



BUYING A HOME

In a buyer's or a seller's market, you need and deserve a professional who works on your behalf and provides a full spectrum of services.

RE/MAX
of cherry creek
because experience matters®

THE PROCESS

Our priority is to make the buying process as smooth as possible and to arm our clients with knowledge of what to expect along the way. With detailed attention throughout the entire process, we ensure our clients are professionally and effectively represented.

STEP ONE:

CHOOSE A BUYER'S AGENT

In a buyer's or a seller's market, you need and deserve a professional who works on your behalf and provides a full spectrum of services.

By entering into an Exclusive Right to Buy Listing Contract with your broker as a Buyer's Agent, the broker will fully represent your interests, provide factual information about a property, help you evaluate the property's strengths and weaknesses, and negotiate to get you the best price and most favorable terms for your real estate purchase.

Your broker will show you properties that are listed with any real estate firm and will arrange a showing with a Seller direct if you are considering a home offered as a "For Sale by Owner." Considering new construction? You will want to register your Buyer's Agent with the builder in a new community when you first visit the community. Without professional representation on a new construction home or a "For Sale by Owner" only the seller is represented, and there is no one who is looking out for your best interests.

Your broker's commission is typically paid by the seller or the new-home builder and is detailed in the Exclusive Right to Buy Listing Contract that you will both sign.



Helpful Tip

Let your broker know your needs and expectations regarding the home search process. Tell them your time-frame for finding a home, the times you are available to look at listings, how you want to communicate (e-mail, phone, text) and how often.

STEP TWO:

HELP YOUR BROKER GET TO KNOW YOU AND WHAT YOU WANT

What do you consider to be "must haves" in your next home? Think about your needs and wants, decide which items belong on which list, and then communicate them to your broker before you start searching for a home. During the search, your needs and wants may change so be sure to let your broker know if that is the case.

Here are some of the items you may wish to consider:

- Which location: Central Denver, historic neighborhoods, suburbs, countryside or mountains?
- Which school district (or distance to a particular school)?
- Detached Single Family, Condominium or Townhome?
- How many Bedrooms and Baths?
- Do you need a certain square footage?
- Do you want "Move-in Condition" or a "Fixer-upper?" How much work are you comfortable doing yourself? How much are you willing to pay for someone else to do the work?
- Is the resale/long-term investment potential important to you?
- Do you want access to amenities like restaurants, shops, public transportation, an airport, or bike paths?

STEP THREE:

MORTGAGE PRE-APPROVAL

It is important that you consult with a reputable and experienced mortgage broker or loan officer at the beginning of the home-buying process.

In today's market, a seller wants to know that you have the financial ability to complete the purchase of their home. You can determine this by getting pre-approved for a mortgage before you start your home search. In as little as 15 minutes, you can know the maximum home price for which you have been approved by your lender. A pre-approval helps you and your broker know what price range to be looking at so that when you find the home you want, you can feel confident making an offer. In many instances, it can give your broker more negotiating power on your behalf and can give you a leg-up on the competition in a multi-bid situation.

Once you are under contract, you will need to make a formal loan application with the lender you have selected. At that time the lender will run a full credit report and ask for items (such as employment verification, copies of pay stubs, bank/investment account statements, tax returns, and loan statements) so be prepared to provide these in a timely manner.

Work closely with your lender to find a loan program that works best for you. They will present and discuss a number of options, such as variable or fixed interest rates, and a loan term of 5, 15 or 30 years. Remember that your lender is there to help you.

STEP FOUR:

FINDING A HOME

The home search process is a collaborative effort between you and your broker.

Your broker has extensive knowledge of the real estate market and will start searching for homes that meet your criteria. This will primarily involve a daily search through REcolorado (MLS), and showings will be arranged with the listing broker or brokerage firm by your broker.

If you find a property you like on your own, either on the internet, through an open house, or from seeing a "For Sale By Owner" (FSBO) sign, contact your broker with the information so that they can find out the asking price and arrange to view it together as a team. With properties that are not listed by a brokerage firm, remember that your broker is your representative and will represent your interests from the start.

If you attend an open house on your own, let the listing broker there know that you are already represented by a Buyer's Agent and provide them with your broker's contact information for follow-up.

