

The Buying Process

One of the most commonly asked questions I receive from prospective buyers is “What are the next steps?” or “How does the process work?”. According to a study done by the National Association of Realtors, my customers are not unusual in this regard. In fact, the number one thing that buyers of real estate expect from their Realtor is for the Realtor to explain the process.

Well here it is. If you’ve been contemplating the purchase of Florida real estate and want a step-by-step review of what the process is like (under ideal circumstances) then read on !

Write down your requirements

I bet you thought that I was going to jump right into something meaty like financing or home inspections. Actually, the first and I think most important step is writing down exactly what you want. It may also be helpful to indicate which requirements are “must haves” separate from those that would just be “nice to have”. Having this list formulated in advance will make your search easier and more efficient and keep you focused. The items on the find my dream home form on my site will help get you started here.

Select a Realtor

I am sure that this suggestion seems self serving given that you are reading it on a Realtor’s website. However, using a Realtor that is knowledgeable about the area can save you hours of frustration and legwork. A good Realtor can take your list of requirements and within minutes, produce a listing of every home in the county that meets matches your needs.

Realtors are also knowledgeable about all of the new construction projects in town. If you are looking for that special new home, don’t hesitate to call a Realtor. Realtors can help you with new construction just like re-sales. Builders love Realtors and will gladly pay the commission. Using a Realtor in these circumstances will in no way affect the price that you pay for your home. Paying Realtor commissions is the cheapest way for builders to get prospective buyers to see their homes.

Finally, the best reason to use a Realtor in your search for a new home is that their services are typically free to all buyers of property. This explains why, according to a 2003 survey conducted by the National Association of Realtors, 89% of all homebuyers used the services of a Realtor during their most recent home purchase.

Mortgage Pre-Approval

The next step in the process is mortgage pre-approval. This is important for two reasons. First, it will make your search for a new home much easier. You don’t want to spend weeks looking for the perfect home only to find out that you can’t qualify for a mortgage large enough to purchase the home.

Getting pre-approved for a mortgage is free, quick, and easy to do. Most banks can provide you with a pre-approval over the phone in about 30 minutes or less. Usually (and certainly in the case of Coldwell Banker Mortgage) there is no commitment required. In other words, just because you ask Coldwell Banker Mortgage for a pre-approval letter, you are not locked into using them to provide your mortgage. If you find a better rate somewhere else, you are free to use any other lender.

Secondly, getting pre-approved is so quick and easy most sellers will expect a pre-approval letter to be submitted with any offer to purchase. Having your letter in hand when you make your offer is one less thing that you have to worry about after finding that perfect home.

Visit homes that meet your requirements

The next step in the process is actually visiting the homes that meet your requirements. If you have done a thorough job of outlining your needs, your Realtor should be able to produce some very good listings for you to consider. The Realtor can then make the appointments and take you to see the homes.

Writing an Offer

Once you find the home that is right for you, you will need to “write an offer” on the home. Your Realtor is an expert at this. Working off your instructions, he will craft an offer that, when signed by you and the seller, will actually become a binding contract.

The offer will spell out all of the purchasing conditions, including price, financing, closing date, and responsibilities for title and related costs. Any contingencies you wish to add will also be incorporated into the offer.

Offers are time sensitive. You as the buyer can specify the cancellation date and time for your offer. Typically you give local sellers 24 hours to respond. Occasionally, special circumstances may require offers with a longer life (for example, if the seller is out of town and can't be reached). As the buyer, have the right to withdraw your offer anytime prior to acceptance.

You and all other parties to the purchase will be required to sign the offer to make it valid. Your Realtor will present the offer to the Realtor representing the seller. The other Realtor will present the offer to the seller.

Good Faith Deposit

Offers usually include something called a good faith deposit. A good faith deposit is money paid by the buyer as an indication of his seriousness to purchase the home. The money is held in an escrow account maintained by a third party (either the Realtor's broker or the title company). The terms of the contract usually call for the buyer to forfeit the deposit should he not live up to the terms of the contract.

Note that, if the failure of the buyer to purchase the home is covered by a contract contingency, then the deposit is returned to the buyer. For example, if the buyer's offer is subject to the buyer obtaining financing (the most common contingency) and the buyer tries but is unable to get a loan on the home, then the deposit is returned to the buyer. If the buyer withdraws his offer prior to acceptance, the deposit is also returned.

Assuming that the buyer does live up to the contract and buys the home, then the good faith deposit is credited back to the buyer at closing (goes towards the purchase price).

Receive Counter Offer

Often the seller will modify the buyer's offer (change price, closing date, responsibility for title costs, etc). This is effectively a rejection of the buyer's offer and a new offer to sell under different terms. If you as the buyer are agreeable to these terms, you may sign off on the changes and create a valid contract. You may also reject the counter offer or make another counter offer.

The same rules as discussed above apply. The seller's counter will typically contain an expiration date and time. Additionally, he may withdraw his offer anytime prior to acceptance. This is a critical point to all buyers. If during this negotiation process, the buyer receives a higher offer, he can cancel any unaccepted counter offer outstanding and start working with the other prospective buyer.

Offer Acceptance

Once both parties have signed the offer and initialed all changes, the offer becomes a binding, legally enforceable contract.

Finalize Mortgage

After the contract has been created, you will now need to finalize your mortgage. This means providing your lender with a copy of the contract and other details associated with the loan (things like proof of earnings, bank statements, etc.).

Homeowner Association Approval

If the home you purchased is in an area that has a mandatory homeowners' association, you should immediately make application. The contract will generally require that you make application within 5 business days.

Home Inspections

Home inspections, including a termite inspection, are a must. A home inspection for a typical 3 bedroom 2 bath home will cost under \$300 (a condominium inspection will probably be under \$200). Termite inspections are under \$50. The terms of the contract give you the right to have these inspections performed at your (the buyer) expense. The contract also calls for the seller to make any repairs on mechanical defects uncovered as a result of the inspection.

Note the word mechanical. The typical inspection report will include all problems detected including cosmetic problems. Cosmetic defects (cracked tiles, cracked windows, spots on the carpet, squeaky doors, etc.) are cosmetic and not covered under the contract (the seller is not required to fix these types of problems). However, broken or malfunctioning air conditioners, faulty plumbing/wiring, leaky roof, etc.) are all mechanical and will require repairs at the seller's expense. The contract also calls for the repairs to be made by a licensed professional, if applicable. This means that the seller can't repair his own roof or air conditioner. He must hire a licensed professional.

Final Walk-Through

Within 24 hours of closing, the buyers should make a final walk through inspection of the premises. The purpose of this walk through is to ensure that all the mandated repairs have been made and that the property has been maintained in a condition equal to that as of the contract date. The seller is required to have utilities available at his expense to facilitate this inspection.

Closing

Closings usually occur at the offices of the title company. The title company will complete all of the paperwork required to transfer title and provide settlement statements that account for all funds. The title company will prepare the deed, arrange for title insurance, work with the mortgage companies to ensure that the money is wired to the seller and that any mortgage the seller has is paid off as of the closing date. The title company will also prepare a closing statement that itemizes all charges and accounts for all funds. The buyer will be expected to bring a certified check for the balance due from him (this would include his down payment plus any closing costs). The seller will generally receive a check written from the title company.

Neither seller nor buyer has to attend the closing. All paperwork can be completed via express mail. Any money due from the buyer must be wired or mailed in ahead of the closing. Any money due to the seller can either mailed to him or wired directly to his account.