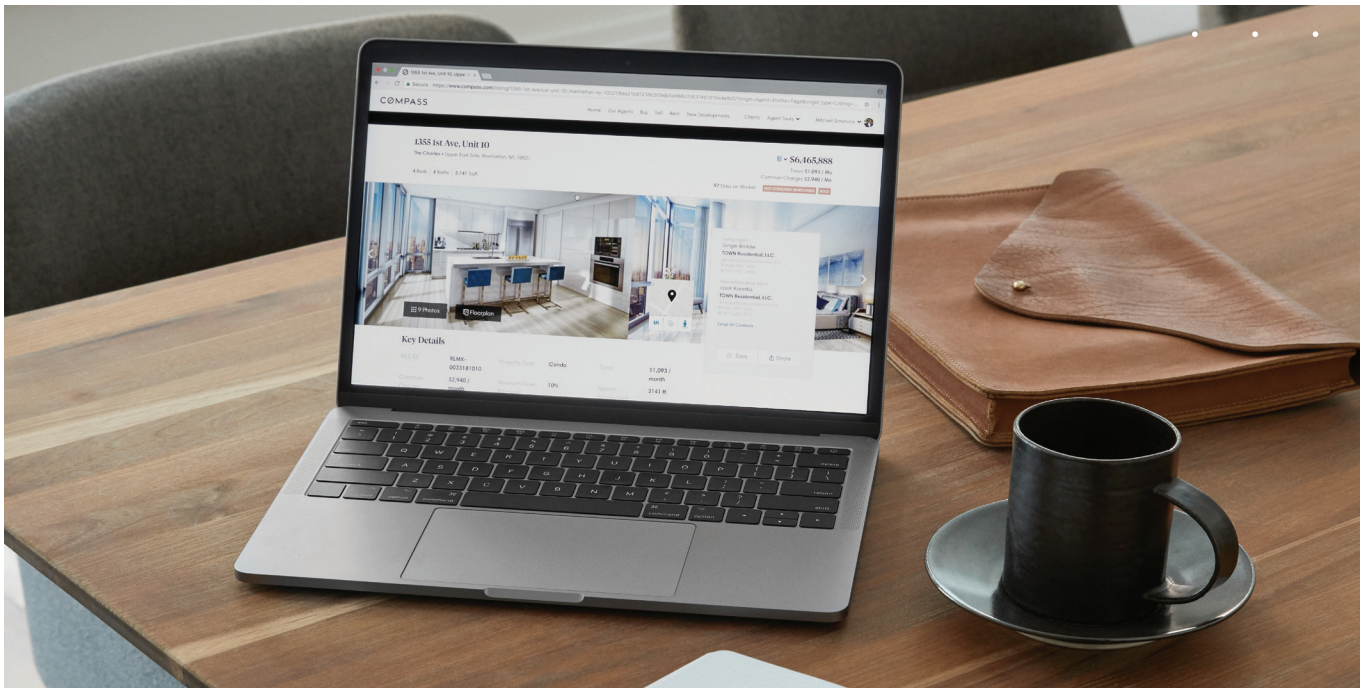
The home loan process

No-nos when applying for a home loan

Underwriter review process

Components of a Mortgage

How Lenders qualify Buyers



WHY GET PRE-APPROVAL?

For one, it's a no-brainer. Pre-approval is different than pre-qualifying. It's a full loan approval rather than simply an opinion letter. Pre-approval should be prioritized before perusing homes. Why? Figuring out what you qualify for inherently helps you look within the right price range.

Determining your price range
You'll need to consider how much you're prepared to invest and how much you'll need to borrow. (Or not. Maybe you're a straight-up baller, like Beyoncé) You should also think about how much property taxes and insurance will add to your monthly mortgage payment.

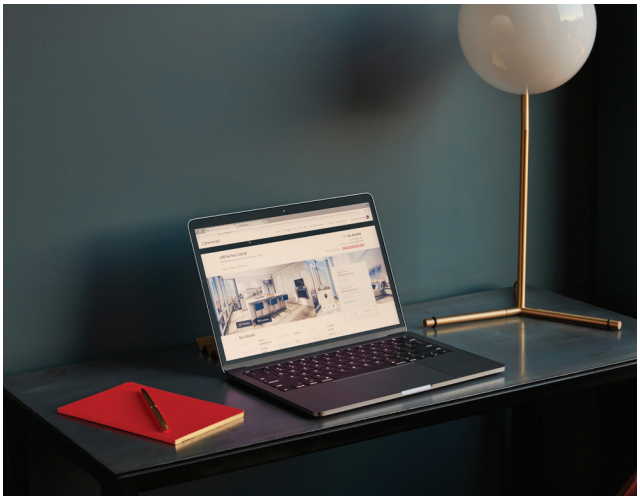
Determining cash required
You'll need enough cash to cover both your down payment and any closing costs associated with purchase. Just an FYI, these closing costs vary significantly based on the terms of your loan. But they're typically 1%-2% of the purchase price.

