

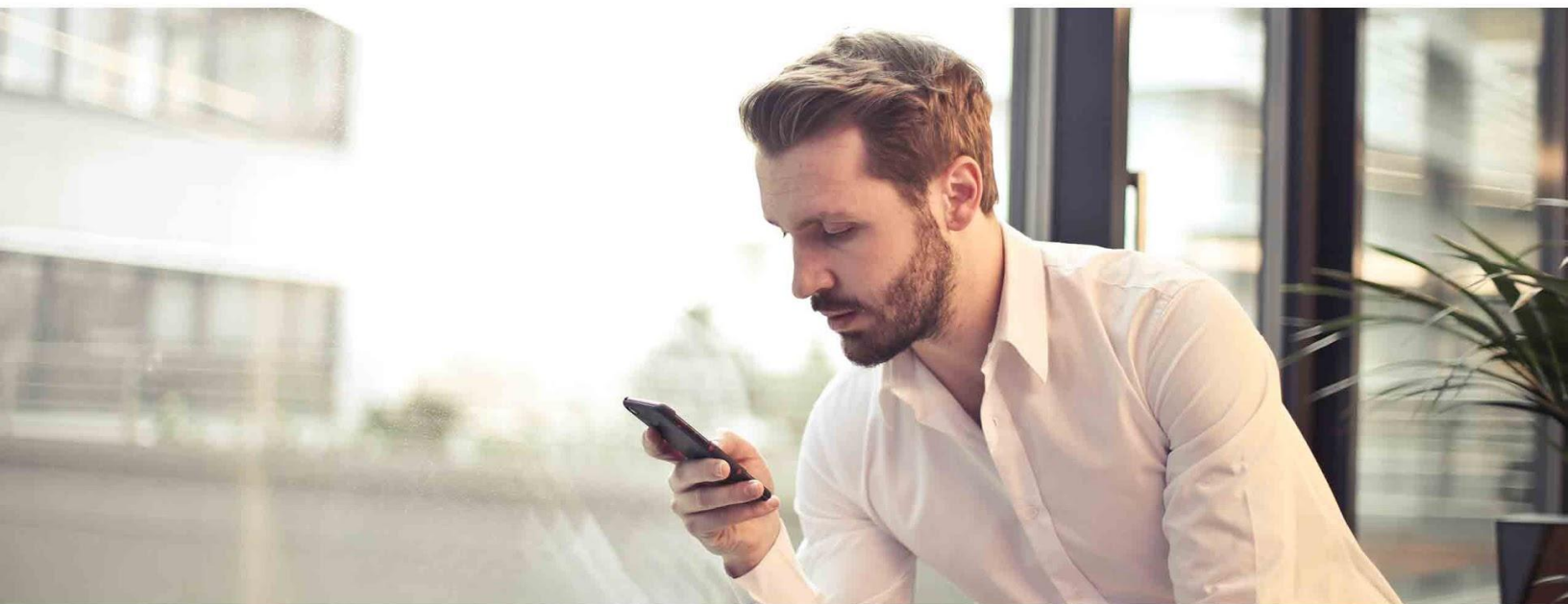


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AVANTI WAY'S

Real Estate Guide for Buyers





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- 01** 6 Steps to Take Before Buying
- 02** Requirements to Buy a Home
- 03** Common Home Loans for Buyers
- 04** Why Working with an Agent?
- 05** Closing Costs for Buyers
- 06** What Makes an Offer Strong?
- 07** Contingencies in a Purchase
- 08** Your Home-Buying Team
- 09** Buying Real Estate Under a LLC
- 10** Inspection Before Buying
- 11** Buying a Home with Financing
- 12** The Best Neighborhood

6 Steps to Take Before Buying

If you're thinking about buying a home, now is the perfect time to "warm up" for the house hunt. Whether you're looking for a house or a condo the prep work is the same. A little work now can give you a jump-start to achieve your housing goals.



