

Worksheet on How to Buy a Home in Anchorage

Here is a checklist of things you need to do in order to buy a home successfully. Steps 1 and 2 may be interchangeable. It is up to you if you want to choose your lender before you choose your real estate agent. Many times, your real estate agent can recommend a lender that has closed deals successfully. The reverse is also true.

1. Choose a lender, establish your budget, and get pre-qualified.

Choose a lender and apply for a home loan **BEFORE** shopping for a home. When you meet with your lender, you will give him or her your financial information. With this information, your lender will be able to tell you how much you can borrow to buy a home.

From that point forward, can now have your lender write you a 90% letter for any offers you intend on writing. Many home buyers may end up writing offers on multiple homes before one is accepted. This especially true if it is a seller's market.

What is a 90% letter? In order to write an offer on a home, the seller and their agent will want to see a pre-qualification letter, commonly known as a 90% letter, from your lender. This letter states that you are financially capable of making an offer on that specific home. Many sellers will not even consider an offer if it doesn't have a 90% letter attached to it.

Before you shop around for a home, you will need to establish a working relationship with a chosen lender, so when you are ready to write an offer on a home, you are ready to quickly get the 90% letter for that home.

Remember: Don't let anyone know your absolute financial limits, keeping this number a secret for yourself allows you the negotiation leverage you may need in dealing with counter or competing offers.

_____ I have chosen a lender and have completed the initial application. I have notified my lender that I am working with a real estate agent and given my lender my real estate agent's contact information. I have also given my real estate agent my lender's contact information.

Establishing Your Price Range

Once you have met with a lender and established how much you are capable of borrowing and what type of payments you are comfortable with, record your price range and stick with it. If there are no homes within your price range, you may need to re-assess the type of home you want buy. Please note: a lender can give you a general estimate in the beginning, but if you make any large purchases or change your income structure, the loan terms may change by closing day. The day of closing, you will be given an actual cost data sheet to fully inform you of how much you are spending. By law, this final closing cost amount cannot vary beyond a certain degree from what you were originally quoted. This is usually just a formality, but you are entitled to full disclosure before you sign.

My price range\$ _____-\$_____ My payment range \$ _____-\$_____

A Little About Earnest Money

It is a real estate transaction standard to provide earnest money with an offer. The earnest money amount varies depending on a home's sales price and what the seller requires. The earnest money is usually a set percentage of the sales price. It is the same amount for every potential buyer. It is held in

trust by the sellers broker and returned if the sale falls through on the sellers behalf, kept by the seller if the sale falls thorough on the buyers behalf, or transferred as part of the down payment when the sale records. Please be sure to know what you are signing in your offer in regards to earnest money. Sellers have been known to write counter offers requiring you to forfeit your earnest money, no matter which side is at fault. Your agent will be able to tell you what the earnest money amount is on any home you are interest in buying.

2. Choose a real estate agent.

I'm providing this worksheet assuming you have already chosen me as your agent. If you are still undecided, know that not every agent is equal. Not every agent acts professionally. Some have more experience in the market you are buying in. Look at your potential agent's materials an evaluate on that agent's knowledge and experience in your market. Does your potential agent seem to know about getting the best deal for you? If you have chosen to work with an agent here are a few things you can expect and/or may be expected of you as their client. Some agents will spell out in written terms what they can and will do for you and clearly identify your working relationship with them.

 I have chosen a real estate agent and have informed that agent that I choose to work with them in buying a home. I have notified my lender that I am working with a real estate agent and given my lender my real estate agent's contact information. I have also given my real estate agent my lender's contact information.

The Alaska Real Estate Consumer Form

When it is time to view a home, or meet your agent for the first time, your may sign an AREC. The Alaska Real Estate Consumer Disclosure Form, simply referred to as the AREC form, serves to inform you of your rights as a client. It is provided for both the selling and buying side of all real estate transactions. When you meet with your agent he or she will have you sign one before a showing or transaction. When a property is sold, each side has to have a signed AREC on file for every transaction. **It is not a sales contract.** It is only a document that explains that you are being represented as a buyer or seller. The AREC form clearly states that your agent represents only your interests. An AREC is supposed to be signed before an agent shows you any properties. This is supposed to prevent conflicts between agents.

Buyer's Contracts and Agent Ethics

Many buyer's agents will also have you sign a buyer's agreement contract. This states that you will only buy a property with your buyer's agent and no other agent. Although this is not required, many agents will not show properties unless they are working for clients that choosen to work with them exclusively by contract. **It does not say that you HAVE to buy a home.** It just says that if you choose to buy a home, that you will buy one only through one chosen buyer's agent.

