

Standard Seller and Buyer

1. FINANCING

- a. Start early – get pre-approved, not just “pre-qualified”
- b. **Be sure you know what your payment and cash requirements will be. *REMEMBER: Your Loan Officer MUST give you a Good Faith Estimate of your closing costs.***
- c. Be sure you know how your chosen loan program works.
- d. Be prepared to pay for your property appraisal once your offer is accepted. The cost of an appraisal will range from \$400 to \$600 for a single unit home. Two, three and four unit homes and investment property purchases will cost more.
- e. ***Talk to your lender as soon as possible about locking in the interest rate on your loan. Your interest rate may change (and hence your payment may change) until you request the lender to lock in the interest rate. Be sure that the length of the rate lock is sufficient to cover the escrow period (i.e., 30 or 45 days).***



2. TITLE AND ESCROW

- a. The title insurance company is responsible for insuring that there are no undisclosed liens on the property.
- b. The escrow company is responsible for holding documents and monies until all parties are satisfied that the terms of the purchase have been met. The escrow company will then record the necessary documents and disburse all monies as instructed by the buyer and seller.
- c. ***Although California law states that the choice of title insurance company and the escrow company are negotiable between the buyer and seller, in practice, these are the seller's choice and the seller typically will not negotiate this.***

3. CONTINGENT OFFERS

- a. Sellers may accept an offer contingent on the sale of another property in a market that is considered a “buyer’s market.” A “buyer’s market” is one where there are more properties on the market than there are buyers for those properties.
- b. ***If a seller accepts a Contingent Offer, there may be a provision in the acceptance stating that the seller may continue to offer the property for sale; if the seller finds another buyer for the property before the contingency is lifted, the seller will give the first buyer a period of time (usually 48 or 72 hours) to remove the contingency. If the contingency is not removed within that time frame, the seller will cancel the Contingent Offer and accept the second offer.***



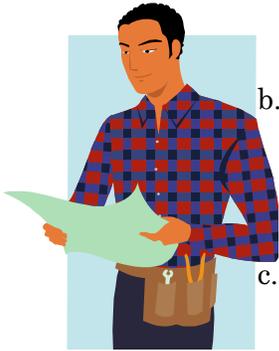
4. **VERBAL COMMUNICATIONS**

- a. Although we all want to believe that we can trust someone, real estate contracts should always be in writing. This includes any Amendments or changes such as closing or contingency dates.
- b. ***Verbal communications and agreements are unenforceable, do not rely on them.***



5. **INSPECTIONS**

- a. As the purchaser of real estate you should request physical inspections of the property you are purchasing. Typical physical inspection requests include:
 - i. Wood destroying pest inspection (termite)
 - ii. Private sewage system (septic tank)
 - iii. Private water system (water well)
 - iv. Property inspection (inspection of plumbing, electrical, roof, pool, and other portions of the property)
- b. Inspections are usually optional; however, inspections, when requested, also become contingencies of the contract. If an inspection is done on the property, you, as the purchaser, can request the seller to make corrections based on the findings of the inspection. If the seller refuses to make such corrections, you may back out of the contract.
- c. ***To protect yourself, you should, at a minimum, request a property inspection by a professional inspection company. Your Realtor can recommend a reputable property inspection company. A property inspection is typically paid by the buyer and the cost will depend on the size of the property. Costs typically range from \$250 to \$400.***



6. **CONTINGENCIES**

A contingency is something that must be accepted by the buyer or seller in order for the transaction to continue. The following are typical contingencies in a real estate purchase transaction:

- a. Loan approval
- b. Property appraisal
- c. Property being vacated by tenants
- d. Approval of reports
 - i. Wood destroying pest inspection (termite)
 - ii. Private sewage system (septic tank)
 - iii. Private water system (water well)
 - iv. Property inspection (inspection of plumbing, electrical, roof, pool, and other portions of the property)
 - v. Homeowners' Association documents (CC&Rs, budget, bylaws, etc.)
 - vi. Natural and Environmental Hazards report listing flood zones, fire hazards, and earthquake faults.



Contingencies must be removed in writing. The California Residential Purchase Agreement And Joint Escrow Instructions specifies that if the contingencies are not removed, the other party may cancel the Agreement.

7. **WRITING YOUR OFFER**

- a. **Work With Your Realtor**
Your Realtor will guide you through the process of writing your offer. Included in the discussions you should have with your Realtor are:
 - i. Price
 - ii. Repairs to be requested

- iii. Contingencies (such as the appraisal, clear termite report, etc.)
- iv. Length of escrow
- v. Type of financing
- vi. Costs the seller is to pay on your behalf (closing costs)

b. Conditions To Submit Your Offer

- i. Pre-approval letter from your preferred lender
- ii. Copy of any automated approval from your lender
- iii. Copy of the first page of your credit report demonstrating your credit scores
- iv. Bank statement(s) or other method of proving you have the necessary funds to close the transaction
- v. Earnest money deposit (check)



8. UPON CLOSING



The listing agent will request the removal of any signs and lockboxes; *please do not remove these*. Please note that many agents, inspectors, and others had access to your new home – **IT IS HIGHLY RECOMMENDED THAT YOU CHANGE THE LOCKS AND/OR RE-KEY THE LOCKS FOR YOUR SECURITY.**

You must transfer the utilities to your name immediately upon closing into your name.

Provided To You By:

