

# HOME

## BUYER'S GUIDE

FOR NAVIGATING THE 2024 MARKET



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# Hi there!

I'm Rachael Smith. I was born and raised in Louisville, Kentucky where I attended the University of Louisville to pursue my degree in Management and Marketing. Since graduating I became a full time resident of Big Bear Lake for 17 years now. When I made the transition from Louisville to here I started with a Vacation Rental Management Company Big Bear Vacations.

From starting as the Call Center Sales Coach I moved up and through the company eventually to be the Chief Financial Officer. With sales being my passion I decided to pursue a career in Real Estate.

I entered Real Estate in 2013 and truly enjoy what I do, who I work with and clients I have met along the way. In 2023, I helped 52 clients with their dream of owning or selling Real Estate in Big Bear Lake, CA. As of July 2016, I passed my California Real Estate Brokers Exam, becoming a licensed Broker.

In my spare time I enjoy my 3 little girls, traveling the world with family and training for ultra marathons. My current goal is to run a 50 Miler, complete my 5th Ironman and learn Mandarin. I love my job; I love meeting new people; I love where I live; I love the outdoors.



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# HOME BUYER'S GUIDE

## FOR NAVIGATING THE 2024 MARKET

**STARTING YOUR JOURNEY  
INTO HOME BUYING?**  
I'm here to guide you through it!

Think of this guide as your roadmap, simplifying each turn and crossroad in the journey to buying your dream home. My aim is not just to inform but to inspire confidence as we work together to navigate one of your most exciting life ventures.

Embarking on the path to owning a home is more than just a series of transactions; it's about bringing your personal aspirations to life in a space that's truly your own. The real estate world can be complex, with market fluctuations, legal details, and crucial decision-making moments.

That's exactly why this guide, combined with my expertise, becomes invaluable. I'm here to clear the fog and ensure you are fully equipped to make informed, confident choices. Think of me as your partner in this journey, providing not just guidance, but also the assurance that you are making the right moves at every step. My commitment is to offer you a comprehensive service that goes beyond the standard, making sure that when you're ready to make that commitment, it's with a sense of excitement and assurance in the value of my partnership.

*Ready?*

**Then let's get started...**

# OK, SO... WHAT IS BUYER AGENCY?

## DEFINITION

Buyer Agency refers to a legal relationship between a potential homebuyer (that's you) and a real estate agent or broker. In this relationship, the agent or broker (known as the Buyer's Agent) represents your interests during the home-buying process.

## AGENCY AGREEMENT:

Much like Listing Agreements are entered into with sellers, the relationship between a buyer and the Buyer's agent is typically formalized through a Buyer Agency Agreement. This legal document outlines the duties and obligations of both the agent and you, the buyer. It includes details like the duration of the agreement, the geographic area for your home search, the type of property you're interested in, and details of the agent's compensation.



# KEY RESPONSIBILITIES

## OF A BUYER'S AGENT



**Fiduciary Duties:** As your buyer's agent, I have fiduciary responsibilities to you. This means I must act in your best interests, with loyalty, confidentiality, and care. I prioritize your needs and work to ensure that you get the best possible outcome in your home-buying endeavor.

**Property Search and Coordination:** I not only assist in searching for properties that fit your criteria, but I also schedule and attend viewings, provide insights into the local real estate market, gather all available disclosures, and communicate with the various listing agents to help gather as much information as possible.

**Expert Advice:** I offer expertise in various areas such as market trends, neighborhood information, property values, financing incentives, and pricing strategies. I can also interpret complex real estate documents and contracts to ensure proper protections and safeguards are integrated for your specific situations.



**Negotiation:** Besides negotiating the price, terms, and conditions of the sale, I often strategize and negotiate several other aspects when writing offers for you. These can be crucial in making an offer more appealing to the seller or in ensuring that your interests are well-protected. Here's a rundown of these additional aspects:

- **Closing Date:** I may negotiate the closing date to align with your schedule or financial planning, including coordinating with your lease end, sale of your current home, or availability of funds.
- **Contingencies:** I negotiate crucial contingency clauses, including home inspection, financing, sale of current home, appraisal, and others.
- **Repairs and Credits:** Based on the home inspection, I may negotiate for repairs or credits to be made by the seller.
- **Inclusions and Exclusions:** Negotiating which fixtures or personal property are included or excluded from the sale.
- **Rent-Back Agreement:** If the seller needs more time to vacate, a rent-back agreement can be negotiated.
- **Closing Costs:** In some cases, I negotiate for the seller to pay a portion or all of your closing costs.
- **Warranty:** Requesting a home warranty paid for by the seller.
- **Escalation Clauses:** In a competitive market, I may add escalation clauses to automatically increase your offer.
- **Earnest Money:** Negotiating the amount of earnest money deposit to show the seriousness of your offer.
- **Title and Survey:** Ensuring clear title and negotiating who pays for title insurance and survey.
- **Closing Location and Time:** Sometimes, I can negotiate the location and time of the closing to make it more convenient for you.

**Coordination of the Purchase Process:** I coordinate the extensive purchase process, organize inspections, ensure deadlines are met, and act as the liaison with other professionals involved in the transaction like mortgage brokers, attorneys, insurance agents, title companies, and home inspectors.

