



CITY VIEW
REALTY GROUP

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Home Buyers Guide

PURCHASING A HOME IN AUSTIN FROM CONTRACT TO CLOSE



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WHY DO YOU NEED A REAL ESTATE AGENT?

Working with buyers involves advocacy, education, information, guidance, encouragement, patience, protection and accountability. Here are some things agents do to create value for those they represent. Use them to guide your communication and unique value proposition as you talk to buyers in the days ahead.

1. Education

It is critically important that buyers be educated on the local market regarding many different aspects of the purchase process. Things like inventory and price range, how to make an offer, procedures, forms, contingencies, inspections, financing, closing costs, insurance, appraisals and so much more. Agents have the training and education to navigate you through any market conditions.

2. Insight

From the moment an agent engages with a buyer there will be questions about market value, property history, restrictions, HOA's, investment opportunities and a ton of other details buyers do not often think to ask or consider.

3. Accessibility

One of the biggest values a buyer's agent brings to the table is their accessibility and availability. You cannot put a price on having someone in your corner who is inherently expected to be available to respond to anything and everything that comes up during the purchase process. Whether that is a question, running down information, dropping everything to show a new listing that the buyer has see, writing an offer, or what have you, the agent will find a way to be there or, if they can't physically be present, they will have someone in their place.

4. Research and tracking down information

Every property search involves helping the buyer get the information they need to make an informed decision. This takes time and expertise. Information varies widely depending on the properties the buyers are interested in and there is an endless stream of things buyers want and need to know.

5. Strategy

Every buyer needs a strategy when determining which property to buy, how much to offer and any number of factors that are involved in crafting an offer. Strategies have to be continually adjusted and refined for each property that comes on the market. Buyers who work with agents who are savvy strategy-wise have more success.

6. Offer preparation

Speaking of strategy, offer preparation is a critical part of buyer representation. It is extremely important for an agent to go over all the details that need to be completed as part of the offer process and ensure all flows in a logical manner with contract timelines and contingencies.



7. Offer negotiation

Besides offer preparation, negotiation is a huge part of the buyer representation process. Working out all the details and differences between a buyer and seller to establish the terms of the transaction is critical. The agent must hover over every term and discuss the implications with the buyer so they can determine what they are OK with and what terms and conditions they want to negotiate further to finalize the transaction.

8. Finalizing offer

Once all terms have been worked out, this is where everything comes together ensuring all offer documentation and addendums are finalized to accurately reflect the transaction. This is extremely important as the escrow, title and lender will all receive a copy of these documents, so if something is not correct, it could have major implications for the entire transaction.

9. Managing the transaction

The agent needs to ensure that the deposit has been provided in a timely manner to the title or escrow company and inspections are scheduled on time. They also confirm that the buyer gets all required documentation to the lender, has paid for the appraisal and is working to secure insurance all upon going under contract.

All these things are transpiring against the backdrop of contract timeframes that the buyer must stay within. An agent will also know the pitfalls and commons mistakes to be on the look out for.

10. Inspections and repairs

This is often one of the most significant milestones in the transaction and can take several hours and days to complete, depending on the number of specialists the buyer wishes to have check the home and property. An agent often spends a tremendous amount of time at these events.



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11. Repairs

This can be an extremely stressful part of the transaction. With a plethora of assessments comes trying to make sense of it all. Agents can help answer many things: how much will it cost, is the repair critical, what concessions should be requested, and how repairs interfere with their offer. Sometimes the issues are alarming — such as mold, extensive termite damage or structural issues — and the agent's experience to counsel buyers when it's time to walk away.

12. Appraisals

The agent working with the buyer needs to ensure the appraisal is turned around in a timely manner to comply with financing and appraisal contingency timelines in the contract. Sometimes, it can take forever for an appraiser to go out to the property or to turn the report around. This is where the buyer's agent must micromanage this process so as not to jeopardize the buyer's escrow deposit.

13. Managing title and escrow

In today's fraud-ridden environment, the buyer's agent needs to help vet and verify who the providers will be in the transaction and communicate that information to the buyers. They can also educate them as to how to expect communication and requests.

In addition, it is critically important for the buyer's agent to confirm that they have the correct copy of all contract documentation and related addenda. As well as reviewing a draft copy of the settlement statement and going over it with the buyer and lender to verify buyer-side expenses. In the event of any questions or discrepancies, this will allow time to have corrections made before closing.

