

# Home Buyers



**REAL  
CREATIVE  
GROUP**

OF DOUGLAS REALTY



# IN THIS GUIDE...

Buying a home is often the biggest, most complex and infrequent transactions you will ever make in your lifetime. I've created this guide to help educate and prepare you for the process, and show you how I go above and beyond to help my clients achieve success!

## My commitment to you:

Fortunately, when you hire me to represent you, you'll recognize that I do so much more than the average agent.

- I only work with a small number of great clients, like you, to ensure a personal touch.
- I preview properties weekly on your behalf.
- I contact the best agents for their "coming soon" listings, getting you early notice.
- I prospect to home owners to find off market listings.
- I will only show you homes that match your criteria.
- I will negotiate aggressively on your behalf.
- I will work with your lender and my affiliates, to ensure a smooth transaction.

Bottom line, when you buy a home, it can be stressful, and my job is to remove as much of the stress as possible!

## James Bowerman

Digital Marketer + Realtor®

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# HOME BUYING PROCESS

As your trusted advisor, I'll be there to guide you throughout the home buying process to ensure that your experience is as seamless and stress-free as possible.



## Find a Realtor

Choose a real estate agent to represent you.



## Get Pre-Approved

Secure financing with a lender and lock-in your rate.



## Search for Homes

Find properties for sale and schedule tours.



## Make an Offer

Negotiate terms and complete the contract.



## Due Diligence

Perform inspections, appraisal and financing.



## Settlement

Transfer funds, sign paperwork and obtain keys.



James helped us from start to finish in finding our perfect home. His expertise of the market allowed us to quickly find a place and negotiate the best deal. The team he works with made this purchase the easiest home purchase we have ever experienced. Thank you James and your entire team.

- Jami W. ★★★★★



# FIND A REALTOR

A licensed real estate agent will use their expertise and experience to guide you through the process of purchasing a home. They have a fiduciary responsibility to represent you, not the Seller.

## Your Agent's Primary Role

- Guide you through your home search and help find relevant inventory.
- Advise you on pricing, contracts, and the transaction process.
- Negotiate on your behalf, with your best interest in mind.

## What To Look For in an Agent

- Communication Style
- Industry Knowledge
- Neighborhood Expertise

## Principles of Buyer Agency

- Disclosure, Confidentiality, Diligence



### Curious about commissions?

Most sellers offer compensation to cover the buyer agent's commission, which can be negotiated. However, you may still be responsible to pay a flat fee or any difference not covered by the listing broker.



# GET PRE-APPROVED



Choosing your lender is a critical step in the home buying process if you plan on financing your new home. A good lender will not only get you the best terms on your mortgage, but will also be readily available to answer your questions and communicate with you throughout the process.

## Determine What You Can Afford

- Figure out how much cash you have for a down payment.
- Find out your credit score and whether you need to take action to remediate.
- Calculate how much you'd be comfortable spending.
- Consider your lifestyle and how this purchase may impact your monthly budget.
- Meet with a lender to discuss your options. They will look at your credit, all accounts, income, and debt history to calculate what you can realistically afford.



## Quick Tips

Rates change on a daily basis and pre-approval usually expires after 90 days.

Be mindful when shopping for rates. Pre-approval involves pulling credit. Doing this too many times in a short timeframe may negatively impact your credit score.

Avoid activity that can impact your debt-to-income ratio, such as buying a car, charging expensive items to your credit card or taking out a personal loan.

GET PRE-APPROVED

# WHAT YOU'LL NEED

Being pre-approved is often mistaken with, and sometimes interchangeable with being pre-qualified. It is important to note that proof of funds is required before making any offers.

## What do lenders look for?

1. Debt to Income Ratio
2. Credit Score
3. Cash & Assets



In order to verify your pre-approval, and pre-qualify you, a lender will likely ask for the following:

- Last two years of tax returns
- Last two years of W-2's or 1099
- Recent paycheck stubs showing your name, SS#, the name and address of your employer and your year-to-date earnings.
- Documents to show other sources of income (second job, overtime, commissions and bonuses, social security payments, alimony, child support interest and dividend income and retirement benefits.
- Recent statements of all bank accounts and other savings accounts.

Lastly, once you have been pre-approved it is critical that you don't open any new lines of credit, make any large purchases, or make any large deposits that cannot be sourced easily. If you have questions, it's always better to ask your lender.



### Questions to Ask Your Lender

How fast can I be fully approved for the loan?

