



# THE HOME BUYER'S GUIDE

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YOUR JOURNEY TO HOMEOWNERSHIP

# BUYING A HOME IS ONE OF LIFE'S MOST EXCITING ADVENTURES

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Being a homeowner gives you the opportunity to put down roots, become part of a community, and build wealth for your future. However, the trek to becoming a homeowner is no small feat. The good news is you've come to the right place.

Whether you're a first time buyer or a seasoned pro, you'll find everything you need right here to streamline the purchasing and lending process. From savvy tips about how to shop for your home, to helpful information about the home inspection and more, this booklet is designed to make you feel right at home...the entire time you're buying one.



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## TERRY LARSON

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Originally from Chicago, my family and I moved to Boulder in 1998 to enjoy the wide open spaces of Colorado. We had always vacationed here for skiing and hiking, and now we're saving a lot on air fares!

The Boulder Valley has so much to offer - outdoor recreation, great choices for education, impressive local shopping and dining, and eclectic local history. I am thrilled to have local skiing available as I'm an avid telemark skier. The trails in the area are fantastic for year-round running, and the road and mountain biking routes are incredible.

I love sharing my extensive knowledge of the area with new arrivals, as well as long-time residents. Helping people buy and sell real estate allows me to do what I've always enjoyed - connecting with people, developing lasting relationships with them, and helping them look toward the future. Whether you're selling or buying a home, or considering investment property, I welcome the opportunity to make every step hassle-free for you.

# TESTIMONIALS

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Thank you for all you do for our family. We are loving our new house, and really appreciate all the help with the latest family moves. Seems like with you on the job we are all always upgrading and it is a lot to look forward to for us all. Thank you for your time and dedication it takes to make these things happen.

Mike and Ali



Terry took such good care of me throughout the entire home-buying process – even reminding me to breathe and take walks around the block! Her professionalism and expertise was stellar. I was in wonderful hands personally and in all aspects of my buying and selling. I am so grateful for her help!

Kim



My wife and I just completed another fantastic and successful real estate transaction in Boulder, and without question the reason has been our fantastic Realtor, Terry Larson. Terry's knowledge of the Boulder and surrounding markets is second to none. She's an attentive businesswoman and professional salesperson in every manner. My wife and I have certainly benefitted from working with Terry. She's the best in Boulder!

Michael and Janet



We recently used Terry as our Realtor for purchasing a property in Boulder. We would like to convey our deepest appreciation for her service and expertise. Not only did she work hard to find us a suitable property, but she did so by paying close attention to and clearly perceiving our price, location and design preferences. In short, she was both effective and efficient. We enthusiastically recommend her services to anybody who needs a great Realtor!

Elizabeth and Andy





In every market, there is one leader, one company that excels in providing a product or service that people need. For real estate transactions in Boulder, RE/MAX of Boulder is that company. Consistently ranked as one of the best real estate offices in the country, RE/MAX of Boulder attracts the best agents, provides the strongest support and clearly stands out from the competition in every measurable way.

Real Trends Magazine named RE/MAX of Boulder one of the leading brokerages in the US in terms of office productivity by sales volume. RE/MAX of Boulder gives back to the community in ways both public and private. As a whole, RE/MAX of Boulder supports organizations such as the United Way, YMCA and YWCA, Historic Boulder, The Special Olympics, The Lost Boys of Sudan, Imagine, Attention Homes, The Dairy Center for the Arts, Habitat for Humanity, Community Cycles and many more.

Buying a home is a big deal. The financial and emotional stakes are high — but the rewards can pay dividends for a lifetime. It's plain and simple: Owning a home can improve your quality of life, provide stability and give you a sense of control you just can't get from renting. A renter has a place to live, but an owner has something much more beneficial.

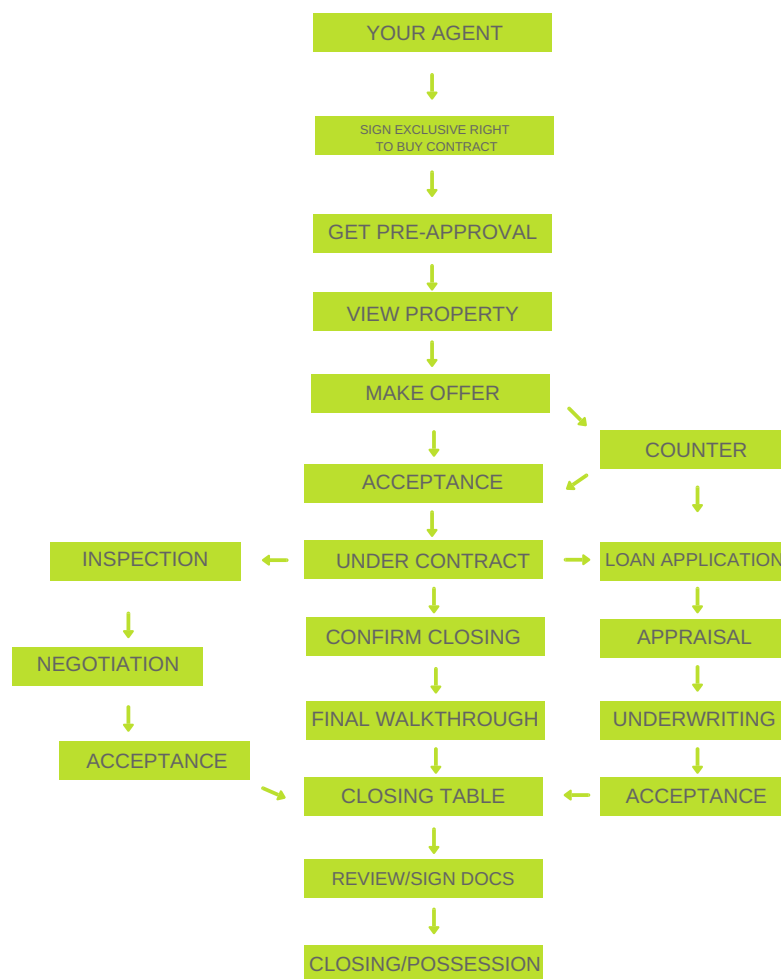
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# THE HOME BUYING PROCESS

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Once your new home goes under contract, closing is generally 4-6 weeks away.

# YOUR AGENT

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Buying a home is like walking a tightrope. Choosing the right agent really makes a big difference in a transaction so complex, involving stacks of paperwork and a multitude of outside service providers and contractors. As your buyer's agent, I will strive to make the process as smooth, fun and stress-free as possible. My experience level in this market will inform my actions as your advocate, every step of the way toward a completed purchase, as I answer your questions and negotiate on your behalf. I will help you find the home that's the best fit, submit offers and counteroffers, suggest good home inspectors and other professionals, and provide all sorts of relevant advice and information. Working with me, you'll have someone on your side, looking out for your interests, through every detail that crops up, from start to finish.

As a Top Producer for RE/MAX of Boulder, I've helped all my clients achieve their goals — from first-time buyers, to those searching for their dream home, to those seeking to downsize. I'm a full-time, full-service Realtor, and my knowledge and skills will make your buying or selling experience a pleasure.

Some things in life are uncertain - like the amount of sun and snowfall we'll have this year. Some things in life are certain, like the professional, thoughtful and honest way I'll take care of you.

## AS YOUR AGENT I PROMISE TO:

- Quickly respond to your needs
- Review all details of the buying process with you
- Strategically plan and negotiate on your behalf
- Be a source for recommendations before and after closing
- Be dedicated to YOUR goals
- Give superb and personalized service, service, service.



# GETTING PRE-APPROVED

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## **THE FIRST STEP**

Before you start looking at houses, work with your loan officer to get pre-approved. This will let you know how much home you can afford, so you don't waste precious time considering properties that wouldn't have worked out anyway. You'll also get a better idea how much will be needed for a down-payment, and for other expenses that will factor into your budget.

## **DETERMINING LOAN AMOUNT**

To determine the loan amount you qualify for, your lender will look at your income, debts, savings, and assets. As a general rule of thumb, your monthly housing expense should not exceed 28-45% of your gross monthly income.

## **WHY GET PRE-APPROVAL?**

Sellers are looking for serious buyers, so as a pre-approved buyer you'll be in a stronger negotiating position. Colorado is a hot market--a pre-approval from a local lender may tip the scales in your favor, especially if multiple offers are involved.

I can provide you with a list of reputable local lenders.

# MAKING AN OFFER

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## MAKING A SMART OFFER

Once you've found the home you love, it's time to make an offer. It's not just about price, it's the whole package; timing, financing, and contingencies are all part of the big picture. Also, how long has the home been on the market? How hot is the market? What are the recent sales prices in the neighborhood? What is the maximum you're willing to spend? Once we have all these answers, we can craft a savvy offer.