Why is this even necessary? Sometimes, buyers will see an open house and decide to walk through with out their own agent present. Other times, their agent agent isn't available and and they ask the seller's agent to show it. The seller's agent is not required to show the home for buyers. Sometimes the seller's agent doesn't mind showing the home in order to promote the sale of the home on behalf of the seller. Good seller's agents don't mind doing this for their sellers. Not all seller's agents are trying to steal clients. Some agents choose to use this as an opportunity to double side the sale and represent both the seller and buyer. Some agents may also use this an an opportunity to refer the buyers for a

referral fee or to boost business for their own brokerage or team. Some buyers reach out and call a random agent from the internet to show a home and forget or decline to mention they are already working with an agent. These actions create situations that are a dis-service to the unknowing new agent, who must then pay the previous agent a referral fee. Agents that do business with you knowing that you are already working with another agent are in direct violation of Realtor® ethics and place themselves and their brokerage in a liable position. Many agents have had complaints filed to the Alaska Real Estate Commission over situations like these.

It is because of situations like these, that every agent must now have every client sign an AREC before showing any property. In order to avoid situations like these, some buyer's agents go beyond the AREC form and have their clients sign a buyer's agreement.

 I have signed the AREC form my agent has provided. I also know and understand what I can expect from my agent and that I am being represented as a buyer by my agent.

 I have signed my agent's buyer agreement contract. I also know and understand that I will not write an offer with another agent and if another agent contacts me directly, I will inform them that I am already being represented.

3. Make a list of homes you like.

Once you have determined the price of the home you can afford, a lot of people just start randomly viewing homes. This doesn't help the home buying process. In many markets there are too many homes to actually go see in person. It is best to start with establishing some criteria for finding the right home. In order to make your quest for the right home manageable, Make a short list of must-have or deal-breaker features. Some good questions to ask yourself or selves: How many bedrooms do you absolutely need? Do you want a home in a home owners association? Do you want a fixer upper to gain equity faster? Do you want to concentrate on homes with the best resale value? Do you want a condo or your own large lot? Do you want multiple stories or a ranch layout? Is location near good schools or work important?

If crime, sexual offenders, or meth lab history is a concern for you, your real estate agent can provide you the resources so you may research a home's history. It is required that your agent has given you this option and a signed disclosure of this notice is a standard real estate transaction requirement in Alaska. Your real estate agent cannot research this for you and cannot be responsible for knowing a home's full history.

After you have had time to think about and discuss your ideal home's features, write them down. Try to be as specific as possible so your real estate agent can assist you in filtering out home's that wouldn't make your viewing list.

When you meet with your real estate agent, give him or her this list and your price range. Your agent should be able to find a list of possible homes that meet your needs. Most real estate websites have MLS search features built on to let you do your own searches. Feel free to look at homes to help you determine whether or not you need to adjust some of your criteria. There may be too little or too much for sale in your price point. Homes within your price point may also lack the features you are seeking. Getting to know your market is a good idea. Your real estate agent may also give you insight on how you may get the best deal for you money by knowing about listings not on the MLS system, by being able to talk with the seller's agent to find out if there are competing offers, and more.

My ideal home's features

Absolute deal-breakers

The Seller's Property Disclosure Form

Another part of a real estate transaction is the seller's property disclosure form. In Alaska, every one who sells a home is required to disclose anything they may know about their home's condition. Especially, if they have had renovations, additions, repairs or other work performed on the home during their ownership. A real estate agent is not allowed to fill out this form for their sellers. This is purely a disclosure on behalf of the sellers in their own words. Many sellers agents will provide this disclosure form before an offer is written. Your agent can get ahold of this form before you view the property. Many times, copies of this form are left at the home or put online for downloading and printing. If you are buying an estate sale property, foreclosure, or investment property, the owner is unable to fill out this disclosure and instead will provide a signed waiver of disclosure form. This waiver says that the seller has not occupied the home and cannot vouch for it's condition. In many cases, properties are sold on an as-is basis. If you are interested in these types of properties, you may have to buy them with cash, as lenders will not finance properties in this condition.

4. Narrow down your list, view them, and pick TWO to buy

At this point you have obtained your pre-qualification, chosen and met with your real estate agent, and made a list of homes you like. You and your agent will work together to narrow down this list. Many times, the chosen market is limited and a home may not have every feature desired.

You are then ready to go and view each home on your narrowed down list, write down what you really liked and what you did not like. Be sure to keep your original list in case the actual homes were nothing like the homes you thought you were going to see. A lot of times online listings do not have enough photos to really show you what it really is like in person. This is especially true when buying estate sale homes or fixer uppers. Be honest with what you are willing to fix up yourself.