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- 1 CHECK YOUR CREDIT SCORE**
Typically, you'll get the best interest rate on a loan if your score is 740 and above. If your credit score falls short, get busy repairing it.
- 2 DON'T OPEN NEW CREDIT CARDS**
Tempting as saving at checkout can be, opening new credit may hurt your chances of getting a mortgage, or at least of getting the best rate on loans.
- 3 SET ASIDE MONEY IN YOUR SAVINGS**
There's the down payment to consider, closing costs, and moving costs. You should also set aside money for unexpected repairs and expenses.
- 4 KEEP TABS ON INTEREST RATES**
Rates depend on your financial picture and on the lender you choose. Note that closing costs can vary too, so discuss with your real estate agent ways to keep yours down.
- 5 FIND A MORTGAGE LENDER**
Look at what they offer, costs, points, and how long to close. Once you know how much you can afford, perform your home search based on your pre-approval amount or less.
- 6 GET PREAPPROVED**
When a lender gives your financials the once-over and preapproves you for a mortgage, you'll be able to show sellers that you really can buy their house.



Requirements to Buy a Home

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Mortgage lenders require paperwork that verifies every facet of your financial life: income, debts, assets and more. The lender will request the following documents, so it is very important to prepare yourself and gather them before you apply for a mortgage.

✓ **W-2 forms from the previous two years, if you collect a paycheck**

Guidelines typically require the most recent Form W-2 wage and tax statement, but some borrowers are asked for two years of W-2s.

✓ **Profit and loss statements or 1099 forms, if you own a business**

Self-employed borrowers may have to submit a current-year profit and loss statement, especially if the year is more than half over or they haven't filed their prior year's tax return.

✓ **Recent paycheck stubs**

Loan guidelines typically specify one month of verified income. You can prove this with paycheck stubs.

✓ **Most recent federal tax return, and possibly the last two tax returns**

Tax returns are a key piece when applying for a mortgage. Serves to check your income sources and expenses. Also, demonstrate your debt capacity.

✓ **A complete list of your debts**

Consider credit cards, student loans, car loans and child support payments, along with minimum monthly payments and balances. The list of debts tells the lender how much you owe each month. The lender then calculates your debt-to-income ratio, which is key to the loan decision.

PRO TIP

Calculating Debt-To-Income Ratio:

Jessie and Pat together earn \$5,000 a month. Their total debt payments are \$2,000 a month. Their debt-to-income ratio is 40 percent ($\$2,000 \text{ divided by } \$5,000 = 0.4$).

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✓ **List of assets**

This includes bank statements, mutual fund statements, real estate and automobile titles, brokerage statements, and records of other investments or assets. The lender wants evidence that you will have enough savings and investments to weather unexpected expenses after you have paid for the down payment and closing costs.



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Common Home Loans for Buyers

If you're shopping for a home, you should be shopping for a home loan as well. Where you live, how long you plan to stay, and other variables can make certain loans better suited to your circumstances.

Home buyers hoping to jump into the mortgage market will find three basic types of loans:

CONVENTIONAL MORTGAGE

This is the most commonly used type and usually has the best rates. You'll typically need at least 10% for a down payment and good credit. Can be for 15 or 30 years or "interest only" where you are not paying any principal in your payment. With a fixed-rate home loan, your interest rate remains the same for the life of the loan, and the payment is split into equal monthly payments for the duration.

FHA MORTGAGE

Thought of like the first time home loan program but available to anyone. The down payment is only 3.5% and is more forgiving of lower credit scores. The interest rates are not as attractive as Conventional, but qualifying for the loan isn't as tough either.

ADJUSTABLE RATE MORTGAGE (ARM)

These have rates that start out lower than the current rates, but can change after one, two, or five years – usually upward! Typically, there will be a cap on the initial interest rate reset that is higher than all of the subsequent rate adjustments, and a cap on the amount the rate can change over the life of the loan.

Why Working with an Agent?