## THE PURCHASE CONTRACT AND CONTINGENCIES

Once your offer has been accepted, you will place a deposit into an escrow account. This deposit, called "earnest money," demonstrates your commitment to buying the home, "contingent" on your meeting a number of goals outlined in the contract, within a certain time-frame--typically 30-45 days. Should you miss any deadlines, you would jeopardize your earnest money, so it is important that we carefully monitor contract deadlines.



## MAKING AN OFFER (cont.)

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The offer, also known as the contract or purchase agreement, is a legal document crafted by the Buyer's agent. It outlines the terms and conditions of the purchase. Components can be:

- Purchase price
- Down payment amount
- Earnest money amount
- Expiration date for the offer
- A commitment by the seller to provide a clear title to the property
- Closing date
- Move-in date
- Any contingencies the contract is subject to, such as your need to obtain a loan and a home inspection, and the time-frame for completing both, will be determined by us as we draft the document. Be prepared, however, for the seller to come back with a counter offer before fully signing off on the deal.
- Home inspection deadlines
- Loan approval deadline
- Survey review deadline
- Homeowners Association document review deadline

### WHAT IS EARNEST MONEY?

Earnest money is a deposit you put down when making an offer. It's a sign of good faith to show you're serious about the transaction. The amount varies, but it could be between 1% and 3% of the purchase price. The money gets held in an escrow account until the transaction is finalized, at which point it will go toward your down payment.

# CONTRACT PERIOD

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A successful purchase requires completion of a number of important tasks over the course of a predetermined time-frame, typically 30-45 days. These include:

## **INSPECTION**

A common contingency in a purchase contract is the home inspection. If the inspection turns up defects, and it typically does, the buyer and seller must reach an agreement regarding repairs, or the contract may be terminated. Make sure you attend the inspection and ask plenty of questions. Once we get the results, we'll consider them carefully and prioritize what you need the owner to take care of...either by doing the actual repairs or by reducing the asking price accordingly...before you move forward with the purchase.

## **HOA DOCUMENT REVIEW**

You'll be given access to all documents regarding your new homeowners association. It's important that you read the meeting minutes from the most recent HOA meetings to see what the hot topics of discussion are amongst the homeowners.

## **HOMEOWNER'S INSURANCE**

Protecting your property against loss from fire, floods and storms is not only in your best interest, but required by the lender. Depending on lender requirements, you may either escrow these funds for future inclusion in your monthly mortgage payment, or pay the premiums directly.

## **APPRAISAL**

If you're getting a loan, the house must appraise, or be valued, at or above the purchase price. The appraisal is conducted by a professional selected by the lender. Associated fees are part of your closing costs. If the home does not appraise for a sufficient amount, you may renegotiate the price or terminate the offer without losing your earnest money.

## **DEADLINES REGARDING...**

Survey, Title and Due Diligence review are also typically included in the contract.



# THE HOME INSPECTION

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## WHY YOU SHOULD GET A HOME INSPECTION

After both parties have signed the contract, it's time to get a home inspection. Home inspections are limited, non-invasive examinations of the condition of a home. On average, they cost \$350-\$650, although the range can vary depending on the location, age, and size of the home. A home inspection is worth the small sum it will cost up front because it will help you understand what you're buying.

Home inspections are conducted by a general home inspector, who then prepares a written report of findings, along with relevant photos. You are encouraged to attend your home inspection. The inspector will explain your home's structural and mechanical condition and point out any needed repairs. Hearing and seeing everything in person is always helpful. You will use this information to make informed decisions about your pending real estate purchase. The report is also something of a "new owner's manual" for the home, and you'll learn about maintenance tips and schedules you should follow.

Home inspections are sometimes confused with real estate appraisals. An inspection determines the condition of a structure and all its components, including but not limited to plumbing, electrical, roofing, doors/windows and siding. An appraisal determines the current market value of a property.

I'll provide you with contact information for several reputable home inspectors.



# THE LOAN

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Of the many documents you will receive from your lender throughout the loan process, none is more important to review than the Loan Estimate (LE). The LE outlines all of your anticipated costs in one place, including your loan terms, monthly payment, money required at closing, closing costs, and additional information about your loan. Below are basic terms you'll need to understand.

