



The Transaction from End to End

Now that you've found the perfect home, it's time to get the deal rolling. You'll need to sign a residential purchase agreement, make an offer, possibly put down a deposit, conduct inspections and close the sale. If this all sounds overwhelming to you, don't worry; your REALTOR® will guide you through each step.

Making An Offer/Residential Purchase Agreements and Buyer Representation Agreements

If you're ready to purchase the home, you must get all the details in writing. The offer begins with a written proposal spelling out your price and any stipulations regarding the purchase. If the seller has agreed to pay part of the closing costs, for example, that needs to be specified in the accepted offer. In addition, sometimes offers to purchase are contingent upon factors like the buyers' ability to obtain financing or the sellers finding housing within a certain time frame.

The residential purchase agreement contains the comprehensive terms of the deal, including sales price, deposit, closing date, disclosure requirements, inspections, and fees agreed upon by both parties. Other provisions also are included, such as the buyer's final inspection and the method by which all real estate taxes and other bills will be pro-rated between buyer and seller.

The CALIFORNIA ASSOCIATION OF REALTORS® offers its own official agreement, the C.A.R. Residential Purchase Agreement and Joint Escrow Instructions (RPA-11). This multi-functional document serves as an offer to purchase real property, a completed contract when its signed by the buyer and seller and communication of acceptance is received, a receipt for good faith earnest money deposit, and more.

There are ways for buyers to look more appealing to a seller, thereby possibly gaining a negotiating edge. All-cash buyers and those already pre-approved for a mortgage have an advantage. In addition, sellers who are ready to move prefer buyers who don't have a present house to sell first.

An offer to purchase is often followed by a counteroffer by the seller, which can be countered again by the buyer. This is common practice as both sides attempt to negotiate an agreement that meets their individual needs.

Completing the residential purchase agreement is a complicated part of the transaction process that buyers shouldn't enter into without the assistance of a REALTOR®. REALTORS® have access to the standard forms needed and receive updates from their local, state and national associations on state and federal laws regulating agreements. REALTORS® can either answer any questions you might have or refer you to the appropriate authority.

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Buyers' Up-Front Fees

In conjunction with the residential purchase agreement, buyers are usually expected to put down a deposit at the beginning of the transaction. If the buyer completes the sale, this money will be credited toward the buyer's down payment. If the buyer doesn't complete the sale for legal or contractual reasons, the money is typically returned. However, if the buyer doesn't complete the sale for other reasons, the seller may be entitled to keep the deposit. The [U.S. Department of Housing and Urban Development](#) (HUD) advises that deposits should be "substantial enough to demonstrate good faith," usually 1 to 5 percent of the purchase price. Often, buyers may put up to 20 percent down.

Because buyers frequently pay for most inspections, it may be a good idea to investigate the costs of the inspections you plan to obtain before an offer is made.

Home Inspections vs. Appraisals

Home inspections vary greatly. Some check the home's structure, construction and mechanical systems, and appliances, which may be transferred with the property. Although different inspectors look for and test different things and may not discover everything that is wrong with a property, obtaining inspections is the best way to become informed of necessary repairs or problems with the home. Be advised that inspectors do not assess the value of your home.

According to [HUD](#), an inspector typically checks the electrical system, plumbing and waste disposal, the water heater, insulation and ventilation, the HVAC system, water source and quality, ceilings, walls, floors, and roof.

In addition to being inspected, the home will undergo an appraisal by a trained professional. An appraisal is an opinion of the property's value used primarily to protect the lender's interest. In contrast to home inspections, appraisals are based on past sales data, the location of the home, the size of the lot and the condition of the home. For mortgages insured through the FHA, appraisers must disclose potential problems relating to the physical condition of the home; there are no similar stipulations for non-FHA mortgages.

Your REALTOR® may recommend a qualified inspector or appraiser. Also, the [California Real Estate Inspection Association](#) and the Appraisal Subcommittee of the [Federal Financial Institutions Examination Council](#) offer member directories on their Web sites.

Closing

The closing is the day you've been waiting for: when ownership of the home officially transfers from the seller to you! Prior to the closing, the escrow agent will present you with scores of legal documents to review and sign, and you'll be expected to pay your downpayment and closing costs. In addition, a number of other legal procedures must be completed before the sale can close, including approving the mortgage application, clearing the title, appraising the property and recording the deed.

The Real Estate Settlement Procedures Act (RESPA) provides specific protection to buyers before, during and after closing. If a settlement service has referred you to a REALTOR® with whom the

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service has a business connection, an Affiliated Business Arrangement Disclosure is required prior to closing. You're entitled to receive a preliminary copy of a HUD-1 Settlement Statement, which lists estimates of all settlement fees to be paid by buyer and seller, if you request it 24 hours before closing; the final HUD-1 Statement is a requisite part of closing. In addition, an Initial Escrow Settlement Statement is required at closing or within 45 days of closing. This details the estimated taxes, insurance premiums and other charges that must be paid from the escrow account during the first year of the loan.

Within three days after your loan application is received, your lender must deliver or mail you a "good faith estimate" of the total amount due at closing, as well as a copy of the HUD publication *Settlement Costs: A HUD Guide*. Closing costs typically are comprised of attorneys' or escrow fees, property taxes, interest, loan origination fees, recording fees, survey fees, first premium of mortgage insurance, title insurance, loan discount points, first payment to escrow account, paid receipt for homeowner's insurance policy and any documentation preparation fees. [Fannie Mae](#) estimates that most buyers' closing costs amount to 3 to 6 percent of the sales price.

As with the other components of the buying transaction, your REALTOR® can answer your questions and provide additional information to ensure a smooth closing.

Source: <http://www.car.org/aboutus/forconsumers/buying/transaction/>