

# BUYING GUIDE



# BUYER'S GUIDE

*WHAT TO EXPECT WHEN PURCHASING A HOME*





## *Introduction*

Thank you for the opportunity to let THE GCM Homes Team represent you in the purchase of your new home. I think of my clients as individuals with specific needs. With this in mind, my team and I strive to give you exceptional service. In response to the more challenging market we have experienced over the years, we have become more determined and assertive with marketing and technology. This has allowed us to be very successful in securing results for our clients. This is absolutely the very best time to be a buyer. Timing is everything and here are 4 reasons to confirm your decisions to buy.

- Interest rates are at a historic low. Expect to get a great mortgage with a rate below.
- Prices are still low and you are buying into an appreciating market.
- Sellers are motivated to get their homes sold as more inventory is coming on the market.
- The first step to purchasing a home is to select the right REALTOR® to effectively and profitably represent your interests.

Thank you for the privilege of allowing one of my professional team members to show you the best possible listings available.

Regards,

A handwritten signature in black ink, appearing to read 'G. Maramonte', with a stylized flourish at the end.

Giovanni Maramonte





## *Steps in the home buying process*

### **STEP 1 – Is now the right time?**

- How long are you planning on living in your next home?
- Consider the benefits/drawbacks to owning a home

### **STEP 2 – Get pre-approved for a mortgage**

- How much can you afford?
- What are the different loan programs available? (FHA, VA, Conv)
- Make sure your credit is in good shape

### **STEP 3 – Find your dream home**

- What kind of home do you want? (detached, attached, etc.)
- How many bedrooms and bathrooms?
- Are school districts important?

### **STEP 4 – The escrow process**

- The home inspection
- Reviewing disclosures
- Ordering the appraisal
- Securing financing

### **STEP 5 – Closing**

- The final walk through
- Schedule the move
- Changing over utilities





## ***Parties who will/may be involved in the transaction:***

- Buyer Seller
- Buyer's REALTOR® Seller's REALTOR®
- Buyer's Attorney Seller's Attorney
- Mortgage Broker/Lender Management Association(Condos-Co-op)
- Title Company Surveyor
- Home Inspector
- Tenants- home may be non-owner occupied

## ***On a typical house purchase the buyer may expect to pay the following closing costs:***

- Title Insurance Fees
- Hazard & Homeowners Insurance
- Prepaid quarterly taxes
- Escrow for taxes & insurance
- Survey fees
- Recording fees
- Home inspection fees
- Tax adjustments
- Loan origination fees
- Appraisal fees
- Credit report fees
- Loan processing
- Flood certificate
- Tax services
- Prepaid interest
- Attorney fees





## ***Your Attorney's Role:***

- Willing and able to explain all facts of the home-buying process in terms that you can understand.
- Diligent in reviewing and explaining all documents that the lender will have you sign and should when appropriate, call a lender on a fee.
- Inserting extra protection in the standard form REALTOR®-drawn contracts and if necessary should attempt to negotiate credits at closing for repairs found during the home inspection.
- Orchestrate the events and efforts of all parties listed to make sure you close on time.

## ***Lending Sources:***

- Traditional Banks – Choosing a traditional bank are a good choice for many home buyers, but they might not have the flexibility in their lending criteria to lend to people whose payment history is a little irregular, debt income ratios are too high, or whose down payment amount is too low.
- Mortgage Brokers – are not locked into any fixed underwriting criteria. If a borrower has any of the criteria listed above, the mortgage broker may be able to find a lender who lends to borrowers specifically with those criteria. Mortgage brokers do not lend their own money, even if the broker is also a licensed mortgage banker. The mortgage broker collects information from the borrower and submits to a third party lender for that lenders approval who makes the final decision on the loan and issues the loan commitment.
- Credit Unions – are non profit lending institutions whose primary purpose is to service their membership. They require less paperwork to process your loan, can issue a mortgage approval much faster, and the costs you will incur are significantly lower than Traditional Banks and Mortgage Brokers.

Whichever lending source you may choose, they will issue you a pre-qualification letter. In essence, it states that a lender has run your credit, received preliminary information about your income to debt ratio, and based on this limited information they feel they should be able to loan you up to a certain stated dollar amount. This letter is added credibility with Sellers when putting in an offer.

## ***Contract of Sale:***

At Keller Williams, we use the New Jersey Association of REALTORS® standard form contract – used by most REALTORS® in New Jersey.