## **LENDER- AND BUYER-SELECTED SERVICES**

Some settlement services are ordered by the lender, among them appraisals and credit reports. Others, like inspection services and homeowner's insurance, offer you the opportunity to shop around.

## **APPRAISAL FEE**

Although the lender selects the professional appraiser to determine the fair market value of the property you're buying, you are the one who pays for the service.

## **CREDIT REPORT FEE**

By now, you may have done your homework and know your credit score. The lender, however, will also verify your credit score during the underwriting process, and the associated fees will be included in your closing costs.

## **TITLE SERVICES**

A title company searches county records to verify that the title to the property is free of any debts or liens and insures you have a "clear" title.

## **ESCROW ACCOUNT INFORMATION**

Many lenders require buyers to pay in advance, or to escrow funds, for ongoing required items--typically homeowner's insurance premiums and property tax estimates. If your loan will have an escrow account to pay homeowner's insurance, the amount of your monthly insurance payment will be shown in the LE.

# WHAT NOT TO DO DURING THE LOAN PROCESS

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## WHAT NOT TO DO DURING THE LOAN PROCESS

As your closing date approaches, you may be tempted to celebrate by buying new furniture or appliances, but doing so could jeopardize your loan approval. Here are some actions you should avoid taking until you've closed on your new home:

- Don't apply for credit (such as a new credit card or car loan)
- Don't make major purchases (like furniture or appliances)
- Don't liquidate investment funds
- Don't make large deposits
- Don't switch jobs

All of these factors could impact your final loan closing, even if you've already been approved.



# CLOSING ON YOUR HOME

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## WHAT TO EXPECT AT YOUR CLOSING

At closing, the final part of the homebuying process, you commit to your mortgage and become the legal owner of your new home. On closing day, you sign your loan paperwork, and the property title is transferred into your name. The closing usually takes about an hour.

## WHO WILL BE PRESENT AT CLOSING?

- Title company/Closing agent
- You (The Buyer)
- Me (Your Agent)
- Mortgage lender
- Seller
- Seller's Agent

To ensure a smooth closing, the following steps must be taken before closing day:

- Verify where your closing will take place
- Review the Closing Disclosure (CD) and make sure any errors are corrected. (The lender is required by law to provide the CD three days before closing. If any fees change, another CD must be issued and you must wait an additional three days.)
- Ask your lender to provide you with a copy of your other closing documents so you can review them in advance. These include the promissory note and deed of trust.
- Find out how much money will be needed to close and how to transfer payment (e.g., cashier's check, wire transfer).
- Do a final walk-through of the home 24 hours before closing to ensure all repairs have been made.



# PREPARING TO MOVE

An organized move is a successful move. These timely reminders will help you prepare for your move so everything goes smoothly when the time comes. You're going to love your new home, and this convenient checklist will help make the transition easy!

## 3-6 WEEKS BEFORE MOVING

- Book a moving company or reserve a rental truck. If you're moving yourself, be sure to inquire about vans with special features, like lift gates, that help simplify the task
- Gather important personal, legal, financial, medical and dental records and documents, including any prescriptions
- Get boxes and packing supplies
- Pick up change-of-address cards and complete them for friends, relatives and businesses
- Notify all utilities, doctors, dentists, veterinarians, insurance agencies, DMV, VA, social security, banks, credit card companies, subscriptions, memberships, clubs and schools
- Sort your stuff--pack it, donate it, or toss it



## PREPARING TO MOVE (cont.)

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### 1-2 WEEKS OUT

- Notify the post office of your new address and arrange to have mail forwarded.
- Collect any items being stored, repaired or lent.
- Make an appointment to have appliances and utilities disconnected at your old home and re-installed in your new home.
- Organize bank transfers and clear out your safe deposit boxes
- Prepare your “open first” box with cleaning items, tools, light bulbs, scissors, tape, etc.
- Doing it yourself? Line up a group of sturdy friends to help. Many hands make light work.
- Show your gratitude with prepared snacks, drinks and lunch for everyone helping you move.



### MOVING DAY CHECKLIST

- Double check every room, garage, crawlspace, etc. for anything you may have forgotten.
- Write down your final meter readings to verify your final bill is correct
- Unplug the TV set and allow to cool to room temperature before moving to avoid damage

# MOVING IN

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## CONGRATULATIONS ON BECOMING A HOMEOWNER!

You've finally made it past closing. Now it's time to move in! Below are some final reminders to help you get started on the right foot as a homeowner.