Determining additional costs
Without question, our team will help you estimate your purchasing power and carrying costs, but we also recommended that you run your cash needs and tax ramifications by your accountant or financial advisor. You can never be too thorough.

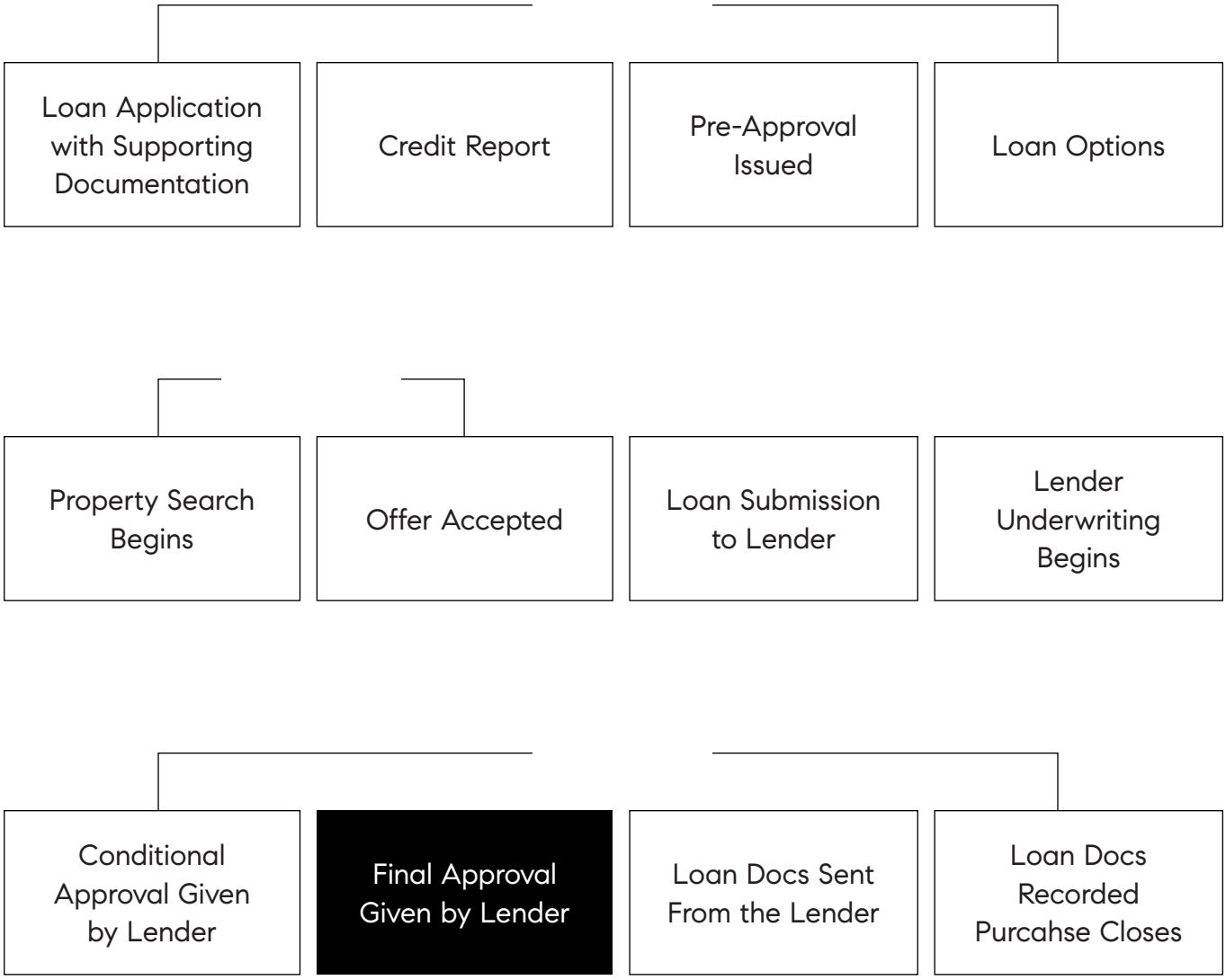
Pre-approval for a loan
Insider tip: an offer is given greater consideration by a seller if it's accompanied by a pre- approval letter from a reputable lender or local mortgage broker. A sign of goodwill, it assures the seller that you'll be able to obtain the proposed cash flow and won't tie up the property.

