



BUYER'S GUIDE



Four Reasons to Buy With a REALTOR®

You are about to embark on one of the most important and exciting decisions in your lifetime: the selection and purchase of a home. It is a decision that will bring you years of comfort and joy. Yet, the idea of spending your free time evaluating homes and neighborhoods, figuring your down payment and monthly costs, applying for a loan, and finalizing the purchase can be an overwhelming process. For some buyers, the process is tedious and confusing, and is why consulting a professional REALTOR® is a smart decision.

1 Objective vs. Information

A licensed real estate agent can help you find a house, efficiently and quickly. Discuss with your agent the type of home you believe will be right for your needs. Is your family growing? Do you entertain a lot? Garden? Barbecue? Work at home? Are you a chef? A fashionista with a large wardrobe? Are you a fixer-upper or a total couch potato? REALTORS® understand the local market and can point out neighborhoods and properties that may suit your needs better than you thought. Also, your agent will show you homes that you can comfortably afford. He or she will have the resources to help you understand how much a lender will let you borrow and on what basis it's calculated.

2 Comprehensive Search Power

Your Realtor's expertise and experience will be crucial in helping you find the right home of your dreams. Real estate agents have access to the Multiple Listing Services (MLS), which provides information on virtually every home for sale in the market. This is a useful tool because it allows for the most current comparative information available for more informed shopping. Your agent may also be able to find available properties which are not being actively advertised online.

3 Negotiation Knowledge

When you are ready to make an offer, your REALTOR® can assist you. He or she cannot suggest a lower price than what is listed, but your agent can tell you what comparable homes are selling for in the same neighborhood. Your REALTOR® will act as the intermediary between you and the seller who is also likely to be represented by an agent. If there are negotiations over price, closing date, contingencies, and items - such as appliances - to be left or taken, your REALTOR® will be your representative.

4 Technical Expertise

Buying a home requires a multitude of forms, reports, and technical documents. Your REALTOR® will be familiar with the documents and the experts you will need, such as a lender, inspector, insurance professional, and a title agency/settlement company for your title and escrow needs. He or she will keep you on track and organized.



A FINANCIAL TIME LINE 12 MONTHS TO HOMEOWNERSHIP

Buying a home can be complicated but preparations can help make it less so. Before starting to seriously shop for a home seriously consider the following one-year timeline to help you arrange your finances. The more time you give yourself for this process, the better.

ONE YEAR IN ADVANCE

Get your credit reports

If there are errors on your reports, you could pay a higher interest rate on your mortgage. You might also have issues getting a loan. Free credit reports from the three major credit bureaus (Equifax, Experian and Transunion) are available from AnnualCreditReport.com. Scan the reports for suspicious activity, debts you don't owe and negative marks (other than bankruptcy).

Obtain your FICO credit scores

Your credit scores are three-digit numbers used to measure your creditworthiness. They help determine the rates and terms for your loan. While there are different credit-scoring formulas, most lenders use FICO.

Attack your debt

Try to eradicate bad debt such as credit-card balances and payday loans which signal that you could be living beyond your means. Reducing overspending before you buy a home is critical because homeownership typically involves costs not currently in your budget, such as property taxes, insurance, maintenance, repairs, improvements and decorating.

Save Money

Cut back on luxury expenses and put as much money aside as possible. Think about your dream of homeownership. Ideally, try to have at least a 5% down payment, but putting down 10% will give you even more financing options.

Switch to automatic bill pay

A single, 30-day late payment can knock 100 points off your score so be sure every bill gets paid when it's due. Consider using an online bill-payment system's recurring-payment feature.

SIX MONTHS OUT

Research mortgage options

Educate yourself on different types of loan programs and consider interviewing several mortgage professionals. Different lenders may have different loan products and offerings.

Hone your saving strategy

A more significant down payment could result in a larger home or a lower mortgage payment. Build up your emergency fund to three months of income for unexpected home expenses.

THREE MONTHS OUT

Reduce your credit utilization

Remember, less is better, at least when it comes to the FICO scoring formula. It's sensitive to how much of your available limits you're using on your credit cards and other revolving lines of credit. Even if you pay your balances in full every month, the balance on your most recent statement is the formula used. Keep that balance below 30%.