Remember:

- File your closing packet in a safe place

Change your address with:

- The US Postal Service
- Your bank and credit card companies
- The Department of Motor Vehicles (update your ID or driver's license)
- Your insurance company, internet provider, and phone company

Switch utilities to your new address:

- Water
- Electric
- Gas
- Trash/Recycling



# GLOSSARY OF TERMS

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## **ADJUSTABLE RATE MORTGAGE (ARM)**

A Mortgage with a variable interest rate, which periodically adjusts.

## **AMORTIZATION**

The payment of a loan via installments, over time, with the details of the amount paid toward interest, and the amount paid toward principal.

## **ANNUAL PERCENTAGE RATE**

The actual yearly costs of borrowing money, including rate, fees, and other costs associated with the loan.

## **BUYER'S AGENT**

I work as a buyer's agent. A buyer's agent works solely on the behalf of the buyer, to promote the interests of the buyer with the utmost good faith, loyalty and fidelity. A buyer's agent negotiates on behalf of the buyer, and is an advocate for and counselor to the buyer. We will sign an Exclusive Right to Buy Agreement, which allows us to work together and sets forth my duties and obligations as your buyer's agent.

## **CLOSING**

The final step in buying a home, also called "settlement," which involves the signing of all necessary documents at a title company.

## **CLOSING COSTS**

Amount paid to buy a home above and beyond the basic purchase price. Included are loan costs, taxes, transfer and lender fees, prepaid costs like taxes and insurance, and any other third-party charges.

## **CREDIT REPORT**

A credit risk assessment tool used by lenders to evaluate your ability to repay debt.

## **DEBT-TO-INCOME RATIO**

A ratio used by lenders--essentially all your monthly expenses divided by your gross monthly income--that helps predict your ability to repay a loan.

## GLOSSARY OF TERMS (cont.)

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### **DOWN PAYMENT**

The initial amount paid toward the purchase of a property, with the remaining cost covered by a loan.

### **EARNEST MONEY**

A deposit paid to the seller demonstrating the buyer's commitment to purchase the home, held in escrow and applied toward your down payment at closing.

### **TITLE COMPANY**

A third-party entity that collects, holds and regulates payment of the earnest money deposit. They also do the title search, issue the title insurance and perform the closing.

### **FLOOD INSURANCE**

If your home sits in a flood zone, it is important to note that you'll need more than basic homeowner's insurance to cover your property. The most common flood insurance is offered through the federally regulated program known as the National Flood Insurance Program (NFIP).

### **HOMEOWNER'S INSURANCE**

An insurance policy that protects against fire, wind, hail, theft, vandalism and other damages.

### **HOME EQUITY**

The current market value of a home vs. remaining mortgage balance. If a borrower owns a property worth \$600,000 and has liens of \$400,000, the equity is \$200,000.

### **LOAN-TO-VALUE (LTV)**

The ratio of the loan amount to the appraised value of the property. A down payment of 20% would equate to an LTV of 80%.

### **MORTGAGE**

A binding agreement in which money is lent with interest in exchange for title of the borrower's property until the loan amount is paid (usually 15-30 years).

## GLOSSARY OF TERMS (cont.)

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### **ORIGINATION FEE**

An upfront charge by a lender for completing the loan process, typically quoted as a percentage of the total loan.

### **PRINCIPAL, INTEREST, TAXES AND INSURANCE (PITI)**

The sum of monthly mortgage expenses including principal, interest, taxes and insurance.

### **POINTS**

A form of prepaid interest in exchange for a reduced interest rate. One point is equal to 1% of the loan.

### **PRE-APPROVAL**

A lender's letter stating your ability to qualify for a mortgage based on their already having reviewed your income and credit documents..

### **PRE-QUALIFICATION**

This initial step in obtaining a mortgage, in which a lender evaluates your financial position, gives you an idea of how much you can afford to borrow.

### **PRIVATE MORTGAGE INSURANCE (PMI)**

If a down payment makes up less than 20% of the purchase price, a lender will often require PMI until your equity meets the 20% threshold.

### **SELLER RENT BACK**

Occasionally, the closing date may be earlier than a seller is prepared to move. In this case, the seller may negotiate paying "rent" to the buyer for the additional time needed to vacate the property.

### **TITLE INSURANCE**

Protects the lender and buyer against claims tied to a title on a property.

## NOTES

## LET'S CONNECT

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