Am I eligible for any first-time homebuyer tax credits?

What is the maximum amount the lender will allow for seller credits?

Does my loan program require additional inspections?



GET PRE-APPROVED

# MORTGAGE LOAN TYPES

These are the three most common loan types when buying a home in Maryland. If you're buying an investment property, building a new home, or are interested in other loan products and assistance programs, we can help with those too!

## Conventional

### 3-5% down

- Typically 15-30 year fixed rate
- Good credit
- Proven steady income

## Your Mortgage Payment Explained

\$500,000 Sales Price with 20% Down\*

Principal & Interest + \$2,400

Property Taxes + \$500

Home Insurance + \$100

**Total Monthly Payment = \$3,000**



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## FHA

### 3.5% down

- Typically 30 year fixed rate
- Lower credit scores
- Homeowner occupant only
- Stringent home inspection
- May take longer to close

## VA

### 0% down

- Typically 30 year fixed rate
- Veterans and spouses only
- Homeowner occupant only
- Home condition requirements
- May take longer to close

Scan to start your online mortgage application

\*30 year loan with a 6% interest rate

GET PRE-APPROVED

# THE COST OF HOMEOWNERSHIP

Buying a home is more than a down payment and figuring out the monthly mortgage. A range of out-of-pocket expenses can arise during and after the transaction, so be sure to discuss these with your lender and your agent to be prepared.

## Lender Fees

- Loan Application; Credit Report (\$15–30\*)
- Appraisal (\$400–600\*)

## Home Inspection

- Home inspection (\$400–800\*);
- Radon inspection (\$100–250\*);
- Termite inspection (\$50–100\*);
- Well & Septic inspection (\$400–800\*);

## Closing Costs

- Rough estimate is about 3% of the sales price. This includes recordation taxes, title insurance, all lender fees and settlement charges.

## Moving Fees

- Repair and Maintenance Costs



\* Numbers are a general estimation and may not be guaranteed.





# YOUR HOME SEARCH

Now that we have figured out how you will be purchasing your new home, it's time to start looking at properties! There are dozens of apps and websites available to the public that allow you to search for homes. Feel free to use the one you're most comfortable with, just know that some of these platforms are limited and can be inaccurate.

## Why Are You Buying a House?

Understanding your motivation for the move will help keep you focused on your priorities.

- Understand home types and their pros and cons
- Make a list of your must haves and deal breakers
- Think about the type of neighborhood you see yourself in
- Anticipate how long you want to live in this home
- Communicate with your agent about your needs
- Be flexible and open to alternatives



## Download my MLS app

In order to get the most accurate info and to see "Coming Soon" listings, we will need to create your own MLS search portal. Your search criteria should include the following:

- Define Your Location
- Style & Type of Home
- Physical Features
- Beds & Baths
- Square Footage
- Yard Size
- Garage & Parking
- Upgrades & Accessibility

YOUR HOME SEARCH

# BUYER REPRESENTATION AGREEMENT

Before we start seeing properties, I ask clients to sign this agreement that allows me, as your agent, to legally and exclusively represent you and your interests. It establishes a formal relationship between us and outlines the terms and conditions under which I will represent you with your property search.

## **1. Scope of Services:**

Defines the services I will provide you including property search, property showings, negotiation, and assistance with the purchase process.

## **2. Property Type and Location:**

The agreement may include details about the type of property you are interested in (e.g. single family, condo, commercial property, etc.) and the geographic area where you are looking to purchase.

## **3. Duration:**

The agreement specifies the period during which you are committed to working exclusively with me (typically 6 months).

## **4. Compensation:**

The agreement specifies how I will be compensated as it relates to your representation. We can have a conversation at the start of your search to discuss payment scenarios so we can memorialize it in writing in this agreement. Commissions are negotiable.



**We will review the agreement together before I ask you to sign anything.**



YOUR HOME SEARCH

# TOURING HOMES

Real estate professionals like myself only work with Ready, Willing, and Able buyers. Therefore, it's important that we secure your financing and complete a buyer agency agreement before we can start touring homes.



## **Before we go...**

1. Make a list of homes you want to see. I will schedule the showings and obtain access instructions.
2. Take advantage of Open Houses, but buyer beware. The agent hosting the open house represents the seller.
3. Be cautious with Bank Owned homes. Foreclosures, Short Sales, and Auctions can look like bargains, but often come with additional requirements, fees and timeline.



