

# THE HOME BUYING & ESCROW PROCESS

A comprehensive buyer's guide to  
buying a home in California



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# HOW TO FIND YOUR PERFECT HOME

- **Online**

Zillow, Realtor.com, and other major real estate websites

- **Open houses**

- **Daily/weekly search by Kelly**

- **Access to pre-listed homes**

- **For sale signs**

Call Kelly to schedule a showing.

- **I can set up a private viewing for any home in San Diego County**



# VIEWING HOMES

Buying your dream house has never been this easy!

- We can see between 1-5 homes per appointment
- It takes approximately 30 minutes per home
- Kelly will provide information on the home & comparable properties that you can take with you
- Some homeowners require loan pre-approval & proof of funds prior to showings. It is best to have this ready to go

# THE FINANCIAL CHECKLIST FOR FIRST-TIME HOME BUYERS

Buying your first home is exciting! However, first-time home buyers need to remember that it's more than just buying the home. This checklist can help first-time home buyers keep their budget in check.

## Closing costs

Closing fees include things like the attorney's fee, survey fees, and document preparation fees.

## Earnest money

Earnest money is an upfront deposit that gets applied to your down payment of closing costs.

## Maintenance

It's suggested that homeowners put aside money to cover maintenance ranging from lawn equipment to household tools.

## Property tax

This varies depending on the state you reside.

## Down payment

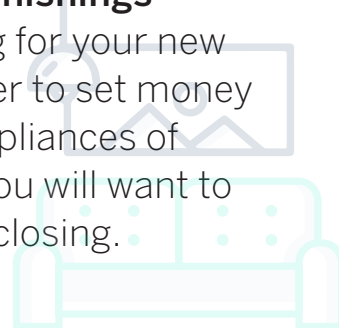
Your down payment is the money you pay at closing. It's the difference between your mortgage amount and your purchase price of your home.

## Appliances/furnishings

When budgeting for your new home, remember to set money aside for any appliances or furnishes that you will want to purchase upon closing.

## Insurance

Depending on your loan program and down payment amount, you may pay mortgage insurance. Homeowners insurance is also required.







# HOW TO SUBMIT AN OFFER

What You'll Need:

- Purchase agreement
- Pre-approval letter from lender  
*and/or*
- Proof of funds: bank statement, 401k, etc showing where the down payment or purchase funds are coming from

# WHAT DOES A SELLER LOOK FOR?

## Getting Your Offer Accepted

- Personal letter, video, even kids drawings of the home to the seller. Let them know who you are, what you love about the home, and let them know their home will be well taken care of.
- Good terms: shortening your contingencies, being flexible on closing date in case they need time to move, and increasing your earnest money deposit all look good to the seller.
- Top dollar: more often than not, the seller can deal with lesser terms if it means they are making 10-20k more on the sale of their home. Having the highest offer is the biggest factor in most cases.
- Using an escalation clause: “Buyer agrees to pay \$1,000 over any offer seller receives by 5pm on 10/10/17” looks good, doesn’t it? This is an escalation clause, escalating your offer over any other offer the seller receives. Not all listing agents & sellers will accept an escalation clause. Aside from beating all other offers, this clause can actually save you money. If you’re willing to pay \$50k over the asking price, and the next highest offer is only \$20k over, you save yourself \$30k. It’s happened several times.



# MEET WITH YOUR LENDER

Once you get your offer accepted, it would be wise to meet with your mortgage officer as soon as possible to avoid any delays in the process.

The lender will require updated paperwork – pay stubs, bank statements, etc. Once they have your documents, your mortgage officer will submit them to the bank. The bank will then ask for several conditions (more paperwork) that support your file.

Your lender will also want to order the appraisal at this time as it takes 7-10 days to receive the appraisal back from the time it is ordered.

**Any delays up front will create delays in closing the home on time.**



# WHAT ITEMS CONVEY?

If you were to turn the home upside down, what would stick to the home and what would fall out? What sticks with the home, usually stays with the home unless otherwise specified in the contract.

Sellers often want to keep their refrigerator or washer and dryer. The MLS will list the items the seller will convey to the buyer and which they plan on keeping.