For any property that you have serious interest in, your broker will do additional research to find out the selling price of similar homes in the neighborhood, the cost of the property taxes and utilities, how long the seller has owned the home, and more.

Use a Credible Lender

In Colorado, all Mortgage Loan Originators are required to be licensed with the Division of Real Estate. It is highly recommended for your protection to use a local, licensed lender who understands Colorado real estate practices and how the contract is structured. Using an out-of-state lender and on-line lenders may place you at risk in the transaction.





STEP FIVE:

CONTRACT OFFER & NEGOTIATION

Once you have found a home that you want to buy, you will meet with your broker to discuss a number of important items:

- *What price to offer*
- *Other terms, conditions and dates presented in the offer*
- *Are there other interested buyers?*
- *Negotiation strategies*
- *The timing of the inspection, appraisal and closing*

Your broker will write an offer according to your instructions, present it to the listing broker (or Seller in the case of a FSBO), and negotiate counter-offers, if any. It is your broker's responsibility to provide you with expert advice and opinions, but the final decision is yours.

Part of your offer is your earnest money deposit. When you make an offer to purchase a home, you must provide a personal check, cashier's check or wire transfer as an "earnest money deposit" to confirm your commitment to purchasing the home. This deposit is typically between 1% and 5% of the purchase price. Your offer will state when this is due, typically within 1 - 2 business days after the contract has been accepted by the seller. The check will be cashed at that time, so you need to have available funds to cover it. The money will be held in a trust account of the listing brokerage firm or the title company, whichever is designated in the contract. The earnest money deposit applies in full to the purchase price at closing and is generally refundable in the event the contract is terminated, provided you are not in default under the terms and conditions of the contract.

Once your offer is signed and presented, your broker should expect to hear back from the listing broker on or before the date and time that has been set forth in the contract for acceptance, typically about 24 hours. Your offer will either be accepted as presented, rejected, or "countered" by the seller. When a written counterproposal is given to your broker, there will be a new associated acceptance date and time for you to agree to the proposed changes to your original offer. Your broker will help you formulate your acceptance to any counterproposal or determine if any further negotiation is necessary to come to a mutual acceptance.

STEP SIX:

ONCE YOU ARE UNDER CONTRACT

Your broker is responsible for keeping track of the many details, legal requirements and deadlines involved in purchasing a property, most of which are addressed in the Contract to Buy and Sell Real Estate that is designed to protect both your rights as well as the sellers'.

You always have the right to have your own attorney review the contract, however, you should feel confident that the Contract to Buy and Sell Real Estate (as well as the other documents used throughout the transaction) has been written for and approved by the Colorado Real Estate Commission (CREC), which includes several attorneys.

Your broker will keep you informed of all stages of the contract throughout the buying process and will provide all relevant information along the way. There will also be close contact with the listing broker, the mortgage lender and the title company by your broker on your behalf. It is important that you understand and feel comfortable with the proceedings as they occur. Don't hesitate to come to your broker with any questions or concerns you have throughout the process.

STEP SEVEN:

TITLE AND HOA DOCUMENTS

Title insurance protects you from events that may have happened in the past, such as unpaid claims against the property in the form of a lien, right-of-way, easement or encroachment dispute, bequest, or heir's rights that you would be unaware of at the time of the purchase.

The seller, typically via the listing broker, will order the title commitment and provide you, your broker, and the lender with a copy for review. The cost of the title insurance is generally paid for by the seller. The buyer, however, may select the title company to be used at the buyer's expense and order such documents. This condition and expense is negotiable and will be defined in the contract.

Not only does the title company ensure that you receive clear title to the property at closing, they are also responsible for satisfying any valid claim against the insured title without a lawsuit and for paying any legal fees and court costs to defend the title.

If your property is within a covenant-controlled community, the seller will be required to provide you with all of the Homeowners Association (HOA) documents. These will include the declarations, by-laws, operating agreements, rules and regulations, and financials.

If you have questions about your title commitment or HOA documents, talk to your broker. For questions that involve greater detail that your broker cannot answer, contact the title company closer directly. If there is something specific in the HOA documents that is of special concern to you, contact the HOA directly or have your broker make contact with them. You also have the right to hire an attorney to conduct a legal review of the title and/or the HOA documents.