## BENEFITS TO YOU:

**Representation:** I ensure that your interests are represented in the transaction.

**Access to Resources:** I have access to extensive real estate listings, including many "off-market" properties.

**Save Time and Stress:** I handle the heavy lifting of the home-buying process, saving you time and reducing stress.

**Negotiation Power:** I have negotiation skills and experience critical in getting a favorable deal.

**Guidance and Support:** I guide you through every step, providing support and advice, particularly helpful for first-time buyers.



## THINGS TO CONSIDER:

### **Exclusive vs. Non-Exclusive Agreements:**

Agreements can be exclusive or non-exclusive; understand the terms before signing.

**Commission:** Understand how I am compensated, in light of recent industry changes around how commissions can be paid. In short, commission can be negotiated to be paid either by the seller, by the buyer, by the listing broker, or a combination.

**Communication and Compatibility:** Partnering with me, an agent you're comfortable with and who communicates well, is crucial in your home-buying journey. The buyer-agent relationship should be a trusted one.



As a buyer's agent, my role in coordinating the purchase process is comprehensive and involves several key responsibilities:

**Handling Paperwork and Managing**

**Documentation:** I manage all the necessary paperwork and documentation involved in the purchase process. This includes drafting and reviewing addendums, amendments, disclosures, and ensuring all contract elements are correctly executed. My expertise lies in making sure that every document reflects your interests and needs accurately.

**Timelines and Deadlines:** I meticulously track and adhere to all time frames and deadlines stipulated in the contract. It's my job to ensure that every step, from the offer submission to the closing, happens within the agreed-upon schedule. This includes prompt communication and follow-ups with all involved parties.

**Guidance on Complex Legal Contracts:**

I provide detailed guidance on the complexities of legal contracts involved in buying a home. My role is to demystify the legal jargon and ensure you understand the implications of what you're signing, protecting your rights and interests at every stage.

**Coordinating Inspections:** I coordinate various types of inspections necessary for your prospective home, including general home inspections, pest inspections, and any specialized assessments that may be required. It's crucial to identify any potential issues that could affect your decision or negotiation position.

**Review of Inspection Findings:** After inspections, I review the findings with you, advising on the significance of each aspect. If there are issues, I strategize on the best course of action, whether it's negotiating repairs, asking for credits, or re-evaluating the offer.



**Managing Contractors:** If repairs or improvements are needed, I can help manage interactions with contractors, obtain quotes, and ensure work is completed satisfactorily.

**Navigating the Closing Process:** I guide you through the entire closing process, which includes finalizing financing, reviewing closing documents, and ensuring all legal and financial obligations are met. I am prepared to tackle any unexpected hurdles or curve ball that might arise.

**Final Walk-Through:** Before closing, I conduct a final walk-through with you to ensure the property is in the agreed condition and that all terms of the sale are met.

**Providing Ongoing Information and Recommendations:** Throughout this process, I offer continuous information, recommendations, and advice on what is customary in the market. This includes sharing insights into market trends, data, and past sales which might influence your decisions.

**Support and Advice:** I am your steadfast advocate and advisor from the beginning to the end of the home-buying process. My goal is to make this journey as smooth and successful as possible, ensuring that you are informed, comfortable, and confident in your decisions.



## ***Why Commit to an Experienced Buyer's Agent?***

*In essence, my role as a buyer's agent in coordinating the purchase process is to be your knowledgeable and reliable partner, navigating each step with precision and care to ensure a successful and satisfying home-buying experience. And due to new regulations, it will soon be law, that real estate agents will be prohibited from showing properties without first entering into a Buyer Agency agreement and establishing compensation.*

# UNDERSTANDING HOW BUYER AGENTS GET PAID: A SIMPLE EXPLANATION

*CURRENT AS OF 04/11/2024*

**Beginning in July, 2024, all agents by law, will be required to use buyer representation agreements and establish their compensation PRIOR to showing a property.**

As a buyer's agent, my compensation typically comes from a commission-based model, paid out in various possible ways. See the next page for a simplified break down to give you a clear picture on how it works.

### **Commission Origin-Traditional Model:**

When a seller lists their home, historically they agree to pay a commission to their real estate agent (the listing broker) as part of the listing agreement. This commission is usually a percentage of the sale price of the home.

**Sharing the Commission:** The listing agent, with the seller's agreement to allow for "cooperation and compensation", offers a portion of commission to buyer's agents as an incentive for bringing a buyer to the property.

This split is usually predetermined and historically was displayed in the MLS (Multiple Listing Service) as a "guaranteed" payment to the Buyer's Agent. But due to recent regulatory changes, the public display in the MLS is being prohibited as early as July 2024.

- *As the buyer, under this model you generally don't pay the commission directly out of pocket. It's the seller who pays the commission out of the proceeds of the sale either directly to the buyer broker, or to their Listing broker, who pays the buyer broker.*



**Closing Transaction:** The commission is paid at closing. Once the property transaction is completed, the commission is disbursed as per the agreements to the respective brokers/agents.