Don't open or close any accounts

Until the mortgage process is complete and you've received the deed to your new home, avoid opening new credit accounts or closing old ones that could potentially harm your credit. If your loan officer later advises you to pay off certain debts in order to qualify for the loan, follow that advice, but otherwise, leave your accounts as they are.

TWO MONTHS OUT

Look into potential mortgage rates

Order a fresh set of your FICO credit scores and speak to a few mortgage lenders about rates. Don't apply yet or give permission for your credit to be pulled; just get a feel for what you can expect. Each time a lender checks your credit, a "hard inquiry" appears on your credit report and dings your score slightly. The good news is that the FICO scoring formula counts all mortgage related inquiries within a specified period as one. It is essential to do your serious mortgage shopping in a relatively concentrated time frame.

Get approved for a mortgage in advance

A pre-approval, in which a lender commits to giving you a loan, is different and more valuable to sellers than pre-qualification, which only provides you with an idea of an affordable mortgage amount without any commitment. You are not obligated to get a loan from the lender that pre-approves you. Even though a pre-approval involves a hard credit inquiry, the small potential ding on your credit is worth it because you'll be in a stronger position with sellers.

Avoid switching banks or making major purchases

After the lender has verified your funds at one or more institutions, the money should remain there until needed for the purchase. Purchases that require a withdrawal from your verified funds or increase your debt could affect your loan approval, as your lender may check your credit or re-verify funds at the last minute.

Avoid changing jobs

A job change may result in a loan denial, particularly if you are taking a lower-paying position or moving into a different field. Don't think you're safe because you've received approval earlier in the process, as the lender may call your employer to re-verify your employment before funding the loan.

Shop for a mortgage

Consider national mortgage lenders, local lenders, and online brokers. The full approval process could vary in length of time so be sure to move quickly.

Conduct appraisal, home inspection and walk-through

An appraisal is required for loan approval. An inspection is not required but can alert you to any serious problems before the deal closes. The walk-through, is usually right before signing final documents, is so you can make sure that the sellers have performed any agreed-upon repairs and the place is in move-in condition.

Confirm closing costs

Your settlement entails signing all loan and escrow paperwork and paying agreed-upon amounts, which can include your down payment and your share of legal fees, paperwork costs, property taxes, and title insurance.



FINANCING: GETTING PRE-QUALIFIED

Once you have an idea of the type and size home you want and the area you'd like to look in, you should be pre-qualified by a Lender. By doing this before looking for a home, you'll save yourself time, energy and frustration because pre-qualification can:

Determine how much home you can afford

Though you may be willing to spend until it hurts, the name of the game is how much a lender calculates you can afford. Your lender will help you through the financial process of pre-qualifying (targeting the amount that a financial institution will lend you). Pre-qualification enables you to avoid buying more home than you can afford or being disappointed if you don't qualify for as much as you had hoped.

Show what your total investment will be

You'll know approximately how much money you'll need for a down payment and closing costs.

Inform you of your monthly payments

Lenders use slightly different formulas for arriving at the total monthly house payment. These costs generally include your mortgage principal and interest payment, property taxes as monthly figures, and hazard insurance as a monthly figure. These four items are referred to as PITI (principal, interest, taxes, and insurance). If you're putting less than 20% down, the lender may require you to buy private mortgage insurance (PMI), and the monthly premium will be included. If you decide to buy a condominium or townhouse, the monthly homeowner's association fee is likely to be part of the total monthly payment. These formulas can change from lender to lender, so your best bet is to consult with several experts in the field.

Identify the loan programs you can qualify for

At this point, your lender can also help you determine alternatives and strategies that could help you buy the home of your dreams, like special first-time homebuyer programs or debt consolidation counseling. With the wide variety of loan programs available, it is essential to know which types you qualify for and which will best suit your needs.

Strengthen your offer

Sellers are more inclined to accept realistic offers when they know that you have taken the time to be interviewed by a lender and can qualify for a loan.