Lenders will examine six crucial factors:

1. Income
2. Savings/capital/investments
3. Credit history
4. Debt level/ratio
5. Employment history
6. Value of desired property



THE HOME LOAN PROCESS



NO-NOS WHEN APPLYING FOR A HOME LOAN

There are a few things to steer clear of when seeking financing. Here's a quick run-down.

Don't buy or lease a car before applying
Lenders put your debt to income ratio under a microscope. Large payments can greatly impact those ratios and prevent you from qualifying for a home loan. Do yourself a favor and hold off on purchasing that super yacht for the time being. You'll thank us later.

Don't move assets from one bank account to another
Transfers appear as new deposits and tend to complicate the application process, as you must disclose and document the source of funds for each new account. No stress. Lenders can verify accounts as they currently exist. You can always consolidate accounts later if need be.

Don't change jobs
While it looks favorable on LinkedIn, the same isn't true for a home loan. A new position may involve a probation period which must be satisfied before income from the new job can be considered for qualifying purposes.

Don't buy new furniture or major appliances
Do yourself a favor and stay off of West Elm's website. As tempting as that new sectional is, be wary that new purchases increase the amount of debt you're responsible for, which may disqualify you from receiving the loan or cut down on funds needed to meet closing costs.

Don't run a credit report on yourself
It'll show as an inquiry on your lender's credit report. Inquiries must be explained in writing.

Don't attempt to consolidate bills before speaking with your lender
Your lender can advise you if this needs to be done.

Don't pack or ship important documents required for the loan application
Your lender can advise you if this needs to be done.

Don't attempt to consolidate bills before speaking with your lender
Important paperwork like W-2 forms, divorce decrees, and tax returns shouldn't be packed with household goods. Duplicates take weeks to obtain and could stall the closing date on your transition.

WHAT TO EXPECT WHEN AN UNDERWRITER REVIEWS YOUR LOAN

1

Credit
There's a reason why Match.com daters list credit scores on their profiles these days. It's kind of a big deal. It takes years to build, and one missed Porsche payment to destroy. Any derogatory credit must have a good explanation. Outstanding collection accounts, judgements, or liens must be paid through escrow. The credit report will also list a credit score – a mathematical calculation of your overall credit rating.

2

Job stability
A consistent employer history with the same company is ideal. Recently promoted to the corner office? Don't worry, title changes for advancement are acceptable. Schooling completed in preparation for a specific vocation is also considered part of your job history.

3

Income and ratios
Your gross monthly income (before taxes) will be computed. Bonuses, OT, part-time, or self- employment income will be averaged from the previous two years. The principle, interest, taxes, and insurance (PITI) on the new loan (plus mortgage insurance, if applicable) is divided by the gross monthly income to get the "top" ratio. PITI and all debts are then divided be the income to get the "bottom" ratio.

Here's the scoop: ratios are ideally 33 over 38 for an 80% loan and lower for a 90%, 95%, or 97% loan. If other components are strong, higher ratios may be permitted.

(PITI / Gross Monthly Income = Top Ratio)
(Total Debt / Gross Monthly)

4

Down payment, closing costs, and cash reserves

To be considered, your funds must have been verified as having been yours for at least three months (Sorry, Powerball winners). A 5% minimum down payment MUST be from your own funds. However, the remainder of the down payment, closing costs, and the two to three months of reserves may be gifted by a relative who provides a letter and a bank statement showing the ability to give.

5

Property

Your property is the security for your loan. The lender will require an appraisal by a certified fee appraiser to assure that there is sufficient collateral. The underwriter will then review the appraisal to verify marketability, condition, and value of your soon-to-be home. The lender will also review the title report and require title insurance on the property for your protection as well as theirs.

* If you don't fall within these guidelines, DON'T PANIC! Step off the ledge. Ditch the paper bag you're breathing into. Lenders have been known work their magic with a variety of circumstances. We've seen it all.

PROPERTY UPDATES ON THE DAILY

Once we've outlined the must-haves for your dream home (your wish list from chapter 1), we'll set you up with our compass.com platform. You'll receive daily email updates chock full of new listings that fall within your search criteria. Every. Single. Morning.

Along with a daily list of properties, our team also personally filters your search criteria to handpick various homes that we think you'll love. While our algorithm filters by basic factors like price, locale, and square footage, we like to do the extra legwork. Can't help it. We love landing people their dream home. We live for it.

PROPERTY CATEGORIES, DECODED

SFH? 2C, 3C? LFT? If your head is spinning, we can help. *(Answers: Single Family Home. 2 or 3 Car Garage. Loft.)*

Single Family Home
A single-family home (or "SFH," for us realtor nerds), is a free-standing residential building maintained as a single unit, even if the unit shares one or more walls with another unit. Qualifiers? It must have direct street access and share no heating, water, or other essential facilities or services.

Condo
Condos typically comprise attached housing, where the owners of each unit retain their individual unit, amenities, and a portion of the private land it sits on. All condos have a Homeowner's Association (HOA for short), which oversees the condo as a whole, collects annual fees, and allocates maintenance expenses. Pools, landscaping, security gates, and what not. All the good stuff.

Co-Op
As the name suggests, co-operative housing encompasses ownership in which the whole property is owned by a co-operation and sold as shares to individual buyers/owners of the community. Co-Op housing typically shares the costs of upkeep and amenities across all members. Cooperation is the name of the game, here. It takes a team.

Tenancy in Common (TIC)
I know what you're thinking, "what the heck is TIC?" Tenancy In Common, or TIC for short, encompasses a building that's owned by a TIC group in percentage shares, including rights to occupy a particular unit. Each owner has a distinct, separately transferrable interest in the building as a whole. All areas of the property are owned equally by the group, and therefore an individual may no claim ownership to a specific part of the property.

5 MAKING AN OFFER

IT'S ABOUT TO GET REAL

The hotly anticipated day is finally here, which means there are a few dates and numbers to sort out. Be sure to read through these timelines carefully as there's not much wiggle room.

1. **Purchase price.**
   This should already be clear.

2. **Closing date.**
   This varies to accommodate both you and the seller.

3. **Initial deposit.**
   AKA a 3% deposit (of purchase price) Along with your offer, we'll submit a check that'll be held in escrow by the listing agent's company. Don't stress. The cash will eventually be used towards your down payment.

4. **Appraisal contingencies.**
   The standard is 17 days.

5. **Condominium contingencies.**
   These include but aren't limited to the review of all condo documents and budget by you and your attorney, as well as a home inspection contingency and mortgage contingency. The whole gang's invited.

6. **Single Family Home contingencies.**
   These include but are not limited to a home inspection, pest inspection, and potential a structural inspection.

7. **Expiration of offer.**
   Aka "The Waiting Game." Typically, within 3 days or less from when the offer is submitted.

MAKING AN OFFER
WHAT YOU NEED TO KNOW TO NAIL IT

Q: What's a good offer?

A: Great question. In truth, there's no simple answer. It depends on a multitude of factors. The market, neighborhood, seller needs, and list price are all at play. It's our job to provide you with the best info on all of these factors to help you make an education decision. Is list price low or high compared to the market? Is your offer the only one on the table? Are properties selling above or below asking in the neighborhood? All good things to consider.

Q: How do I come out on top in a multiple bid situation?

A: It comes down to understanding the seller's strategy and motivation. It's important to know how many other offers are on the table, the state of the market, and the goals of the seller. Simply put, an offer is more than a purchase price. A great offer is drafted judiciously with overall terms that will appeal to the seller.

Q: Will I get bonus points for enclosing a personal letter and photo?

A: 100%. Sellers absolutely want to know who's buying their house. It's incredibly personal. Whether you're buying from a developer or standard seller, a solid offer package with a personalized cover letter says that you're passionate about the purchase.

Q: How long will it take to confirm that I landed my dream home?

A: We generally allow 3 days for sellers to respond. In some cases, the seller requests additional time. But usually no more than a couple of days. In the case of a short sale or REO, it can take weeks or even months to hear back from the bank. Bummer, we know. But it's pretty standard. If there are multiple bids, we might request a response in just a few hours.

Q: How does a counteroffer work?

A: When you submit an offer, the seller has four choices:

1. They can REJECT it. Major downer. But it happens.
2. They can ACCEPT it as a written offer, and you're ratified. Meaning that you are "in contract" to buy.
3. They can offer you a "back-up" position in the case that they've accepted another offer. This will put you in the running to ratify should the first offer cancel or fall through.
4. They can COUNTER your offer. Essentially, they can counter the purchase price, length of escrow, contingency periods, or any other term. One you receive their counter you can either 1.) Accept 2.) Reject or 3.) Counter their counter, which has the potential to go back and forth until both sides reach an agreement. As soon as one party agrees to the other's terms, you'll be ratified.