We will know what appliances will stay when we are negotiating the purchase agreement with the seller.



# WHAT IS ESCROW?

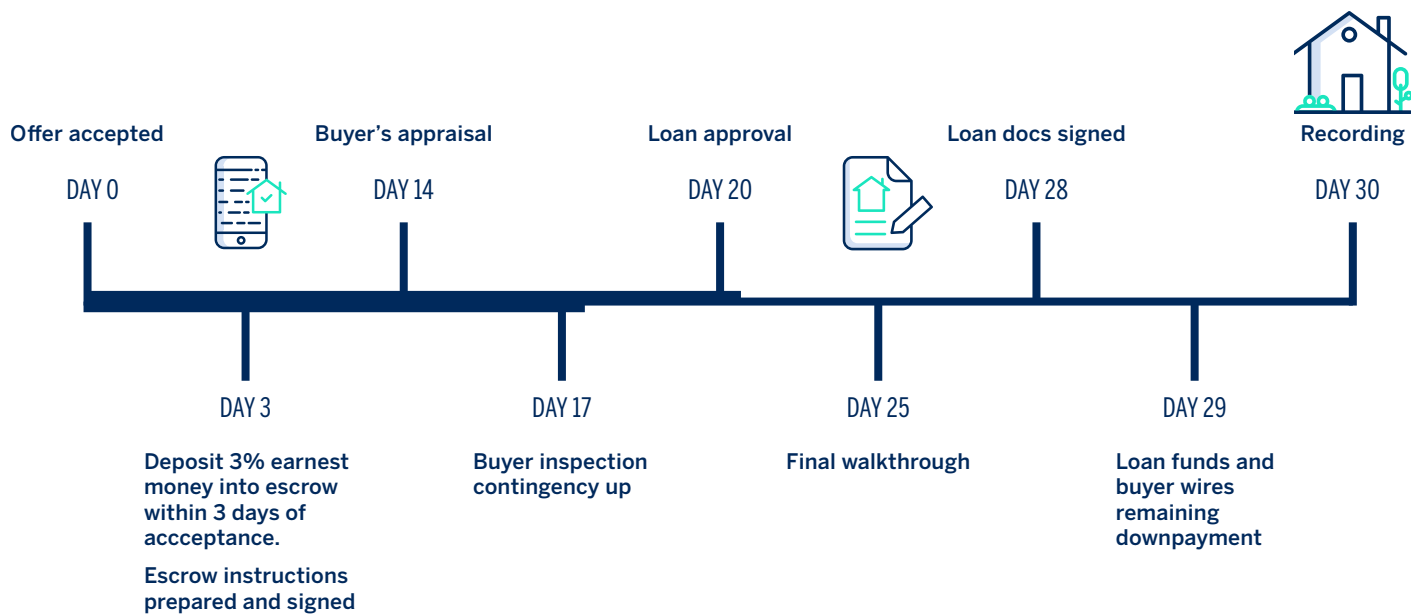
Escrow means that you're using a third party (somebody who is neither the buyer nor seller) to hold something of value, which helps to make your transaction safer.

An escrow company ensures that everybody does what they agreed to do, acting as a middleman to safeguard assets in the process.

Escrow opens when a signed agreement is delivered to an escrow officer, who helps to ensure that the conditions of the contract are all satisfied (that inspections, disclosures, and objections are completed or resolved on time, for example).

Escrow closes when everything is done and the property ownership is transferred to the buyer.

# ESCROW TIMELINE



An escrow is a process wherein the buyer and seller deposit written instructions, documents, and funds with a neutral third party until certain conditions are fulfilled. In a real estate transaction, the buyer does not pay the seller directly for the property. This process protects all parties involved.





# TAX & HOA PRO-RATIONS

You are responsible for tax & HOA payments beginning on the day the home ownership transfers to you. If the closing date is the 15th of the month, the seller has already paid the HOA dues for that month. You will be responsible for the pro-rated amount through escrow and the seller will be refunded for the days they've already paid, but will not own the property.