To be pre-qualified, you will need to provide the lender with the following:

- Your residence history for the past two years
- Your employment history with dates and locations
- Two years of tax returns and W-2s (or profit and loss statements if self-employed)
- Three months of statements for all accounts, including bank, brokerage, loan, credit card and retirement
- Details of any real estate, vehicles, or other personal property you own, including loan balances and market values

Your lender will be able to provide you with a more specific checklist as well as an overview of the loan process from start to finish. If not offered, consider requesting this information from your lender.



THE LOAN PROCESS

1 Step One: Application

It's important to complete your loan application accurately and provide all necessary documentation to your loan consultant at the time of application.

2 Step Two: Ordering Documentation

Your loan consultant will order the necessary documentation for the loan as soon as it is received. Verification requests will be mailed, and the credit report and appraisal will be ordered. You will also receive a Good Faith Estimate of your costs and details of your loan.

3 Step Three: Awaiting Documentation

Within approximately two weeks, all necessary documents should be received from your loan consultant. Each item is reviewed carefully, and additional documentation may be needed from you to resolve any questions or problems.

4 Step Four: Loan Submission

Submitting your loan is a critical part of the process. The loan consultant will submit all of the necessary documentation, along with your credit report and appraisal.

5 Step Five: Loan Approval

Loan approval may occur in stages. Within one to three days, your loan consultant should have pre-approval from the lender. If the loan requires mortgage insurance, or if an investor needs to review the file, final approval could take additional time. You do not have final loan approval until ALL of the necessary parties have underwritten the loan.

6 Step Six: Lender Preparation of Documents

After the lender has approved the loan, the paperwork will be prepared. These documents are sent to the escrow/settlement company who will contact you to arrange a time for you to sign the documents. Your lender may require an impound account for property tax and insurance premium payments, depending on the type of loan.

7 Step Seven: Funding

The signed paperwork is returned to the lender for review to ensure all conditions were met, and the documents were signed correctly. When this is complete, they will fund your loan by sending the loan proceeds by check or wire to the title or settlement company.

8 Step Eight: Recordation

When the loan has been funded, the title company will record the Deed of Trust or Mortgage with the county clerk's office where the property is located. Upon receipt of confirmation of the deed recorded, the title or escrow company will disburse monies to the appropriate parties. At this time, the loan process is considered complete.



LOAN/CLOSING FAQS

When do I sign loan documents?

Generally, your escrow instructions will be mailed to you for completion and signature. Your escrow officer or real estate agent will contact you to make an appointment for you to sign your final loan papers. At this time, the escrow holder will also tell you the amount of money you will need (in addition to your loan funds) to purchase your new home. The lender will send your loan funds directly to the title company.

What do I bring to my loan document signing appointment?

Obtain a cashier's check made payable to your escrow company or title company in the amount indicated to you by the escrow officer. You may also wire funds. A personal check will delay closing because the check must clear before funds are disbursed.

You will need to bring a valid state ID card, driver's license or passport with you to the closing. These items are needed by a Notary Public to verify your identity. It's routine but a necessary step for your protection.

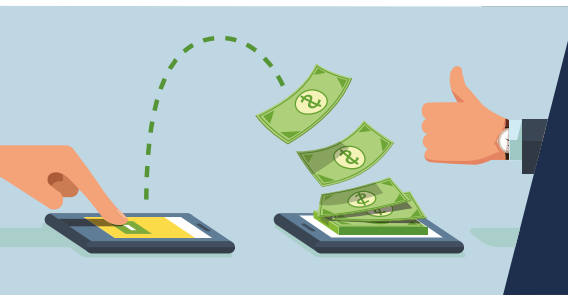
Make sure you are aware of your lender's requirements and that you have satisfied those requirements before you come to the closing to sign your papers. Your loan officer or real estate agent can assist you.

What's the next step after I've signed the loan documents?

After you have signed all the necessary instructions and documents, the escrow holder will return them to the lender for final review. This review usually occurs within a few days. After the review is completed, the lender is ready to fund your loan and informs the escrow holder.

When will I receive the deed?

The original deed to your home will be mailed directly to you at your new home by the County Recorder's office. This service takes several weeks (sometimes longer, depending on the County Recorder's work volume).



CLOSING COSTS AND WHO PAYS WHAT?

