

Steps to Buying

Fall 2013 | Seattle Real Estate Buying Guide



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“A note to home buyers: It’s very likely that you are looking me up as a result of a referral from a previous client or a friend. My business is hugely dependent on these word of mouth referrals! I’m grateful to whoever referred you, and I promise to take very good care of any future buyers or sellers that you send to me.”

Steps to Buying a Home

These steps can take 3 months or more, or they can take 3 days. It depends on your circumstances!

Step 1: Pre-approval

Becoming pre-approved for a loan prior to your purchase is important for 2 reasons: first, so you know your financial abilities (and don’t waste your time looking outside of them), and second, to show the seller you’re qualified when presenting an offer. If you don’t already have a lender, I have good, experienced lenders I can refer you to.

If you are moving up to a bigger house or downsizing you have different kinds of financing needs, and several options regarding both timing and financing. Let’s talk about your goals.

If you are planning to pay cash, we’ll need to demonstrate to the seller that you have funds available.

Step 2: Viewing Property

After you have been pre-approved, we will begin viewing properties based on the criteria you have given me. We’ll be e-mailing listings and comments to each other, as we eliminate properties that are not appealing to you without having to physically visit them. We’ll both search the databases we have access to.

You may spot places as you drive by neighborhoods you're interested in, and have your friends pick up flyers for you of homes in their neighborhood, or tell you when one of their neighbors is talking about moving.

After our first tour of homes together, I will usually be able to rule out the homes I'm sure you wouldn't consider, so if you request me to I will preview homes before we visit them. I can take additional photos and give you more detailed information about the block and the condition of the property than the website gives us.

Additionally, if you're doing this search in advance of your arrival in Seattle, I'm happy to preview and report back for you on homes we identify.

Short Sales & Foreclosure Properties

Traditionally, an individual seller and an individual buyer come to an agreement on what a home is worth, agree to sell/purchase it, and move forward through an escrow period while the buyer gets his or her loan to close on the purchase.

But we currently have a market situation where in some neighborhoods at least one third of the transactions involve a property that has already been foreclosed on and is now bank-owned (REO) or a property where the seller owes more on the mortgage than the home is worth, which means the bank will be "short" on their pay-off.

These transactions are quite different from the traditional ones. I explain them in more depth [here \(link goes to my website\)](#), but just want to point out to you at the outset: You CANNOT control or predict your closing date on a short sale, nor guarantee that the bank will accept any offer at all instead of just proceeding to foreclose on the property. (But if your circumstances and emotional fortitude permit, you can eventually get a great deal.)

With REO properties, it is much easier to close in a timely manner. You may have to pay extra costs to have the utilities turned back on to have your inspection done, and you may have significant restoration work to do, but again...it's possible to get a great deal. ***We should decide at the outset, depending on your circumstances, if we should include short sales in our home search and visits.***

Step 3: Writing the Offer

Once we've found a property that you want to buy, I will write an offer and present it to the seller for you. I will help you outline a strategy for your offer regarding available contingencies and feasible terms to help you obtain the best price possible (or be "the chosen one" in a multiple offer situation).

At this point I would expect that you will have seen enough homes so that you clearly recognize the value of this home in comparison with the others. In every case, I find that the relative value is very clear to the buyer; if it's not clear yet we have more work and more research to do, to make sure that you are not tempted to offer more than the home is actually worth (or less than what would be required if it's a multiple offer situation).

We may go back and forth for a few days with the seller's agent before we get your offer accepted. Our current market is much more accepting of "contingent offers" than it was for several years, so if you need to sell your current home first don't let that stop you from moving forward with an offer!

Step 4: Earnest Money

Along with your offer we will include an "earnest money" check. (The earnest money is essentially part of your down payment. The rest of your down payment you'll bring at closing.) This can be a negotiating tool and it's also compensation for the seller if you default on your contract. The amount of earnest money varies, but in the Seattle area it is usually between 2% to 5% of the purchase price.

After the offer has been accepted, the earnest money check is given to the escrow company that will handle closing, and is then cashed and deposited into an escrow account for you. The escrow company is a neutral third-party company that handles the money and documents for both parties to the transaction.

Step 5: Form 17

The seller of a condo or a single-family home is legally required to give you a Real Property Transfer Disclosure Statement, or Form 17. This 5-page form is filled out by the seller to give prospective buyers detailed information about the condition of the property.

After you receive the Form 17, you will have 3 business days to review it, with the right to rescind your offer to buy if you're not satisfied with what it says about the home. Usually we can get this form before we even write up an offer.

