

# BUYING A HOME IN DENVER, COLORADO

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## DEAR FUTURE HOME OWNER,

I created this packet of information specifically to help first time home buyers prepare themselves for the experience of purchasing a home. The statements and opinions expressed are my own, and have not been evaluated or approved by any Board of Realtors® or Real Estate Commission.

Buying your first home is something you probably won't ever forget. Yes, it's scary, it's complex and often frustrating... but it's also exciting, exhilarating and such a grown-up thing to do! And I challenge you to find anyone who owns their home and regrets the decision to buy - no one ever says "Gee I sure wish I'd WAITED to buy my first home!"

When buying a home, you may have to make quick decisions; therefore it will be helpful to have a basic understanding of the process going in. That's the goal of this packet. I hope it's helpful!

*Jennifer*

Jennifer Allan, GRI

# STEP ONE

## SELECT A REAL ESTATE AGENT

Once you're serious about buying a home, find a real estate agent. While cruising Open Houses may be a fun way to spend a Sunday afternoon, it is an incredibly inefficient method of finding the right home for you. A real estate agent has access to nearly all the homes for sale and can sort through all the data to find what you're looking for. And, in most cases, our services are FREE to buyers (we're paid by the listing agent for helping sell the home).

## HOW TO FIND THE RIGHT REAL ESTATE AGENT FOR YOU

In our area, there are thousands of real estate agents, so the choice is truly yours. Referrals from friends are a great way to find an agent; probably one of the best. Open houses are also good places to informally interview real estate agents. It's important that you have a good rapport with your agent, so make sure you can envision spending time with this person. (Househunting can be a very emotional experience!). The real estate agent you choose should be enthusiastic about working with you, and should be familiar with the neighborhoods you are interested in.

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## WHAT IS A BUYER AGENT?

A Buyer Agent is formally "hired" by a buyer to help the buyer find a home, negotiate a contract for it and get the transaction to closing. This involves more than just driving around on a Saturday afternoon looking at homes.

A Buyer Agent contractually agrees to be an advocate for the buyer, to advise, to disclose all material information related to the property, to be reasonably available to the client to show homes and handle other matters, to disclose any confidential information learned about the seller or property and to keep ANY information shared by their client confidential (with a few exceptions).

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## SHOULD YOU HIRE A BUYER AGENT?

I strongly recommend that you NOT sign an Exclusive Buyer Agency Agreement when you first meet an agent. I never ask a new client to commit to me until they are comfortable that I am knowledgeable and responsive, and that we have a good rapport. Be aware that some agents will not work with you at all unless you sign the contract up front.

Once you have established that you and the agent work together well, it is usually a good idea to sign an Exclusive Buyer Agency Agreement.

Why?

Because house hunting and home buying is hard work, and it's just common sense that your real estate agent will make a stronger commitment to you if you have made a commitment to him or her.

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## HOW ARE BUYER AGENTS PAID?

Many first time buyers are surprised to learn that BUYER AGENT SERVICES ARE FREE TO THEM! In nearly all cases, the agent for the buyer is paid by the listing broker of the home you purchase. The listing broker negotiates a fee (typically 5-7%), to be paid out of the proceeds of the sale. If the listing broker sells the home to a buyer he finds himself, he is paid the entire fee. If another agent finds the buyer, that agent is paid a percentage of the above fee; typically close to half. Both agents split their share of the fee with their employing brokers to pay expenses such as support staff, office space, supplies, lights, etc...

Just so you know, real estate agents are self-employed. We do not have company cars, expense accounts, salaries or draws. Our only income is the fee we receive when a home sells.

# STEP TWO

## SELECT A LENDER

Get Pre-qualified NOW (better yet, pre-APPROVED). In today's uncertain mortgage lending environment, it is critical for buyers to begin the loan approval process before getting serious about hunting for a home.

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## HOW TO FIND A LENDER

A real estate agent helps you find a house; a lender makes buying (financing) the house possible. As soon as you've found a real estate agent to work with, ask him/her for names of lenders to interview. The lender you select can very well make the impossible come true, but can also turn buying your first home into a nightmare. Referrals are VERY important.

Your lender will establish a confidential relationship with you, so make sure you're comfortable with him or her. Ask for a good faith estimate from few lenders to compare their fees and expenses. Again, responsiveness is important!

Be prepared for the lender to ask for A LOT of personal information from you, from pay stubs, to tax returns, to savings account statements, to 401(k) statements to divorce documents. You might get frustrated during this process, but remember your ultimate goal...