- Earnest Deposit – This deposit is not requested by KW City Life Agents
- Attorney Review – the buyer's or seller's attorney will make changes to standard form contract initially written up by the REALTOR. These changes give the parties protection not mentioned in the standard contracts. Attorney review is a mandatory step.
- Additional Deposit – The contract usually provides for the additional deposit to be paid within 5-10 days after attorney review.
- Home Inspection – Once the attorney review is over, the buyer customarily has a home inspection done by a licensed home inspector and will accompany the home inspector on the inspection. At this time if you want to conduct a radon inspection the inspector can place radon kits in the home to collect information on the levels of radon in the house.
- Pest Inspection – At the same time that the home inspection is conducted, a pest inspection – wood destroying insect infestation is done and a report is issued. In order to make sure they protect their investment, the





lender will request a copy of this report to see that there is no evidence of wood destroying insects or if there is, that treatment has been done and will continue.

- Mortgage Commitment – The contract generally provides 30-45 days after attorney review is complete to obtain the mortgage commitment.

## ***Preparing for the lender***

### **PERSONAL INFORMATION**

- Full names of all purchasers as they are to appear on title.
- Social security numbers of all purchasers.
- Present residence address for all purchasers.
- Previous address for all purchasers going back two years if they have not resided in the present home for two years.
- Home, office, and cell phone numbers.

### **EMPLOYMENT INFORMATION**

- Present Employer: Name, address and a contact person to send employment verification form.
- Explanation for any gap during 2 year history.
- Relocation letter for any transferees – giving date, salary, new location, and any relocation benefits.
- Previous Employer: Name, address, and a contact person, going back 2 years if not in present job 2 full years.
- Present Salary: Year to date pay stub and last 2 years' W-2s
- If any variable income, commission, part-time income, bonus, overtime, interest income, etc., is being used to qualify: 2 years signed federal tax returns and W-2s and/or 1099s.
- If self-employed: 2 years signed federal individual and corporate returns (if applicable). Also a profit and loss statement and balance sheet.
- Diploma or transcript if student during 2 year period.

### **OTHER INCOME**

- Rental Income: Copy of lease which is current and at least one year in length.
- Alimony and Child Support (only if used for qualification): Copy of divorce decree and property settlement (ratified) setting out terms. Proof of payment will also be requested at application.
- Income From Notes Held: A copy of the ratified note.
- Retirement, Social Security and Disability Income: Copy of award letter and latest check showing amount of present payment. Copy of end of year statement if applicable.
- **ASSETS**
- Bank Accounts: Name of bank, address, account numbers, types of accounts, and present balances.
- With checking, use average balances.
- Copy of two most recent statements of all accounts.
- Stocks and Bonds: Copy of certificates or copy of recent (within 30 days) broker statement listing the holdings.
- Life Insurance: Cash value, only if being used for down payment.
- Vehicles: Year, make, and value. Copy of title if under 4 years old with no outstanding lien.
- Real Estate: Address and market value. If free and clear, deed of release, deed or mortgage payoff.
- Present Home: Copy of sales contract, settlement sheet and/or lease.
- Gift Letter: Form will be provided by financial representative. Donor Capacity must be verified.
- Receipt of funds must be shown in account.





## *Liabilities*

- Credit Cards: Account numbers and outstanding balances.
- Loans (Auto, Mortgage, Personal, Student, etc.): Name of institution, address, account numbers, outstanding balances, monthly payments, months left on loan. Copy of the next payment coupon. 12 month's statements or canceled checks for present mortgage.
- Alimony and Child Support: Copy of Ratified Decree and property settlement setting out terms.

## *VA Loans*

- Certificate of Eligibility: To obtain certificate, you will need a DD-214 (Separation of Service) or if in the Service, you will need a Statement of Service signed by Commanding Officer or Personnel Officer (certificate must be updated prior to application).
- If in service, you will need Authorization to Live Off Base (DD-1717 from Housing Office)

After the lender has issued a pre-qualification letter the real mortgage processing work begins. The lender or the mortgage broker will ask you to sign documents so they can verify your income, deposits, and other information. Once all the information is gathered your application is sent to the mortgage underwriter who actually decides on what conditions the lender will lend you money to buy your house. You will be issued a conditional loan commitment – meaning the lender is committing to loan you money if you satisfy the conditions that they have outlined. Have it sent to your attorney for review, afterwards it will be signed by you and the lender. One of the important conditions that may be set forth by the lender in its commitment relates to a satisfactory appraisal of the property. Should the appraiser find that the property is not worth the amount of the purchase price agreed upon in the contract, the lender may retract its conditional commitment or ask that you put more money down toward the purchase price so that the loan is not more than a specified percentage of the appraised value of the property.