# MAKING AN OFFER

We've found "the one!" and now it's time to make an offer. First, I will reach out to the listing agent to determine the seller's needs and timeline, then review comparable homes and discuss with you the price and terms to include in the contract.

## Comparative Price Analysis

I will pull a list of all the homes that recently sold to give you a better idea of the market.

## Competition

Is this a "Hot Home," is it under-priced, are there other offers? The amount of competition will determine how aggressively you want to structure your initial offer.

## Understanding the Contract

We will review the terms of the contract which includes deadlines, liabilities and clauses that allow you to terminate the agreement, etc.

- Purchase Price
- Settlement Date
- Inspections and Contingencies
- Earnest Money Deposit
- Loan Type & Down Payment
- Disclosures, Warranties & Inclusions
- Seller Concessions\*

## Earnest Money Deposit (EMD)

Decide how much you're comfortable putting down as an act of good faith. Typically the deposit will be held in escrow by the title company and subtracted from your balance at the end of the transaction. Depending on the jurisdiction, the EMD commonly ranges between 1-5% of the sales price.

\* There are limits on how much money a seller can concede



# TERMINOLOGY

There are three main factors that affect the strength of your offer which include; price, number of contingencies, and length of time.

## Price

Price is obviously an important factor, as it will determine how much the seller nets. Work with your agent to figure out the value of the home and how much you're comfortable spending.

## Contingencies

Contingencies are terms that need to be met in order for the contract to go to closing. The more contingencies, the higher the risk for the seller. By waiving a contingency, you strengthen your offer. However, you may be risking your EMD, as the contract may not protect you if such contingency is not met.

## Time

Considering the length of each term is very important when submitting an offer. Every day that a house is under contract, the home is essentially "off" the market. The seller is "taking a risk," by waiting for each term to be met.

## Financing

There are certain risks that come with accepting an offer where a mortgage loan is being borrowed as opposed to a purchaser using cash with their proof of funds provided.

## Credits

Amount a seller is willing to credit back to a buyer to help with closing costs. Check with your lender for maximum % of sales price; asking for credit will often weaken the offer as it lowers the seller's net sales price.

## Inspections

In highly competitive situations, buyers will conduct a pre-inspection prior to submitting an offer, and waive this contingency. However, if you do request a home inspection, aim to schedule it within 7 days of ratification.

## Appraisal

Assessment of value conducted by the lender —usually conducted within 21 days of ratification. By waiving this contingency, you may be responsible for the difference between the appraised value and sales price, if the house is assessed at a lower value.

## Commitment

If your offer is contingent on financing, the sooner you receive a commitment letter from the lender, the more confidence you can instill in the seller that the deal will reach closing.

## Closing Date

Under 30 days is ideal, but some loan programs take longer to close. The closing date is important, as this is when the seller receives the funds for the transfer of the deed.

\*Please note that the closing date is not necessarily the same as possession date. In some cases, sellers may want to rent back the property for a period of time. Most lenders will allow for a 60 day Maximum Rent Back Period.



# STRUCTURING THE OFFER

An offer can have a lower price than another, but still be stronger! For example, if a seller values moving out quickly, a lower all cash offer that closes in 3 weeks might be more attractive. I will advise you on the best strategy to make a compelling offer based on market conditions, while considering your needs and comfort level.

<b>HIGH</b>  <b>Offer Strength</b>  <b>LOW</b>	<b>Pricing</b>	<ul style="list-style-type: none"><li>• Above asking price</li></ul>
	<b>Contingencies</b>	<ul style="list-style-type: none"><li>• No financing contingency</li><li>• Waived inspection</li><li>• Waived appraisal</li></ul>
	<b>Timeline</b>	<ul style="list-style-type: none"><li>• 21 Days or less</li></ul>
	<b>Pricing</b>	<ul style="list-style-type: none"><li>• Full asking price</li></ul>
	<b>Contingencies</b>	<ul style="list-style-type: none"><li>• Conventional financing</li><li>• Home inspection</li><li>• Appraisal</li></ul>
	<b>Timeline</b>	<ul style="list-style-type: none"><li>• 30 Days</li></ul>
	<b>Pricing</b>	<ul style="list-style-type: none"><li>• Below asking price</li></ul>
	<b>Contingencies</b>	<ul style="list-style-type: none"><li>• Seller credits</li><li>• Multiple home inspections</li><li>• Appraisal</li></ul>
	<b>Timeline</b>	<ul style="list-style-type: none"><li>• 60 Days or more</li></ul>

## Negotiating the Offer

Once you have submitted the offer, the seller may reject, accept or counter your terms. Be prepared to go back and forth until you reach a suitable agreement for both parties. When all terms are agreed upon, the offer is signed by both parties and officially ratified. Negotiations are not necessarily over at ratification of the contract. They can also go on during the inspection and appraisal periods.