**Key Takeaway:** My role as your buyer's agent is to represent you and your interests in the home buying process, and this service, in a traditional setup, doesn't add a direct cost to you as a buyer. The commission structure ensures that I am compensated for my efforts and services by receiving a portion of the commission paid by the seller to the listing brokerage. This setup allows me to focus entirely on your needs and interests, helping you find and purchase the ideal home.



## TRADITIONAL COMPENSATION MODEL:



*Note: the buyer is not directly involved in the financial transaction between the seller and the agents.*



**\*\*\*It is important to note that with the recent changes, there will be some circumstances where a seller will opt out of offering compensation to the buyer's agent, here are a few scenarios and solutions to consider:**

## ALTERNATE COMPENSATION MODELS:

**1**

### **Negotiating Commission with the Seller:**

If we encounter a listing that is NOT offering a commission to buyer agents, and you still want to consider the property, one approach I can take is to negotiate with the seller or the seller's agent to include my buyer's agent commission in the terms. This can be part of the overall negotiation process when making an offer on the property.

**2**

### **Adjusting the Purchase Offer:**

Another strategy could be to adjust the purchase offer to indirectly cover the commission. For example, if the home is listed for \$300,000 and the typical commission would be \$9,000, we could offer \$309,000 with the condition that the seller pays a \$9,000 commission to the buyer's agent. This way, the net to the seller remains the same and your commission obligations are rolled into the overall price of the home.

**3**

### **Seller Concessions:**

A seller concession is an agreement where the seller agrees to pay a portion of the closing costs on behalf of the buyer. This can include various fees associated with purchasing a home, such as loan origination fees, appraisal fees, points, etc, reducing your upfront out-of-pocket expenses, potentially making the home purchase more affordable to account for direct pay commission obligations.

**4**

### **Buyer Pays**

In cases where the seller refuses to pay the buyer's agent commission, and it cannot be built into the purchase price, you as the buyer may be responsible to pay the commission directly. This would be something we'd discuss and agree upon before moving forward on a property and it will be stipulated in our buyer's agency agreement.

**OR ANY COMBINATION OF THE ABOVE**

# UTILIZING YOUR AGENT:

## HOW TO REAP ALL THE BENEFITS



## WHAT YOU DON'T KNOW COULD COST YOU

When you're in the market to buy a home, **it's crucial to understand the dynamics of real estate transactions**, especially regarding agent representation and compensation. One key concept that can significantly impact the process is the principle of "procuring cause."

### **PROCURING CAUSE: SIMPLIFIED**

Procuring cause is a term used in real estate to determine which agent is entitled to the commission on a property sale. It refers to the actions that directly lead to the sale of a property.



## HERE ARE SOME EXAMPLES THAT MAY UNKNOWINGLY PUT YOU IN THE POSITION OF PAYING COMPENSATION OUT OF POCKET:



### 1. Contacting Listing Agent Directly

Visiting open houses on your own is a great way to learn what you like and dislike. **Make sure to register with the host agent and let them know you're partnering with me.** Remember, keep your excitement contained. The host agent represents the seller and, it's best to keep your cards close to the vest for negotiating. Think of it this way...**ANYTHING** you say or do can be used against you in negotiations!

### 2. For Sale By Owner

If you find a FSBO, let us know so we can help you maximize your process. I have the expertise to make contact, negotiate, and make sure the entire process goes off without a hitch. **We can help you save money in the transaction**, but more importantly, save you the headaches of buying all on your own.



### 3. New Construction

Creating your dream home is an adventure. Surprisingly to most buyers, the builder's role is very much like a traditional home seller. I will represent you as a buyer and use my expertise to make sure you get the absolute best experience with peace of mind knowing you received the best deal possible. **Many builders budget for a buyer's agent commission whether you use one or not, so take advantage of my expertise by ensuring we are having you follow their policies when visiting developments.**



## What you don't know could cost you #1 **CONTACTING A LISTING AGENT DIRECTLY**

*If you contact a listing agent directly to view a property without involving me, it could impact who receives the commission (remember in some cases the seller is paying the listing agent and the agent is sharing that commission with the buyer's agent who consummates the sale). In such cases, the listing agent may claim they are the procuring cause of the sale since they showed you the property and initiated the transaction and make a claim for the buyer's agent compensation.*

**Why This Matters:** If the listing agent claims to be the procuring cause, they might be entitled to the full commission. This can complicate or even jeopardize our agency relationship and the level of service I can provide to you and require you to pay commission directly. It's essential to have consistent and dedicated representation to ensure your interests are always the top priority.

**Best Practices for You as a Buyer:** Always communicate through your buyer's agent (that's me) when you're interested in a property. This ensures clear representation and avoids any confusion over procuring cause.  
THIS INCLUDES VISITING OPEN HOUSES TOO.  
If you happen upon an open house or a listing online, inform the listing agent that you are represented by a buyer's agent, this declaration helps maintain clarity about who is representing you. Always call me to arrange for any showing appointments.

**Your Protection and Benefit:** Working consistently with me, your buyer's agent, ensures that you have an expert advocating for your best interests throughout the entire process. It also avoids any potential disputes over commission that could arise from direct interactions with listing agents and from you unknowingly divulging information that might put you at a disadvantage in negotiations.

