

*"Bridging the Gap to Homeownership"*

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# Your Guide to Homeownership

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# *“Bridging the Gap to Homeownership”*

## **Who Are We??**

Pacific Bay Estates is a full-service real estate brokerage firm offering real estate re-sale and financing solutions, as well as various outreach and education programs. Our knowledgeable and experienced staff, provides valuable information to ensure that you are making well-informed real estate decisions.

At Pacific Bay Estates, real estate transactions are simply more comfortable as we fill in the blanks you may have about the buying or selling process.

Summarily, we are “Bridging the Gap to Homeownership” one transaction at a time.



COMMUNITY BASED | EDUCATION DRIVEN



# The Homebuying Process

## **Your 4 Steps to Homeownership**

So you are ready to buy a home. This is an exciting time, and we are here to help. In this guide we will walk you through the steps to ownership from application to keys!

1. Pre-Approval
2. Finding Your Home
3. The Escrow Process
4. Owning your Home

*Did you know... Between 2005 and 2015, work-from-home options increased by 115%, becoming not just an extra perk, but a requirement for potential employees wanting to work at least half-time or more from home.*

# Pre- Approval ***Step 1***

A Loan Officer reviews your income, debt, assets, and credit history, and determines how much money you can borrow, how much you could pay per month, and what your interest rate will be.





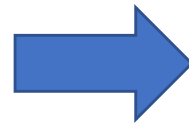
# The 1<sup>st</sup> Step in the homebuying process is to complete a home loan application

## The Initial Application

- Complete a uniform mortgage application (AKA 10030. Can be completed online in about 15 min.
- Provide your social security number, date of birth, employment history, income, and asset information.
- Consent to have your credit pulled in order to review your score, your debt, and payment history.

## Supporting Documentation

- Copy of ID
- 2 Most Recent Paystubs
- 2 Most Recent W-2s
- 2 Most Recent Asset Statements (i.e. Bank Statement or 401k)
- Self-employed applicants will provide 2 years Tax Returns instead of W-2s and a P&L versus a paystub.



*Pacific Bay Estates is also a mortgage broker and can assist you with obtaining financing to fit your situation! NMLS#1588532*



# How to Read Your Pre-Approval...

Your pre-approval contains important information that you must familiarize yourself with such as:

- Loan Type
- Purchase Price
- Loan Amount
- Interest Rate
- Estimated Monthly Payment

Loan Type: Conventional, FHA, USDA, or VA. This is important because not all homes qualify for FHA, USDA, or VA loans. So your realtor needs to know this when showing you, your potential future home.

Purchase Price: AKA Your spending budget. The maximum purchase price you are approved for.

Loan Amount: The maximum amount you can borrow.  $\text{Purchase Price} - \text{Loan Amount} = \text{Down Payment}$ .

Interest Rate: The projected interest rate you can expect to pay. It is based on the current market, your credit score, and down payment. Interest rates fluctuate so this serves as a guide until the loan is locked. Your loan officer will work with you to identify an appropriate time to lock a loan.

Estimated Monthly Payment (PITI): The monthly payment indicates the total monthly house obligation you qualify for. The payment includes principal (P), interest (I), taxes (T), and insurance (I).

# What are Closing Costs?

*The process of completing a real estate transaction requires services from many parties, all of which are paid through “closing costs”. Below are standard costs you can expect to pay at close, and should be indicated in your loan estimate. Combined closing costs average about 3% of the purchase price.*

<u>Origination</u>	<u>Title &amp; Escrow</u>	<u>Prepays</u>	<u>Prorations</u>	<u>Misc.</u>
1. Underwriting	1. Escrow/Settlement Fee	1. Prepaid Interest	1. Property Tax Prorations	1. Home Inspection
2. Appraisal Fee	2. Owners and/or Lender's Title Policy	2. 1 Year Policy of Homeowner's Insurance	2. HOA Prorations (If Applicable)	2. Home Warranty
3. Credit Report	3. Loan-Tie	3. Impound (Taxes and Insurance)		3. HOA Fees (If Applicable)
4. Points (If Applicable)	4. Notary			4. Pest, Roof, Septic, Sewer Lateral (As Needed)
5. Tax Service	5. Wire/Courier			5. Transaction Coordinator
	6. Recording Service			
	7. Endorsements			
	8. Recording Charges			

The charges indicated above are an example. There may be additional costs. Costs may be labeled differently. Costs may be negotiated out or simply not applicable.

