

D.L. JONES & ASSOCIATES REAL ESTATE PROFESSIONALS

YOUR GUIDE TO THE ARIZONA HOME BUYING PROCESS

Whether you are buying your first home, or you are an experienced veteran of home buying, the process is unique in every state - and Arizona is no exception!

Understanding the home buying process is the key to making it a pleasant experience and will very likely reduce the stress levels considerably! Even if you don't read this entire article right now, don't hesitate to use it as a reference at any point in the real estate transaction.

(Note: This article will be based on the assumption that you will be obtaining a mortgage to buy a home. Cash buyers can just skip the steps that don't apply.)

A) Interview a few Mortgage Lenders –

This is an important first step. When it comes to buying a home, you may be ready and willing, but you must find out if you are able! You may be in for a big disappointment if you skip this step. It's no fun to go out and look at homes, fall in love with one, and then discover you are unable to afford a home in that price range! If you do not have an Arizona mortgage lender to call, we can point you in the right direction.

Get a copy of your personal credit report. This can be obtained online for a nominal fee. Ask us for the web site address. You can skip this step and let the lender obtain it, but having it in your hand as you interview different lenders is a real advantage for you. You will know in advance how your credit picture will look to lenders.

Get pre-qualified. Choose a couple of lenders to interview. Call each one and tell them..."Hi, I'm <your name>, and I am beginning the process of buying a home, and I would like to get pre-qualified". Some lenders will handle this over the phone and some will ask that you meet with them in person. In general you can expect the lender will ask you questions about your income, your debts, and your assets. Be honest and accurate. Don't be afraid to mention you are interviewing a few lenders – you have a choice in which lender you will use for the loan on your new home!

Pre-qualification is the step that determines;

- a) how much down payment and closing cost money you will need
- b) what interest rate options and loan programs are available
- c) how much home you can afford
- d) how much your monthly payments will be

Choose ONE Lender. After you have interviewed a couple of lenders, decide on the one that you feel has the best offer for you, and that you are most comfortable with.

B) Choose ONE Full-Service Buyers Agent (REALTOR). There are two sides to a real estate transaction – the seller's side and the buyer's side. While honesty, fairness and high ethical standards are expected from all Realtors, remember that each side is looking to protect their own best interest. Typically the seller lists their home through a listing agent using a listing agreement contract. The listing agent is representing the seller's best interest and focusing on negotiating top dollar for the seller. A buyer can contact the listing agent about their listing, but in doing so, there is a risk of a potential conflict of interest for the listing agent. Think about it... how does a listing agent negotiate the highest price for the seller and the lowest price for the buyer – at the same time? A buyer's agent represents the buyer's best interest and focuses on negotiating the home for the least possible price! There is no fee to the buyer for the services of a buyer's agent. A buyer's agent will represent your best interests and guide you personally through the process of buying a home in Arizona. In addition, it has been statistically documented that in almost every real estate transaction, a buyer's agent will save the buyer money!

Be sure to download and read the free report available at www.TheRealEstateWeb.com titled: "The Critical Role of a Full Service Real Estate Company in a Real Estate Transaction" for a full understanding of the services offered to buyer's represented by D.L. Jones & Associates.

After you have selected your buyers agent, talk to you mortgage lender and have the loan officer provide you with a Loan Status Report (this will be referred to as an LSR). Your buyer's agent will need a copy of this document to better understand the price range of home you are qualified to purchase. This document will also be necessary at the time of writing an offer on the home of your choice.

NOW IT'S TIME TO GET STARTED!

Step 1) Start looking at homes with your REALTOR

a) In our experience, most buyers will look at 5 – 15 homes before they find what they are looking for. This is just a guideline, and it could be less and it could be more. We have worked with buyers that ultimately purchased the first home they looked at!

b) How quickly you find the "right" home depends a lot on how strict your parameters are, and the current market conditions. Purchasing a home in a buyer's market is drastically different than purchasing a home in a seller's market. Have your REALTOR explain to you how market conditions will impact your home search.

c) Trust your REALOR, and listen to your their recommendations. A professional REALTOR lives and breathes real estate day. Often, they are specialists in certain communities and will have valuable information to share about that specific area. While everyone will have an opinion, it's extremely unlikely that you or your friends or relatives, know the local real estate market better than your REALTOR!

Step 2) Writing an offer on a home

In Arizona, verbal offers on real estate mean nothing. All offers to purchase a home need to be in writing. Arizona REALTORS use a pre-printed purchase contract form that has been approved by the Arizona Department of Real Estate. While additional terms and conditions can be added to it, the purchase contract has been designed to protect both the buyer and the seller from unfavorable legal exposure. Ask your REALTOR for a sample of the purchase contract. D.L. Jones & Associates REALTORS will also provide a book that will explain the contract in laymen's terms.

There may be additional documents that are incorporated with the Purchase Contract, depending of the property, and any unique circumstances.

When you are ready to present an offer on a home in Arizona, you will complete the purchase contract with your REALTOR. Until the contract is accepted by the seller, it is considered to be an "offer". Along with the offer you will give your REALTOR a personal check that demonstrates to the seller that you are serious about your offer. The check is referred to as "earnest money" and it typically 1% of the purchase price being offered, although more is better. The check will be made payable to an escrow company or title company of your choice. The check will not be cashed unless your offer is accepted by the seller. The check will be applied towards your down payment. Your Realtor will explain this in more detail.

