

Guidelines for Buyers

A house is a very personal and emotional purchase and most likely the largest single investment you will ever make. Be patient. It may take time to find the house of your dreams. When you find it, the process for the purchase is as follows:

The first step, and the most important one, is to get pre-approved for a mortgage prior to viewing homes. This will confirm to you that a specific home price is within your budget. It will also provide credibility to the prospective seller and show that you are a viable candidate to purchase the home. A pre-approval is more than a pre-qualification. When a pre-approval is issued, the prospective purchaser's actual credit, income and assets have been reviewed.

It is also helpful to have an attorney in mind prior to the negotiation process so that when a deal is struck, a contract can be transmitted immediately. There are no written offers or binders permitted in this area. The protection of the purchase is secured only when a contract of sale is signed by both purchaser and seller.

Offers and negotiating are done verbally. When you wish to submit an offer, it must include all of the terms and conditions. In addition to the price, the offer must include a tentative closing date, amount of down payment and mortgage and whether there will be a mortgage contingency clause. Many times mortgage contingency clauses are foregone in order to have an edge in a negotiation where there are multiple offers on a home.

Negotiations may take 10 minutes or several days, depending on the seller's motivation and situation. The purchaser's agent does the negotiating with the seller's agent. When a verbal agreement is reached, a memorandum of sale (fact sheet) is prepared which identifies all of the parties, the full terms of the offer, including all contingencies, and their respective attorneys.

When there is a meeting of the minds and you have an acceptable offer, you must then arrange to have an engineer's inspection. This inspection is completed prior to the signing of the contract of sale to avoid having multiple contingencies in the contract.

Contracts of sale are prepared by the seller's attorney and transmitted to the purchaser's attorney for review and execution. At the time of the signing of the contract of sale, it is customary to provide a check in the amount of 10% of the purchase price to the seller's attorney. These funds are held in escrow until the closing (passing of title/settlement) when they are applied to the purchase price along with the mortgage funds.

Once the contract is fully executed the buyer's attorney will order a title search to be performed. A title company will also issue a title insurance policy to protect the buyer's interest and to assure that there are no problems with liens against the property or with the succession of title to the property.

When all of the conditions in the contract are met, the contract is valid and binding on both parties. The closing can now be scheduled!!