✓ REASON 1: ETHICAL TREATMENT

Every realtor must adhere to a strict code of ethics, which is based on professionalism and protection of the public. As a realtor's client, you can expect honest and ethical treatment in all transaction-related matters. The first obligation is to you, the client.



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✓ REASON 2: AN EXPERT GUIDE

Buying a home usually requires dozens of forms, reports, disclosures, and other technical documents. An expert will help you prepare the best deal, and avoid delays or costly mistakes.



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✓ REASON 3: OBJECTIVE INFORMATION AND OPINIONS

Realtors can provide local information on utilities, zoning, schools, and more. They also have objective information about each property. Realtors can use that data to help you determine if the property has what you need.

✓ REASON 4: EXPANDED SEARCH POWER

Sometimes properties are available but not actively advertised. A realtor can help you find opportunities not listed on home search sites and can help you avoid out-of-date listings that might be showing up as available online but are no longer on the market.

✓ REASON 5: NEGOTIATION KNOWLEDGE

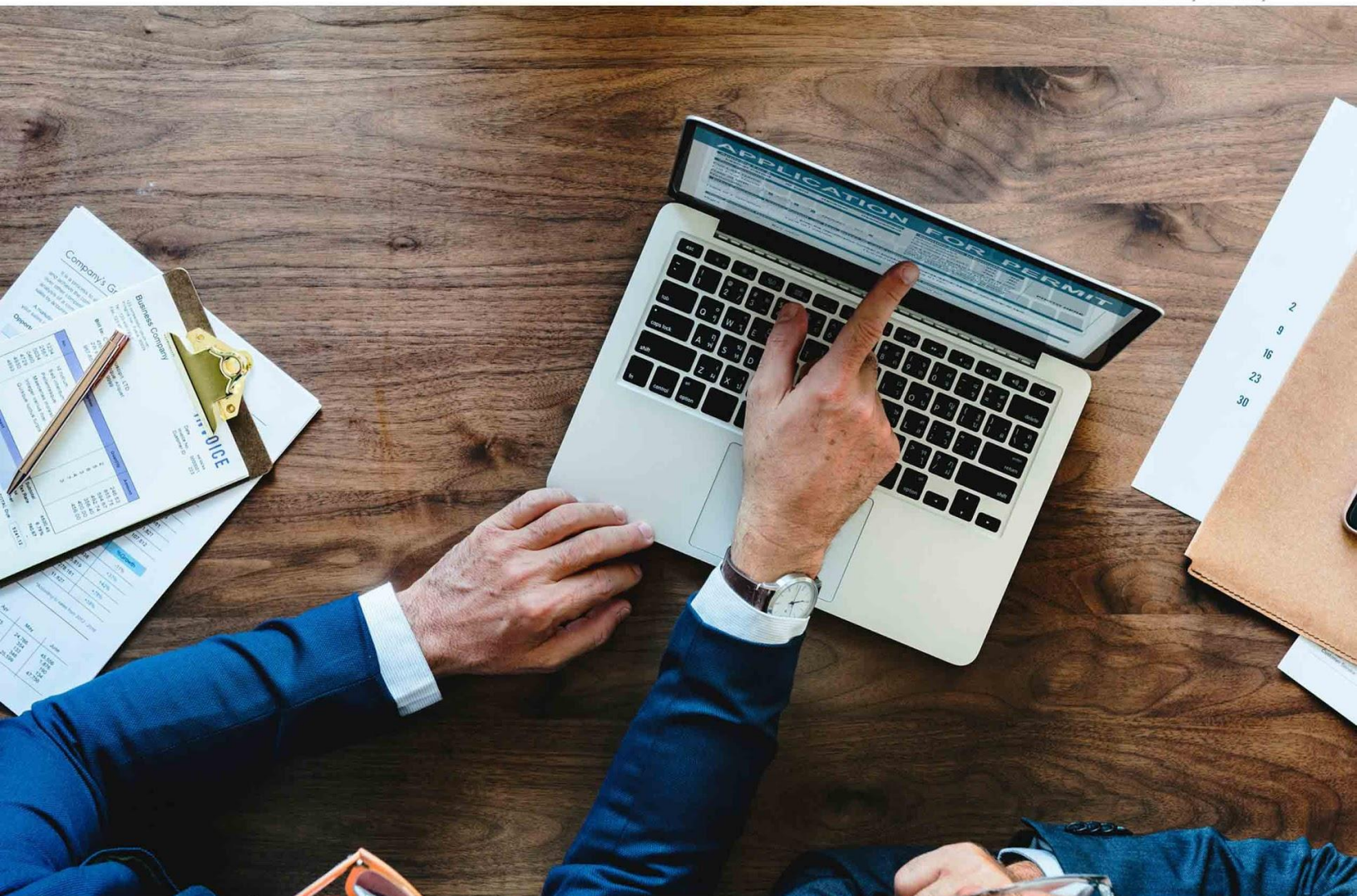
A realtor will look at every angle from your perspective, including crafting a purchase agreement that allows enough time for you to complete inspections and investigations of the property before you are bound to complete the purchase.