Closing costs are what the buyer and seller will pay as part of the escrow transaction. Some fees are negotiable between the seller and buyer as to “Who Pays What.” Below is an example of some typical closing costs which may vary from state to state.*

Paid by Both or Either Party

- **Attorney Fees, Courier/Delivery Fees, Document Preparation**
For deed(s) and other legal documents required to consummate the transaction
- **Escrow Fee**
Often split between buyer and seller
- **Homeowner’s Association (HOA) Dues and Transfer Fees**
- **Notary Fees**
- **Recording Fees**
To file legal documents with County Recorder
- **Property Taxes**
- **Owner’s Title Insurance Premium**
- **Lender’s Title Insurance Premium**

Buyer’s Typical Costs

- **Appraisal**
One-time fee for new a loan
- **Credit Report**
For loan application
- **Homeowner’s Insurance**
Paid by the buyer for fire/hazard insurance
- **Loan Fees**
Origination and processing fees charged by a lender
- **PMI**
Some lenders require Private Mortgage Insurance
- **Prepaid Interest**
Prorated depending on the time of month the loan closes

Seller’s Typical Costs

- **Real Estate Commission**
- **Disclosure Reports**
Natural Hazard Report
- **Home Warranty and Existing Encumbrances**
- **Property Inspections, Pest Inspection/Correction**
Termite report
- **Transfer Tax**
City/County conveyance tax
- **Municipal & State requirements**



YOUR SIGNING APPOINTMENT

Please refer to the following list of considerations before your signing appointment:

Identification

There are several acceptable forms of identification which may be used during the escrow process including:

- A current driver's license
- Passport
- Valid identification card

One of these forms of identification must be presented at the signing of escrow in order for the signature to be notarized.

Vesting For Title

Before recording ownership for your new property, you will need to decide how you would like to hold the title. You may wish to consult a lawyer, accountant, or other qualified professional before making this decision.

Depositing Funds to Close Escrow

To prevent possible delays in the closing of your escrow, be prepared to provide a Cashier's or Certified check cleared through the Federal Reserve for the amount requested by your escrow officer. Wire instructions will be provided should you prefer to wire transfer into escrow.

Lender's Requirements

Check-in with your loan officer to ensure that you have satisfied your lender's requirements before coming to the Title office to sign papers.

Fire and Hazard Insurance

When you are buying a single-family, detached home, and in some cases, a townhouse, be sure to order a hazard insurance policy before the loan has been approved. You will then need to contact your escrow officer to provide the insurance agent's name and contact information so that they can make sure the policy complies with your lender's requirements. You must have the insurance policy in place before the lender sends money to the title company for closing. If you do not have an insurance agent, your real estate agent may be able to refer someone to you.



MOVING CHECKLIST

Address Change

- Give forwarding address to post office 2 to 3 weeks before moving
- Change charge accounts, credit cards
- Subscriptions: Notice requires 6 to 8 weeks
- Inform friends and relatives

Banks

- Transfer funds, arrange check-cashing in new city
- Arrange credit references

Insurance

- Notify company of new location for coverage: life, health, fire, and auto
- Make sure homeowners' coverage for your new house is in place.

Utility Companies (transfer OR cancel)

- Gas & Electric, Water, Garbage
- Telephone (Land Line)
- Cable (Return all cable boxes and router)
- Internet
- Alarm Service (if any)
- Landscaping Service (if any)
- Pool Service (if any)
- Pest Control (if any)

Medical, Dental, Prescription Histories

- Ask Doctors and Dentists for referrals, transfer needed for prescriptions, eyeglasses and x-rays.
- Obtain birth records, medical records, etc.
- Arrange for medical services: Doctor, Dental, Veteranarian, etc.

Pets

- Ask about regulations for licenses, vaccinations, tags, etc.

