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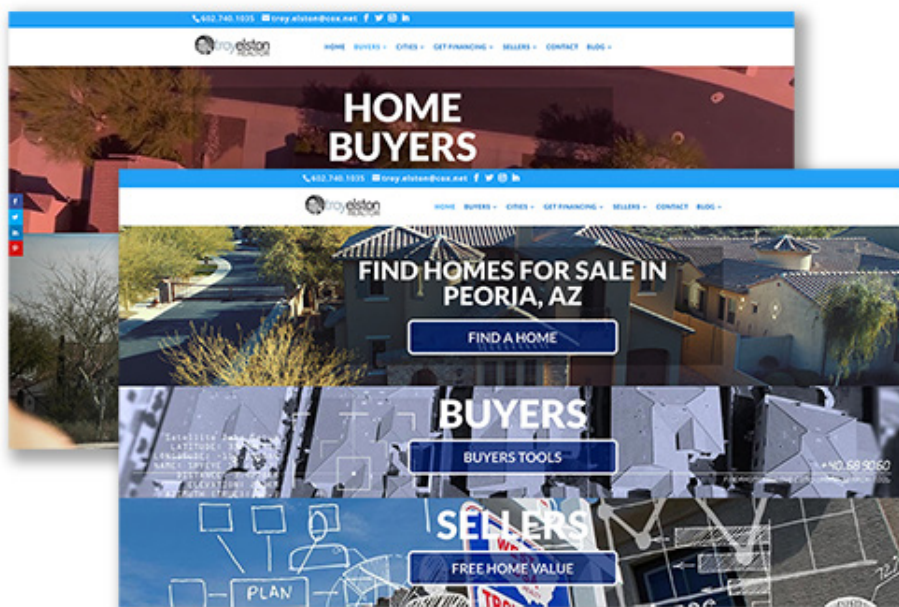
# BUYER'S GUIDE

Created exclusively for the Buyer's of Troy Elston, REALTOR, West USA Realty

## Buying A Home: THE ADVENTURE BEGINS

If you're like most people, buying a home is your biggest investment. It can be fun, exciting, stressful and confusing, all at the same time.

This is true whether you have bought several homes or you are looking to buy your first. There are many things to consider and decisions to make. I developed this guide to help you understand the process to buying a home and provide you with resources and research to help you make well-informed choices. I look forward to being part of your home buying adventure. Let's get started!



In addition to this guide, my website has more information on buying a home, green homes, a large collection of local links, pages about me and West USA Realty, home search and community pages for a number of neighborhoods in Phoenix, AZ and the surrounding areas.

Be sure to check it out at <https://findahomeyoulove.com> or contact me directly at 602-740-1035.

# LENDERS

Need to talk with someone about getting pre-approved. Below are several lenders that have done a good job for my clients in the past:

**Tod Dianovich**

Guild Mortgage

(602) 705-5915

tdianovich@guildmortgage.net

**Carl Gottlieb**

Guardian Mortgage

(602) 625-5684

carlgottlieb@gmail.com

**Nick Patullo**

People's Mortgage

(623) 302-3178

npatullo@peoplesmortgage.com

**Paul Wakefield**

Guaranteed Rate Affinity

(602) 697-7147

paul@approveamortgage.com

Many buyers want to go out and look at homes before they have discussed pre-approval with a lender. Here are 5 good reasons why agents and sellers want you pre-approved before you go looking.

## Pre-Approval

1. Sellers want to sell their homes, so they expect agents to bring ready buyers. Not being pre-approved is a sign you are not ready to make an offer. Since showings may require the seller to get pets out of the home, clean up or take time off work to make the house available, it is best if you've done your part too. If you are really "just looking" then a great option is to visit open houses to get a feel for the neighborhood and prices.

2. If you are not pre-approved then you haven't done your financial homework. Buying a house can be fun, but it is also a financial decision. What is your credit score? What is your debt-to-income ratio? How much do you need for down payment and closing

costs? An of course, how much can you afford? These are all questions that need reviewed by a lender.

3. You may be self-employed. Even if you make a lot of money, the loan process for self-employed buyers will be more complicated. Find out the challenges first.

