

Homebuyers Guide

Prepared by Lyndsey Kaplan to ensure you a smooth transaction

Overview

I prepared this homebuyers guide for my clients because I believe in empowering them with knowledge and providing them with the tools to make informed decisions. Buying a home is a significant financial and emotional investment, and having a comprehensive guide helps my clients understand the process, navigate potential challenges, and ultimately find their dream home with confidence. By equipping them with valuable information and guidance, I aim to ensure a smoother and more successful homebuying experience for my clients.

Step by step buying process:

Determine your Budget	Evaluate your financial situation, including your income, expenses, and savings. Establish a realistic budget that considers the down payment, closing costs (3% of purchase price), monthly mortgage payments, taxes, HOA, insurance and ongoing homeownership expenses.
Check your credit score	Obtain a copy of your credit report and review your credit score. A higher credit score can help you secure better mortgage terms and interest rates. If needed, take steps to improve your credit before applying for a mortgage.
Get pre-approved for a mortgage	Approach lenders and get pre-approved for a mortgage. This process involves a financial assessment, and it provides you with a clear understanding of how much you can borrow. It also demonstrates your seriousness to sellers when making an offer. No seller will review an offer without a pre-approval letter.
Determine your needs	Make a list of your requirements and preferences for your new home. Consider factors like location, size, number of bedrooms and bathrooms, amenities, proximity to schools or workplaces, and any specific features or preferences you may have.
Engage a Real Estate Agent	Hire a reliable and experienced real estate agent who specializes in the area you're interested in. They can guide you through the home buying process, provide valuable insights, and help you find suitable properties that meet your criteria. You will not have to pay for your agent, the seller pays for your buying agents commission.

Begin house hunting	Your real estate agent will start sending you listings for sale based on your criteria. Let them know which ones you like and they will schedule private showings with you. Take notes, compare properties, and assess their potential for meeting your needs.
Make an offer	If you feel like you have found the one, ask your agent to calculate all costs for you. This includes monthly mortgage, HOA, insurance, taxes, PMI, utilities, downpayment and closing costs. Ask your agent to run comps (recently sold properties similar to your subject property) to give you of an idea of what price is an educated and smart offer. Work with your real estate agent to prepare a compelling offer that includes the purchase price, contingencies, desired closing date, and any other relevant terms. Be prepared to negotiate with the seller if necessary. See details on offer terms in our Buyer's Offer Guide.
Offer accepted	Congrats! You have an accepted offer. You will now submit your escrow (deposit) to show the seller good faith in the purchase. This must be submitted to the title company (a third non-interested party) within 3 days of an executed contract and is usually 1-2% of the purchase price. You will get this back at closing. Then you will schedule a home inspection to identify any issues or defects. It is important to do this so there are no hidden costs that pop up after you close. This step ensures that you're aware of the property's condition and can negotiate repairs or adjustments as needed. By now, you should know the age of the roof, AC unit, electrical, and appliances. At this point, your agent has sent the title company your contract and the title company will get to work on making sure the property has a clear title. You do not want to buy any property with liens. See below for explanation on a lien and clear title.
Apply for HOA	If applicable, apply to the HOA as soon as possible. Most HOA's take 3-4 weeks for the approval process. Submit any requested documents.
Secure financing	Finalize your mortgage application and provide the necessary documentation to your lender. Work closely with your loan officer to complete the underwriting process and secure your loan. Your lender will schedule the appraisal before closing. An appraisal is a process through which a real estate appraiser determines the fair market value of a home. It can assure you and your lender that the price you've agreed to pay for a home is fair.
	Your agent will provide you the Closing Disclosure (CD). Review all

Complete the closing process	of it and ensure that everything is accurate including costs, prorations of taxes and fees. Arrange for a final walkthrough of the property to verify its condition. On the closing day, sign the necessary paperwork, pay the closing costs, and receive the keys to your new home.
After closing	<p>Congrats! You are moving into your new home. Don't forget to:</p> <ol style="list-style-type: none"> 1. Change the locks 2. Transfer utilities to your name- www.fpl.com 3. Update your address where necessary 4. Set up your HOA account 5. Plan for maintenance and repairs

FAQ

**Please note, as a buyer, you do NOT pay any realtor commission. The seller pays both the buyers agent (your agent) and the sellers agent.