Schools

- Get school transcripts (some districts require that they are sent directly from the prior school)

Don't Forget To:

- Arrange for movers ahead of time
- Arrange for storage ahead of time
- Use up things that can't be moved - such as food in your freezer and flammable household aerosol cleaning products
- Hold a garage sale
- Carry enough cash or traveler's checks to cover the cost of moving services and expenses until you make banking connections in the new city
- Carry jewelry and documents yourself during the move

- Leave old keys, garage door openers, broiler pans, house plans and instruction manuals needed by the new owner with the real estate agent
- Have new address recorded on driver's license and car registration

On Moving Day

- Carry enough cash or traveler's checks to cover the cost of moving services and expenses until you make banking connections in your new city
- Carry jewelry and documents yourself or use registered mail
- Plan for transporting pets; they are poor traveling companions if unhappy
- Let close friends and relatives know the route and schedule you will be traveling, including overnight stops. Use them as message headquarters.
- Double-check closets, drawers, and shelves to be sure you've left nothing behind
- Leave old keys, garage door openers, broiler pans, landscape/house plans and instruction manuals needed by the new owner with the real estate agent.

At your new address

- Obtain certified checks or cashier's checks necessary for closing real estate transactions (check with the escrow officer or closing agent for details)
- Check on service of telephone, gas, electricity, water and garbage
- Check pilot light on stove, water heater and furnace
- Ask mail person/post office for mail they may be holding for your arrival

- Have new address recorded on driver's license and car registration
- Visit city offices and register to vote
- Register the car and get new license plates (if out of state)
- Obtain inspection sticker and transfer motor club membership
- Apply for state driver's license
- Register family in your place of worship
- Register children in school



Realtors®, real estate brokers, closing attorneys, buyers and sellers are targets for wire fraud and many have lost hundreds of thousands of dollars because they simply relied on the wire instructions received via email.

A fraudster will hack into a participant's email account to obtain information about upcoming real estate transactions. After monitoring the account to determine the likely timing of a closing, the fraudster will send an email to the buyer purporting to be the escrow agent or another party to the transaction. The fraudulent email will contain new wiring instructions or routing information, and will request that the buyer send funds to a fraudulent account.

We are urging everyone to **INQUIRE BEFORE YOU WIRE** and to never rely solely on email communication. Always follow these two simple steps:

INQUIRE BEFORE YOU WIRE.

When in doubt, always call
our office or your escrow officer.

For the best in service, remember to always insist on



STEP 1



Obtain the phone number of your Real Estate Broker, Realtor®, Closing Attorney (if applicable) and your Escrow Officer as soon as a title order is placed or an escrow is opened. Complete the information below and keep this flyer in your escrow folder. If you are reading this at one of our lobbies and you don't have a copy of this flyer, simply ask the receptionist for a copy.

STEP 2



Prior to wiring, call the phone number you wrote down from step #1 above to speak directly with your Escrow Officer to confirm wire instructions. If you receive a change in wiring instructions supposedly from us or your Escrow Officer, be suspicious as we rarely change our wiring instructions.

TITLE ORDER/ESCROW NUMBER

REALTOR'S NAME/PHONE

LENDER'S NAME/PHONE

TITLE OR ESCROW COMPANY

ESCROW OFFICER/CLOSING ATTORNEY'S NAME/PHONE

DON'T GET ROBBED BEFORE YOUR CLOSING. PROTECT YOUR MONEY FROM WIRE FRAUD SCHEMES

Every day, hackers try to steal your money by emailing fake wire instructions. Criminals will use a similar email address and steal a logo and other info to make it look like the email came from your real estate agent, attorney, title company or settlement agent. You can protect yourself and your money by following these steps:



BE VIGILANT

CALL, DON'T EMAIL: Confirm your wiring instructions by phone using a known number before transferring funds. Don't use phone numbers or links from an email.

BE SUSPICIOUS: It's uncommon for title companies to change wiring instructions and payment info by email.



PROTECT YOUR MONEY

CONFIRM EVERYTHING: Ask your bank to confirm the name on the account before sending a wire.

VERIFY IMMEDIATELY: Within four to eight hours, call the title company or real estate agent to confirm they received your money.



WHAT TO DO IF YOU'VE BEEN TARGETED

IMMEDIATELY: Call your bank and ask them to issue a recall notice for your wire.

REPORT the crime to www.IC3.gov

DETECTING that you sent the money to the wrong account within 24 hours is the best chance of recovering your money.

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