Remember, as your buyer's agent, I'm here to guide you, negotiate the best deal for you, and protect your interests. Keeping the lines of communication open and letting me take the lead on property inquiries and viewings will help ensure a smooth and successful home-buying experience. This approach not only respects the rules of conduct between agents but also ensures that you have expert guidance at every step of your home-buying journey.

## What you don't know could cost you #2 **FOR SALE BY OWNER**

*When you encounter a For Sale By Owner (FSBO) property, it's important to approach it with the same level of caution in terms of agent representation. Here's why and how this can affect the commission compensation:*

**Understanding FSBO:** FSBO listings are properties sold directly by the owner without a listing agent. This means the seller is trying to avoid paying a commission to a real estate agent.

**The Impact of Direct Contact:** If you, as a buyer, directly contact the owner of a FSBO property without informing me, your buyer's agent, it can create complications. In some cases, FSBO sellers might be less cooperative to pay a buyer's agent commission, believing that you are unrepresented.

**Your Agent's Role in FSBO Transactions:** As your agent, my job is to represent your interests, which includes contacting FSBO sellers on your behalf. I can negotiate terms, including the discussion of agent commission, which is crucial for maintaining the professional services I provide to you.

**Potential Risks of Direct Communication:** By directly interacting with a FSBO seller, you might inadvertently signal that you don't need or value the services of a buyer's agent. This can lead to a situation where the seller refuses to pay a commission, assuming you are handling the transaction independently, shifting the responsibility of commission payment to you.

**Why It's Important to Involve Your Agent:** Involving me in your FSBO interactions ensures that your interests are professionally represented. I can bring my experience and expertise to negotiate fair terms, address legal complexities, and ensure that your rights are protected in the transaction.

**Ensuring Proper Representation:** Always inform me about any FSBO property you are interested in. I will reach out to the seller to establish the terms of the transaction, including the discussion of the buyer's agent commission. This not only secures my role in the process but also ensures you receive the full benefit of my professional assistance without additional costs.

My goal is to guide you through every aspect of the home-buying process, including dealing with FSBO properties. By ensuring that I am involved from the start, we can avoid any misunderstandings or conflicts regarding representation and commission. This approach guarantees that your interests are always protected and that you receive the comprehensive support and guidance needed for a successful home purchase.

## What you don't know could cost you #3

# NAVIGATING NEW CONSTRUCTION DEVELOPMENTS

*Exploring new construction developments can be exciting, but it's crucial to understand how your actions can impact our agency relationship, especially regarding representation and commission. Here's what you need to know:*

**First Visit Implications:** Many new construction builders have specific rules about buyer representation. If you visit a new development without me or without having me register you ahead of time, the builder may refuse to acknowledge me as your agent later. This is particularly critical on your first visit to a development.

**Builder's Policies on Agent Commission:** Builders often only pay a commission to a buyer's agent if the agent is present or has registered the buyer on their first visit to the site. If this protocol isn't followed, the builder might argue that they were the procuring cause of the sale and therefore refuse to pay a commission to the buyer's agent.

**Your Potential Financial Responsibility:** If the builder denies compensating me due to a breach in their policies (such as visiting without me or not being registered), you could find yourself in a position where you might have to pay for my services out of your pocket. This situation can be avoided by ensuring proper protocol is followed.

**Importance of Agent Presence or Registration:** To ensure that I can represent you and be compensated by the builder, it's vital that either I accompany you on your first visit to a new construction site or I register you with the development before your visit. This process is a simple but crucial step in maintaining your right to representation.

### **Advantages of Having Agent**

**Representation:** With me as your agent in a new construction purchase, you benefit from professional negotiation, insights into the building process, and someone to advocate for your interests. My presence can be invaluable in navigating contracts, upgrade choices, and ensuring you're making the right choices to maximize your ROI at resale.

**Communicating with Developers:** If you come across a new development that interests you, let me know before you plan a visit. I'll take the necessary steps to register you or arrange to accompany you, ensuring that your rights to representation and my role as your agent are secured.

In the excitement of exploring new construction homes, it's easy to overlook the nuances of agent representation and commission policies. By keeping me informed and involved from the beginning, we can avoid any potential issues with builders and ensure that you receive the full benefit of my expertise and services, without any unexpected financial obligations on your part. Remember, my goal is to support you through every step of your home-buying journey, including navigating the complexities of new construction properties.

# UNDERSTANDING DUAL AGENCY

## AND ITS IMPLICATIONS

When you're jumping into the home-buying process, it is crucial to grasp the idea of dual agency, and all the implications of forgoing your own representation. You might be tempted to work directly with listing agents, thinking that having everyone under the same agent's wing could possibly trim down commission expenses. However, it's important to tread carefully here. Opting for dual agency might seem like a cost-saving strategy at first, but it can end up costing you significantly more in the long run, not just in terms of money but also in the value and protection you receive in your home purchase.

### What is Dual Agency?

Dual agency occurs when a single real estate agent (or the same real estate brokerage) represents both the buyer and the seller in the same transaction. Essentially, one agent is handling both sides of the deal.



### Why Might It Seem Appealing?

At first glance, dual agency might seem like a way to save on commissions. The thought process is that if one agent is handling both sides, they might be willing to take a lower total commission since they're not splitting it with another agent. Generally speaking, the total commission was already pre-negotiated between the listing agent and the seller, so there is no requirement on the listing agent to reduce commissions just because there is no buyer agent involved. They would be entitled to the whole amount and they would be working for both parties.