# The DOs and DON'Ts

*Your approval is based on your current situation at the time of application. In order to ensure continued loan qualification, you must be careful to maintain that situation.*

- **DO** make sure your employment, asset and personal information is correct on your loan application.
- **DO** be prepared to account for non payroll deposits into each account you plan to use toward your transaction.
- **DO** respond to any requests from your loan officer promptly.
- **DO** continue to make all of your payments on time.
- **DON'T** apply for any new credit or financing of any kind. Don't co-sign on a loan, either.
- **DON'T** have any inquiries made on your credit report.
- **DON'T** raise red flags to the underwriters -such as co-signing on another person's loan or changing your name and address.
- **DON'T** make changes to your name, address, job or income.
- **DON'T** spend your closing costs.

If any questions or concerns arise after Pre-Approval, contact your Loan Officer ASAP.

*Did you know... 68% of us believe our kitchen's storage capacity is the most important feature of a kitchen, above anything else! 34% opt for a walk-in pantry, whereas 63% of us go for organized utility facilities and cutlery drawers.*

# Finding Your Home

## ***Step 2***

Once you have completed the pre-approval process, you are ready to go shopping. This can be very exciting but it also can be pretty stressful without a plan and expectations. Let's discuss how to develop a plan to shop smarter, not harder.





# Making a List

*When considering your future home, you need to address your needs and your wants. NEEDS are requirements, meaning you are not flexible (minimum standards). Whereas, WANTS are desired characteristics of a home that you would enjoy, however you are flexible about them. Below are some examples.*

## Needs

- # of Bedrooms
- # of Bathrooms
- Single story
- Wheelchair Accessible
- Garage
- Large Backyard
- Laundry Room in house

## Wants

- Fireplace
- Pool and/or Spa
- Outdoor Kitchen
- Dog Run
- 2 Story
- Attic/Basement
- Picture Windows



# Placing Offers

*You find something you like, what's next?*



The Agent will...

1. Research the offer process for that particular property.
2. Run comparable sales to make sure the offer is listed at a fair price or identify a fair price.
3. Review any disclosures available with you.
4. Work with you to write an offer that meets your objective

The seller reviews all offers and will accept the one that best meets their objective.

**SO BE PREPARED TO...**

**NEGOTIATE**



*Did you know...In feng shui, bedroom is considered as one of the most important rooms in our house because it is the place where we spend 1/3 of our time, so having proper balance of positive and negative energies (Yin and Yang) is very essential.*

# The Escrow Process

## ***Step 3***

You're officially in contract. Congrats! You are entering the homestretch.

Time is of the essence and communication is vital. Let us review the steps and share tips to preventing delays.



# Your Offer is Accepted

## *CONGRATULATIONS! Let Escrow begin...*

Hurry-Up and Wait is theme. Everyone will be rushing to do things in the beginning and then waiting for all of those things to be processed and reviewed by the powers that be. In the 1<sup>st</sup> week:

- **SEND EARNEST MONEY DEPOSIT.** The funds **MUST** be sent **within 3 days** and **MUST** come from an account verified by your Loan Officer. If you have any questions, contact them before sending.
- **PAY APPRAISAL** and any **INSPECTIONS** you agreed to, such as the home inspection or pest.
- **PROVIDE** any **DOCUMENTATION** requested of you to the Loan Officer as soon as possible. This will prevent any delays in closing.
- **REMEMBER** the **DON'Ts**. Do not open any new lines of credit, make any large deposits, make any changes to your job, etc. without first consulting with your loan officer.
- **REVIEW** and **SIGN** documentation requested by your Agent, your Loan Officer, and Escrow in a timely fashion.
- **RELAX!** The average escrow is about 30 Days, refer to your offer for timeframe. **BREATHE!** People buy homes all the time, it will all work out!



**REMEMBER:** We work for YOU! Reach out with any questions or concerns throughout the process!



# Home Inspection vs. Appraisal

*As part of the escrow process you, as the Buyer, will have the opportunity to obtain a home inspection, which is an basic assessment of the overall condition of the home. The lender will require an appraisal, which is the market value and condition as it pertains to the marketability of the home.*

## Home Inspection (FOR YOU)

*Inspector:* Goes through the entire home identifying items that may need to be addressed. The inspection includes, but is NOT limited to, any visible or functional concerns regarding:

- Roof (Visible leaks, holes, missing shingles)
- Siding (Visible missing or rotted siding)
- Electrical (Do outlets work, should GFCI be installed)
- AC/Heating Units (Do they work, visible signs of leaks)
- Plumbing (Water pressure, temperature, and function)
- Stove, dishwasher, or microwave (if installed)
- Light fixtures and switches
- Door knobs, doors open and close, windows open and close. Is anything broken or missing?
- Cracks where they shouldn't be, broken tiles, missing bricks, etc.