## ***DO'S & DON'TS DURING THE LOAN PROCESS***

There are certain "Do's and Don'ts" which may affect the outcome of your loan request. These remain in effect before, during and after loan approval up until the time of settlement when your loan is funded and recorded. Many times credit, income, and assets are verified the hour before you have signed your final loan documents. Here is a list that you should comply with:

### **MAKE SURE THAT YOU DO NOT**

- Do any of the things that may alter your credit and may risk you obtaining your loan. Also, these things may put you in default of your Sales Contract, may put your ESCROW deposit at risk, and may put you at risk of being sued.
- Quit your job or change jobs. If this is likely, consult with your loan officer and call this office should this occur.
- Allow anyone to make an inquiry on your credit report except your lender.
- Apply for credit anywhere else except with your lender. This causes more "hits" on your credit rating which can reduce your credit score.
- Change bank accounts or transfer money within your existing accounts.
- Co-sign for anyone, for any reason, for anything.
- Purchase or attempt to purchase anything else on credit such as another car, truck, boat, furniture or other real estate.
- Charge any abnormal amounts to your current credit cards or credit lines.
- Send in late payments, or incur late fees for anything.
- Wait longer than the time frame given per your contract to provide all necessary paperwork and information to your lender when requested.

### **MAKE SURE THAT YOU DO**

- Keep all accounts current, including mortgages, car loans, credit cards, etc.
- Contact both your lender and your sales associates anytime a question may arise.
- Make all payments on or before due dates on all accounts, even if the account is being paid off with your new loan.
- Have any lender-required money/funds to your loan officer within 72 hours after home inspection is complete.
- Return phone calls from your agent, loan officer, settlement company, or anyone else involved in your transaction within 2 hours of a message.





## ***Title Examination & Insurance:***

- Once the mortgage commitment has been issued, your attorney orders a title examination of the property. This takes approximately 5-7 days for the title company to issue a report on the property.
- The title report contains a legal description of the property and shows outstanding mortgages and assignments recorded against the property. It also reports on New Jersey Superior Court and U.S. District Court Judgments against the buyers or sellers name. The title report reflects taxes, charges
- 4or assessments due on the property, and flood search and other information on the property. Finally, the report also shows the history of the chain property ownership going back a number of years.
- Your attorney's job is to make sure that when you receive the property it is free and clear of all rights and claims of others which would affect your ability to sell the property in the future. When the title is cleared, the title company provides you with title insurance against claims of other in your property.
- This is a one-time fee that you pay at the time of closing.

## ***The Closing:***

The closings usually take place in the office of the buyer's attorney. Each purchase transaction actually involves two closings: the mortgage closing and the title closing. The mortgage closing is first, followed by the title closing. The entire transaction – all fees and monies are accounted for on a document called the HUD-1 Uniform Settlement Statement, this may also be called the TRID form.

## ***Closing Costs:***

All of the following fees are estimated for the buyer in the Good Faith Estimate (GFE) explained above.

1. Hazard & Homeowners Insurance – A lender will require that a buyer pre-purchase a full year homeowner's insurance for the property prior to closing.
2. Prepaid interest –Buyer pays interest at closing from day of closing to the first day of next month.
3. Bank Escrows – The lender will require pre-payment of 3-5 months of property taxes, home owners insurance, and possible mortgage insurance to be placed in an escrow account, which will be used to pay these expenses. Ask your lender how many months they escrow.
4. Credit report fees – The fee is approximately around \$35 per applicant.
5. Tax services – Paid to a third party, which services the payment of the property taxes. Approximately under \$100.
6. Private Mortgage Insurance (PMI) – Protects lender and others against financial loss if a borrower defaults on his loan payments. Charges for private mortgage insurance are added to the borrowers' monthly loan payment. PMI is usually required if the borrowers' down payment is less than 20% of the home's value. The borrower will then pay PMI monthly until his loan balance falls to approximately 80% of the property value. Payment of PMI is more than likely canceled automatically or on demand of the borrower at this time.
7. 7. Prepaid quarterly taxes – Statewide property taxes are due February 1, May 1, August 1, and November 1. If you close within 60 days of a payment due, the lender will require you to pay the next quarterly tax payment at closing and also place an escrow with the lender an additional 2 month's worth of taxes.
8. Appraisal fees – In underwriting the loan, the lender appraises the property being purchased. The buyer





customarily is charged the fee for the bank appraisal.