Engage a Reputable Title Company

The title company is also responsible for satisfying any valid claim against the insured title without a lawsuit and for paying any legal fees and court costs to defend the title.



STEP EIGHT:

HOME INSPECTION

A professional home inspection is crucial to the buying process.

A professional home inspection will give you an impartial, physical evaluation of the overall condition of the home and items that may need to be repaired and/or replaced. Inspectors are expected to identify all observable defects in a property, report them accurately and recommend the most appropriate way of addressing these conditions with the seller. You may already know of a reputable home inspector, but if not, your broker will have referrals of inspectors that past clients have been pleased with.

It is important for you to attend the inspection and to ask questions to make sure you understand any conditions found by the inspector. Any specific problem or cause for concern with the home should be discussed with your broker, who can recommend appropriate professionals who can deal with the issue. In addition to the general inspection, it is common for buyers to have one or more of the following inspections performed on a home they are buying:

RADON TESTING: Radon is an odorless, colorless gas and not uncommon to be found in many homes in Colorado. EPA guidelines are that this reading be at or below 4.0pCi/L; if found, it can be easily mitigated.

SEWER SCOPE: This test alerts you if a sewer line requires service, repair or replacement.

ROOF CERTIFICATION: This inspection, performed by a licensed roofer, provides an estimate of the roof's life expectancy.

The purpose of a home inspection is not to produce a mandatory repair list for the seller; it is to inform the buyer of observable defects and will often give you information about maintenance recommendations so you don't have any surprises upon purchasing the home. The inspector will provide you with a full written report, and at that time you have the option to purchase the property in "as is" condition, terminate the contract, or your broker will discuss and advise you on what to include in an Inspection Objection. If you request that the seller make certain repairs and/or replacements, the seller might agree to all of them, none of them, or present an alternative in the form of an Inspection Resolution which your broker will then negotiate on your behalf to reach a mutually acceptable resolution. If, after negotiations, you are still unable to come to an agreement you have the right to withdraw your request and move forward with the contract, or terminate and request your earnest money be refunded under the terms and conditions of the contract.

Carbon Monoxide Detectors

Colorado law requires that the seller MUST have these properly installed in all homes that are offered for sale. Have your inspector verify they are installed correctly and in proper working order. If not, the seller MUST correct this to comply with Colorado law.



STEP NINE:

OBTAIN HOMEOWNER'S INSURANCE

As the buyer, you must obtain homeowner's insurance prior to closing. Your lender will require proof of such prior to or at the time of closing.

Basic homeowner's insurance protects you from fire, theft, vandalism, liability, water and wind damage, tornadoes, and loss of use. Your insurance agent will provide options to purchase speciality coverage for things like an earthquake or flood.

Coverage for condominiums can be different, as most times your coverage will be for everything inside your unit and not for the building itself, since it is typically covered under the blanket policy that is carried by the Homeowners Association (HOA). Discuss what the condominium building/complex policy covers with the contact person for the HOA and your insurance agent to be sure you are properly insured.

Insurance companies are not required to provide homeowner's insurance to anyone who wants it, and they are getting increasingly selective about who and what they agree to cover. This means that if you are buying a home, you should not wait until the last minute to arrange for coverage. If your closing is scheduled for 30 days after going under contract, be sure to start shopping for coverage right away in case you run into any unexpected problems. This is especially important if you are insuring an investment property.

As with other segments of the real estate transaction, you may already have an insurance agent you work with, but if not, ask your broker for referrals who can discuss the types of policies you may want to consider.

C.L.U.E. Report

A C.L.U.E. (Comprehensive Loss Underwriting Exchange) Report provides dates of claims, insurance company(ies) involved, the type of policy, whether loss was related to a named catastrophe, location of the loss (on or off property), amount paid and cause of the loss. A C.L.U.E. Report will be pulled by your insurance agent when they are preparing your policy coverage and estimate. Be sure to ask your insurance agent about this report.



STEP TEN:

PROPERTY APPRAISALS

An appraisal is a very important part of the purchase process; both you and the lender want to be assured that the actual value of the property is in line with the price you are paying.