1. How much can I afford to spend on a home?

Determining how much you can afford to spend on a home involves evaluating your financial situation and considering various factors. Here are some key steps to help you determine a suitable budget:

1. **Assess Your Income and Expenses:** Calculate your monthly income and expenses to understand your cash flow. Consider your take-home pay, including any additional sources of income, and deduct your regular monthly expenses, such as utilities, groceries, transportation, debt payments, and savings contributions. This will give you an idea of how much you can allocate toward housing costs.
2. **Calculate Your Debt-to-Income Ratio:** Your debt-to-income (DTI) ratio is an important factor lenders consider when assessing your mortgage eligibility. Add up all your monthly debt payments (including credit cards, student loans, car loans, etc.) and divide that total by your gross monthly income. Multiply the result by 100 to get a percentage. Most lenders prefer a DTI ratio of 43% or lower, but specific requirements may vary.
3. **Consider Down Payment and Closing Costs:** Determine how much you can afford to put towards a down payment on a home. A larger down payment typically results in lower monthly mortgage payments. Additionally, factor in closing costs, which generally range from 2% to 5% of the home's purchase price.
4. **Calculate an Affordable Monthly Payment:** Based on your income, expenses, and down payment, use an online mortgage calculator or consult with a lender to estimate the mortgage amount you can afford. Consider the potential monthly mortgage payment, including principal, interest, property taxes, homeowners insurance, and, if applicable, private mortgage insurance (PMI).
5. **Consider Future Expenses:** Account for other homeownership costs such as maintenance and repairs, utilities, and potential increases in property taxes and insurance premiums.

Owning a home often comes with additional expenses beyond the monthly mortgage payment.

6. **Get Pre-Approved for a Mortgage:** To gain a clearer understanding of your affordability, consult with lenders and get pre-approved for a mortgage. Pre-approval involves a comprehensive evaluation of your financial information and provides an accurate estimate of the loan amount you qualify for.

2. How much should I budget for closing costs? When budgeting for closing costs, it's important to consider that these costs can vary depending on various factors, such as the location of the property, the purchase price, and the specific terms of the transaction. However, as a general guideline, it's recommended to budget around 2% to 5% of the home's purchase price for closing costs. Here are some common expenses included in closing costs:

1. **Lender Fees:** These can include origination fees, loan processing fees, and underwriting fees charged by the mortgage lender. They typically range from 0.5% to 1% of the loan amount.
2. **Title Insurance:** This insurance protects the lender and the buyer against any title issues or ownership disputes. The cost can vary but is generally around 0.5% to 1% of the purchase price.
3. **Appraisal Fee:** This fee covers the cost of a professional appraisal to determine the value of the property. It typically ranges from \$300 to \$500.
4. **Inspection Fees:** These fees cover various inspections, such as a home inspection, pest inspection, and radon inspection. Costs can vary depending on the location and the type of inspections required, usually around \$300-\$500.
5. **Escrow Fees:** This is what you will submit when you first go under contract as your deposit and get back at closing. It shows the seller you are in good faith during this process. They typically range from 1% to 2% of the purchase price.
6. **Property Taxes and Prepaid Expenses:** Depending on the time of year and the specific terms of the transaction, you may need to prepay property taxes and set up an escrow account to cover future tax payments.
7. **Recording Fees and Transfer Taxes:** These fees cover the cost of recording the sale and transferring ownership of the property. The amount can vary depending on the location.
8. **Homeowners Insurance:** You may be required to prepay a portion of your homeowners insurance premium at closing.

It's important to note that closing costs can vary significantly, so it's advisable to request a Loan Estimate (LE) from your lender early in the process. The LE will provide an itemized breakdown of the estimated closing costs specific to your loan. Working closely with your real estate agent and lender will help ensure you have an accurate estimate of your closing costs and can budget accordingly.

3. What factors should I consider when choosing a neighborhood? When choosing a neighborhood, several factors should be taken into consideration. Here are some key factors to evaluate:

1. **Location and Commute:** Assess the neighborhood's proximity to your workplace or other frequent destinations. Consider the commute time, accessibility to public transportation, and traffic conditions. Also, think about the neighborhood's convenience in terms of

proximity to amenities like schools, grocery stores, healthcare facilities, parks, and entertainment options.