# RISKS AND CHALLENGES FACED BY BUYERS



## **Conflict of Interest**

An agent in a dual agency situation has to delicately balance the interests of both the seller and the buyer. This can be challenging because the goals of the buyer (to buy at the lowest possible price) and the seller (to sell at the highest possible price) are inherently at odds.

## **Limited Guidance and Advice**

As a dual agent, the level of guidance and advice I can provide is limited. For example, I can't advise you, the buyer, on how low of an offer you should submit, just as I can't advise the seller on how low they should go in their acceptance.

## **Reduced Advocacy**

In a typical buyer-agent relationship, the agent advocates fiercely for the buyer's interests. In dual agency, this advocacy is diluted because the agent must remain neutral, which can lead to less than optimal outcomes for both parties.

## **Confidentiality Concerns**

Maintaining confidentiality can be complex in dual agency. Information shared by you as the buyer could inadvertently influence how I deal with the seller, and vice versa, even though I'd be bound to keep both parties' information confidential.

## **Potential for Misunderstandings**

Dual agency can lead to misunderstandings and confusion, as the agent's role is not as clear-cut as in a single-agency situation.

### **Example Transaction:**

*Imagine Jane, a real estate agent, lists Mr. Smith's house for sale. Jane also has a client, Mrs. Brown, who's interested in buying a house. Mrs. Brown takes a liking to Mr. Smith's listed property. In this scenario, if Jane represents both Mr. Smith (the seller) and Mrs. Brown (the buyer), a dual agency is formed.*

### **In Summary:**

While dual agency might appear to offer a way to save on commission fees, it comes with significant risks and challenges, primarily around the agent's ability to fully represent your interests as a buyer.

You might not receive the full range of benefits and protections that come with having an agent solely dedicated to advocating for you. It's crucial to weigh these factors carefully before deciding if dual agency is the right approach for your home-buying journey.

My recommendation is to consider having an agent who can fully commit to your interests, ensuring you get the best possible outcome in your home purchase.



# THE UNSEEN BENEFITS OF SEPARATE REPRESENTATION



Having separate representation as a buyer, where your agent is dedicated solely to your interests, offers numerous benefits that might not be immediately apparent but are critical for a successful and satisfying home-buying experience.

## Here are some of these unseen benefits:

**Undivided Loyalty:** Your agent's loyalty lies entirely with you. This means they are committed to finding the best property for you at the best price, without any conflict of interest.

**Full Disclosure:** With a dedicated buyer's agent, you can expect full disclosure about the properties you are considering. Your agent will share all known information about the property's condition, history, and potential issues, allowing you to make an informed decision.

**Expert Negotiation:** Your agent will negotiate solely on your behalf, aiming to secure the best terms and price. Their experience in negotiation tactics can result in significant savings and more favorable contract terms for you.



## WHAT A BUYER AGENT PROVIDES:

**In-Depth Market Knowledge:** A dedicated buyer's agent brings extensive knowledge of the local real estate market, including pricing trends, neighborhood insights, and upcoming developments, which can be invaluable in making a wise investment.

**Professional Networks:** Your agent can connect you with a trusted network of professionals, including inspectors, lawyers, and mortgage brokers, which can streamline the buying process.

**Emotional Support and Objectivity:** Buying a home can be emotional. An agent offers a level of objectivity, helping you make decisions that are rational and in your best interest, rather than being driven by emotion.

**Post-Purchase Support:** The support from your buyer's agent often extends beyond the purchase, helping with post-purchase tasks like setting up utilities, recommending local service providers, and even providing advice on home improvement.

**Risk Mitigation:** Experienced agents know how to spot red flags and can guide you away from potentially problematic properties, mitigating risks associated with home buying.

**Time and Stress Reduction:** Having an agent handle the complexities of the buying process can save you significant time and reduce stress, allowing you to focus on the excitement of finding your new home.



### In Summary:

A dedicated buyer's agent offers a comprehensive service that goes beyond just finding a property. They provide expertise, support, and advocacy throughout every stage of the home-buying journey, ensuring that your interests are protected and your experience is as smooth and successful as possible.

# THE HOME BUYING PROCESS

## AND HOW WE CAN HELP



### GET PRE-APPROVED

- Meet with a lender
- Prepare your credit
- Set a budget



### MEET WITH YOUR AGENT

- Discuss budget
- Research area neighborhoods
- Set your wants & needs



### MAKE AN OFFER

- Research comps in the area
- Work with your realtor to set up the best offer
- Negotiations may occur



### FIND YOUR HOME

- Agent finds options that meet most or all of your criteria
- Tour homes
- Adjust criteria if necessary



### OFFER SIGNED

- All negotiations are finished
- Both parties have signed contract



### INSPECTIONS

- Professional inspects the property
- May discover issues that need to be worked into the purchase agreement
- Negotiate repairs



### APPRAISAL

- Professional ensures the property is worth the loan and purchase price that you agreed to pay



### TITLE COMMITMENT

- The title company will send you a title insurance policy for the property after closing



### DOCUMENTS TO LENDER

- Make sure all requested docs are sent to your lender prior to closing



### CLOSING

- Final walk-through
- Sign closing documents
- Receive your keys

# LET'S TALK FINANCING

## Affordability Assessment for Home Purchase

It's vital to assess your financial capacity for a home purchase before starting your search. This assessment helps in setting achievable goals by focusing on homes within your budget, thus streamlining the search and avoiding potential disappointments. It also plays a significant role in financial planning, taking into account the total cost of homeownership including mortgage, taxes, insurance, and upkeep. This ensures a sustainable investment over time. Additionally, being aware of your budget can enhance your credibility with sellers, potentially giving you leverage in a competitive market. It also helps in avoiding financial overreach, ensuring a more comfortable and rewarding home buying experience.