Q: What is a multiple counteroffer?

A: If a seller receives more than one offer, they can counter all or just a select few. The offer is not ratified when you respond to their counter. The seller has the final say; therefore, you're not ratified until the seller accepts your counter. It's kind of like that elusive dater that plays hard-to-get. It could be unrequited love. Or it could be wonderfully mutual. Hopefully, it's the latter.

OPENING ESCROW
THE NITTY GRITTY

What is escrow, exactly?
Escrow encompasses the time period between when your offer is accepted and when your purchase is finalized. It's a deposit of funds, a deed or other instrument by one party for the delivery to another party upon completion of a particular condition or event.

Why do I need an escrow?
Whether buyer, seller, lender, or borrower, you'll want assurance that no funds or property will change hands until all (I repeat, ALL) of the instructions in the transaction have been followed. The escrow holder has the obligation to safeguard the funds and/or documents while they're in the possession of the escrow holder, and to disburse the funds and/or convey title only when all provisions of escrow have been complied with. The escrow officer is a neutral third party and doesn't represent any singular party.

Your title company will provide a preliminary title report for the buyer to be made aware of any encumbrances on the property. Your title company also provides title insurance to ensure delivery of a clean title.

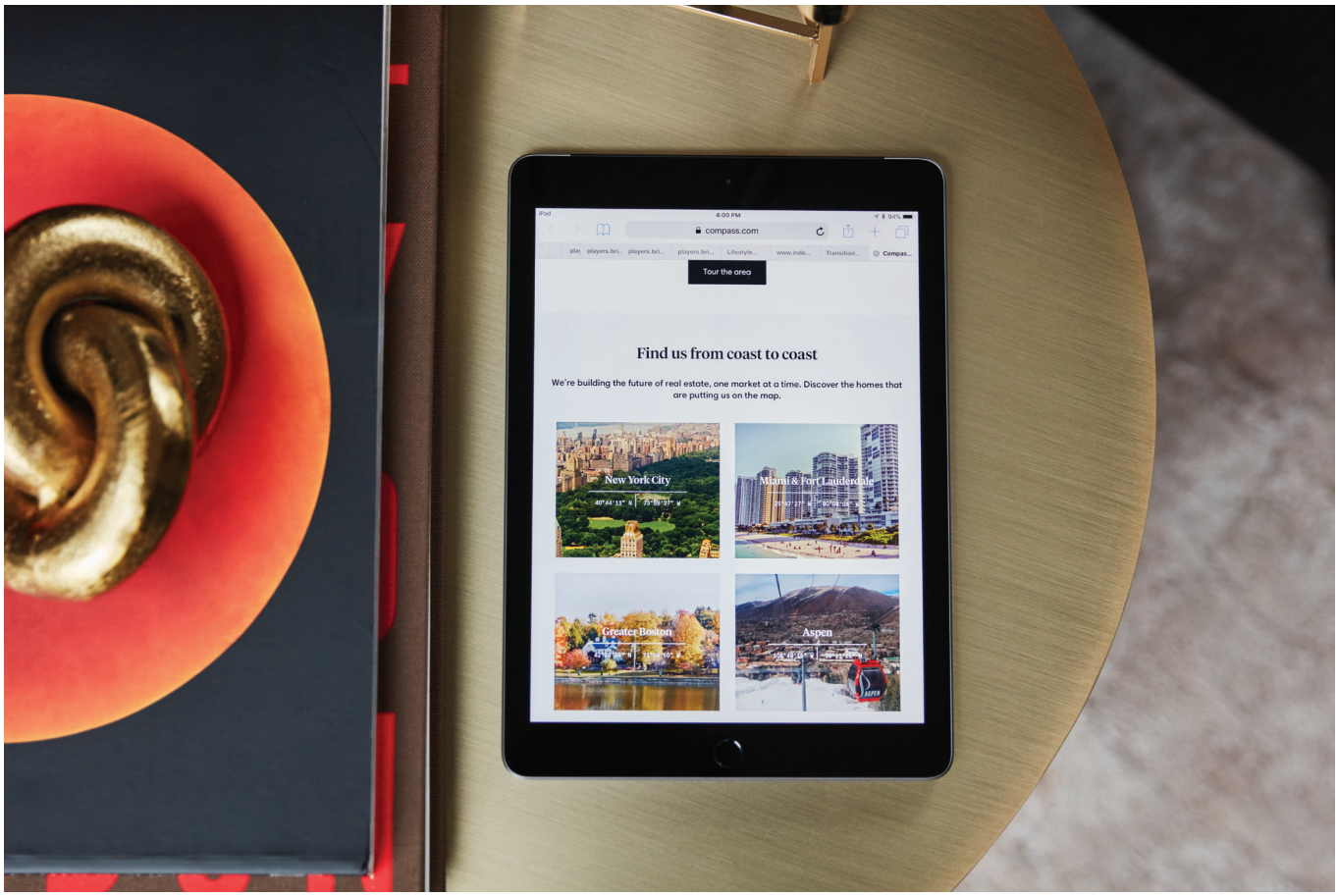
So how does this escrow thing work?
The principles to the escrow (i.e. buyer, seller, lender, agents) cause escrow instructions, usually in writing, to be created, signed, and delivered to the escrow officer. If a broker is involved, they will typically provide the escrow officer with the info necessary for the preparation of your escrow instructions and documents. The same officer will process escrow in accordance will all the escrow instructions. When all conditions required in the escrow are met, the escrow will be "closed."