4. You could lose the home of your dreams when you find out, after you fall in love that you can't afford it. Don't set yourself up for disappointment.

5. You have to move fast to get your offer in on the perfect house before someone else does. Don't miss the deal. Seller's won't accept offers from buyers without a preapproval.



## DOCUMENTS YOU WILL NEED FOR A LOAN

### Recent Pay Stubs

W-2 , 1099 or Profit & Loss Statement for the last 2 years

Last 2 years Tax Returns

List of your credit cards, student loans, car loans and child support

Minimum monthly payments and balance on debts

Bank Statements for all your accounts

List of assets, including other real estate, retirement and investments

Copy of canceled rent checks or mortgage payments

Proof that gifts for down payment are not a loan



# The Loan Process

Mortgages come in different types, your lender will help you determine what is the best loan for you. In all cases, your credit, amount of debt and the amount you have for your down payment will effect the terms of the loan. Here are some of the basics:

**Length of The Loan:** The term is how long you are going to take to pay the loan off. Residential loans usually come in 30, 20, 15 or 10 year terms. The shorter the payback period, the higher the monthly payment will be for the same amount of loan.

**Interest Rate:** Rates can be either fixed-rate mortgages which keeps your interest rate the same for the entire length of the loan, or adjustable rate mortgages (ARM) that allow your rate to fluctuate. ARMs usually start with very low rates, but can go up and increase your payment, so consider these carefully. ARMs are usually stated as a initial term and how often the rate will adjust, for example a 5/1 will have a fixed rate for 5 years and then adjust every year thereafter.

**Type of Loan:** Conventional mortgages are loans not guaranteed by a government agency. Conventional loans offered by the banks have more flexibility on the requirements but can require a higher down payment. Programs like FHA, PHFA, VA and USDA have the backing of the government behind them and tend to allow for lower down payments, but may have higher costs in the long run. Jumbos are loans that are above the limit of \$417,000 for the other types of loans, you will need one of these if buying a luxury property.

**Mortgage Insurance Premium (MIP) or Private Mortgage Insurance (PMI):** A cost added to your mortgage payment that protects the lender if you default. A down payment of less than 20% will usually require mortgage insurance, however some loans are available without it, even at lower down payment amounts. FHA loans have PMI insurance for the life of the loan.

**Don't** open any new debt  
**Don't** make any large deposits  
**Don't** increase balances on any existing accounts  
**Don't** increase balances on credit cards  
**Don't** deposit gift funds without instructions from your lender  
Do make your lender aware of any job change

A few other things to keep in mind about the loan process:

1. You can get a limited amount of gift money to be used as a down payment, but you must let your lender know up front, and the gift giver will be required to document the gift.
2. You can not get a loan to be used as your down payment.
3. The job of the loan officer is to prepare your file and presents it to the underwriter. The underwriter is the person who makes a "yes" or "no" decision. Missing documents and incomplete files will be rejected.



Make Your Mortgage Application

Submit Documents To Lender

Appraisal Ordered

Loan Processor Submits

File To Underwriting

Conditional Loan Approval

Clear Conditions

Start TRID 3 day waiting period

Sign off on Closing Disclosure



# Neighborhood Research

Because of Fair Housing Laws, real estate agents are not allowed to steer buyers into specific neighborhoods. Nor are we allowed to have discussions of demographics or give subjective opinions on crime, safety and how "good" a neighborhood is. We are limited to providing market and value information about a neighborhood, but we can direct buyers to good resources to learn about the places they want to purchase in.

I encourage you to visit an area at different times of the day, take a walk around and talk to the neighbors to get a feel for the location. In addition, online sources can provide a wealth of information about neighborhoods. On my website, <https://findahomeyoulove.com> you will find links to help your research, and community pages for many neighborhoods in our area. Below are some of the best online destinations for neighborhood research.