After all documents pertaining to the written offer are complete, the buyer's agent right will present the offer to the listing agent. While the buyer's agent will attempt to present the offer personally, in this age of technology it is most common for the buyer's agent to fax the purchase offer and all pertaining documents (including a carefully written "Pro Buyer" cover page) to the listing agent. The listing agent will then present the offer to the seller.

All negotiations between the buyer and seller are strictly done through the buyer's agent and listing agent - much like the function of a lawyer in legal matters (although most REALTORS are NOT lawyers!).

Step 3) Contract Acceptance – a meeting of the minds

a) When a purchase offer is presented to the seller, the seller is given a specific timeframe to reply. The seller has three choices when receiving an offer.

- 1) Accept the offer as it is written
- 2) Counter the offer with some of the terms changed
- 3) Reject the offer as it is written

b) In the event there is a counter offer, the buyer's agent will present the counter offer to the buyer. The buyer is given a specific timeframe to reply.

The buyer has three choices when receiving a counter offer.

- 1) Accept the counter offer as it is written
- 2) Counter the counter offer
- 3) Reject the Counter Offer

c) At some point in this process either an acceptance or rejection will be achieved. Rejection means going back to step 1. Acceptance means to proceed to the next step!

d) The offer has now become the agreed upon purchase contract between the buyer and seller. Both the buyer and seller are legally bound by the terms and conditions agreed upon in this contract.

Step 4) Opening Escrow –

a) The escrow period begins at contract acceptance and ends at the close of escrow. Close of escrow (commonly referred to as COE) is *technically* the moment the deed of the home is recorded into your name, and is legally yours.

b) An escrow or title company is employed to essentially take care of the accounting part of the real estate transaction. They function as an unbiased party in the transaction, using the existing terms and conditions of the purchase contract as the escrow instructions. An escrow officer will be assigned to handle your transaction, with assistance from their associates.

c) There are a number of fees incurred by the escrow or title company. The party responsible for paying these fees is negotiated and agreed upon in steps 2 and 3.

d) During the escrow period, both buyer and seller will receive many important documents relating to the transaction. Contact your REALTOR and escrow officer for guidance and recommendations as to how to properly handle these documents.

Step 5) Time is of the Essence - this simply means that there are specific timeframes identified in the purchase contract that must be strictly adhered to. In an Arizona contract, any reference to “days” refers to calendar days and not business days. Weekends and holidays are included! Some of these time-sensitive items are:

a) Escrow will be opened at the escrow or title company and earnest money check you included with your offer will be deposited – typically within one business day from contract acceptance.

b) Buyer will give money to the mortgage lender for ordering the home appraisal.

c) Homeowners association (HOA) documents will be delivered to the title company and the buyer for review.

d) A seller’s property disclosure statement (SPDS) will be delivered to the buyer within 5 days of contract acceptance.

e) Insurance claims history (CLUE Report) will delivered to buyer within 5 days of contract acceptance.

Step 6) Inspection Period – This is the buyer’s opportunity to perform any and all inspections that are important to the buyer. Be sure to discuss this in great detail with your buyers agent at the time of writing the purchase offer.

- f) The buyers inspection period begins upon contract acceptance, and expires as identified on line 182 of the purchase contract. Unless this term was modified as a part of the contract negotiation, the inspection period is 10 days after contract acceptance.
- g) At a minimum, the buyer will order and have performed a professional home inspection and wood infestation (Termite) inspection during this timeframe. Note: These services must be paid for in advance, and will not be refunded if the buyer does not complete the transaction.
- h) The buyer's inspection notice will be delivered to the seller prior to the end of the inspection period. Be sure to discuss the buyer's inspection notice with your REALTOR at the time of writing the purchase offer.
- i) The seller will have 5 days to respond to the buyer's inspection notice.
- j) At this point, the buyer should apply for and obtain homeowners insurance for the property.
- k) The buyer will review and approve/disapprove the preliminary title report within 5 days of receipt of the report.
- l) The buyer will approve/disapprove HOA CC&R's within 5 days of receipt.

Step 7) Appraisal

- m) In the event of a low Appraisal Buyer may elect to cancel within 5 days.

Step 8) Final Stages – The Closing Date is identified in the terms and conditions agreed upon in the Purchase Contract.

- n) Buyer should arrange for utility company connections to be placed in their names prior to the close of escrow date.
- o) Buyers final walkthrough should take place 3-5 days prior to the close of escrow date. The seller should have all repairs that were agreed upon in the inspection period completed by this time.
- p) No later than 3 days prior to close of escrow date, the buyer will review the HUD settlement statement, sign their loan documents, and deliver closing funds to the escrow or title company.

Step 9) Close of Escrow Date – This is the day that the Escrow or Title Company will properly disperse funds and record the new deed, to complete the real estate transaction.

- q) Title company properly and officially disperses Buyer and Seller's funds.
- r) Title company will record the new deed in the new buyer's name, with the county office where the property is located.
- s) Title company will notify the buyer's agent that recordation has taken place.
- t) Buyer's agent will notify the buyer, and arrange for house keys (and garage door openers, etc..) to be delivered to the Buyer.

CONGRATULATIONS!

The Real Estate Transaction
is behind you and it's time to
move into your new home!