Just an FYI – The escrow officer doesn't represent any one party – they're a neutral third party in the transaction. No one party in the transaction can solely give instructions. The escrow officer can ONLY take instructions from all parties in agreement.

How long does escrow last?
It's determined on a case by case basis and will be written into the officer. Ballpark number? 15-25 days is pretty common. However, in some cases, you (or the seller) may need more time. In other cases, it's shorter. Cash deals, for example.

SUBMIT MORTGAGE

Typically, your lender processes your loan and will ask for various details to get you approved. The lender will then order an appraisal for the property in question. You'll sign all loan and title docs. When everything is approved, the lender will send loan dues to escrow for a final signature. Sounds complicated. Don't worry, it's not.



6 HOME INSPECTIONS

ONE LAST LOOK

We make it a habit of writing a home inspection contingency into every offer. Why? To cover our bases. It gives you a chance to get a second look at the property and really see the home in its entirety, from baseboards to bathtubs. If the home inspector does happen to find repairs, or defects, we have an opportunity to renegotiate the price or walk away from the purchase. Totally up to you.

You can feel free to choose whichever home inspector suits you. If you don't have one on hand, we're happy to pair you up with one of our preferred vendors. We've been doing this for eons and have a few good ones up our sleeve. Just ask.

Lastly, it's important to note that a home inspection is the buyer's responsibility. It typically runs anywhere from $300-$1,000.

*Note — sellers aren't required to fix anything that comes up in the home inspection report, but we can always ask.

WE'RE ALL ABOUT FULL DISCLOSURE

HOUSE RULES

Here in Marin, it's pretty standard for the listing agent to provide a general disclosure package to all serious buyers. This is your chance to review general info about the property prior to writing an offer. It's required that the sellers and agent disclose everything they know about the property and fill you in on anything that might affect your decision to purchase the property. Enter: Termites, toxic mold, and the like.

There are a few simple steps:

- ◯ You'll review and sign disclosures that seller provides.
- ◯ Schedule any inspections you would like to conduct. Actually, we will schedule, you just let us know what you would like to do.
- ◯ Remove your contingence by the deadlines you initially requested in your offer.

RELEASE CONTENGENCY INSPECTION

Now's the time when you can ask for something to be repaired or request cash for a repair.

FINAL APPROVAL APPRAISAL AND LOAN

Before closing we'll get final approval and release appraisal and loan contingency (these were discussed in section 5 "Making an Offer").

7 CLOSING

CLOSING DAY
THAT'S A WRAP

Five days prior to closing, we'll peruse the property together to ensure all inspection items were handled correctly, the ranges are igniting, and faucets are flowing. The day before closing your bank will notify you of exactly how much money you'll need to bring to the closing table.

The final amount due will need to be in the form of a wire or bank check. While you're in the final homestretch, just keep in mind that it's completely common for adjustments to be made up until the last few minutes.

Yes, it can be stressful. But it doesn't have to be. Our team will be there to guide you every step of the way. So, toss the Advil, stow the stress balls, and remember, just as soon as the funds are received, you're free to pop the bubbly and invite your friends over for a housewarming party.

Give yourself a mental pat on the back. We did it. **You're officially a homeowner!**

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