# DUE DILIGENCE

Congratulations, our offer was accepted! We are officially “under contract” and the clock has started ticking down to settlement. It is now time to start working on the contingencies and requirements outlined in the contract

## Home Inspections

### Best Practices

Home inspections can be nerve wracking, but they are an important part of the process. There are many types of inspections depending on the location and home you are looking to purchase.

### Be Present

Take the time to attend the inspection so you can have a better sense of how the home works, see which areas will require maintenance, and assess whether you will need to consider home improvements down the line. Don't be afraid to ask questions!



### Be Realistic

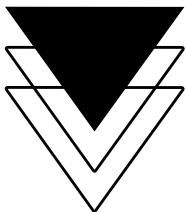
Expect to have a list of items from your inspector in a couple days. Don't panic! Every home has a list of potential repairs, and most will be minor.

### Be Practical

Home inspections are another opportunity to negotiate. Speak with your agent about what items they recommend asking for repair. Focus on the items that matter the most. Keep in mind that the seller is not obligated to make all the requested repairs, unless required by a lender (FHA, HPAP, VA etc.).

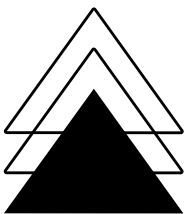
# ASSESSING VALUE

The appraisal is the assessment of value on the home by a third party appraiser. It lets the lender know how much they will be able to lend for the home.



## **Appraisal Lower Than Sales Price**

1. Negotiate to bring price down to appraised value.
2. Bring more money to settlement to make up the difference.
3. Walk away, but you may lose your EMD.



## **Appraisal Higher Than Sales Price**

Congratulations, you have instant equity! Since the buyer pays for the appraisal, there is no reason to share this with the seller. I will inform the listing agent that the appraisal met value and your lender will proceed to finalize the loan.





# SETTLEMENT

The last step in the home buying process is getting to the closing table.

## Insurance & Utilities

Prior to closing on the home, you will need to obtain homeowners insurance for the property. Part of your monthly mortgage payment will be put into escrow to pay the insurance premium. You will also need to setup utilities to start service for the day you take ownership.

## Closing Disclosure

At least 3 days prior to settlement you will receive a Closing Disclosure from your lender. This document breaks down your closing costs and funds needed to close. Instructions will be provided so these funds can be wired to your title company, who will be conducting the settlement. When the loan acceptance is confirmed, you will be “clear to close.”

## Final Walkthrough

before settlement, you will have the opportunity to do a Final Walkthrough of the property. This is to ensure the house has been cleared of all contents, any agreed upon repairs were made, and is “broom swept clean.”



During settlement, the title attorney will go through your final settlement statement, line by line. The title company will be in charge of disbursing the funds to the seller and the bank (if they still owe a balance on their mortgage).

Don't forget your government-issued ID, cashier's check or certified funds (if amount you owe isn't wired to the title company prior to the settlement), and personal checkbook for any small last-minute expenses.

Make sure you receive all copies of the keys. **Once you've signed all the documents and the deed, you can officially call yourself the homeowner!**

SETTLEMENT

# CLOSING COSTS

## Breakdown of Fees

### + Down Payment

### + Lender Fees

- Appraisal
- Credit Report
- Flood Certification
- Processing Fee
- Underwriting Fee
- Mortgage Insurance Premium (if applicable)

### + Title Fees

- Closing Fee
- Closing Protection Letter • Exam Fee
- Abstract Fee
- Notary Fee
- Document Preparation
- Owner's Title Insurance
- Lender's Title Insurance

### + Recording & Transfer Taxes\*

- Recording Fees
- State Transfer Taxes
- City Transfer Taxes
- County Transfer Taxes

### + Condo and/or HOA Dues

### + Property Taxes

### + Homeowners Insurance Premium

### + Brokerage Fees/Commissions



\* Transfer taxes are typically split 50/50 between the buyer and seller. However, first-time home buyers in Maryland don't have to pay their portion of the State Transfer Taxes.







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