This worksheet will help you remember which homes had which features you really liked about each home. Often, things can be fixed or updated after you become the owner. You will find minor cosmetic fixes or appliance upgrading can turn a so-so home into the home you can really enjoy. Keep this in mind when you are viewing homes and record what you can live with and what is still a deal-breaker.

Homes I Have Viewed

Address _____ Price \$ _____

Positives / Must Haves

Negatives/Deal Breakers (*ones I can live with)

Address _____ Price \$ _____

Positives / Must Haves

Negatives/Deal Breakers (*ones I can live with)

Address _____ Price \$ _____

Positives / Must Haves

Negatives/Deal Breakers (*ones I can live with)

Address _____ Price \$ _____

Positives / Must Haves

Negatives/Deal Breakers (*ones I can live with)

Address _____ Price \$ _____

Positives / Must Haves

Negatives/Deal Breakers (*ones I can live with)

Once you have viewed each home and recorded the positives and negatives, take some time to evaluate your options and narrow your choice down to **TWO** homes. Have your agent prepare an offer on your best choice and save your second choice as a back-up if the first has competing offers. In many markets, especially in popular neighborhoods, a seller will receive multiple offers. Your agent will usually inform you if your offer will need to be competitive one. A good agent will contact the seller's agent to inform them that they are in the process of preparing an offer. Often times, if there is a competitive situation, the seller's agent will notify all buyer's agents of a multiple offer situation.

Although this is not in a buyer's favor, if you absolutely are dead set on getting this house, you need to know if there will be multiple offers before you write your offer. Sometimes, if your agent wasn't told or at the time there wasn't other offers at the time, the seller's side will send out a formal written notice of multiple offers so all interested buyers may re-submit their highest and best offer for consideration.

Many times, a seller will simply choose one to accept without a multiple offer announcement. It is only required that the seller's agent present every offer submitted. Whether the sellers want to encourage further bidding or choose one a decline the rest are up to them, not the agent. At this point, the sellers agent will notify your agent that they chose to accept a different offer. At this point, you will

need to have your agent prepare an offer on your back up home. Sometimes, if the chosen buyers cannot complete the sale, the home will be put back on market. Your agent can tell the sellers agent to keep your offer as a backup offer if the sale of the home falls through.

Many times, your offer will not be accepted as-is. Sellers may want to neogiate a different price or sales terms. They may want to change the closing date, have you pay for items on the closing list, change the amount of closing costs they are paying, or other such things. They may put those requests into a counter offer, which overwrites your offer. The items on your offer are all the same, except for what gets changed in the counter offer. These items will be specifically spelled out for you to accept or decline. You may counter their counter and they may counter your counter to their counter. If you are too far apart on negotiations, the deal may be flat out declined without any counter offer. You also have the right to decline and walk away if you have already given your highest and best offer you are willing to give on this home.

Please fully read and understand what you are signing before you sign it. Your agent can walk your through your contract to make sure you fully understand it. If this isn't your first rodeo, double check everything anyway!

_____ *If possible, I have read the seller's property disclosure form and have noted the condition of the property I am writing an offer on. I know the risks I am taking and am ready to have the property inspected within the time range specified in my offer.*

_____ *I have given my best offer on this home and have read and understand what I am willing to be responsible for in this sales contract. If I had any doubts or questions, I have asked my agent to answer them.*

_____ *I have given my agent my earnest money check to submit with my offer.*

4. Agree to the terms and perform your contractual duties

Once an agreed sale contract is signed by both sellers and buyers, and their agents. It is everyone's job to do their part in fully executing the contract details. You most likely signed an offer contingent on obtaining financing. You need to work with your lender to make sure you complete their requirements to finance your home purchase. Do NOT change anything in your financial profile. Do not buy a new car, do not buy a new boat, do not change jobs, do not quit your job, do not finance anything else, and so forth. Changing anything to do with your finances could bump you out of a loan program you would have qualified for if you did not change your financial situation. If you fail to obtain financing for your home, you will have failed to execute your financing clause of the sale contract.

_____ *I have completed my loan application documents and provided my lender what he or she needs to process my mortgage loan. I understand that changing my financial situation can jeopardize my qualification for the loan I have applied for. If I have any doubts or questions about my financing, I have asked my lender to answer them.*

Another common part of a real estate sales contract is the part that deals with home inspections and repairs. A buyer has the right to have the home inspected for any defects. Most lenders actually require a home inspection before they will lend money on a home. Depending on what type of loan you are getting, the homes inspection may find that a significant amount of repairs will need to be done before a home can be financed, and thus sold. The inspection is done to fully inform you of what you

are buying.

