

## Introduction

Choosing a home to buy is one of the most important decisions of your life. In this report I'll show you everything you need to know before buying a property in the Portland Metro Area.

In this report you'll learn:

- How to figure out the right price to pay for a property.
- How to find a mortgage broker or lender to help you finance your new home.
- What the whole process looks like, from looking around to making an offer and closing.
- What your real estate agent should do for you.

If you have any questions, I'm just a phone call away: 503-789-7633. I hope you find this report helpful.

Dave Somerville

## How to Find the Right Home

To make finding a home easy, start by searching for a property on our website. You can [search by characteristics](#) like price, square footage, and location or browse [our map](#) see all the properties available in a particular area or neighborhood. For those buyers who know exactly what they want, we even offer an [Advanced Search](#) that lets you find properties based on everything from schools to lot description. And, don't forget to save your searches. Set [setup a new listing alerts](#) to make finding that new home even easier.

Once you've found a property you'd like to see or learn more about, options are:

- schedule a showing via our convenient online form
- ask for more information via our online information request form
- [contact Dave](#) directly at 503-789-7633

This is what to expect when you contact Dave Somerville:

1. He will return contact via phone within 30 minutes and emails within an hour.
2. He will supply any additional information on the properties inquired about.
3. If assistance is requested, he will ask several questions in reference to your search for houses, including number of bedrooms/bathrooms, price range, neighborhood, square footage, and general lifestyle preferences.
4. Not familiar with Portland? Dave can provide recommendations for various neighborhoods and areas to match your goals.
5. If you schedule a showing of a property via our online form, he will contact you directly to confirm an appointment.

6. Should you desire to schedule a meeting with Dave or another trusted advisor to discuss Portland's real estate market, the buying process or tour properties, he will be happy to accommodate your schedule.
7. As a buyer's agent, he will provide expert advice on price, negotiate the best deal possible, protect your interests during the transaction, and watch for pitfalls that'll cost you money.

## How to Find a Mortgage Broker or Lender

1. An overwhelming percentage of homebuyers obtain their loans from mortgage brokers; commercial banks and credit unions come in a distant second place. It is recommended that you obtain pre-approval from a mortgage broker at the very start of your search. In fact, most Realtors expect you to obtain pre-approval before starting to look at properties. Another advantage of obtaining pre-approval is that it helps establish price goals, thus allowing more targeted shopping.
2. Buyers often benefit from using one of our recommended mortgage brokers. These brokers maintain the highest level of service and are very price competitive. Shop around, compare fee structure and rate. Customer service, pricing, and faster closes are most often associated with our mortgage brokers, unlike big banks. If you have a better deal than what our recommended broker can provide, he'll tell you. Remember, lenders are required by law to give Good Faith Estimates (put figures in writing) when quoting. Compare and you'll save.

## How to Decide on a Purchase Price

Several factors determine the offering price. The most important:

### 1. Comparable neighborhood sales

Are homes being sold in the price range and area of your target property? How fast are they selling? If they're selling fast, you need to make a strong offer. On the other hand, if they're selling slowly, you may have more room to negotiate. Keep in mind that what you hear and read about the real estate market are national, or citywide at best. Problem is, markets are local. You'll be well aware of area sales by having us supply comparable properties that are active as well as those that have sold within the last 6 months or so. Price is not the only thing to consider when evaluating what to offer. Other terms, including financing, inspections, and closing date complete your proposal. Make the most of everything. Remember: There is no specific formula when it comes to making an offer. We are here to make sure you make educated decision.

### 2. Seller and Buyer motivation

How long has the home been on the market? Why is seller selling? Is the home bank owned (a foreclosure) or is foreclosure looming? How many price reductions have sellers done? Are you looking to meet short or long term

goals. We'll find answers to these questions in order to help guide and counsel you on what to offer.

### Let's consider an example...

You need to relocate to Portland but you've got a deadline that's fast approaching. Once you find a house that suits your needs, is within your buying power and, you absolutely love, you should make every effort to seal the deal and get the house. If you decide to take your chances and negotiate for a lower price, you'll risk losing your dream home. Considering your tight deadline that's a big risk. You may end up losing a lot more time and money, and may not even find another property you like.

### What to Expect After You Make an Offer

Once details of the offer are established and on paper it's now time to present it to the listing agent. Typically this is done via fax, email and a series of conversations with the seller's agent. Next step:

1. **Expiration Period:** Terms of your offer state an expiration time and date, typically 24 – 72 hours. During this time your agent will be in contact regarding any Realtor conversations, pertinent new details, or other competing offers on the property.
2. **Seller's Response Options:** A seller has options to counter, accept, or reject an offer. The listing agent will work with seller to provide written response. Your agent will discuss seller's response as well as any negotiation comments/changes with you.
3. **Buyer's Options:** If a seller does not accept the buyer then has options to accept the seller counter-offer, counter back again, or reject.

### Your Offer Is Accepted – Congratulations!

When the Buyer and Seller have reached an agreement on all terms, conditions, and price, you have arrived at what is called "Mutual Acceptance". From this point on, all responsibilities and timeframes established in the contract take effect.