## Appraisal (FOR LENDER)

*Appraiser:* Assesses the home for value and marketability. They are looking to ensure that the loan amount is justified by the value of the home at the time of the appraisal. In cases of FHA/VA loans, there are more strict guidelines as to the condition as well. The assessment includes:

- How the homes condition in/out, compares to similar homes recently sold or for sale in that area.
- Verifying the square footage per the legal records.
- Verifying the number of bedrooms, bathrooms, garage if any, etc. to the legal records
- Verifying the age of the home
- Address any special guidelines for an FHA/VA loan such as flooring, windows, installed appliances, estimated remaining roof life, etc.

**INSPECTORS/APPRAISERS ARE NOT CONTRACTORS.** Items recommended for further inspection or repair, must be referred to a professional. Inspection items are NEGOTIABLE. Appraisal items ARE NOT.



# Homeowner's Insurance vs Home Warranty

*There is a VERY BIG difference between Homeowner's Insurance and a Home Warranty.*

*NOTE: Insurance is required by the lender, however the Warranty is HIGHLY recommended.*

## Homeowner's Insurance

Insurance: Covers the cost of rebuilding and replacing items damaged by destructive situations (outlined in the policy), for example:

- Interior and exterior structure damage
- Smoke/Fire damage
- Theft
- Fallen tree
- Certain kinds of weather damage, such as wind or lightning.
- Living expenses, such as rent or hotel bills, should your home be deemed uninhabitable after a perilous event.
- Some policies cover medical expenses if you or a guest are injured in your home

## Home Warranty

Warranty: Coverage varies by provider but all providers cover a suite of appliances and built-in systems. The most commonly covered are:

- Appliances (Washer/Dryer, Refrigerator, Microwave, Range/Oven/Cooktop/Stove, & Dishwasher)
- Garbage disposal
- Air conditioning system/Heating system
- Plumbing system/stoppages
- Ductwork
- Electrical system
- Water heater
- Optional coverage at an additional charge could include pool/spa, well pump, sump pump, limited roof-leak, or central vacuum.

# Owning Your Home

## *Step 4*

YOU HAVE DONE IT! Let's go over the loan closing process as well as review a moving checklist. We also have resources for budgeting and paying your mortgage.



# Finalizing the Loan

*The loan process is separated into TWO PARTS – Underwriting and Closing.*

## Underwriting Process

This is the process of the loan where the Underwriter reviews the entire loan package:

- Borrower's documentation collected at pre-approval
- Purchase agreement
- Property's title and tax documents
- Appraisal
- Homeowner's Insurance
- Underwriter issues a conditional approval with requests for any additional documents needed to move the file to closing.

EXPECT to have additional conditions. It is a normal part of the process.

## Closing Process

Conditions have all been satisfied and now we are ready to sign loan and close the transaction.

- Sign Closing Disclosure (finalizing the payment and closing costs). This must be signed 3 business days before closing.
- Lender must complete a Verbal Verification of Employment.
- Loan Documents are drawn and sent to Escrow to arrange signing
- Sign loan documents before a Notary
- Deposit Closing Funds with escrow (use the verified account)
- Escrow verifies docs signed and closing funds received and lender funds the loan.

# Moving Checklist

*Buying home is exciting and very stressful, so here are some things to remember when preparing your move.*

Identify your utility providers and contact them to arrange for services such as:

- Water
- Gas
- Electricity
- Trash (Note what days it is collected)
- Cable
- Internet/Wifi
- Alarm



**GET ORGANIZED.** Obtain moving supplies, decide what goes/what stays.

- Moving Truck Reservations
- Delivery appointments
- Boxes
- Tape
- Sharpies
- Garage Door Openers (if applicable)
- Mailbox Keys (if applicable)
- Rekey Locks??
- Change of Addresses with the Post Office

*Be sure to coordinate your delivery dates/move-in schedule with your Agent. They will have a handle on when those events can occur.*



# Getting the Keys

***CONGRATS YOU ARE A HOMEOWNER!***

- Lender funds the loan (sends the amount you borrowed to escrow)
- The grant deed from the Seller to the Buyer is recorded
- Confirmation of recording is received, making the home officially in the Buyer's name.
- Clarify date agreed for move-in per contract.
- Obtain the keys to your new home!!







***WE ARE HERE FOR YOU BEYOND CLOSING!!***  
*Throughout ownership, if you ever have questions or find yourself in financial trouble, CONTACT US. You have several options that a real estate professional can assist you with.*





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THANK YOU!

-  YOUR NAME, LICENSE #
-  YOUR CELL PHONE NUMBER
-  YOU@pacificbayestates.com
-  www.pacificbayestates.com

YOUR PICTURE HERE