2. **Safety and Crime Rate:** Research the neighborhood's safety and crime rates through local police departments or online resources. Look for information on crime statistics, incidents, and trends. Consider factors like street lighting, neighborhood watch programs, and the overall sense of security.
3. **Housing Market:** Evaluate the housing market in the neighborhood. Look at the average home prices, rental rates, and trends in property values. Consider whether the neighborhood is stable or experiencing growth, as this can impact your investment and potential for future appreciation.
4. **Schools and Education:** If you have children or are planning to start a family, the quality of schools in the area is an important consideration. Research the local school district, review school ratings, and visit schools if possible. Even if you don't have children, good schools can positively impact property values.
5. **Amenities and Lifestyle:** Consider the availability of amenities and the lifestyle the neighborhood offers. Evaluate the proximity and quality of shopping centers, restaurants, parks, recreational facilities, cultural institutions, and community events. Think about your interests, hobbies, and the overall atmosphere of the neighborhood.
6. **Neighborhood Character and Demographics:** Spend time exploring the neighborhood to get a sense of its character and demographics. Consider factors like the age range of residents, cultural diversity, community activities, and the overall vibe. Some neighborhoods may have a strong sense of community, while others may offer more privacy and seclusion.
7. **Future Development:** Research any planned or proposed development projects in the area. This can include commercial, residential, or infrastructure projects. Assess whether these developments align with your preferences and could potentially impact property values or quality of life in the neighborhood.
8. **Noise and Environment:** Take note of the noise levels in the neighborhood. Consider proximity to busy roads, airports, train tracks, or other sources of potential noise pollution. Also, evaluate the overall environment, including air quality, proximity to natural attractions, and the availability of green spaces.

Ultimately, choosing the right neighborhood depends on your individual preferences, lifestyle, and priorities. It's recommended to visit the area at different times of the day, talk to locals, and consult with a local real estate agent who can provide insights and help you find a neighborhood that aligns with your needs and preferences.

4. What is a home inspection, and should I get one? I would never advise to wave the home inspection. You want to be 100% aware of any issues or defects in a home or else you will have to incur an unexpected cost.

5. How do I make an offer on a house, and how negotiable is the price? The price is negotiable based on the current market conditions, if it's a sellers or buyers market. How long the property has been on the market is also a major factor. If it's been on the market for a short amount of time, you have less negotiation power. There are many factors that come into play when negotiating that is personal to the property. Your agent should point these out based on the given property.

6. How long does it typically take to close on a home? On average, the closing process typically takes between 30 to 45 days from the time the purchase agreement is signed. However, it's important to note that this timeframe can be influenced by several factors including mortgage approval, home inspections and repairs, title search and insurance, contingencies and contractual agreements, homeowners association approval, and local factors.

7. What types of insurance do I need when buying a home? The cost of homeowners insurance in Miami can vary depending on several factors, including the size and value of your home, the coverage limits you choose, the age and condition of the property, your credit history, the presence of any additional structures on your property (such as a pool or detached garage), and the proximity to potential risks like flood zones or hurricane-prone areas. On average, homeowners in Miami can expect to pay higher insurance premiums compared to other parts of the country due to the region's exposure to hurricanes and other weather-related risks. According to recent data, the average annual premium for homeowners insurance in Miami-Dade County, where Miami is located, can range from around \$1,500 to \$3,500 or more per year. It's important to note that these figures are approximate, and the cost of your specific homeowners insurance policy may vary. To obtain an accurate quote tailored to your home and circumstances, it's recommended to contact multiple insurance providers and request personalized quotes based on the details of your property and desired coverage.

8. What are the common contingencies in a purchase agreement? Inspection contingency, meaning, you will have a certain amount of days to perform the inspection. If you decide to back out of the contract during this time period, you will receive your deposit (escrow) back with no penalty.

9. What are the potential risks or red flags to look out for when buying a home?

When buying a home, it's important to be aware of potential risks and red flags that could indicate underlying issues. Here are some key areas to pay attention to:

1. **Structural Issues:** Look for signs of structural problems such as cracks in walls or foundation, sloping floors, or doors and windows that don't close properly. These could indicate significant issues that may require costly repairs.
2. **Water Damage:** Check for signs of water damage, such as stains, mold, or musty odors. Look closely at ceilings, walls, and around plumbing fixtures. Water damage can indicate leaks, plumbing issues, or poor drainage, which may lead to ongoing problems if not addressed.
3. **Pests and Infestations:** Look for signs of pest infestations, such as droppings, gnawed wood, or insect activity. Common pests to watch out for include termites, rodents, and ants. Addressing pest issues can be expensive and may require professional assistance.
4. **Roof Condition:** Assess the condition of the roof. Look for missing or damaged shingles, signs of leaks, or sagging areas. A deteriorating roof can lead to water damage and other issues. Consider getting a professional inspection to assess the roof's condition thoroughly.
5. **Electrical and Plumbing Systems:** Test electrical outlets and switches to ensure they are functioning correctly. Check for outdated or faulty wiring, as well as signs of plumbing

leaks, such as water stains or low water pressure. Faulty electrical or plumbing systems can be costly to repair or replace.

6. **Environmental Concerns:** Investigate potential environmental risks in the area, such as flood zones, soil contamination, or proximity to hazardous facilities. Research local environmental databases and consider obtaining specialized inspections or reports to assess any concerns.
7. **Neighborhood Factors:** Assess the neighborhood for factors that may impact your quality of life or property value, such as high crime rates, excessive noise, limited amenities, or future development plans that could negatively affect the area.
8. **Title Issues:** Conduct a thorough title search to identify any liens, encumbrances, or ownership disputes that may impact your ownership rights. Engage a qualified title company or attorney to ensure a clean title transfer.