## Neighborhoods

Homefair City Reports: <https://www.homefair.com>

City Data - Demographics & open forum: <http://www.city-data.com/>

Niche Phoenix: <https://www.niche.com/>

## Crime

Trulia.com Crime Heat Map: <https://tinyurl.com/y32279ga>

City of Phoenix Crime Map: <http://communitycrimemap.com/>

CrimeReports.com: <https://tinyurl.com/y4bcbkz5>

## Commute

Walk Score.com: Walkable Neighborhood Rankings - [walkscore.com](https://www.walkscore.com)

Optimal Home Locator: [optimalhomelocation.com](https://optimalhomelocation.com)

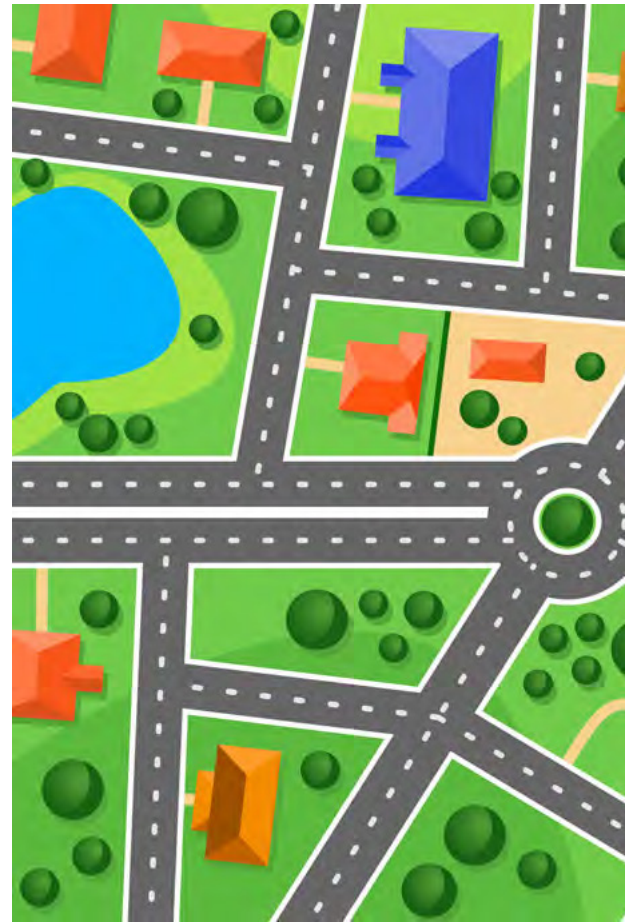
## Schools

Nich School Phoenix Area Rankings: <https://tinyurl.com/y4d2no4b>

Great Schools: [greatschools.org](https://greatschools.org)

Homefair School Reports: [homefair.com](https://www.homefair.com)

Deer Valley Unified School District: <https://www.dvusd.org/>



The Fair Housing Act is a set of federal, state, and local civil rights laws that protect people from discrimination in all housing related transactions. The Fair Housing Act prohibits discrimination in housing because of race or color, national origin, religion, sex, familial status and disability. In Arizona, protection is extended to marital status, sexual orientation, gender identity and source of income. In addition, criminal history can not be used to automatically exclude someone from housing, although it is not specifically a protected class.

# You Found Your Home: Making An Offer

Once you have found the perfect home, or at least one that you can make perfect, it is time to put together an offer. Every offer is a combination of price, terms and contingencies that will be presented, in writing, for the seller to consider.

**"Every buyer wants to pay less, every seller wants to get more"**

## The Right Price

The best way to figure out the right price to offer is by having your agent find comparable homes (comps) which have sold recently in the same area. While there is rarely an exact match for any home, by finding the closest sales, and making adjustments for features the home you want has, or doesn't have, you should be able to come up with a fair price that a reasonable seller will accept.

## Terms

Terms are parts of the offer that aren't necessarily price, but may make your offer stronger, or weaker. These include things like how much of a deposit (sometimes called earnest money) you are willing to put down with the offer to guarantee you are serious and will complete the sale as outlined in the contract.

Other terms are any personal property you expect to get with the home, the type of financing you plan to use, when you want to close and any contingencies you are adding to the contract.

Generally, the faster the closing, cash instead of a mortgage, and the fewest contingencies are the best terms for a seller. However sometimes the seller needs more time to move out or would choose a lower price if the buyer is purchasing as-is. This is the time when your agent can suggest ways to sweeten your offer without necessarily increasing the price.