14. Managing the walkthrough

Any experienced agent in real estate knows walkthroughs are ripe for a plethora of new issues to arise. Whether it is a seller who is still in the process of moving or one who left the property in poor condition or damaged, it now becomes the buyer's agent's battle to fight.

Miracles often must be worked at the 11th hour as the agent is frantically sending photos of the evidence to the listing agent and trying to run down estimates to clean, fix or repair the damage. With everyone's back to the wall and the pressure on, the buyer's agent has to figure out a way to make it right because the listing agent and seller have checked out.

15. Managing the closing

On closing day, the buyer's agent needs to ensure that all keys and access cards or fobs to neighborhood amenities, garage remotes, security and garage codes as well as any other specific information about things in the property are provided to the buyer.

Depending on how the walkthrough went and if any issues were uncovered, the buyer's agent needs to make sure all has been addressed before the buyer signs documents and, if not, a last-minute plan may need to be hatched for this.

16. Post-closing issues

The stress doesn't often end at closing. Buyers move into their new home only to discover that something may not be working properly. Thankfully, an inspection report documents what was and was not functioning as of a particular date/time. However, a slew of issues may seem to come up that may be just a stroke of bad luck.

The first person the buyer often calls is their agent as their "911" who they look to for help and advice. Their agent often knows just who to call to help the buyer through whatever challenges are happening.

17. Relationships

When it comes to buyer representation, it is about having good relationships to help get things done. A buyer's agent who is well-respected and a highly-regarded professional to work with has clout with listing agents and can help put transactions together for their buyer.

In some cases, who the agent is matters more when faced with a sea of competing offers and because of that agent's professionalism and reputation, a buyer's offer that may not be as strong as others can be selected to work with. When it comes to solving problems, again, relationships matter. The agent who has trusted connections with various service providers to help solve problems in a pinch for their buyer client is worth their weight in gold.

BY CARA AMEER, Inman





BEST-KEPT SECRETS for Buying a Home

Buying Secret #10: Keep Your Money Where It Is

It's not wise to make any huge purchases or move your money around three to six months before buying a new home. You don't want to take any big chances with your credit profile. Lenders need to see that you're reliable and they want a complete paper trail so that they can get you the best loan possible. If you open new credit cards, amass too much debt or buy a lot of big-ticket items, you're going to have a hard time getting a loan.

Buying Secret #9: Get Pre-Approved for Your Home Loan

There's a big difference between a buyer being pre-qualified and a buyer who has a pre-approved mortgage. Anybody can get pre-qualified for a loan. Getting pre-approved means a lender has looked at all of your financial information and they've let you know how much you can afford and how much they will lend you. Being pre-approved will save you a lot of time and energy so you are not running around looking at houses you can't afford. It also gives you the opportunity to shop around for the best deal and the best interest rates.

Buying Secret #8: Avoid a Border Dispute

It's absolutely essential to get a survey done on your property so you know exactly what you're buying. Knowing precisely where your property lines are may save you from a potential dispute with your neighbors. Also, your property tax is likely based on how much property you have, so it is best to have an accurate map drawn up.

Buying Secret # 7: Don't Try to Time the Market

Don't obsess with trying to time the market and figure out when is the best time to buy. Trying to anticipate the housing market is impossible. The best time to buy is when you find your perfect house and you can afford it. Real estate is cyclical, it goes up and it goes down and it goes back up again. So, if you try to wait for the perfect time, you're probably going to miss out.

Buying Secret # 6: Bigger Isn't Always Better

Everyone's drawn to the biggest, most beautiful house on the block. But bigger is usually not better when it comes to houses. There's an old adage in real estate that says don't buy the biggest, best house on the block. The largest house only appeals to a very small audience and you never want to limit potential buyers when you go to re-sell. Your home is only going to go up in value as much as the other houses around you.



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Buying Secret #5: Avoid Sleeper Costs

The difference between renting and homeownership is the sleeper costs. Most people just focus on their mortgage payment, but they also need to be aware of the other expenses such as property taxes, utilities and homeowner-association dues. New homeowners also need to be prepared to pay for repairs, maintenance and potential property-tax increases. Make sure you budget for sleeper costs so you'll be covered and won't risk losing your house.

