



# HOME BUYING 101

## STEP 1: QUALIFYING FOR A HOME

The first step in buying a home is figuring out how you're going to pay for it. I know, I know, we Urbans always joke about houses being "practically free" these days (which they are if "practically free" = "great deals are to be had"), but regardless of how great a deal it is, you're going to have to pay something for it – somehow.

If you're like most of us and don't have a wad of cash just chillin' in the bank, don't be alarmed. . . you'll simply want to sit down with a lender and find out what kind of home loan and what amount you can qualify for. The Urban Agent Team has a lender team that is unparalleled and we'll be happy to put you in touch with them to sit down and see what your options are. The bonus is – even if you aren't ready to buy today – our lenders can guide you through the process of cleaning up or building your credit so in 2, 6 or 12 months you can be in a position to buy! Talking to a lender early is key and is the first step to owning your own home.

Depending on several factors including past or current military service, the area you desire to live in, your credit score and buying history and even the amount of assets you have on hand, your lender will be able to help you determine which loan type is best suited for you. Just to give you an idea of the variety out there, here's a quick rundown:

## LOAN TYPES

### CONVENTIONAL

- Owner Occupied: Must put down a minimum payment of 10% of the sales price and have a credit score of 680 or greater. 20% down, no MI requires a credit score of 620 or better. Non-occupant borrower not allowed.
- Non-Owner Occupied: Minimum down payment 20% and 25% down for best rate.
- Maximum loan amount \$417,000

### FHA

- Owner occupied, 3.5% down payment, mortgage insurance required, non occupant co-borrower allowed, down payment can be gifted by a relative or close friend
- Maximum loan amount \$303,750
- Minimum credit score of 620

### FHA/IHA

- All FHA guidelines apply
- Ada County requires buyer to be a first time homebuyer
- Canyon County and other target areas have no restrictions on previous home ownership
- IHA publishes all available loan programs and interest rates daily on their web site at [www.ihfa.org/idamortgage](http://www.ihfa.org/idamortgage)
- IHA Good Credit Reward 2nd and Tax Advance 2nd for down payment
- Assumable loan

### VA

- Must have VA benefits/entitlement
- Maximum loan of \$417,000
- No down payment or Mortgage Insurance
- Upfront funding fee of 2.20 first time use and 3.30 for subsequent use unless you have a VA disability of 10% or more

- Owner occupied only
- Co-borrower must be a spouse, married
- Assumable loan

### RURAL DEVELOPMENT LOAN

- 0% down loan option.
- Must be utilized in specific areas. (Kuna, Star, Parma, Notus, Middleton, parts of Caldwell, Greenleaf, Sandhollow, Emmett, Payette, New Plymouth, etc.)
- Find out if you are looking in an area where you can qualify for an RD Loan, visit: <http://eligibility.sc.egov.usda.gov/eligibility/welcomAction.do>



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## STEP 2: FINDING YOUR HOME

Congratulations! So you've been approved to buy a home. That's great news.

Assuming you came to us ages ago (before you talked to your lender) we'll have already been in the loop about what price range you're qualified for and we've probably already chatted about what you're looking for in your new home. IN FACT, we're probably already searching for and sending you listings that match your criteria.

If not, however, (you went out and found a lender on your own and got qualified independently of us), this is the step in the process that you pick up the phone or computer and either text, email or call the Urbans to chat with us about what you're qualified for and what kind of home you're looking to buy.

After we've had a heart-to-heart with you about your home search we can start sending you listings (usually via email) and you can start narrowing them down to the ones you want to see. Once we've compiled a list we can go out as often as you like to look at home until we've found the right one for you.

All you have to do if you see something you're interested in is let us know and we'll take care of making appointments, gathering listing information, etc.

A couple words to the wise:

1. If you see a "For Sale By Owner" that you're interested in, give us a call BEFORE you call the Seller, because we can usually negotiate more successfully for you if we speak to the Seller on your behalf.
2. If you are driving around a neighborhood and see something listed with a "non-Urban" that you like and you feel the itch to call to get info on, feel free to, but understand that, *ANYTHING* you say to that Listing Agent (or their henchmen) can - and often will - be used against you in the negotiation process. Which is why we always suggest that you hire your own representation (even if God forbid it isn't one of us) and you call your agent about the property rather than the Listing Agent. In fact, The Urbans stand behind their policy that "Limited Dual Representation" is not in the best interest of our clients so much so that if you call on one of our listings, you will be directed to someone OTHER than the listing agent.