Closing Costs for Buyers

Closing costs are fees associated with your home purchase that are paid at the closing of a real estate transaction. Closing costs vary widely based on where you live, the property you buy, and the type of loan you choose. In this article, we outline closing costs when you purchase a home with financing.

Typically, home buyers will pay between about 2 to 5 percent of the purchase price of their home in closing fees. Here is a list of fees that may be included in closing.

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Application Fee: This fee covers the cost for the lender to process your application.

Loan Origination Fee: which lenders charge for processing the paperwork for your loan.

Credit Report Fee: for running your credit report.

Underwriter Fee: for the underwriter, who assesses your creditworthiness.

Home Appraisal: of the property you hope to own to make sure its value matches the size of the loan you want.

Title Search: to unearth any liens on the property that could interfere with your ownership of it.

Private Mortgage Insurance (PMI): If you're making a down payment that's less than 20% of the home's purchase price, chances are you'll be required to pay PMI. If so, you may need to pay the first month's PMI payment at closing.

Homeowners' Insurance: This covers possible damages to your home. Your first year's insurance is often paid at closing.

Survey Fee: if it's a single-family home or townhome (but not condos).

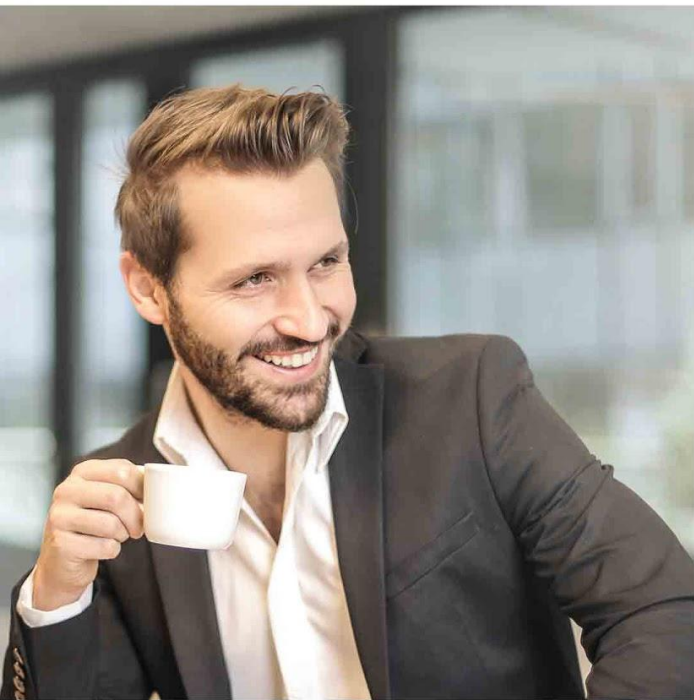
Taxes: also called stamp taxes, on the money you've borrowed for your home loan.