Buying Secret #4: You're Buying a House – Not Dating It

Buying a house based on emotions is just going to break your heart. If you fall in love with something, you might end up making some pretty bad financial decisions. There's a big difference between your emotions and your instincts. Going with your instincts means that you recognize that you're getting a great house for a good value. Going with your emotions is being obsessed with the paint color or the backyard. It's an investment, so stay calm and be wise.

Buying Secret #3: Give Your House a Physical

Hire an inspector. It could end up saving you thousands. A home inspector's sole responsibility is to provide you with information so that you can make a decision as to whether or not to buy. It's really the only way to get an unbiased third-party opinion. If the inspector does find any issues with the home, you can use it as a bargaining tool for lowering the price of the home.

Buying Secret #2: The Secret Science of Bidding

Your opening bid should be based on two things: what you can afford (because you don't want to outbid yourself), and what you really believe the property is worth. Make your opening bid something that's fair and reasonable and isn't going to totally offend the seller. A lot of people think they should go lower the first time they make a bid. It all depends on what the market is doing at the time. You need to look at what other homes have gone for in that neighborhood and you want to get an average price per square foot. Sizing up a house on a price-per-square-foot basis is a great equalizer.

Buying Secret #1: Stalk the Neighborhood

Before you buy, get the lay of the land – drop by morning noon and night. Many homebuyers have become completely distraught because they thought they found the perfect home, only to find out the neighborhood wasn't for them. Drive by the house at all hours of the day to see what's happening in the neighborhood. Do your regular commute from the house to make sure it is something you can deal with on a daily basis. Find out how far it is to the nearest grocery store and other services. Even if you don't have kids, research the schools because it affects the value of your home in a very big way.

<https://www.hgtv.com/lifestyle/clean-and-organize/10-best-kept-secrets-for-buying-a-home>

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What is a Title COMMITMENT

Schedule A: This is where you will find the who, what, where and how much information. The most important information here will be the name of the person who holds the existing title, the legal description of the land and the name of the proposed insured (buyer), the sales price and the name of the lender. All parties and the title company should make sure all of the information is accurate when it is compared to the sales contract.

Schedule B: This is the section of the title commitment that addresses where other parties have any interest or control of the use of the property. Examples of this are utility easements and building setbacks. A utility easement is a common item to find here. This would be a part of the land that a utility company has the right to use. A setback prevents the owner from building a certain distance from a property line. Schedule B is also the section in which exceptions will be noted. Exceptions in this case are anything that will not be covered by title insurance.

Schedule C: This is the section in which any issues must be resolved before the buyer can close on the property. Common issues here are an existing mortgage that needs to be paid off, a marital status issue or unpaid taxes and liens on the property.

Schedule D: This final section outlines all parties who will collect any part of the insurance premium including underwriters, title agents and attorneys. It will also show the amounts being paid for the owner's title insurance policy, the mortgagee policy amount and any endorsements.



What is a HOME WARRANTY

A HOME WARRANTY is a contract between a homeowner and a home warranty company that provides for discounted repair and replacement service on a home's major components, such as the furnace, air conditioning, plumbing and electrical system. A home warranty may also cover major appliances such as washers and dryers, refrigerators and swimming pools. Most plans have a basic component that provides all homeowners who purchase a policy with certain coverages. In addition to the standard items, expanded coverage can usually be added at a premium.

A home warranty is not the same as homeowners insurance, nor is it a replacement for homeowners insurance. Homeowners insurance covers major perils such as fire, hail, property crimes and certain types of water damage that could affect the entire structure and/or the homeowner's personal possessions. A home warranty does not cover these perils.

Home warranty companies have agreements with approved service providers. When something that is covered by a home warranty breaks down, the homeowner calls the home warranty company, and the home warranty company sends one of its service providers to examine the problem. If the provider determines that the needed repair or replacement is covered by the warranty, the homeowner only pays a small service fee per your service call at the time service is rendered.

The annual cost can vary depending on coverages and exclusions, but typically ranges from a few hundred dollars for small condominiums to eight hundred dollars for larger homes. This is a negotiable item on the contract.

For more information about home warranties, please contact your local Austin Title!