1. **Earnest Money**, established within the offer (typically 1% of sale price), are most often required to be deposited within 3 business days. It is common practice for your real estate agent to collect this check, or a promissory note, before the offer is presented to the seller.
2. Your Earnest Money check, contract, and pertinent information for all parties are sent to **Escrow** via your Realtor. An Escrow Company is a neutral 3<sup>rd</sup> party that receives instructions from the buyer and seller, holds all monies, coordinates loan document signatures and records deeds with the county. Within your sale agreement the escrow company was selected. While most companies are very similar in fee structure there are subtle differences. Selection of the escrow company is often simply the listing agent's preference.

3. To officially begin the financing process your agent will provide your **Lender or Mortgage Broker** (the one you already obtained pre-approval from) with a copy of the **Purchase and Sale Agreement**.
4. It is highly recommend you conduct a complete **home inspection**, and that you hire a qualified professional to do it, even if it the home is brand new. Any home will have short comings or potential problems that even the seller is unaware of. Keep in mind while some owners are very diligent when it comes to maintenance some are not. Regardless, few actually know about issues like dry rot, termites, or faulty wiring or plumbing. It is in your best interest to have the home professionally inspected to avoid severe financial consequences in the future.

Cost of an inspection depends upon size mainly and will run close to \$400. Inspections should be ordered by the buyer or buyer's agent immediately after Mutual Acceptance. As the Buyer you'll need to pay inspector at time of service. We can help by recommend qualified professionals. Caliber of inspectors varies greatly and for a few dollars more you'll receive a much more thorough report which is incredibly useful in further negotiation. Per the offer, buyer and seller have 10 business days from Mutual Acceptance to remedy or renegotiate any problems found.

Let's look at some possible scenarios...

1. **Minor Issues Arise upon Inspection** - Two options: decide the issues are so minor you won't ask for concessions (waive the Inspection Contingency), or you request that the Seller remedy these issues, which does not usually pose a problem on their end because they are indeed minor repairs.
2. **Major Issues Arise upon Inspection** – Three options: request that the Seller remedy the issues, ask for credit towards sale price in the estimated amount for repairs, or terminate the sale agreement. The Seller may carry out needed repairs, agree to credit the estimated amount, offer an alternative solution, or state they won't do any of the latter. The Inspection Contingency is waived if the Seller agrees to carry out repairs. If the Seller doesn't agree to conduct repairs, credit, or doesn't offer an alternative solution then, as the Buyer, have the option to get your Earnest Money back and terminate the sale. Or you can choose to accept this response, waive the Inspection Contingency, and continue the process till closing.

Please bear in mind that if a Lender or Mortgage Broker is involved, any major issue, such as dry rot, defective roof, etc. may need to be repaired before closing for you to obtain financing. This will be determined by the appraiser.

6. The Seller must provide the **Seller Disclosure Statement** once Mutual Acceptance has been reached. You, as the Buyer, have the right to revoke your offer based on the information supplied in this document, within 5 business days from receipt of this information.
7. If the property was built before 1978, the Seller must provide a **Lead-Based Paint Disclosure**. Again, you have the right to revoke your offer based on the information contained on this form, within 5 business days.
8. Your agent will contact the Lender or Mortgage Broker throughout the process to see how the loan is progressing. At some point, likely after home inspection, the lender will order a property **Appraisal**. This appraisal is the lender's assessment of property's value. Appraisal can be completely different from market value, but in most cases both values will be very similar. If sale price and appraised value are different, the lending company will grant you a loan based on the lower of the two.

Appraisers may notice defective items or issues in the home, and he or she can call for a copy of the inspection report. Buyer and Seller are responsible for reaching an agreement as to how these issues will be fixed prior to closing. Buyers pay for their appraisals as part of closing costs quoted by their lender or mortgage broker.

9. Title Company, often part of the escrow company, will send you a copy of the **preliminary title report** for the home. The Title Company is responsible for finding encroachments, liens, or easements on the property. If any are found, you will be told what to do next. For example, if there is a lien on the home, it is very likely the Seller knows about this and is making arrangements to remedy the situation before closing.

After the Inspection period has passed and the Appraisal is conducted, the lending company tells the Buyer if anything else is needed to prepare loan documents. These may include tax records, homeowner's insurance, etc. The lending company will send loan documents for buyer signature to the escrow company a few days prior to agreed upon close date.

After Escrow receives these loan documents, your closing provider will prepare a **Settlement Statement**. He will ask the Seller and the Buyer to sign, usually 2 days prior to the close date. After these documents are signed and returned to the lender. Please bear in mind that Escrow fees must be paid by the Buyer as part of closing fees.

10. In Oregon, the **closing date** is typically 24-48 hours after the documents have been signed. Two items define a closed transaction; Funds must be available to the seller and deed must be recorded with the county in which sale occurred.

11. **Possession** is one of the terms specified in the contract. Most often it is agreed that possession will be at 5pm on the day of closing. Your agent will tell you where and when you can pick up the keys to your new home as it will not be at the time of document signing.

### **What You Can Expect from Dave Somerville after Closing**

Dave will remain in touch with you after the closing via phone or email. He'll keep you up to date on your investment with an exclusive Property Investment Profile report, which shows real estate activity of homes in your neighborhood. Above all, long after you have settled into your new home, Dave will be available to answer any questions or address any concerns or issues you may have.

**Buying the perfect home is probably one of the most important decisions of your life. Don't do this alone. You should have a pro on your team. Let me help you find the perfect home at the perfect price. Call me at 503-789-7633 now.**

**Dave Somerville**