



First-time Homebuyer's Frequently Asked Questions

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What are the steps to buying a home?

- 1) Contact a loan officer to be pre-qualified for a loan. They will run your credit, determine your debt to income ratio, and figure out which loan program works best for you. They will issue a prequalification letter, which is needed so we can start showing you homes.
- 2) Discuss your price range, payment needs, and specifics for your home with us. What are your priorities - the most important features that must be there? What are like-to-haves that may be more flexible? We will set you up with your private homefinder website and search the entire MLS for homes closest to your criteria. You can save the homes you would like to see and we will set up a tour at your convenience.
- 3) We will write an offer with you and explain each step of the transaction. A copy of an earnest money check and your prequalification letter are required with the offer. The offer will contain the specifics of what you are asking for: price, closing costs you want the seller to contribute for you, estimated date for close of escrow (it usually takes 45 days for an FHA loan to close). After submitting the offer it takes approximately 1 week to get a response on bank-owned properties and usually 2-3 days to hear back on other types of properties.
- 4) Once your offer is accepted, we will take your earnest money check to the escrow company. (The earnest money check is made out to the escrow company.) Your check is cashed into the escrow account and held until closing. Escrow is the neutral third party who will coordinate the transaction between all parties.
- 5) The 10 day due diligence period starts when your offer is accepted. As soon as this 10 day period starts we will order your home inspection. An inspection is about \$250 to \$350 depending on the size of the home - you can attend the inspection and will pay the inspector at the time of service. You will then receive an inspection report to review. If the home is bank-owned or a short sale, usually the seller will not make repairs; this report is for your knowledge only. If you were to cancel due to the inspection, you would do so within the 10 days to get your earnest money back.
- 6) The loan officer will then order an appraisal to determine the value of the property. The appraisal costs about \$450, depending on your lender – you will pay for the appraisal at the time of service. If the appraisal comes in at the offer price or above this is good news and your loan will continue to be processed. If the appraisal comes in lower than the offer price, the purchase price will need to be re-negotiated because your loan will not go through with a low appraisal.
- 7) If there is a homeowner's association, the CC&Rs package of HOA rules and regulations will be provided to you. You will have 5 days to review the package and cancel the purchase if there is something in the package that you don't accept. If you cancel within 5 days for this reason you will receive your earnest money back.
- 8) The rest of the escrow period is for the loan to be processed. Loan documents will be sent to escrow about a week before the closing date. At that time escrow will calculate exactly how much you will need to bring in at closing. Here is

an example using a \$200,000 purchase price on an FHA loan: If you have already put \$2,000 into escrow as earnest money, the rest of the 3.5% downpayment due would be \$5,000, which is what you would wire to escrow after signing. There may be a small portion of closing costs that you will also need to pay if all of your closing costs were not covered by the seller's closing costs contribution – your loan officer will give us the estimate of the closing costs to ask for. The escrow officer will inform us of the exact amount due at closing when they receive your loan documents.

The loan documents are then sent back to the lender to get the funds ready. At this point the seller finishes clearing off any liens and approves the figures. (If there is an HOA lien, this can take up to 21 days for the seller to clear off.) Your loan funds are then sent to escrow and the deed is sent to the Clark County Recorder's Office to record in your name. At that time we will get you the keys!

What can I expect to pay?

Most first-time homebuyers get an FHA loan which has a 3.5% downpayment. For example: If you write an offer at \$200,000, with an FHA loan the downpayment would be 3.5%, which is \$7,000. When you open escrow with your Earnest Money Deposit (approximately \$1,000 to \$2,000 depending on the property) in this scenario there would be \$5,000 to \$6,000 left of your downpayment due at closing

In the offer we would ask the seller to contribute approximately 3% to cover your closing costs. These costs include lender fees, escrow fees, and paying the seller back for taxes and sewer they have already paid in advance.

It is important to have an accessible loan officer because when you are at a property and want to write an offer, we need to contact the loan officer for them to closely estimate what your closing costs and payment would be for that particular property. The closing costs they calculate will be what we will ask the seller to contribute in your offer. There may be additional closing costs left over for you to pay at closing, which escrow will calculate.

Here is a worksheet for you to plan out your costs when you are ready to write an offer with us:

Your offer price: _____

3.5% downpayment: _____

1) Earnest money to be deposited into escrow account:

2) Inspection fee:

3) Appraisal fee:

4) Rest of your downpayment and any other closing costs:

Still have questions?

Just call us at 702-321-2370 or email GoldTeamLasVegas@gmail.com and we'll explain the entire process. We're experienced with helping first-time homebuyers achieve the dream of homeownership and look forward to helping you find your dream home!

Best Wishes,

Ted and Kerry Morrison, REALTOR®s, ABR®, SFR®