

FIRST-TIME BUYER GUIDE



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APPRECIATE YOUR HOME, YOUR COMMUNITY, YOURSELF

First-Time Buyer!

So you're thinking about purchasing a new home for the first-time...

It can be daunting to think about all the things you need to know but we are here to help you along the way.

In this packet you will find helpful vocabulary, advice for the process, and tips to help you get your offer accepted.

While there are a lot of things to learn and at times can be stressful, the most important thing we want to convey is that this time should also be exciting and ultimately fun!







If you have any questions about the process, please feel free to reach out!

Let's get started!

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THE PROCESS

01

Pre-Approval / Financing

First things first! Before you begin looking at new homes, you must figure out how much home you can afford! By speaking to a lender and filling out their online application, you will find out how large of a loan you can qualify for.

02

Choose your Agent

It's important to work with someone you trust. Once you choose your agent, you will need to sign the Buyer Agency Agreement which formally acknowledges who you have chosen to be your Realtor® and allows them to negotiate on your behalf.

04

Shopping!

This is the fun part! With your pre-approval letter in hand and your Realtor at your side, you are fully equipped to take on the Colorado markets! You will want to give your agent an idea of what is important to you in a home.

Some starting questions:

- Who will be living in the home?
- How many bedrooms and bathrooms will you need?
- Where would you like to live? (suburbs, city, mountains, etc)
- Are school districts important to you?
- What type of home are you looking for? (condo, single family, town-house, etc)
- In which room will you spend most of your time?

THE PROCESS

04

Make an offer!

When you have found the home that is right for you, you will need to put in an offer. Your agent will guide you through this process and will need some information from you to formulate the offer that is right for you and your needs.

Some questions to consider:

- How much do you want to offer?
- How much will you have as a down payment?
- Will you use an Escalation Clause?
- Will you use an Appraisal Gap Waiver?
- Would you be willing to purchase the home “As Is”?

Note: This is often times the most frustrating part of the whole process. Especially in today’s super competitive market, it is possible to write multiple offers without any success. The key is to continue looking, the right home could be just around the corner!

05

Under Contract

While under contract you will need to meet certain deadlines while the Seller will be working to meet their own deadlines. It is during this time that you will need to make decisions about inspections, appraisals, title work, etc.

06

Closing

This is where the exchange of deed and funding occurs. Everyone gets to sit around a conference table with pens and sign the final paperwork to pass the home to the new buyer! Congratulations! You are finally a homeowner!

Helpful Vocabulary

Pending/Under Contract

A house is pending or under contract when a seller accepts a buyer's offer on the property. Once a home is under contract, another buyer cannot purchase the home unless the current contract is terminated.

MEC

Mutually Executed Contract. When both parties sign the contract it is mutually executed, or MEC. When used for dates, MEC is the date in which the contract is fully executed and the house in "Under contract".

Earnest Moneys

This can also be called your good faith money and is the deposit you will make to the title company. Your earnest money will become part of your down payment. Earnest money is typically 1-2% of the purchase price and this amount is chosen by the Seller.

Closing Costs

All cost associated with a real estate transaction beyond a buyer's down-payment. They include but are not limited to a lender's closing costs include origination fees, appraisal fees, title insurance, etc. The Title Company's closing costs include title insurance (seller paid), the closing fee (shared cost), and prorations for taxes (seller paid), and recording fee. See attached for an example of different types of closing costs and associated fees that vary lender to lender.

Helpful Vocabulary

Inspection Clauses to Buy/Sell

- **No Clause:** Buyer can negotiate on any item that comes up on inspection. These items may include major home systems (HVAC, roof, structural), plumbing, electrical, some cosmetic issues, or any other item that comes up on inspection. Submitting your offer without an inspection clause is the least competitive, but offers the buyer the most protection.
- **Limited Major Safety/ Health:** Buyer will only negotiate on Major Systems or Health/Safety Items. Ex. Roof, Structural, Electrical, Plumbing, HVAC, Radon, Water Heater, Windows, Fire safety (CO/smoke detectors). This type of inspection clause will add a slight competitive edge in a buyer's offer.
- **As-Is:** Buyer will conduct an inspection, but will accept property as-is, where is, and with all faults and will not negotiate any new terms related to items that show up on inspection. Buyer may terminate the contract if the results of the inspection are unsatisfactory and earnest money will be returned. This clause is the most competitive inspection clause to add into an offer, but still not as strong as eliminating the need for an inspection all together.

Appraisal Gap Waiver

If the appraised value states that the property's value is less than the purchase price, the buyer agrees to bring additional cash to closing to make up the (partial or entire) difference between the property's appraised value and the purchase price. The appraisal gap waiver can be capped at a fixed amount or can be unlimited. If the buyer has agreed to cover only a set amount of the difference, the purchase price will either be renegotiated with the seller, or the buyer will terminate the contract.

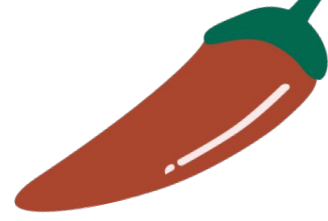
Helpful Vocabulary

Title Insurance

Title Insurance is a way to protect yourself from financial loss and related legal expenses in the event there is a dispute about the title to your property. Title insurance differs from other types of insurance in that it protects you into the past, not into the future. With title insurance, title examiners review the history of your property and seek to eliminate title issues before the purchase occurs and protects you if someone tries to claim your property. Title insurance also differs in that it comes with no monthly payment. It's just a one-time premium paid at closing.

Types of issues it covers:

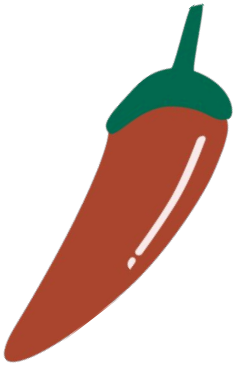
- Improper execution of documents
- Mistakes in recording or indexing legal documents
- Forgeries and fraud
- Undisclosed or missing heirs
- Unpaid taxes and assessments
- Unpaid judgments and liens
- Unreleased mortgages
- Mental incompetence of grantors on the deed
- Impersonation of the true owners of the land by fraudulent persons
- Refusal of a potential purchaser to accept title based on the condition of the title



01

Time in Market, not Timing the Market

Often times, first-time home buyers wait for a dip in the market to buy, but by the time you secure a mortgage rate, the rates could have already increased! If you believe you are ready to purchase a home within the next few years, getting in as soon as possible is always more advisable than waiting for the “perfect time”.



02

The highest offer doesn't always win

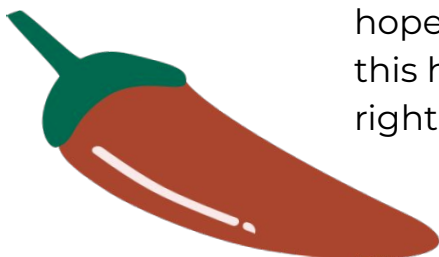
There are MANY different reasons why a seller would choose one offer over another. While it is always important to have a competitive price in your offer, having an accommodating timeline for the seller, or adding clauses like an escalation clause or appraisal gap waiver can sweeten the deal and make yours the winning offer! Making sure your agent maintains a professional and friendly demeanor can also be the reason a seller chooses your offer over another!



03

Don't get attached

Buying a home is an emotional process. While there are obviously many logistics that need to line up in order to be ready to buy a house, in today's competitive market, it is hard to guarantee that an offer will be accepted. Stay hopeful, positive, and excited but know that if this house does not work out, we'll find the right one for you and your family!



Let's work
together.



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