If you are using a mortgage to pay for your home, your lender will require an appraisal prior to you obtaining loan approval. A licensed appraiser, assigned by the lender, will visit the home you are buying and compare it to other similar homes that have recently sold in the same neighborhood. If the appraised value is lower than the contract price, you will be notified and your broker will then try to negotiate the selling price based on the appraisal value. Should this occur, you have the option to go ahead and pay the contract price, knowing that the value has been determined to be lower, or to terminate under the terms and conditions of the contract.

STEP ELEVEN: SURVEY

The lender and/or title company may require a survey to verify the boundaries of your property. Depending on the requirement from either the lender or the title company this may be a full Improvement Survey Plat or most likely an ILC (Improvement Location Certificate). The ILC will show boundary lines, location of buildings, sidewalks, driveways, etc. If any discrepancies are identified, they will be resolved as part of the title process.

STEP TWELVE: FINAL WALK-THROUGH

The purpose of the final walk-through is to make sure that the property is in the same condition as when the offer was made.

At this time you will also verify that any items the seller agreed to include in the price are still in the property and that any work required by the seller as part of the inspection process has been completed.



STEP THIRTEEN:

CLOSING

Most purchases close 30 to 60 days after your offer has been accepted. Unless you are paying cash for the home, the lender will make a determination of the length of time required to process and close the loan. You and your broker will discuss this with your lender prior to submitting your offer so that it indicates a realistic close date.

Before the transaction can close, all the terms of the contract must be met, at which point you will provide funds to close and the seller transfers the deed to you. Colorado law requires that the title company receive "Good Funds" at closing, so you will need to make arrangements to bring a cashier's check to the closing or have the funds wired to the title company prior to closing.

In Colorado, the closing is usually handled by the title company that is authorized to collect and disburse all funds, prepare the necessary documents, make sure all the steps have been completed, and perform any duties required after closing, such as recording documents with the county. It is typical that all parties complete the transaction at the same time: the seller, the buyer, the real estate brokers, the buyer's lender and the title company closer. If this is not possible, the buyer and seller may sign at different times.



POWER OF ATTORNEY: If you are unable to sign the real estate and loan documents at the specified date and time of closing, notify your broker and lender immediately. The use of a power of attorney is an option but needs to be arranged well in advance. The title company will prepare the power of attorney, which you will need to sign, and it will then need to be approved by the lender. If this is not an option, then a mail-out closing may be necessary.

BUYER CLOSING COSTS: When you first met with your lender they provided you with a Good Faith Estimate. Those estimated costs will now be reflected as set costs and will be itemized line-by-line on your Truth in Lending Disclosures, which are prepared by the title company. You and your broker will receive a copy of the preliminary Truth in Lending Disclosures and you will review this together prior to the closing. Examples of these costs may include:

- Loan origination fee
- Appraisal fee (if not paid previously)
- Tax service fee
- Flood certification fee (if necessary)
- Documentation preparation fees
- Pre-paid mortgage interest
- Pre-paid hazard insurance
- Pre-paid property taxes
- Water and sewer adjustments
- HOA fees
- Real estate closing fees (per the contract)
- Courier fee
- Recording fees
- Lender's title insurance policy fees
- Any other costs as outlined in the contract
- Credit for your earnest money deposit (paid at the time of the contract)
- Credit for pro-rated property taxes

Any credit for buyer closing costs and/or pre-pays that were negotiated in the original contract or at the time of inspection resolution and was made part of the contract

STEP FOURTEEN:

CONGRATULATIONS!

Now that the closing is over you can take possession of the property you have purchased. This will typically be on the date of closing once all papers have been signed and good funds are received by the seller. The seller usually brings the house keys and any garage door openers to the closing.

If you have agreed in the contract to allow the seller to remain in the property any days after closing, these terms will be outlined in a Post Close Occupancy Agreement that is signed by both the buyer and the seller at the time of the contract. The Post Close Occupancy Agreement will indicate if the seller is to pay you for those days, the per diem amount, the deposit, etc. If this situation applies, be sure to notify your insurance company prior to the closing, in case you need gap coverage.

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