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How do you write a contract so that yours is the one that gets accepted?

The goal is to find out what's important to the seller and accommodate as much of what they want as possible so that on the places that you're not aligned, they have fewer terms to object to.



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✓ **Prove you are just as qualified to buy a house as a cash buyer**

When submitting an offer, you must prove that you have enough money to close the transaction. You will need to provide an account statement that shows the source and amount that is available to pay your applicable closing costs.

✓ **Make your offer clean**

Don't ask for closing assistance or a home warranty if you have any reason to believe you are in a competitive situation, such as one where multiple offers have been made on the property. Look the house over carefully and think about agreeing to accept the property "as-is" without any home warranty or repairs.

✓ **Make your offer sweet**

Add value to your offer in ways that don't cost you a penny but may save the seller some bucks. For example, can you shorten the closing date to ten days if the seller is in a hurry?

✓ **Play the emotions card**

When the time comes to leave, sellers often want to know that it will be well taken care of. Is there a garden that has been a labor of love or a particular room that's important to the family? In your offer letter, promise to take care of the places that were so special to the sellers' family as well as the property as a whole. The emotions card is something no investor can play.



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Contingencies in a Purchase

✓ INSPECTION CONTINGENCY

Also called a “due diligence contingency,” gives the buyer the right to have the home inspected within a specified period, such as 5-7 days. It protects the buyer, who can cancel the contract or negotiate repairs based on the findings of a professional home inspector.



✓ APPRAISAL CONTINGENCY

Protects the buyer, used to ensure a property is valued at a minimum, specified amount. If the property does not appraise for at least the specified amount, the contract can be terminated and the earnest money, in many cases, is refunded to the buyer.



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✓ FINANCING CONTINGENCY

Also called a “mortgage contingency,” gives the buyer time to apply for and obtain financing for the purchase of the property. This provides important protection for the buyer, who can back out of the contract and reclaim his or her earnest money in the event he or she is unable to secure financing from a bank, mortgage broker or another type of private lending.

✓ HOUSE SALE CONTINGENCY

Although in most cases it is easier to sell before buying another property, the timing and financing don't always work out that way. A house sale contingency gives buyers a specified amount of time to sell and settle their existing homes to finance the new one.



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Your Home-Buying Team

Buying a home requires an entire team of industry professionals to guide you throughout the process. This team of specialists will be able to answer questions in their area of expertise. Here is a list of the key players you need to have on your side to ensure a smooth transaction.

✓ **REAL ESTATE AGENT**

The role of the realtor is to act as your advocate from searching for a home, helping you find a lender and get pre-approved. He will educate you on what you are buying and the paperwork involved, write a competitive offer, negotiate on your behalf, and make sure you meet all the deadlines outlined in the contract.

✓ **LENDER**

Your lender will work with you to determine your home-buying budget and will make sure you are preapproved. The lender will ask for a variety of paperwork for you to complete that pre-approval and again when the home is under contract.

✓ **ATTORNEY / TITLE COMPANY**

A real estate attorney will run ownership and permit history search on your home to make sure there are no issues with the transaction as the property changes hands. Along with all that, the real estate attorney handles all the paperwork, creates the final set of documents to sign by both parties, and coordinates the transfer of money between buyer and seller.

✓ **INSPECTOR**

The inspector will inspect the property for defects, usually after the offer has been accepted by both parties. Depending on what was agreed in the contract, we will work to determine what you want the seller to fix before the home closes and negotiate with the seller.

✓ **APPRAISER**

The appraiser, hired by your lender, will conduct a physical review of the property to make sure you are paying market price for it. This protects both you and the bank.

Inspection Before Buying

A certified home inspector is a professional who will inspect the general condition of the home. The inspector you hire should look for:

✓ **Defects or malfunctions in the building's structure**

✓ **Systems and physical components:**

- Roof
- Plumbing
- Electrical and heating/cooling systems
- Floor surfaces and paint
- Windows and doors
- Foundation

Inspecting the physical condition of a house is an essential part of the home-buying process and should be included in your purchase contract as a condition of closing the sale. It is important to conduct a home inspection to avoid a costly mistake by purchasing a property in need of significant repairs.