9. Tax/Utility/Maintenance Adjustments – Adjustments are made down to the day of closing for property tax payments, maintenance payments, if the property is a condominium or cooperative, and in some cases sewer or water payments. Additionally, when buying a condominium advance monthly maintenance charges will have to be paid and non-refundable contributions made to working capital accounts.
10. Title Insurance Fees – Rates are set by the state. There are actually two title insurance policies issued on a property – the lender's insurance – based on the amount of the loan and the owner's title insurance based on the purchase price of the property. Note: if the seller has "back title" on the property that they can give to the buyer, the buyer may be able to get an even larger reduction in the cost for title insurance. This is because the title company can use the back title to reduce their search costs.
11. Attorney fees – Attorneys charge a flat fee for residential real estate work. Some attorneys will charge a separate fee for title examination, document preparation, notary services, closing. All of these potential fees are listed on the Settlement Statement. Please do not be too impressed when you are told that someone's closing fee is \$500. Watch for the add on fees. A good real estate attorney more than earns their fee. They're working with you, resolving issues, answering your questions, steering the deal for 30-60 or more days. Make sure that you have a written retainer agreement, which explains what is and isn't covered in their fee.
12. Recording Fees – The recording cost for the mortgage is \$30 for the first page and \$10 for every additional page. Recording cost for the deed is \$40 for the first page and \$10 for every additional page. However, this may vary.
13. Survey fees – The lender will require that buyer to pay for a survey of the property. The cost for a survey is approximately \$600-\$750.
14. Home inspection fees – these fees are usually paid at the time that the inspection is performed. They will be paid P.O.C (Paid outside of closing). The fees range from \$275-\$450, which is due at the time of inspection.

## ***The Mortgage Closing:***

Held for the purchaser settling up with the lender. The purchaser gets the loan money from the lender (usual procedure- wired to the purchaser's attorney the day of the closing). The lender secures this loan money by having the purchaser sign a note – in which the borrower promises to pay back the lender a certain amount in monthly principal and interest until the loan is satisfied and a mortgage – which is the lender's lien on the property – remains until the note is paid off in full.

## ***The Title Closing:***

Follows immediately after the mortgage closing. The seller's, seller's attorney, the REALTORS, are all in attendance. This is where the legal title is transferred from seller to buyer, checks get cut, keys are exchanged, and the HUD-1 is reviewed and signed. The buyer pays the seller the contract price for the property and the seller gives the buyer the deed for their home. The deed is the document, which gives you legal title to your home. Some of the expenses incurred by the seller (such as REALTOR fees, payoff in full of any lien mortgages levied on the property to secure monies the sellers used when they bought the property, or payment of the realty transfer tax) are paid by the buyers' attorney out of the sellers' gross monies. This is to assure that the buyers receive "clear title" to the property without any prior liens or judgments.





- Affidavit of Title – the seller presents an affidavit stating that the title that they are conveying is “good and marketable” – free of liens, judgments, or other encumbrances.
- Signing of HUD-1 – the buyer and seller review and sign the HUD-1. This is a closing statement explaining how the money paid by the buyers, including the money loan to them, is allocated and the manners in which the sellers’ proceeds are distributed. Once the deed is delivered with the affidavit of title, the property has been transferred and the transaction is completed.

## ***Post-Closing:***

- Deed – The recording of the deed is notice to the entire world that the buyers named in the deed are the title owners of the property. Your Attorney will take the original deed and have it recorded in the county recording office. The county recorder will send the recorded deed back to your lawyer who will send it on to you. The deed is usually 1-4 pages long. The original mortgage also will be recorded and once returned to your lawyer, he or she will send it to the lender.
- Title Insurance – Your title insurance policy will state that you have paramount title to the property you purchased but subject to the lien of the lender. The lender’s policy will indicate the same. Each policy will be in the amount expended – for the title policy, the insurance will be for the amount of the purchase price and for the lender policy, the insurance will be for the amount of the loan.

## ***Tips:***

1. Sometimes if market conditions dictate, you can negotiate to have the seller pay all or a portion of your closing costs. It may sound strange, but sometimes a seller will be willing to “pay” a buyer to finalize the sale. A seller paying the buyer’s closing costs means that the buyer has more incentive to close the deal on the home, which benefits the seller because they get paid the purchase price sooner. Note that by asking the seller to pay your closing costs, you are essentially lowering the purchase price of the home, so keep that in mind when negotiating the price of the home. Your real estate broker can guide you in this area.
2. A common misconception about mortgage closing costs is that they all go to the lender, when in reality many of the costs are related to services performed by others. Mortgage closing costs cover expenses associated with getting a home loan, from inspections and appraisals to title insurance, taxes, and more. It is important to check your lender fees and closing costs carefully. If a lender boasts incredibly low rates, it’s possible they will try to make up the difference with exorbitant lender fees.
3. Lenders will collect interest for the current month at the closing, so set your closing date for as late in the month as possible to ensure that this amount is low. Closing at the beginning of the month means that you pay for an entire month of interest, but closing at the very end means that you will only pay a small fraction of a month worth of interest. And you usually will not be required to pay your first mortgage payment until the following month. (Ex. Closing on April 22nd, first mortgage payment will be due on June 1st.





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