You are given a home inspection report and are asked to sign the form that says you were sclosed on any defects or repair issues the homes has. If your lender approves the home as-is, you may choose to move forward or send the sellers a repair addendum within the time frame recorded on the sales contract. This addendum will outline the repairs you want the sellers to complete in order for you to get financing or for your own requirements.

Many times, in a buyer's market, buyers may request more than just what is needed to get a home financeable. Just remember, if you request more repairs than what is needed, the sellers can choose to reject your repairs addendum, or send back a repairs addendum they would agree to. Once the addendum is signed by both sides, the repairs are ordered and completed.

Items that need to be fixed or replaced (*not required by lender but I still want done)

_____	[]	Completed
_____	[]	Completed
_____	[]	Completed
_____	[]	Completed
_____	[]	Completed
_____	[]	Completed
_____	[]	Completed
_____	[]	Completed
_____	[]	Completed
_____	[]	Completed

_____ I have taken a close look at the home and noted which repairs or replacement I would like performed before I am willing to accept the home. I have read the home inspection report and am aware of what the report found or did not find. I have read through the sellers property condition disclosure. I signed repairs addendum that covered any items I am concerned about. If I had any doubts or questions about the home's condition I asked my agent to find the answer from the sellers side.

Another crucial part of a real estate contract is the appraisal. It is usually the sellers duty to pay for an appraisal. This determines the home's worth and must come within the range the lender is willing to loan on it. Sometimes, an appraisal will fall short of what the home is being sold for. A lender will only lend on what a home is appraised for. Many times, a buyer will choose to make up the difference at closing if they absolutely want THAT home. If the appraisal comes in over the home's sale price, it is a bonus for the buyer and a loss for the seller. Many times, the seller is motivated to sell the home, even at a loss and wouldn't try to renegotiate, which they can't, or sbatoge the sale in order to re-market the home at a higher price.

_____ I have reviewed the home appraisal and found that I can make up the difference if my lender will not loan me the entire amount - or that there is nothing that needs to happen on my side of the appraised amount.

Once the financing and repairs are complete, you have the final walk through of the property to confirm that is in the condition you agreed to. At this point, you may refute the home reappear was completed and walk away from the deal, or accept the property's condition.

I have completed a final walk through before closing to determine that all the necessary repairs are complete and that any other details of the home's condition have met my satisfaction. I am ready to sign the final purchase and loan documents.

Many times a part or parts of the sales contract cannot be completed on or before the closing date. If this happens, which it often does, an addendum to extend the contract date is signed by both parties. Sometimes, a party chooses to walk away from the sale due to these or other circumstances. Your agent will inform you if the sellers are not performing, or if they have a technical right to walk away. You may be able to recover your earnest money if the contract fails on the other side. If you choose to walk away, you may lose your earnest money if the contract fault is on your side.

5. Sign for and receive your home!

Once all the contract actions are executed, and your lender has approved the sale to close, you will go to your scheduled closing appointment. There, you will sign the loan documents and final property transfer documents from the title company. The closing appointment usually takes place at a title company office. Sometimes the buyer and seller will sign at different times.

The monies being exchanged are also brought to closing. Many times, certain fees can be written into the loan and paid for out of mortgage payments. For other items, such as down payments, past accrued debts, checks must be brought to closing by both the sellers and buyers. You will be notified how much you need to bring to closing by your lender.

Your real estate agent does not need to be present at the closing, but usually is, as a complete service practice. If a client has bought or sold property before they may not need the agent to be there. This is usually determined between the agent and clients. By this time of the transaction, all clients should know what documents they are signing and should feel confident in proceeding with or without their agents present at the closing. Unless you are an experienced investment buyer I have worked with before, I make it a point to attend all my clients closings, especially if you are a first time buyer.

After the closing appointment, the ownership is then recorded legally by the local recording office. True ownership does not transfer until it is recorded. After the transfer is recorded, you are then the new legally recognized owner of the home. You can then get the keys to your home and move in! If you want or need to begin moving into your home before recording, ask your agent to have an early occupancy addendum added into the purchase contract.

Congratulations! You have successfully bought your home. Many buyers move on to buy second or third homes. Buyers may also buy separate properties as investments in addition to their own personal residences. Stay in touch, as I regularly publish lists of investment properties such as fixers or rental income properties for sale.

When it is time to sell to downsize or move to a new home, call me, as I also represent sellers.