## Contingencies

These carve outs in the contract protect you should certain situations arise before closing. If exercised, they allow you to renegotiate, or end the contract, and get your earnest money back. Common contingencies are:

**Mortgage:** Your pre approval comes with terms and conditions the lender has agreed to give you, this includes the amount of down payment, your interest rate and an understanding of your credit and income situation. Once you are under contract the lender will be finalizing your loan. If, prior to the Mortgage Commitment Date, you are denied the loan, you are able to terminate the contract and get your earnest money back.

**Appraisal:** This protects you in the event that the value of the appraisal is lower than the sale price. Since the bank is giving you a percentage of the lower of sale price or appraised value, a low appraisal reduces the amount of the loan and could mean bringing more money to closing.

**Home Sale or Settlement:** If you have to sell a home before you buy the new one, this contingency gives you time to get your current home sold, while the seller holds the new one for you.

**Inspection:** This gives you time to have the home inspected and due diligence before being locked into the contract. If you find something that is unacceptable you can terminate the deal and get your earnest money back. [See "Inspections" for more info](#)



# THE OFFER



## NEGOTIATING AN OFFER

As your agent I negotiate on your behalf. I approach negotiation by being prepared, by knowing the comparables and being able to explain your reasons for making the offer to the seller. Here are a few other tips to keep in mind:

- 1) Make your offer easy to take: Loading an offer with contingencies, waiting periods, big repairs and cash out of pocket are hard to get accepted.
- 2) Find compromise: understand and respect the priorities of the seller. Look for creative solutions that help both you and the seller reach your goals.
- 3) Be serious: Don't make unreasonable offers that are below value based on comparative recent sales, or have low hand money deposits. The seller will feel you are being unfair and may choose to ignore your offer entirely.
- 4) Keep your emotions in check: Everyone wants a good deal, but offers and counteroffers are not personal, focus on the goal of getting the home.
- 5) Strive for a win-win: Nobody wants to feel like they lost, so find a way for the seller to think they got a deal too.

## CLOSING COSTS

Your down payment isn't the only cash you have to bring to closing. Closing costs are fees from your lender, for settlement, insurance on your title, transfer taxes and recording fees. Your agent will give you a breakdown of what you can expect when you make an offer.

**Lender Fees:** Processing, underwriting, origination and appraisal fees are charged by your lender. Most are paid at closing, but the appraisal fee (around \$450) is usually paid at the time of application.

**Settlement Fees:** Costs to prepare the documents and deed for closing and coordination of the closing and notary or attorney who will perform the closing.

**Title Insurance:** A policy that protects homeowners, and lenders, against legal problems that could occur in the future with your title. You pay the cost once at closing, the price is regulated by the State of AZ and your lender will require it. Even without a loan, you should have it to protect yourself. Ask for an "EAGLE" policy for maximum protection.

**Broker Fee:** \$0 fee charged by West USA Realty for the services of your buyer's agent. There are some exceptions, please contact your Realtor for more information about the Buyer-Broker Agreement.

## Inspections - Bring In the PROS

In some areas of the country, buyers will waive a home inspection in order to make their offer more appealing, but in Arizona the vast majority of buyers include a home inspection contingency of 10 days to allow them time to bring in the pros. And rightfully so, the inspection contingency is your chance to dig into the home and discover the things you didn't see when you looked at it the first time. Perhaps the most important thing to realize is that no home is "perfect" and both older and newer homes will have some issues. Below are the answers to some of your most likely questions about inspections.

**Should I have a home inspection?** Yes. (Really, that's it, just, Yes.)

What inspections should I have? The only required inspection is the pest inspection (around \$75) that your mortgage company will want a copy of. However you should consider a full home inspection (around \$380). And you may also chose to test for mold, lead-based paint, water quality, energy efficiency, sewer line video scope, septic and any other specific concerns you may have.

**What if the home has been pre-inspected?** Sometimes sellers or previous buyers will have an inspection done and have a report available. You should review the report and make your offer based on it, and any repairs that have been done. Ultimately, it is up to you if you feel comfortable with the report and/or feel the inspector presented an unbiased report. Regardless of if the home is pre-inspected, you can still elect to have your own inspection.

**Who pays for the home inspection and how much?** The buyer pays directly to the home inspector, usually between \$300-\$500.

