



Real Estate Purchase Process

(STEP BY STEP)

1. **Credit History:** Check Your Credit When you're taking out a mortgage loan, your credit will be one of the key factors in whether you're approved, and it will help determine your interest rate and possibly the loan terms. So check your credit before you begin the home buying process. Dispute any errors that could be dragging down your credit score and look for opportunities to improve your credit, such as making a dent in any outstanding debts
2. **Pre-Approval Letter** (2 days -1 wk)
 - a. Contact loan officer at your bank. Other bank brokers are available if needed
 - b. Loan types: Conventional Fixed, FHA, VA, Jumbo, ARM
 - c. Keep all accounts in good standing (on-time payments). Pay off accounts but DON'T close/cancel any accounts or open new accounts until after closing. Don't take new loans or open any new accounts until after closing.
3. **Loan Types:**
 - a. **ARM** Adjustable Rate Mortgage: Higher loan amount with higher interest rate, higher down payment (%10 on SFH, %20 on Condo), fixed rate for 5 years then changes
 - b. **Conventional:** 3.5% down payment, higher credit score needed, fixed interest rate, easiest loan type to deal with.
 - c. **FHA:** 5% down payment, lower credit score as low as 620, fixed rate.
4. **Cost** associated with purchasing a new house/condo:
 - a. Earnest Money EM: ~1% of Purchase price, part of the purchase price
 - b. Inspection (\$300-\$500)
 - c. Radon test (\$100-\$150)
 - d. Appraisal (\$500)
 - e. Down payment DP 3.5%-5% of purchase price (Ex.: \$100k house, DP \$3,500-\$5,000)
 - f. Closing cost such as lender Origination fee, prepaids (property tax 3-6 months, insurance, lenders title search). This could range from 2%-5% of the loan amount.
 - g. PMI (Private Mortgage Insurance)/PIM (Private Insurance Premium) on loan with less than 20% Down Payment DP: Rates ranging from 45 basis points, or bps, to 105 bps. One basis point (1 bps) equal to one-hundredth of a percentage point (1 bps = .01% APR). There might be a one time "Up-Front" fee associated with the loan that lenders charge in addition to the monthly PMI/PIM payment. This fee is about .0175 of the Loan Amount, this amount can be added to the loan amount and be part of the financed amount.
5. **Showings** (1 wk- 2 months). Showings approved by seller agent and may require 24 hr prior notice before granting access.



6. **Offer To Purchase** OTP submission and binding acceptance (1-5 days)
 - Buyer Offer **Contingencies**
 - i. Inspection (7 days-15 days)
 - ii. Radon (7 days – 15 days)
 - iii. Financing & Appraisal (2 weeks-5 weeks). ~ 1%-2% of Purchase Price:
 1. Loan Application requirements (2 yr taxes, last 2 months bank statements, W-2 forms,...etc)
 2. Lender Title Search
 3. Appraisal
 4. Underwriting process
 5. Loan commitment
 6. Closing (signing docs & ownership transfer)
7. **Title Search & Title** commitment (1 wk-2 wks). Seller responsibility
8. **Gap Endorsement** \$125 on the seller usually. Seller responsibility
9. **Home Insurance**
 - a. Contact your insurance agent. Other insurance brokers are available
 - b. May cost approximately \$1000
10. **Closing** (2 wks – 6 wks from binding acceptance)
11. **Transfer accounts** to buyer's name right after closing
 - a. WE energies
 - b. Setup internet (Spectrum, U-Verse)
 - c. Water - usually stays with the property address, no need to call in.



Condominium Purchase:

- The following Condominium documents to be received within 10 days from OTP acceptance:
 - i. Executive Summary
 - ii. Declaration, bylaws, rules, regulations and index of the contents
 - iii. Article of incorporation for the association
 - iv. Last 2 years Meeting Minutes
 - v. Projected Annual operating budget of the condominium
 - vi. Plat Map & Unit floor plan showing location of Common Elements and other facilities available to Unit owners
 - vii. Employment contracts
 - viii. Leases to which the buyer will be a party



Tips on How to improve your credit score:

- Keep debt balance less than 30%-40% on credit card
- Pay off collection agencies and start with new collections



- Late payments may drop your score approximately 20 points on FICO score.
- Need about 12 months of consistent payment history to improve your credit score.
- Rebuild your credit by paying down credit cards.
- To improve FICO credit score, you may consider the following:
 - Obtain secured credit card (pre-paid),
 - Transfer WE energies bill
 - Have a Post-paid Cell phone with your name.
 - Have a car Insurance with your name
- Outstanding judgments may stay on your credit report up to 10 years.
- Check your credit score monthly using Credit Karma app for example.
- Lenders go back about **2 months** on bank statements for any large cash deposits from application date. So any cash deposits must be verified of the source of the money, must be verifiable.

Refinancing Charges Comparison:

- Might be recommended to refinancing your mortgage:
 - When you can save 1% or more on interest rate
 - When you want to remove escrow off your current mortgage (remove property tax and insurance payments) so you can pay it yourself at the end of the year.
- Charges may vary from one lender to another (**\$1500 +**)

Origination/Underwriting/Refinancing/Processing Fee
Appraisal fee
Wire Transfer Fee
Settlement fee
Recording fee
Credit Report
Tax Service Fee
Flood Certificate
Title/Escrow fees (Closing/Prep/Lender's Policy/All Endorsement)
Inspection
Other Fees (Interest/Real Estate Taxes)?