## Maintaining a Strong Credit Score

Follow these strategies to bolster your credit score:

**Punctual Payment:** Avoiding late or missed payments is crucial for maintaining a good score.

**Balanced Credit Utilization:** It's advisable to keep your credit card balances below 30% of the limit.

**Manage New Credit Accounts:** Frequent applications for new credit can temporarily lower your score.

**Diversify Credit Portfolio:** A mix of different credit types can positively influence your score.

**Monitor Credit Reports:** Regular checks and correcting any errors can help maintain a healthy score.





## Preparing for Home Purchase Expenses

Key costs to consider include:

**Down Payment:** Typically ranging from 3% to 20%, though some programs offer 0% down options.

**Closing Costs:** These usually range from 2% to 5% of the loan amount.

**Home Inspection:** Essential for identifying potential issues, costs can vary.

**Moving Costs:** These depend on the distance and the amount of belongings.

**Initial Home Maintenance:** Budget for potential immediate needs like painting or minor repairs.

## The Importance of Mortgage

### Pre-Approval

Securing pre-approval is a crucial early step in the home-buying process. It involves a lender evaluating your financial situation to determine a feasible loan amount. This not only indicates your seriousness as a buyer but also clarifies your purchasing budget.

### Essential documents for pre-approval include:

**Income Proof:** Recent pay slips and tax documents.

**Asset Proof:** Statements from banks and investment accounts.

**Credit Analysis:** Lenders will assess your credit score.

**Employment Confirmation:** Verification of your current job.

**Identification:** Government-issued ID like a driver's license or passport.

This process not only sets a realistic purchasing limit but also strengthens your negotiating position when making offers.



# TYPES OF MORTGAGE LOANS

	WHO QUALIFIES	DOWN PAYMENT	UPFRONT MORTGAGE INSURANCE	MONTHLY MORTGAGE INSURANCE	MINIMUM CREDIT SCORE
VA Department of Veteran Affairs	Veterans, Personnel with honorable discharge, Reservists & National Guard, Surviving Spouses	NONE	NONE	NONE	580
USDA Department of Agriculture	Someone who is buying a home in a USDA -designated rural area.	NONE	2% of the loan amount. Can be rolled into loan amount.	REQUIRED	640
FHA Federal Housing Administration	Anyone who meets the minimum credit and income levels.	At least 3.5% of purchase price	1.75% of loan amount	REQUIRED	580-640
203K Federal Housing Administration	Anyone who plans to purchase a fixer-upper or needs to renovate their home and meets credit & income requirements	At least 3.5% of purchase price	1.75% of loan amount	REQUIRED	580-640
CONVENTIONAL 97	Depending on the program, available first time home buyers (a buyer who hasn't owned in the last three years) can put 3% down with a Conventional 97 program.	Varies from 3%-20% of purchase price	NONE	REQUIRED	620
SELECT SMART PLUS	Anyone who meets lenders credit, income & debt level requirements	Varies from 3% -20%, but typically ranges from 5-20%	NONE	REQUIRED	620



# START THE SEARCH

**Let the Home Shopping Begin....** It's now the time to start visiting homes that make the cut. Once we identify your top picks, I'll make the arrangements with the listing agents for each home we are visiting and gather available information for each property. I encourage you to take notes and photos as the properties can start to run together if we are viewing multiple homes. I'll be making notes of inclusions or exclusions that we would want to make part of an offer. Also, keep in mind nothing is private anymore. Between ring doorbells, cameras, audio/visual surveillance, nanny cams, etc., you never know when your actions, and more importantly your words, might be monitored by a seller.



It's important that you keep negative or positive comments and your interest level in the property to yourself, until we are away from the property. Never, ever discuss any terms you might be willing to offer to the seller while in the vicinity of the home.

## TIPS WHEN VIEWING

**Prepare a Checklist:** Before visiting homes, make a checklist of your must-haves and nice-to-haves. This helps you stay focused on what's important to you during the viewings. **Inspect Carefully:** Pay attention to the condition of the home. Look for signs of damage or wear, such as water stains, cracks in walls or ceilings, and the condition of the roof and floors.

**Ask Questions:** Don't hesitate to ask me questions about the property. If a sellers disclosure is available that should tell us information about the age of the home, any recent renovations, utility costs, and neighborhood amenities. **Consider the Location:** Think about the home's location in relation to your work, schools, public transportation, shopping, and other daily necessities



**Visualize Your Life in the Home:** Try to imagine your furniture and personal items in the space. Consider the flow of the house and whether it fits your lifestyle.