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THE IMPORTANCE OF SURVEYS

Here are some of the principal reasons to obtain and review a survey:

- To determine whether improvements (buildings, driveways, fences, utility lines, etc.) intended to be located on your property encroach into a neighbor's property, or vice-versa.
- To mark the boundaries on the ground, so that they are clear to observers standing on or near the property.
- To discover trails and other evidence of use by third parties that might suggest that someone has established an implied easement over a portion of the property, or might claim a portion of the property by reason of adverse possession.
- To provide the evidence needed by the title insurer to delete certain standard exceptions to coverage and thereby provide "extended coverage" against off-record title matters (including matters that would be revealed by an accurate survey).

WHEN TO USE AN EXISTING SURVEY

The TREC Contract was revised several years ago giving the option to sellers and buyers to use existing surveys when appropriate. Per the TREC contract, not only does the buyer have to accept the survey, but lenders and title companies must also approve and accept it. Survey affidavits assist in research and review, however, the best information comes from those who have been on the property, particularly prospective buyers and their REALTORS[®].

To avoid costly delays, the following guidelines for using an existing survey are provided:

- Survey should be completely legible. It must have the property address, complete legal description, flood certification and the surveyor's signature and seal on the drawing.

- Survey must reflect all permanent improvements that are currently on the property, including pools, fences, spas, decks, and additional square footage. If the sellers have added permanent structures that are not shown on survey, it is important to identify new improvements, such as a pool, gazebo, fence, etc. when signing the survey affidavit. This notifies all parties that the survey provided is not an accurate rendering of the property as of the current date.

Almost always it is advisable to forego using an existing survey if improvements have been built since the time the initial survey work was performed.

When an incorrect survey is delivered to the buyer and their agent, a new one should be requested. The title company and lender must be informed of the need for a new survey.

WHEN TO OBTAIN A NEW SURVEY

It is recommended that a purchaser obtain a new survey if one or more of the following conditions exist:

- A survey shows that all significant improvements currently located on the property do not exist or cannot be found.
- Surveys exist only for portions of the property, but the property as a whole consists of two or more parcels that are not platted and that are described by "metes and bounds," such that without a surveyor's interpretation of the legal descriptions one cannot be certain of whether the parcels are contiguous, or whether there might exist a "gap" between, or overlap of, property boundaries.

Even when one or more of the foregoing conditions are present, a survey might not be necessary, and the purchaser might wish to bear the risk of proceeding without a survey; unless required by your lender.



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Who Pays for What?

Buyer Typically Pays For



- Escrow/closing fees
- Document preparation (if applicable)
- Courier fee
- Recording fees
- Prorated share of taxes
- All new loan charges (except those the lender requires the seller to pay), including:
 - *Appraisal*
 - *Credit report*
 - *Tax service fee*
 - *Loan origination/discount fee*
 - *Reserves for taxes and insurance*
 - *Flood certification*
 - *Mortgage insurance premium*
- Title insurance premium: Lender's Policy
- Interest on the new loan from the date of funding to 30 days before the first payment date
- Property/Termite inspections
- Survey (if applicable)
- Selling agent's compensation
- Homeowner's Insurance
- HOA transfer fee (if applicable)

Seller Typically Pays For

- Listing agent's compensation
- Escrow/closing fees
- Payoff all loans in the seller's name
- Home warranty (according to contract terms)
- Any judgments, tax liens, etc. against the seller
- Document preparation (if applicable)
- Prorated share of taxes
- Any unpaid homeowner's association dues
- Recording fees
- Any outstanding assessments
- HOA resale certificate (if applicable)
- All delinquent taxes
- Title insurance premium: Owner's Policy
- Courier fee

A photograph of a small house constructed from US dollar bills, including a \$100 bill, sitting on a grassy field. The house has a chimney and a roof made of bills. In the background, there are green trees and a clear sky. A large, semi-transparent white circle is overlaid on the left side of the image, containing the title text.