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## STEP 3: PURCHASING YOUR HOME

### PURCHASE & SALE AGREEMENT/OFFER PROCESS

#### 1. WRITE THE OFFER

- a. Purchase price
- b. Earnest money
- c. Financing terms
- d. Other terms & conditions
- e. Included/Not-Included
- f. Inspection timeline
- g. Title company/Name of escrow officer
- h. Home warranty
- i. Breakdown of costs
- j. Closing date
  - i. Buyer will determine the date that they anticipate wanting to close by.
  - ii. The closing date must take into consideration the amount of time it will take to complete all of the above items, as well as the time required by the lender to process and complete the loan.
  - iii. A cash offer will not be affected by the lender timeline requirements.
- k. Acceptance date

#### 2. NEGOTIATION

#### 3. ACCEPTANCE

#### 4. INSPECTION

- a. The timeline for the inspection contingency starts at the time the offer is accepted. Buyer can specify how many days (business days) the inspection contingency will be (typically 5-7).
- b. The inspection must take place during this timeline. All requested repairs must be addressed in an inspection addendum by the last day of the inspection contingency timeline. If no repairs are being requested, the contingency is released.
- c. If repairs are being requested, the addendum addressing the repairs is sent to the seller, the seller will have an indicated amount of time (typically 2-3 days) to review the requests and either agree or counter. Negotiations will take place until an agreement has been met

#### 5. APPRAISAL

- a. The appraisal will be ordered upon the release of the inspection contingency.
- b. The appraisal can take several business days to have completed
- c. See below for appraisal definition.

#### 6. CLOSING

- a. An appointment will be set prior to the indicated closing date for the seller and a separate appointment for the buyer for both parties to sign documents.
- b. The escrow officer, at the specified title company, is the third party who will oversee the closing appointments.
- c. The escrow officer will go over all documents to be signed at the time of closing and will give instructions for signing to both parties (buyer and seller)
- d. You do NOT own the property after signing documents. Funding & recording are the official transfer of ownership

#### 7. FUNDING & RECORDING

When the wires have been released and the loan has funded (or cash has transferred parties) the title company sends a "runner" to the courthouse to record the new deed of trust. As soon as the deed is recorded the sale is complete and you can pick up your new keys!!!!



# HOME BUYING 101

## JIGGA WHA? JIGGA WHO?

So we've probably tossed around some terms you aren't familiar with in the course of this description of the home buying process so we've also put together this handy list of definitions you'll hear frequently during the home buying process.

### EARNEST MONEY

- Used to "hold" the house much like a rental deposit
- Usually ranges from \$500-\$1000 depending on the house
- Many Real Estate Owned properties (REO) will require a specific amount
- Used as a negotiation tool
  - Higher EM = stronger offer
  - Non-refundable EM = stronger offer
- Can be paid in cash or personal check at the TIME OF OFFER
- Is deposited upon ACCEPTANCE of offer
- Held in escrow account usually by Buyer's Agent's Broker
- Credited toward closing costs at closing table
- Can receive EM back at closing but cannot receive more than EM

### PROPERTY DISCLOSURE

- Document supplied by Seller to Buyer for review
- Seller indicates all systems/items in home that are included, not included, working, or not working to the best of their knowledge
- Does NOT replace a home inspection

### HOME INSPECTION

- Performed by third party, certified inspector
- Referred by your agent
- Completed prior to closing

- Costs range from \$225-350 depending on size & age of home
- Must be paid directly from Buyer to Inspector at time of inspection
- Usually takes place within 5 days of acceptance of contract
- Can ask for things to be repaired or replaced
  - Seller can elect to agree to inspection items or disagree
  - Back-and-forth negotiations until agreement reached
- After inspection is completed, Buyer will receive a full copy of the inspection report to keep for future reference
- Usually the last chance to get out of a contract before closing to receive a full refund of your earnest money