**Check Outside the House:** Don't just focus on the interior. Look at the exterior of the home, the yard, and the neighborhood. Consider factors like street noise, parking, and the proximity of neighbors.

**Be Open-Minded:** Keep an open mind about properties. Sometimes a home might not meet all your criteria but could still be a great fit for your needs.



# MAKING AN OFFER

**If we are in a seller's market, you have to act quickly** - If you have a strong interest in a home we have viewed it's time to make an offer!

Keep in mind, you might only have one shot, as a counter offer is not guaranteed. So, **make your best offer** if we are competing with other buyers.



## Determining what to offer involves:

- **Market Analysis:** Base your offer on a comparative market analysis (CMA). This shows the prices of similar homes that have recently sold in the area, as well as other available homes competing in similar price points.
- **Affordability:** Ensure the offer aligns with your budget and pre-approved mortgage amount.

**Contingencies and Concessions:** Factor in any additional costs or contingencies that might affect your offer.

Remember, each home and seller is unique, so tailor your offer to the specific situation while maintaining a balance between making a competitive offer and protecting your interests.

## WHAT TO INCLUDE IN THE OFFER TO MAKE IT MORE APPEALING

**Pre-Approval Letter:** Include a mortgage pre-approval letter to show you're financially capable of purchasing the home.

**Consider Sellers Circumstances:** Find out what is important to the seller and be sure to take their desires into account when making your offer.

**Flexible Closing Date:** Being flexible with the closing date can be attractive to the seller, especially if they need time to move out.

**Higher Earnest Money Deposit:** A higher deposit can show your serious commitment to the purchase.

**Minimal Contingencies:** Fewer contingencies make the process smoother for the seller. However, don't waive essential ones like the home inspection if at all possible.

**Shorten Time Periods:** Don't feel comfortable waiving a contingency, consider shortening the time frames to give the seller more confidence.

**Cover Some Seller Costs:** Offering to pay for some of the seller's closing costs can make your offer stand out.

**Personal Letter:** Consider including a personal letter expressing why you love the home. This can resonate with the seller, especially in competitive markets. Make sure you keep it generic and don't break fair housing laws (I'll guide you).

**Escalation Clause:** In a competitive market, an escalation clause can automatically increase your offer if there are higher bids, up to a maximum amount.

**Rent-Back Agreement:** If the seller needs time to find a new home, offering a rent-back agreement can be appealing.



# AFTER YOU SUBMIT AN OFFER



\* Keep in mind, while in the negotiation process, another offer could come in and the seller could accept a different offer. We will want to keep response times as short as possible to minimize that risk.

**OFFER ACCEPTED**

Congratulations, you are now in contract and we will begin moving through the contingencies that are outlined in your purchase agreement.

# ESCROW PERIOD

Now that we are under contract, the escrow process begins in your real estate transaction. The first critical step for a buyer is usually to decide on the necessary inspections for the home or property. This is a pivotal phase, as it will help you understand the condition of the property and identify any potential issues that might need addressing.

## KEY STEPS OF ESCROW:

**Choosing Inspections:** With my guidance, you will need to decide which inspections you will want to have performed as well as determining what inspections may be required. Common inspections include general home inspection, pest inspection, radon testing, sewer inspection, irrigation system, gas appliance inspection, septic, well, pool, and, depending on the area, flood zone assessment or earthquake safety inspection and any municipal required inspections.

**Providing Recommendations:** If you do not have preferred inspectors, I am happy to assist by recommending reputable and reliable inspectors with whom other clients have had positive experiences in the past.

**Scheduling Inspections:** Once the types of inspections are decided, the next step is to schedule them. This needs to be done promptly as there are contractual deadlines to meet. It is highly recommended that you attend at minimum the general home inspection as this is a wonderful time to learn about maintaining the home in the future and discuss any areas of concern directly with the inspector. I can assist in coordinating with inspectors to schedule the inspections as we will need to arrange all inspections with the listing agent/seller and ensure everything is completed within the contractual timelines.



**Reviewing Inspection Reports:** After the inspections are completed, copies of all reports should be provided to both you and me for review, to ensure that you understand the condition of the property, including any repairs or maintenance issues. It is my job to help you understand the findings, prioritize areas of concern, and put them in the context of the overall purchase decision to determine the next steps.

**Negotiating Repairs or Credits:** Based on the inspection results, you may need to negotiate with the seller for repairs or credits in lieu of repairs. Throughout this process, as your buyer's agent, I will be advocating for your best interests, ensuring you are making informed decisions on the property you are purchasing.

## NEGOTIATE REPAIRS/CREDITS

It is not A-typical for issues to be found during the home inspections. Depending on the specific terms of your purchase agreement, this may result in another round of negotiations with the seller. These negotiations may be in terms of asking the seller to have repairs made or give a credit in lieu of repairs.

**Credit in Lieu of Repairs:** This involves analyzing and determining average costs of the repairs you would ask the seller to pay in lieu of having the repairs completed prior to closing. This often is a preferred option for a seller rather than them having to deal with finding contractors and dealing with work underway while they are preparing for the move. **KEEP IN MIND, THIS COULD AFFECT YOUR LOAN.** We will discuss the pros and cons of this option on a case- by-case basis.