**Where do I find an inspector?** I can provide a list, you can look online or you can check the inspector's website. Any inspector looking at more than one system must comply with the Home Inspection Law.



### What is the purpose of the home inspection?

1. To give you details about the home you are buying.
2. To help you plan for future repairs and renovations.
3. To uncover material defects with the home.

**What is a material defect?** As defined in the sales agreement, a material defect is a problem with a residential real property or any portion of it that would have a significant adverse impact on the value of the property or that involves an unreasonable risk to people on the property. The fact that an element, system or subsystem is near, at or beyond the end of the normal useful life is not by itself a material defect.

**How long do I have to complete the inspections?** You will elect a certain number of days (usually 10) during which you will complete your inspection and reply to the seller.

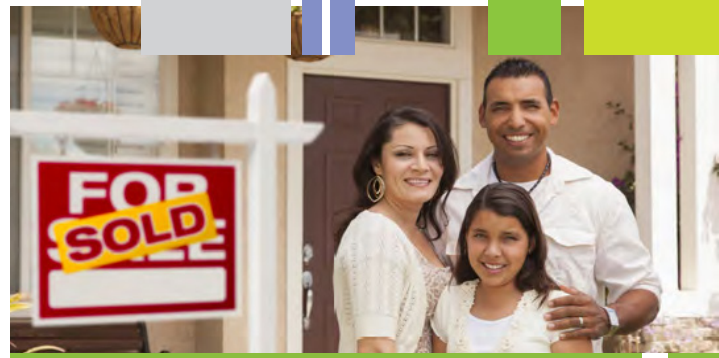
### What kind of issues should I address on my inspection reply?

The answer is entirely up to you but here are a few thoughts:

1. Most good inspection reports will rank the issues they uncover by priority. The easiest issues to request are items considered "Safety Issues" or "Major Concerns", as defined by the inspector.
2. Consider what issues would prevent you from buying the home if they are not addressed.
3. Items that would be considered "Material Defect".

**What kind of issues can not be addressed?** Again, the answer to this question is entirely up to you, but in my experience sellers are not anxious to address small items, items that are old but not failing and those that were clearly known at the time you made the offer.

1. Your offer should be based on what is known about the home. Planning to negotiate on repairs to items that the seller disclosed, or were clearly known when you made your offer, can be perceived as bad faith.
2. Asking for repair or credit on old or worn items, but that are not failing. For example, an actively leaking roof should be addressed, but an old roof that is still functioning may not be. Most sellers don't want to spend large sums of money unless there is evidence from the inspector of a serious problem.
3. Asking for more than the inspector recommends. If the inspector suggests repair to roof flashing, that should not lead to a request for a new roof. The seller is rarely interested in work beyond the scope of what your inspector suggests.
4. Don't nitpick, asking for little things like replacing light bulbs, painting scuffs on a wall, replacing a doorknob or other little things (with the exception of new construction) only makes you seem unreasonable in your negotiations.
5. Please don't ask seller to address cosmetic items.



## YOUR PAYMENT

P-I-T-I stands for Principal, Interest, Taxes and Insurance and are the four parts that make up your monthly payment. Your payment may also include MIP/PMI on some loans and Homeowner Association fees.

**Principal:** The part of the payment that pays down the amount you borrowed.

**Interest:** The part of the payment the bank collects for giving you the loan, calculated on the outstanding principal of the loan.

In the beginning, your payment is more interest and less principal, over time it reverses. Just one extra payment a year, applied to the principal, can take around 7 years off a 30 year loan, Wow!

**Taxes:** 1/12 of your yearly taxes is added to your payment, and saved by the bank in an escrow account to pay when taxes are due.

**Homeowners Insurance:** 1/12 your yearly insurance cost is also put into escrow.

An Escrow Account is convenient, and the bank wants to insure taxes and insurance are paid, since the house is collateral on their loan. If you put down more than 20%, your lender may allow you not to escrow.

**Mortgage Insurance (MIP or PMI):** Monthly costs paid by you for a policy the lender will collect on if you default on your loan. This is common with under 20% down loans.