Property taxes are handled the same way. If you want to close early (before the agreed date), the seller must sign off on the request.

If the buyer requests an extension, the seller will generally grant one with a "per diem" cost to the buyer to cover your cost of ownership for the extra days.

# HOA DOCUMENTS

The HOA Transfer Fee covers any costs the Homeowner's Association incurs to update internal documents with the new owner's information and to distribute various HOA documents to the buyer. These documents typically include any governing covenants, convictions and restrictions, rules and regulations (CC&Rs), financial statements, amendments and property defects.

It is important to review the CC&Rs, which will have pet restrictions, property use restrictions, and other community rules you must abide by.

It's also important to review the HOA meeting minutes, which can give clues as to any HOA dues increases or special assessments the HOA might have planned.



# TERMITE INSPECTIONS & REPAIRS

Most detached-home buyers will ask for a termite inspection and section 1 repairs. VA buyers will need section 1 & 2 repairs paid for by the seller.

The HOA is typically responsible for termite repairs for condos and townhomes, and thus a termite report is not necessary.

**Who Pays for Treatment - Section 1 vs Section 2:** Termite inspection reports describe items as either section 1 or section 2.

Section 1 items typically fall into the closing costs for the seller, meaning sellers pay for these treatments. This includes the cost of remediation, like tenting

or spraying to eliminate an active termite infestation. It also means paying for things like repair of dry rot or wood that has been chewed by termites.

By contrast, buyers typically pay for section 2, which is anything considered termite prevention. For example, a termite inspection report may state: "We advise that you move the soil away from touching the base of the house to reduce the odds of future termite problems." This line item would be considered a preventive recommendation and the financial obligation involved with the process would fall to the buyer.



# SELLER DISCLOSURES

California, like many states, requires its residential property sellers to disclose, in writing, details about the property they have on the market. These disclosure obligations apply to nearly all California home sellers – whether selling a stand-alone home or a high-rise condo unit – and also apply to mobile homes.

The reason these disclosures are so important is that potential home buyers need to know as much as possible about a property in order to evaluate whether they really want to buy it and the resources they need in order to make the purchase. This includes offering an appropriate purchase price and knowing about any potential repairs or upgrades needed to areas of the home.

The disclosure obligations also remind California home sellers that they have a legal responsibility to be open about a property's condition, and can be sued for hiding problems or defects.

## **Who Must Make These Seller Disclosures?**

As a general rule, all sellers of a residential real estate property containing one to four units in California must complete and provide written disclosures to the buyer. There are a few exceptions, such as properties that are transferred by court order or from one co-owner to another. But if you are offering your home to the public for sale, you can pretty much count on this requirement applying to you.

## **When Sellers Must Provide Disclosure Information**

It's best to give the disclosures to the buyer as soon as possible so the buyer can

make an informed decision. Some sellers will line up all disclosures, inspections, and other paperwork prior to listing their property so that everything is ready for serious offers to be accepted. Other sellers will make a copy of the disclosures available within a day or two of an open house, or wait for buyers to put in an offer before providing the disclosures, with the option for the buyer to back out or renegotiate if the disclosures bring to light anything unexpected.

If you do not give the required disclosures to the buyer by the time the two of you have signed the purchase agreement, then the buyer has the option to terminate the



## SELLER DISCLOSURES continued

deal. (After you deliver the disclosure form, the buyer's deadline for cancelling is three days after delivery in person or five days after delivery by mail.) Providing these disclosures to serious potential buyers as soon as possible decreases the likelihood of a buyer cancelling the offer later due to information found in the disclosures.

### **Filling Out the Standard Disclosure Forms**

California's seller disclosure requirements are very strict and thorough. California law provides a standard format, identified in Civil Code Section 1102, which must be used by sellers in making these disclosures. The resulting form, called the "Transfer Disclosure Statement" (TDS), can be obtained from your California real estate agent.

The TDS form covers a broad range of topics, from structural information about your home such as a leaky roof, to whether any deaths occurred on the property in the last three years. You will need to include information about all appliances in the home, including which are included in the sale as well as whether they are operational. You will also need to

disclose any room additions, damage, or neighborhood noise problems.