Step 6: Resale Certificate

Condominiums have an additional protection for the buyer. The Form 17 tells you what the seller knows about his/her particular unit. But because there is shared ownership of the building, you need to know the legal background of the condominium, the financial status of the Homeowners Association, pending or recent repairs or special assessments, the Bylaws of the condominium, and details about operating budgets and potential dues increases. The Resale Certificate includes all of this information.

Unlike the Form 17, though, you won't get it until 7 to 10 days after your offer has been accepted. You will have 5 days to review it, with the right to rescind (or renegotiate) your offer if you are not satisfied. I will review this key document very carefully with you, and some buyers even have an attorney review it.

Step 7: Finance Contingencies

Most buyers obtain a loan to buy the property, rather than paying with all cash. If we make your offer contingent on your ability to get a loan, you'll have to formally apply for that loan within just a few days after your offer is accepted. (You'll still

need a pre-approval letter from a lender to submit with the offer, even if we do include a Finance Contingency.) I'll send a copy of the contract to your lender as soon as the offer is accepted.

If you have a Finance Contingency in your offer, you are protected if your lender's appraisal comes in low.

If you are planning to pay cash and want an appraisal, we will write a special contingency form to protect you.

Step 8: Inspection

I can personally refer you to several home inspectors, all of whom perform a very thorough inspection. The cost of an inspection is between \$350 and \$450 (condos usually cost less than houses), and is paid by the buyer at the time of the inspection.

If the inspector finds conditions that are unacceptable to you on the property, you can request the seller to either correct them prior to closing, or credit you with an agreed-upon amount of money to cover them, or you can terminate the contract to purchase.

Step 9: Appraisal

I let your lender know after we've finished negotiating any issues that came up during the inspection, and then the lender will order an appraisal. You don't have to pay for the appraisal at the time it is done; this cost is charged to you at closing.

The appraised price needs to be at least as much as the purchase price. If it's lower, you can terminate the contract unless a) the seller reduces the purchase price to match it or b) the seller obtains, at their own expense, another appraisal which is acceptable to your lender.

Step 10: Loan Documents

Once the appraisal is complete and satisfactory, the mortgage

underwriter will draft your loan documents and email them to the escrow closing agent for your signatures.

Step 11: Signing & Paying Your Down Payment

When the loan documents are received by escrow, the escrow agent will call both the buyers and sellers to set up appointments to sign (in Seattle these are usually at different times, and the sellers and buyers don't meet).

In addition, the escrow agent will draft an "Estimated Settlement Statement" (called a HUD-1 for short) that shows all of the amounts that you are being charged and credited. You and I both will have a chance to review the HUD-1 and make sure all the amounts are correct before you go in to sign anything, probably just the day before you sign. The HUD-1 shows you the amount you need to bring in to your signing.

The most efficient way is to wire-transfer the funds to the escrow company's account, but some buyers like to bring cashier's checks. A Washington State law requires the cashier's check to be held 24 hours by the escrow company, so this can affect the closing date.

After you have signed your closing documents they typically will be sent back to the lender for review. The transaction usually does not close on the day of signing, but a day or two after.

Step 12: Closing

After receiving and reviewing you loan documents, your lender will then wire-transfer your loan funds to escrow and instruct the escrow agent to "close" the transaction. At that point the escrow company will physically record the title change at the county auditors and transfer all of the funds to the appropriate people.

Congratulations, you now have a new home and I will pass you the keys! You actually get "possession" of the home at 9:00 p.m. on the

day of closing.

Step 13: Last step!

At this point, I get paid! My commission is paid by the escrow company, with the seller's funds. The listing contract specifies that the commission will be paid and split between the listing agent's company and the selling agent's company (and then we each split our commission with the company).

As your representative I am here to guide you through every step of this process and make your transaction as easy and enjoyable as possible. Negotiating on your behalf, I will be keeping your best interests at the top of my agenda from here to closing and beyond.

I'll stay in touch with you after closing and make sure you have access to reliable contractors for any repairs or upgrades you need to make, and I'll update you periodically on real estate happenings in the neighborhood. You are always welcome to contact me with questions about your home or any other real estate concerns. Consider me your personal resource!

About Virginia

I am a residential real estate broker with Windermere Real Estate Northwest. I compiled this directory to help my past and present clients find the best people to help out with home projects.

A Wealth of Experience

I have represented a wide range of clients in countless transactions in the Seattle area over the years: first-time homebuyers, investors, for sale by owner purchases, move-up sales, and down-sizing to retirement home sales. My clients' purchases and sales have ranged from single family homes to condos, townhomes, and multi-family buildings.

My Commitment to You

Buying or selling a property is a serious business – and involves a lot of money! – but I aim to make the process as stress-free as possible, while interacting with all parties with honesty, open communication, respect and humor.

More Available Online!

Want more tips on Seattle real estate? Get information, inspiration, and more at www.virginiacalvin.com.