**Homeowners Association:** These fees may be escrowed, or paid direct to your HOA.

**Still more on the next page >**

# More about inspections

**What can I “get” when I reply to a home inspection?** You have the choice of asking the seller to complete the repairs, credit the cost of the repairs towards your closing costs or reduce the cost of the home by the value of the repairs.

There are pros and cons to each choice:

**1. If you ask the seller to make the repairs,** they must be finished by closing, but they choose the contractor, as long as it is done in a “workmanship like manner.”

**2. If you ask for a credit towards your closings costs,** you will reduce the amount you need to bring to closing, will have money left over to get the repairs done under your own supervision. However, most mortgage companies will only allow a 3% (6% for FHA or VA) seller credit towards closing costs, so if the repairs cost more, or if you already requested seller’s assistance, then this option may not be for you.

**3. If you ask for a reduced purchase price,** you will see a lower loan amount and monthly payment, but you will have to complete the repairs from money you have available.



**Will I get everything I ask for?** It depends; if you ask for safety and major concerns that don’t cost much, most sellers are willing to take care of those issues. If the cost gets high, most sellers will negotiate. If you ask for lots of repairs or expensive items, or if the seller perceives your

requests are unreasonable, then the deal could fall apart.

**What if I don’t want the house anymore?** You can terminate the agreement, within your contingency timeframe, and get your earnest money returned, but there is no refund on what you paid for the inspections.

**What if the seller says “no” to my requested repairs?** The ball is in your court. You can try to negotiate, or you can terminate the agreement.

**What else should I consider when replying to inspection?**

**1. Some homes are listed as-is or bank-owned.** In those cases the seller is saying that they are either unable or unwilling to make repairs. It doesn’t mean you can’t ask but be prepared to be told “no.”

**2. The seller’s motivation will effect what you can negotiate.** Seller’s that are under contract on a new home, need to relocate or need to sell for financial reasons may be more willing to make the repairs and keep the deal alive.

**3. Did you already get a great price?** If you reviewed the comps and know that you got a great price then the seller probably knows it too, and may not want to go lower.

**What if I miss the deadline to reply?** Missing the deadline means you have accepted the house in as-is condition and intend to go forward with the purchase. If you can’t reply within the inspection contingency

timeframe we need to file an extension, please keep in touch if you think this may happen.

**Are there other inspections?** Yes, the insurance company, appraiser and occupancy inspector (when applicable) may all do inspections of the property. Any one of them could find a issue that is not a concern for you, but still a problem for whomever ordered the inspection. If this happens, we need to notify the seller within 5 days. They will then let us know if they will take care of those items at their expense. If they don’t, it is up to you to decide if you want to proceed and have the repairs made yourself. These repairs must be made prior to closing. If an agreement can not be reached between the buyer and seller the contract can be terminated.

## More information on inspections and how to reply

Arizona Chapters of the National Association of Home Inspectors  
[nahipa.org](http://nahipa.org)

Phoenix Regional Organization of American Society of Home Inspectors  
[pro-ashi.com](http://pro-ashi.com)

Los Angeles Times: How to Respond to a Home Inspection Report  
<http://goo.gl/A5uYrm>

Los Angeles Times: Inspection Report Isn’t a Repair List  
<http://goo.gl/M6uUiq>





### The Home Sale Contingency

It can be tempting to find your new home before your current home is under contract, or even on the market, but it is best to avoid this situation. A Home Sale Contingency means the seller must agree to remove their home from the market, for a negotiated period of time, until you are ready to close. You will likely end up paying a premium for the time you need to get your home sold. Then, since you will be in a rush, you will have to price your current home aggressively, and may have to take a lower offer, to avoid losing the new home. Worst of all, if time runs out on the contingency, or another offer comes in, the seller can wipe out your contract and you lose the new home completely. While it may be necessary to use the Home Sale Contingency, it is one term that can cost you a lot of money. The best advice is to sell before you buy.