# STEP THREE

## START LOOKING FOR YOUR HOME

Spend some quality time with your real estate agent discussing your “must haves”, your “would really like to haves” and your “absolute no-no’s.” Your agent will tell you up-front if you’re being realistic or not. There seems to be an unwritten law that your perfect house will stretch your comfort level a bit, so be prepared to either compromise on your “must haves,” or spend a little more than you’d like. Many first time buyers find that they adjust their expectations quickly.

A real estate agent makes looking for a house easy and hopefully fun. You’ll set up a time to get together (2 - 4 hours) and decide ahead of time which available houses you want to see. Your real estate agent will set appointments to “show” the houses to you and hopefully the sellers will leave during your showing to give you privacy.

Don’t be surprised if you dislike most of the homes you see; it sounds like a cliché, but you will know “your” home when you see it. It may take several trips to find it, so try not to be discouraged. New listings come on the market every day; your real estate agent should be updating you several times a week.

# STEP FOUR

## THIS IS IT! YOU'VE FOUND THE ONE...

### What now?

Your and your real estate agent will “write an offer” or a “contract” to purchase the house. The contract will outline the terms of your offer (price, financing, closing date, etc.). Your agent should spend at least an hour going over the contract with you. You will need to write an earnest money check to present with the offer. And yes, it will be cashed if your offer is accepted.

Your real estate agent will immediately present your offer to the seller’s agent. Typically, the seller has 24 - 48 hours to think it over and respond. During this period, you may rescind your offer at any time. Be aware that there is no first-come-first-served law - the seller can entertain other offers that come in after yours, prior to acceptance of yours.

Then...You wait...it’s harder than you think!

By the deadline, the seller will do one of four things:

- Accept your offer as written (yahoo!)
- “Counter” your offer with changes (to price, terms, dates, etc.)
- Reject your offer.
- Ignore your offer (yes, this is rude).

Your real estate agent will advise you on a plan of action in each of the above scenarios.

Let’s assume your offer was accepted (you are now “Under Contract” or “In Escrow”). The next two weeks will be busy, so be prepared to be distracted. You will need to have some flexibility in your schedule for the inspection and a meeting with your lender.

# STEP FIVE

## INSPECTION

The next step is to professionally inspect the house. Your real estate agent will probably recommend a few good inspectors for you to hire, but the final decision is yours.

The purpose of the inspection is to:

1. inspect the major systems in the house (heating, roof, electrical, plumbing, structural) to discover serious problems, and
2. educate you about maintaining a home.

The inspection will take 1 ½ to 3 ½ hours and you should try to be present. The cost of the inspection is your responsibility (typically \$200 - \$400).

An inspection is NOT a warranty of anything and inspectors are not usually experts in any one area. If a major system in the home looks suspicious to the inspector, he may recommend further investigation on your part (e.g., a roof, electrical or furnace certification). It will be your decision to pay or not to pay for further inspections or certifications.

After the inspection, you have the right to ask the seller to fix major problems. Sometimes (depending on your financing), you can ask for an allowance to fix something yourself. The seller can agree to your request, counter back or reject your request. As long as you are reasonable, the inspection process does not have to be a difficult negotiation. Try not to overwhelm the seller with a laundry list of minor repairs.

REMEMBER, the purpose of the inspection is to identify serious problems. Leaky faucets, cracked tile, or ugly carpet are not items that should scare you away from purchasing a home, nor are they items that you should expect the seller to fix. Your real estate agent will help you through the inspection.

If you've made it through the inspection, breathe a sigh of relief. The hardest part may be over!



# STEP SIX

## APPRAISAL

After the inspection, the next hurdle is the appraisal of the home. The purpose of the appraisal is to prove to you and your lender that the house is worth what you have agreed to pay for it. Usually, the appraisal will indicate a value very close to the purchase price.

In the event that the house “appraises” low, (e.g., you are under contract at \$205,000 and the appraisal comes in at \$195,000), the seller is in a sticky situation. The lender will only lend on the appraised value.

There are three ways to resolve this problem:

- the seller can agree to a reduced price,
  - the buyer (you) can pay the difference between the appraised value and purchase price (ugh!),
- or
- you can back out.

Your real estate agent will advise you in this situation. Luckily, it doesn't happen often.

# THE FINAL STRETCH...

## LOAN APPROVAL

Usually at this point, all that's left to worry about is loan approval for you. You should have been in frequent contact with your lender, who updates your real estate agent on the status of the approval. Loan approval means that you have provided all of the documentation required by the lender and that the lender is satisfied that you have the resources to purchase and make mortgage payments on your home.

## CLOSING

It's now time for "closing." Closing is the ceremony where ownership of the home changes hands and you become a homeowner. Closing protocol varies significantly around the country. You may actually meet the seller and sign your paperwork together, or you may sign separately. Either way, the actual closing is usually rather anticlimactic; you pretty much just sit at a table and sign dozens of documents.

## POSSESSION

Depending on your contract with the seller, you will either get possession of your new home immediately after closing, or a few days later. In some markets it is customary to allow the seller three days to move out after closing without a rental agreement because they may be purchasing another home with the proceeds of your sale. You will arrange for utilities to be placed in your name as of the date of move-in, not necessarily the date of closing.

As you probably know, moving requires a lot of patience and planning. Be prepared for unexpected "surprises" during move in, such as doorknobs falling off, or light bulbs all burning out. It's just all part of the adventure!

# MY SERVICES

Below are the services I provide to my buyer clients:

- Buyer counseling
- 24-hour availability (well, almost) to answer questions, address concerns, show houses, deliver contracts
- Daily check for new listings
- In depth explanation of all contracts and disclosures
- Detailed, easy-to-read descriptions and pictures of homes
- One hour response time to emergencies, 4 hours for non-emergencies
- Up-to-the minute comparable sales information when preparing an offer
- Strong (but friendly) negotiation on your behalf
- Preparation of offer, immediate favorable presentation of offer, negotiation with seller's agent, strict adherence to dates and deadlines, assistance with arranging the inspection, review of title insurance requirements, review of closing figures, arrange and attend closing, ensure that possession is delivered satisfactorily.
- Constant communication during the negotiation process
- Access to my handyman, decorator, cleaning service and other contractors.

WHAT ELSE CAN I DO FOR YOU?

# THE REAL ESTATE MARKET...

## A Reality Check

Even though we are not currently experiencing the strong seller's market of the past, the best homes still sell quickly, and for top dollar. Therefore...

Are you comfortable with the following?

### URGENCY

Be prepared to look at new listings on short notice. Your real estate agent should call you as soon as she hears of a new home on the market and offer to show it to you immediately. The best homes really do sell quickly. You may not have the opportunity to look at the house several times or to bring family members by for their opinion.

### OFFER PRICE

Are you a born negotiator? Does the thought of paying full price for a home make you uncomfortable? If you want a great home, you probably won't get a screaming deal on it, even in today's market. Homes that are well-priced and well-presented do sell for full price or close to it.

This doesn't mean that you shouldn't make an aggressive offer if you want to; just know that it may not work out the way you want. But if a home is overpriced, and many are, by all means, "make an offer."

### "FIX-UPS"

Fix-up properties are not usually as good a deal as they need to be to make them worth the trouble. There are hundreds, if not thousands of professional investors in the market looking for under-priced homes with fix-up potential. These investors are typically strong buyers with CASH who are willing to purchase homes on the spot with no inspection contingencies. A first time buyer usually cannot compete with these folks.

However, if you can overlook clutter, smells, ugly carpet or other cosmetic deficiencies, you CAN purchase an otherwise sound home at good price. Just don't expect a \$50,000 discount for it.

# WHY HIRE ME TO FIND YOUR HOME?

I am a full time real estate agent. Actually, much more than full time. I work early mornings, evenings and weekends; whenever is convenient for my client. I love what I do, so quite often it really doesn't feel like work. Don't ever hesitate to call me, anytime!

My philosophy about real estate is that I am here to help two parties (buyer and seller) find each other and complete a transaction with a minimum of fuss and headache. I DO NOT believe in beating up the other party just because we're on opposing teams.

Buying and selling homes are emotional experiences, and I don't believe it is in the best interest of either party to make the other to feel bullied or abused. Some real estate agents feel that their job is to intimidate me and/or my client, and seem to thrive on unnecessary confrontation. I believe this is counterproductive to the basic desires of both parties to sell, or to buy. Your real estate agent should not stand in the way!

I am an advocate for my clients. My job is to obtain the best price, terms and conditions for MY client, not to worry about the other party's preferences or feelings. But, I find that real estate transactions are far more satisfying to both parties when closing is a pleasant experience for everyone.

I commit to always be prepared for every meeting. I plan my showings well ahead of time, and arrive ready to go. If at all possible, I preview new listings to ensure that I am not wasting your time.

I am busy enough to be happy and successful, yet not so busy that I can't take a personal interest in every client. Your real estate purchase is as important to me as it is to you.

## I TRULY APPRECIATE YOUR BUSINESS

**I look forward to helping make your next real estate transaction a pleasant and painless experience, and hopefully even a lot of fun!**