



*Guiding you in
all of your real
estate needs*

Residential Buying Guide

The home buying experience is an exciting one, yet there are a lot of logistics that have to be worked through before you purchase your new property. That is why we are here to help you each step of the way.

Commissions

A common misunderstanding is that buyers pay their agent. Buyers do not pay commission; the commissions are paid by the seller. That means that you do not pay an agent to represent you as a buyer.

Pre-Approval/Proof of Funds

A pre-approval letter is written by a lending institution to show what you can afford as a buyer. A loan officer provides guidance through the financing options regarding the types of loans available, including downpayment options, terms of the loan, and an estimated range on how much the monthly mortgage will cost. For cash purchases, a proof of funds letter is written by a bank or credit union, showing that there is enough liquid-able cash available for the purchase. A pre-approval or proof of funds letter is sent with an offer to show that the purchased can be made.

Automated Search

The automated search is set up through the local Multiple Listing Service (MLS). New listings, that meet the set up search criteria, are sent directly via email. Adjustments can be made to the search criteria at any point during the process. Third party services (e.g. Realtor.com, Zillow, etc.) also have automated searches available. These sites pull the data directly from the MLS, so the MLS is the primary and most reliable source for information.

An exception to the MLS search is that third party sites will typically show properties that are for sale by owners, while the MLS does not.



For Sale By Owner

Showings for houses that are listed for sale by their owner are set up by your agent. If you see a property listed for sale by the owner, let your agent know. If you are driving, you can safely take a picture of the sign and of the address, and the agent will set up the showing.

Land/Lots

The viewing of a lot typically requires an appointment and a real estate agent to be present for liability purposes.

New Construction

Properties that are under construction or brand new builds can still use the agent through the process of negotiations and seeing the contract to closing. The builder or listing agent needs to be informed up front that you are working with an agent.

Status Types

When searching for property, it can be confusing what each status type means. Here are the different status types used in the Great Louisville Association of REALTORS:

Active: An active status means that the property is available for sale. There are no accepted contracts on the property. Appointments can be set to view the property and make offers accordingly.

Active Under Contract: This means that there is an accepted contract on the property; however, there are contingencies still in place. This is most often a contingency on inspection, meaning that the transaction is not in the contract-to-close period. Active Under Contract means that a property can still be shown; however, only back-up offers can be made.

Active with 24/48 hour Right of Refusal: This means a property has an accepted contract; however, the closing of the deal is contingent upon the sale of the buyer's current property. If a new buyer submits an offer, the current buyer with the accepted contract, has a time period to perform on the contract. Performing on a contract means that the current buyer must be able to obtain enough financing to purchase without selling their current property or get their current property under contract with a non-contingent offer during the contingency time period. If that buyer cannot perform, the current contract is voided, allowing a new contract to be accepted.

Pending: This status means that the property has an accepted contract on it, and there are no more showings taking place.

Closed: A Closed status means that the property has been sold. It is no longer on the market.

Status Types, Continued...

Temporarily Off Market: This status means that the house has been taken off the market, typically for a short period of time. No showings will take place during this time.

Expired: An expired status means that the listing contract has run out. An expired listing is not on the market.

Canceled: This status means that the house was taken completely off the market. The property must be re-listed in order to be on the market again.

Contingent Offers

A contingent offer is when a current property has to be sold before a new property can be purchased.

Closing Costs

As a buyer, there are closing costs associated with the transaction. The various aspects to the costs include attorney's fees for the deed work, title insurance, and transfer taxes. There can also be pre-paid insurance and taxes and loan costs, if applicable.

Good Faith Check

The good faith check is money that is put forward to show that the buyer is serious about purchasing the property. Once a contract is accepted, the good faith money is deposited into the listing or selling broker's escrow account, depending on what is agreed upon in the contract. There is no interest accumulated on the money. A good faith check can be a personal check from the buyer's checking account.

It is important to keep in mind that the money is actually deposited, meaning that it will be money coming directly from the checking account. The money will be either returned at closing or applied to the costs associated with the closing.

If the contract falls through on inspection, the buyer receives the good faith money back after the release document is signed. However, the good faith money would be forfeited to the seller if a buyer backs out past the inspection period, along with other ramifications.

The amount can vary, typically depending on the price of the property. Some situations (e.g. new construction) require a good faith deposit that is 1% of the purchase price. That means that a \$250,000 property would need a good faith check of \$2,500. The 1% is not a hard and fast rule, but it is important to note that a seller can counter an offer, requesting a higher good faith amount if they so choose.

Inspections

Inspections are available for buyers to review a property for issues and potentially submit a request for repairs. The inspection is scheduled and paid for by the buyer. Most inspections occur during weekdays; however, there are some exceptions for weekend inspections.

The time an inspection takes is varied based upon the size of the property and inspector. It is recommended that the buyer attend at least part of the inspection, which is typically at the end. The inspection company can give more details regarding their process.

Appraisal

Appraisals are a third-party assessment of the value of a property. An appraisal is required by a lender. It is an option as a cash buyer. An appraisal is typically ordered after repairs have been negotiated.

Contract-to-Close

If there is an inspection period, the transaction enters into the contract-to-close period after repairs have been negotiated. The underwriting department at the lender will review the file and the appraisal report, once it is returned. After the loan is approved by the lender, a clear-to-close will be issued, meaning that the loan is ready to close.

Once a closing date has been confirmed, the utility companies can be contacted to transfer services out of your name at your current residence and into your name at the new residence. In addition, you will want to coordinate your mail.

For closing, you will need a form of identification (e.g. driver's license or ID card).

Funds for closing are brought as a certified check or wired from a bank or credit union. If funds are wired, you will always want to confirm wiring instructions with the closing attorney's office via telephone. Do not wire money without confirming the wiring instructions you received from the attorney's office.

After closing, remember to change your address for your credit cards, driver's license, new checks, and any emergency contact information.