19 Steps to the CLOSING PROCESS

1. Choosing your Real Estate Agent.
2. Choosing your lender (know about different types of mortgage loans and pre-qualification).
3. Selecting your home (determine the type, the price, and the location).
4. The Offer (once you have found the property make a written offer through your real estate agent).
5. The escrow process (when you have reached an agreement with the seller, the initial good-faith deposit is given to an escrow representative, and the process begins).
6. The mortgage loan (a mortgage loan is requested, filling out the appropriate forms).
7. Preliminary title report (is reviewed and accepted).
8. Inspections and disclosures (the property is inspected during the period specified in the contract, and all disclosures made by the seller about the property are reviewed).
9. Assessment (the property value is determined by the lender).
10. Loan approval (the lender contacts the escrow agent).
11. Hidden defect insurance (the buyer tells the closer the name of the insurance company that will grant the policy).
12. Conditions (the escrow agent ensures that the conditions are met).
13. Final visit to property (the buyer inspects the property with the Real Estate Agent, before closing the transaction).
14. Document signing (the buyer signs the loan documents and the escrow instructions, and deposits the initial payment with the title company).
15. The escrow agent returns the documents to the lender.
16. The lender's funds are electronically transferred to the title company (the monetary exchange occurs between the lender and the title company).
17. The deed is registered at the county office (this transfers the property title to the buyer).
18. The transaction closes (accounting is finalized and the account statement is remitted).
19. The keys are delivered to the new owner.



ESCROW IS
THE PROCESS WHERE THE INTERESTS
OF ALL PARTIES ARE PROTECTED

What is Escrow?

Escrow is the process by which the interests of all parties in a real estate transaction are protected, ensuring that all conditions of the sale have been met before property and money change hands. Escrow is an independent depository wherein all funds, instructions and documents for the purchase of a home are held, including a down payment, lender funds, documents for the new loan, hazard and title insurance, inspection reports, and the grant deed from the seller. At the close of escrow, the "Escrow Holder" delivers these items to the appropriate parties, disburses the funds, and handles the associated paperwork.

What Does an Escrow Holder do?

The escrow holder is a neutral third party, such as the title company, that maintains the escrow account and partially oversees the escrow process making sure all conditions of the sale of the property are met.

The Escrow Holder's Duties Include:

- *Serving as a neutral agent and the liaison between all parties involved.*
- *Requesting a preliminary title search to determine the status of title to the property.*
- *Requesting a beneficiary statement of debt or obligations that are to be taken over by the buyer.*
- *Requesting a payoff demand from beneficiaries when the seller is paying off debts.*
- *Complying with the lenders requirements as specified in the instructions to escrow.*
- *Securing releases of all contingencies or other conditions imposed on the escrow.*
- *Preparing or securing the deed and other documents related to escrow.*
- *Prorating taxes, interest, insurance and rents.*
- *Preparing escrow instructions.*
- *Receiving purchase funds from the buyer.*
- *Receiving loan funds from the buyer's lender.*
- *Closing the escrow pursuant to instructions supplied by the seller, buyer and lender.*
- *Recording the deed and other documents.*
- *Disbursing funds as authorized by the instruction including charges for title insurance, recording fees, real estate commissions and loan payoffs.*
- *Preparing final statements for all parties involved that account for the disposition of all funds held in the escrow account.*
- *Requesting the title policy.*



What Each Party Does in Escrow

The Seller:

- Deposits the executed deed to the buyer with the settlement agent.
- Deposits evidence of pest inspection and any required repair work, if applicable.
- Deposits other required documents such as tax receipts, addresses of mortgage holders, any state or federal required documentation, etc.

The Buyer:

- Deposits the funds required, in addition to any borrowed funds, to pay the purchase price with the settlement agent.
- Deposits funds sufficient for home and title insurance.
- Arranges for any borrowed funds to be delivered to the settlement agent.
- Deposits any deed of trust or mortgages necessary to secure loans.
- Approves any inspection reports, the Preliminary Report for title insurance, etc., called for by the purchase and sale agreements.
- Fulfills any other conditions specified in the instructions.

The Lender (if applicable):

- Prepares loan document package for buyer/borrower.
- Deposits proceeds of the loan with the settlement agent.
- Directs the settlement agent on the conditions under which the loan funds may be used.

The Settlement Agent:

- Opens the order for title insurance.
- Obtains approvals from the buyer on the Preliminary Report/ Title Commitment, pest and other inspections.
- Receives funds from the buyer and/or any lender.
- Prorates taxes, rents, etc.
- Disburses funds for title insurance, recording fees, real estate commissions, lien clearance, etc.
- Prepares an estimated statement, as required, for each party, indicating amounts to be disbursed for services and any further amounts necessary to close.
- Records deed and loan documents, delivers the deed to the buyer, loan documents to the lender and funds to the seller.
- Issues final closing statement and forwards to buyer, seller and lender.

Questions? If you have questions about the escrow process, please call your **Austin Title** office



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STEPS TO THE CLOSING PROCESS