**Asking Seller to make Repairs Prior To Closing:** One of the obvious advantages of a seller making repairs prior to closing is that the work is completed before you take possession of the home. The disadvantage is you do not get to choose who makes the repairs or how it is completed.

### Tips To Consider

**Keep your Poker Face:** The listing agent or the seller themselves may be present during the home inspections. Always keep your cards close to your chest, be aware of your conversations and try not to reveal your comfort level or discomfort of findings while within ear shot of the seller or their agent. This could be detrimental in further discussions and negotiations.

**Remember the Big Picture:** The inspection period is one of the more emotional steps of the process for both the seller and the buyer. Sellers can often feel their home is being unjustly "picked apart" or a laundry list of issues that the seller feel are more maintenance issues can give the seller the impression that you are being unrealistic in expectations and "difficult" to deal with. Contrastly, buyers often feel like they are paying top dollar for the property and therefor your purchase should be free of any defects. It is Important to not get caught up in the emotions during these negotiations and lose sight of the end goal. I will help you in managing expectations and moving you through the resolution period successfully.



## APPRAISAL ORDERED

Now that your lender has an actual address, they will begin to move forward with processing your loan. Your lender (if applicable) will arrange for an appraiser to be dispatched to provide an independent estimate of value of the home/property you are purchasing.

If the appraisal value is found to be at purchase price or higher, your file will continue to move through the underwriting process.



## PROPERTY TITLE SEARCH ORDERED

A property title search is an essential step in the home-buying process that serves to verify the legal ownership and status of a property.

**Confirms Legal Ownership:** It ensures that the seller has the legal right to sell the property. This involves checking the current and past ownership records to ascertain that the seller is the rightful owner.

**Reveals Liens or Encumbrances:** The search uncovers any existing liens, mortgages, or claims on the property that might affect a buyer's legal ownership. These must be cleared before the property can be transferred to the new owner.

**Identifies Easements or Restrictions:** It discloses any easements (rights for others to use the property for specific purposes) or covenants (restrictions on how the property can be used) that might limit the buyer's use of the property.

**Ensures Clear Title:** The ultimate goal of a title search is to ensure that the property has a 'clear title' – free from legal questions about past ownerships and devoid of issues that could challenge your legal claim to the property in the future.



## PROPERTY SURVEY CONDUCTED

A property survey, conducted during the home-buying process, serves as a crucial tool to determine many key findings.

**Defines Property Boundaries:** The survey accurately defines and maps the property's boundaries, helping you understand the exact dimensions of the land you are purchasing. This is vital for avoiding disputes with neighbors over property lines.

**Identifies Easements and Right of Ways:** It reveals any easements (legal rights for others to use the property for specific purposes, like utility maintenance) and right of ways that may exist on the property.

**Locates Structures and Improvements:** The survey shows the location of the house and other structures on the property, ensuring they are within the property boundaries and comply with local zoning regulations, building codes, and setback requirements.

**Unveils Potential Issues:** It can uncover issues that might need resolution before purchase, such as encroachments (where a neighbor's fence, building, etc., extends onto the property) or discrepancies in property descriptions.

**Assists in Future Development:** For buyers planning future renovations or additions, a survey provides a detailed layout of the property, which is essential for planning and obtaining necessary permits.

*Overall, a property survey provides a clear, legal depiction of the property, offering you a precise understanding of what you are purchasing and helping to prevent future legal disputes or compliance issues.*



## HOMEOWNERS INSURANCE

Securing homeowners insurance is an essential safeguard, protecting your investment in your new home against unforeseen damages and liabilities. It's a key step in the home-buying process and is typically required by lenders to finalize the mortgage.

**Inspection Requirement:** Some insurers may require a home inspection before finalizing the policy to assess the condition of the home and identify any potential risks or necessary repairs. **Proof of Insurance for Closing:** The buyer must provide proof of homeowners insurance to the mortgage lender before closing. Lenders require this as assurance that their investment in the property is protected against damages. **Policy Activation and Payment:** Finally, the insurance policy is activated, typically starting on the day of closing. The first premium payment is often due at this time, and it may be included in the closing costs.



## TESTIMONIALS FROM REAL BUYERS



**Rachael and her team are great! They helped us navigate the process of buying our first home during the Pandemic. Rachael really is the Best Realtor in Big Bear. Whether your selling your home or buying a home in Big Bear, think Rachael Smith :-) You won't regret it!! -Lorena S**



**Rachael and her entire team were a pleasure to work with in Big Bear. We bought a cabin in 2020 and greatly appreciated Rachael's responsiveness (especially at the time in 2020 when the market was really fast) and knowledge about the intricacies of each neighborhood we had considered. Even years later, Rachael still happy to be in touch and is a friendly Big Bear resource for our family. Highly recommend! -Dan K.**



**I bought a house through Rachael over two years ago. What an amazing experience! I was an extremely picky person when I was searching for a home, as I feel we should be. She was patient with me and returned my calls promptly. Easy to deal with, friendly, and enjoyable. If she was busy, she had another realtor assist me. I have stayed in touch with her over the years. She is always willing to answer all my questions. An awesome person. -Pat R.**



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