Although some California sellers think that providing complete disclosures is a lot of work, if you don't provide a prospective buyer with the disclosure statement at all, the buyer has a right to cancel the sale agreement up to the last moment of negotiations. That would mean that your entire home sale, as well as all of the work you have put into it, could fall through. Besides, buyers tend to be happier with the deal when they've been warned of possible issues up front, rather than being surprised by them later.

While the Transfer Disclosure Statement presents a fair number of "yes/no" questions, you will need to provide details on some of your responses. That doesn't mean describing every little bit of chipped paint or every scratch on the linoleum. However, you are expected to disclose only "material" defects or facts. "Material" in this sense simply means something that is important or determinative in the buyer's decision to purchase the home. For instance, one question on the TDS asks whether there are any significant defects/



malfunctions with the floors of the home. If the kitchen floor needs to be cleaned more often than the bathroom floor, this would not be considered “material” and would therefore not need to be disclosed. If, however, the floors in the kitchen were buckling, cracking, or disintegrating, this would be “material” and you would need to disclose it. A few more examples of things that are considered “material” are if the structure is in violation of any building codes, if the property is on land that is often flooded or has a high chance of being flooded, or if the public sewer system doesn’t connect to the property.

Details that you do not need to disclose include whether a prior occupant had Acquired Immune Deficiency Syndrome (AIDS) or whether someone died on the property, as long as the death occurred more than three years before the current potential buyer’s purchase offer. If, however, a potential buyer asks you a question about any deaths on your property, you must still answer truthfully even if the answer involves an occurrence more than three years in the past.

### **What if You are Unsure Whether you Need to Disclose a Defect?**

Generally, the more you disclose, the better it is for both you and the buyer. Remember, just because you disclose an issue doesn’t mean you are obligated to repair or correct it. The buyer also has the option to correct a problem or to overlook it, if the issue is a minor one. In fact, disclosing more than you necessarily have to can help the deal go through. The buyer’s realtor, and therefore the buyer, will be happy to see that you have provided a fully completed TDS form because it shows that you are thorough and are taking the home sale seriously.



# HOUSE HUNTING CHECKLIST



Address \_\_\_\_\_ Price \_\_\_\_\_

Bedrooms \_\_\_\_\_ Bathrooms \_\_\_\_\_ Sq. Ft. \_\_\_\_\_

Lot Size: \_\_\_\_\_ Year Built \_\_\_\_\_ School District \_\_\_\_\_

Annual Tax \_\_\_\_\_ HOA Fee \_\_\_\_\_ Walking Score \_\_\_\_\_

	yay	meh	nah		yay	meh	nah
<b>EXTERIOR</b>				Master Bedroom	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
View/Yard/Landscaping	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Bedroom 2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Trees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Bedroom 3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lawn (front)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Bedroom 4	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lawn (back)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Master Bathroom	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fences (condition)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Bathroom 2	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Landscaping (condition)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Bathroom 3	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Irrigation/Sprinkler	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Bonus/Game Room	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
House Type	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Kitchen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Exterior Siding	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Cabinets	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Deck/Patio/Porch	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Countertops	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Garage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Counter Space	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Window/Doors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Flooring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Roof/Gutters	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Oven/Stove	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Fencing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Microwave	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>HOME SYSTEMS</b>				Layout	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Electrical	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Light Fixtures	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Air Conditioning/Fans	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Backsplash	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Heating	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Pantry	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Security	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Appliances	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Plumbing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Island	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Intercom	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Basement	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>FEATURES</b>				Garage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Home Warranty	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>COMMUNITY</b>			
Energy Saving Features	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Immediate Neighborhood	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
<b>INTERIOR</b>				Close to Employment	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Walls/Trim/Ceilings	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Close to Transportation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Windows	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Close to Shopping	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Flooring	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Close to Schools/Daycare	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Stairs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Close to Places of Worship	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Storage	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Near Recreational Facilities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Living Room	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Close to Airport	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Family Room	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Near Police and Fire Department	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Dining Room	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	House Value Relative to Area	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>