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✓ **Detect pest infestations or dry rot and similar damage.**

✓ **Examine the land around the house for issues concerning grading, drainage, retaining walls, and plants affecting the property.**

If the inspection reports show that the house is in good shape, you can proceed with the purchase, knowing that you're getting what you paid for.

If the inspections bring problems, you can negotiate to have the seller pay for necessary repairs or to lower the purchase price, or you can back out of the deal, assuming your contract is written to allow you to do so.

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Buying a Home with Financing

Buying a home entails many upfront costs. Some are paid out-of-pocket after the seller accepts your purchase offer, while others are paid at closing.

Here are 7 Associated Costs of Buying a Home you should consider before making the purchase.

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Earnest Money: Earnest money ranges from 5% to 10% of the home's purchase price, depending on local market conditions and the seller's preference.

Down Payment: Typically ranges from 3.5% (FHA loans) to more than 20% of the purchase price.

Home Appraisal: Lenders require a home appraisal before approving the loan. Appraisal costs, typically \$300 to \$500.

Home Inspection: The cost is similar to the appraisal and is usually paid for the inspection.

Property Taxes: This expense varies widely based on your local tax rate and the closing date. You could be responsible for nearly six months of property taxes, or practically none.

First Year's Homeowners Insurance: Costs vary based on the value, style, location, and contents of the home, as well as your credit score.

Other Closing Costs: Other closing costs include loan origination charges, credit report fee, flood certification fee, lender's and owner's title insurance, recording taxes, state and local transfer taxes, first month's mortgage interest, and closing fee.

As a rule of thumb, you can expect your total closing costs to range from 2% to 4% of purchase price.

The Best Neighborhood

When you're in the market for a new place to live, it helps to remember the golden rule of real estate: You're not just buying a home, you are also becoming part of a neighborhood. As you evaluate the best aspects of a prospective neighborhood, you'll want to match them to your daily needs.

✓ LIFESTYLE MATCH

Just as a beautiful suburban neighborhood in a gated community may not be right for a young single professional, a family with three small children might not find a small condo in a hip downtown neighborhood to be the best fit for their lifestyle.

✓ PRIDE IN OWNERSHIP

Pride in ownership is visible when the residents maintain their homes and care about their neighborhood. Neighbors connect and create local groups that bring the residents together for the betterment of the area.

✓ LOW CRIME RATE

Low crime rates give a neighborhood a sense of ease and calm. Crime rates are a quick way to tell if a community is improving or not, since everyone is concerned with safety and security.

✓ GREAT SCHOOLS

For homeowners and renters with children, excellent schools top the list of what makes a great neighborhood. Highly ranked schools qualifications make the surrounding areas more valuable and more sought after, keeping property values strong.

✓ ACCESS TO MEDICAL CARE

Being close enough to get to a hospital or doctor's office quickly is key for many people, especially for seniors, retirees, and families with young children.

✓ FAMILY-FRIENDLY

Neighborhoods where plenty of families live are a real draw for buyers with children. There are more opportunities for children to play, socialize, and make lifelong friends.

✓ SHOPPING AND RESTAURANTS

If you want to join the hustle and bustle (and don't want to cook dinner every night), having great restaurants, shopping, and markets in proximity is a must!



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About Avanti Way Realty

Avanti Way Realty represents a movement to upgrade the entire real estate consumer experience through technology innovation and the work of our highly trained and skilled Agentpreneurs that service their communities. Avanti Way Realty aims to change the face of real estate by successfully creating an environment for new generation estate professionals to leverage the use of the most advanced and updated technology to grow their business through peer collaboration, integrated marketing, comprehensive training, customized support, and efficiency real estate tools that allow for a positive customer experience and repeat business.



Comments or Questions?

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