### HOME WARRANTY

- Costs ~\$400
- Can be paid by either Buyer or Seller
- Acts like insurance to cover basic systems in house
- Deductible of \$60/per occurrence
- Lasts for 13 months

### TRANSACTION FEE

- \$295 paid directly to Urban Agent Team LLC at time of closing
- Can be moved to Seller side in "closing costs to be paid"
- Pays for coordination of settlement services

### APPRAISAL

- Third party verification of home value
- Usually paid for by Seller at closing
- Cost = \$395-\$445
- Bank will only loan a Buyer money equal to or less than the appraisal amount

### CLOSING COSTS

- The fees associated with closing on the purchase or sale of a home
- Includes:
  - Loan Origination Fees (if financed)
  - Escrow Fee:  
(Sales price/1000) x 3 + \$45
- Cost:
  - ~3% for financed purchases
  - ~1% for cash purchases
  - ~1.5% for Sellers
- Used as a negotiation tool
  - Buyers can ask Sellers to pay all or a portion of closing costs
  - If Seller pays closing costs it reduces the Seller's net by the amount of closing costs they are paying

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## SHORT SALES, FORECLOSURES, REO'S... OH MY!

We know your Uncle John's brother Billy Bob told you "this, that and the other" about buying foreclosures, but let's clear the air about what's really going on so we're all on the same page:

### REO

- "Real Estate Owned" = Bank owned
- Has been foreclosed on
- Doesn't take as long as Short-Sale
- Can usually close in 30-45 days
- Contracts are only reviewed by the bank during business hours so can't usually get 24 hour acceptance of contract
- Sometimes they will not pay the appraisal fee (~\$400) which is traditionally a Seller paid fee, in which case Buyer must pay it at closing
- Sometimes they request a specific amount of earnest money
- Usually require proof of funds
  - Cash offer = bank statement or letter from bank
  - Financed offer = pre-approval letter

- Sometimes they require the Buyer to be pre-approved through their bank – even if the Buyer has been pre-approved elsewhere
- Property Disclosure – they won't know anything about property
- Property is sold in "as-is" condition; bank will usually not pay for repairs

### SHORT SALE

- The sale of a house in which the proceeds of the home sale fall short of what the Seller owes on their mortgage
- Seller approval of offer does NOT guarantee acceptance by lender
- Can take as long as 4-6 months to get bank approval
- Property sold in "as-is" condition

- Earnest money is deposited at the time of Seller acceptance UNLESS specified otherwise
- Inspection period does not commence until bank approval is received
- All short sales are contingent upon bank approval
- Can be bumped from 1st position if another, higher offer comes in
- Can terminate the offer at any time with no penalties PRIOR to bank acceptance
  - Earnest Money = refundable
- Each lender is different
  - Some banks review multiple offers at a time
  - Some banks will only review one offer at a time

## UNCLE SAM WANTS YOU...TO BUY A HOUSE (AND WILL GIVE YOU FREE \$ TO DO SO)

For those of you living under a rock, there's a federal tax credit the Obama administration passed this year to entice you all to go out and spend your money on houses in order to stimulate the economy and restore faith in the housing market. Basically, it's a free check for \$8k from Uncle Sam to you. It sounds too good to be true, but we swear it is. Let's clear the air about what's really going on so we're all on the same page:

### \$8,000 FIRST-TIME HOMEBUYER TAX CREDIT:

- Must be in contract no later than 4/30/2010
- Must close on or before 6/30/2010

### \$6500 "MOVE-UP" TAX CREDIT:

- Must have lived in your primary residence for 5 consecutive years (or more) within the last 8 years
- Must be in contract no later than 4/30/2010
- Must close on or before 6/30/2010

### IHA TAX CREDIT ADVANCE:

- \$8k tax credit advance
- Must have a credit score of 640 to qualify
- Acts as a 2nd loan (note)
  - No payments
  - Accrued interest at 3%
  - Due once you receive your tax credit
  - Due no later than next October

- To allow for tax filing extensions
  - Must pay back the 2nd along with interest & then they will release the 2nd mortgage
  - Requires Home Buyer Education Certificate of Achievement obtained through IHA online education course
  - Fee of \$250.00 with \$150.00 refunded upon repayment of loan on or before the due date

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