### Tax Assessments

Every home is assessed by the county, and the assessed value is the amount that your taxes will be calculated on. Frequently we see assessed values much lower than market value. Be sure to take a moment and calculate your taxes off of the full purchase price to confirm you are comfortable with the potential taxes should your assessment increase after the sale. Assessments for a home can increase during a county wide reassessment or can be triggered by a home sale. Most counties have assessments posted online. In Maricopa County, you can look up your value at:

<https://mcassessor.maricopa.gov/>

### Homeowners Insurance

A policy that protects you, and your lender, from fire, damage to your property and liability such as a injury to someone visiting. You will shop for your own insurance and notify your lender and settlement company who you plan to use. Insurance can also be purchased through excellent companies I've used in the past such as Geico, Nationwide and Allstate.

### Utilities

Older homes in the Phoenix area can have large cooling bills. Be sure to consider utility costs into your monthly budget. A home energy audit and energy retrofit might be something to add to your "to do" list for after closing. Many utility companies such as APS or SRP offer reduced or free audits and there are statewide low interest loan programs to have efficiency work done on your home. You can find more information on my website at:

<https://findahomeyoulove.com>



## Buying GREEN

Buying a green home has many benefits; from reducing your operating costs to getting a more comfortable and healthy home. It supports environmental values and reduces dependence on electricity from burning coal. In our area it is easy to find a "green" labeled home, what you can find are homes that have specific features that may be important to you.

If energy use is your concern then you'll want to look for ENERGY STAR qualified homes, passive or active solar features, tight construction and well insulated homes.

Those concerned about the health aspects should look for indoor air quality features, low-VOC paint and carpet, HEPA filters and adequate testing for lead, mold and radon.

And, if you are concerned about your environmental footprint then right-sized homes, high walk scores and short commutes will be priority.

Several organizations are trying to make it easier to know how green a home is through certifications. ENERGY STAR is primarily focused on energy and cost savings. LEED and the NAHB Green Building Program both rate homes based on how they meet criteria for energy use, water use, air quality, landscaping and efficient use of resources and materials.

As a REALTOR with knowledge of Green and Energy Efficient Homes, I can help you find a house that is good for your health, wealth, earth and family.

# HOME SEARCH CHECKLIST

Name: \_\_\_\_\_

Current Address: \_\_\_\_\_

Phone: \_\_\_\_\_ Phone: \_\_\_\_\_

Email: \_\_\_\_\_ Email: \_\_\_\_\_

Preferred contact method? (check all that apply) ☐ Phone ☐ Email ☐ Text

Children's Names and Ages (if applicable): \_\_\_\_\_

Employer \_\_\_\_\_ Position \_\_\_\_\_ Location \_\_\_\_\_

Employer \_\_\_\_\_ Position \_\_\_\_\_ Location \_\_\_\_\_

Beds: \_\_\_\_\_ Baths: \_\_\_\_\_

Property Type (check all that apply): ☐ Condo ☐ Townhouse ☐ Single Family ☐ Multi Family

Price Range: \_\_\_\_\_

Are you pre-approved for a mortgage? ☐ yes ☐ no Lender? \_\_\_\_\_

Timeframe to buy? ☐ Immediate ☐ Less than 3 months ☐ 6-12 months ☐ Over a year

Do you have a lease that is expiring, and if so, when? \_\_\_\_\_

Do you have a home to sell? ☐ yes ☐ no Is it already on the market? ☐ yes ☐ no

Areas: \_\_\_\_\_

School District: \_\_\_\_\_

Yard size/Type: ☐ No yard ☐ Small Yard ☐ Less than 1 acre ☐ Larger than 1 acre

# Parking of Spaces Required: \_\_\_\_\_

On Street? ☐ yes ☐ no Off Street Parking? ☐ yes ☐ no Garage? ☐ yes ☐ no

Basement: ☐ yes ☐ no ☐ finished ☐ unfinished ☐ does not matter

Preferred style of home: \_\_\_\_\_

Preferred age / condition: ☐ New ☐ Older, but Like New ☐ Move-in Ready ☐ Fixer Upper

Most important features in you new home, in order of priority:

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_
4. \_\_\_\_\_
5. \_\_\_\_\_

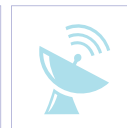
Maximum commute time or distance from work? \_\_\_\_\_

Are their friends or family that will help you with your home buying decision? \_\_\_\_\_

Are you currently working with another REALTOR? ☐ yes ☐ no



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