10. What are the ongoing costs of homeownership, such as property taxes and maintenance?

When it comes to homeownership, there are several ongoing costs to consider in addition to your mortgage payment. Here are some common ongoing expenses associated with homeownership

1. **Property Taxes:** Property taxes are assessed by local government authorities based on the value of your property. The amount you owe in property taxes will vary depending on the location and assessed value of your home. Property tax rates can change over time, so it's important to budget for potential increases.
2. **Homeowners Insurance:** Homeowners insurance protects your property and belongings from various risks such as fire, theft, and natural disasters. The cost of insurance will depend on factors like the value of your home, its location, and the coverage limits you choose.
3. **Home Maintenance and Repairs:** As a homeowner, you're responsible for maintaining and repairing your property. This includes routine maintenance tasks like cleaning gutters, servicing HVAC systems, maintaining landscaping, and addressing any necessary repairs that may arise. Budgeting for ongoing maintenance is important to keep your home in good condition and prevent costly issues down the line.
4. **Homeowners Association (HOA) Fees:** If your property is part of a homeowners association, you may be required to pay regular HOA fees. These fees contribute to the maintenance and management of shared amenities or common areas. The amount of HOA fees can vary significantly depending on the neighborhood and the services provided by the association.
5. **Utilities:** Monthly utility bills, including electricity, gas, water, and sewage, are ongoing expenses associated with homeownership. The amount you pay will depend on factors such as the size of your home, the number of occupants, local utility rates, and your usage habits.
6. **Home Upgrades and Renovations:** Over time, you may choose to make upgrades or renovations to your home. These projects can range from minor cosmetic updates to major remodeling. Budgeting for such improvements is important to account for the costs associated with enhancing or customizing your home.

It's important to note that the specific costs will vary based on factors such as your location, property size, and personal choices. Creating a comprehensive budget that considers all

these ongoing expenses will help you effectively manage the financial aspects of homeownership.

11. What does a title company do? A title company plays a crucial role in real estate transactions by ensuring that the transfer of property ownership is done properly and legally. Here are some key responsibilities and functions of a title company:

1. **Title Search and Examination:** The title company conducts a comprehensive search of public records to verify the property's ownership history and to identify any potential issues or claims that could affect the title. This includes reviewing deeds, mortgages, liens, judgments, easements, and other relevant documents.
2. **Title Insurance:** The title company issues title insurance policies to protect the buyer and the lender against any future claims or defects in the title. Title insurance provides financial coverage for losses arising from undiscovered issues that existed prior to the policy's issuance.
3. **Escrow Services:** The title company often acts as an impartial third party and holds funds and important documents in escrow during the transaction. This includes earnest money deposits, purchase funds, and relevant legal documents. The title company ensures that all conditions and requirements of the transaction are met before disbursing funds and transferring ownership.
4. **Closing Coordination:** The title company coordinates and conducts the closing process, which involves bringing together the buyer, seller, real estate agents, and other parties involved. The title company facilitates the signing of necessary documents, explains their purpose and implications, and ensures that all legal and financial obligations are met.
5. **Recording and Documentation:** The title company is responsible for recording the necessary documents with the appropriate government entities after the closing. This typically includes the deed, mortgage, and other related paperwork to officially transfer ownership and secure the lender's interest in the property.
6. **Payoffs and Disbursements:** The title company handles the disbursement of funds at closing. They ensure that all outstanding debts, such as existing mortgages or liens, are paid off and that the seller receives the net proceeds from the sale. The title company also disburses funds to other parties involved, such as real estate agents, attorneys, and service providers.
7. **Resolution of Title Issues:** If any title issues or defects are discovered during the title search, the title company works to resolve them. This may involve working with the parties involved, conducting additional research, or obtaining legal assistance to clear any clouds on the title.

By performing these vital tasks, a title company helps ensure a smooth and secure transfer of property ownership, provides protection against potential title problems, and offers peace of mind to buyers, sellers, and lenders involved in real estate transactions.

12. Who picks the title company? There is a revision to the Florida FAR BAR contract in Miami Dade County where the buyer can pick the title company and the seller still pays for the title insurance and fees. Any other county in Florida, it is customary that the seller chooses the title company and pays.

Summary

The home buying process can be stressful and complicated but we are here to ensure a smooth and easy transaction for you! Let us know if you have any questions, we are here for you. While it may seem like a lot, just remember, you're always paying a mortgage whether its your own or someone else's.

If needed, we have an in-house lawyer to consult

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