



Home Buyer's Guide



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Welcome!

We're excited to work with you!



We Are...

Tierra Properties, Inc., a boutique style firm of Realtors working in the general Los Angeles area since the 1970's. We have been serving clients in purchases and sales of residential single family homes, condos, townhomes, multi-family investment properties, trust and probate sales, and 1031 exchanges. In other words, we do it all!

Because of our intimate style, we pride ourselves in our connection with our clients. We are always looking out for the best interest for our clients, committing to "service with a personal touch..."



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Pre-Viewing Process

When to Buy - All decision-makers should want to be mentally, emotionally, spiritually, and financially ready to move forward in a purchase. Consult family, a lender, a realtor, and/or mentor to aid in your preparation to purchase. This is one of the biggest purchases and investments you will make, so be sure you are ready!

Pre-Approval - Whether you look for an agent or a lender first, you will need to be pre-approved before submitting offers. The process begins by interviewing a few lenders before applying. Ask questions about available rates, other fees they may have, how much needs to be paid up front, and how long their process will be in obtaining pre-approval. A lender can make or break a deal, so be sure you are comfortable with the lender you choose.

Loan Underwriting - You should submit all requested documents to your lender promptly so they can underwrite and approve the loan to move forward with your purchase. Lenders will require a number of personal documents to substantiate your ability to pay.

Finding an Agent/Broker - Interviewing agents is important as they will be your guide and advocate through your purchase. A good agent should be knowledgeable about the market, should listen to your needs, be able to guide you to options available to you, and remember you are ultimately the final decision-maker.

Considering Location - Where you choose to buy depends on a number of things: what price range you can qualify for based on your budget and pre-approval amount, locations in relationship to your job, schools, entertainment, recreational choices, etc. Learning about the general pricing in various neighborhoods is easily done on the internet. However, this is something your Realtor can quickly advise in. A Realtor can help you find areas you like, but you as the decision-maker has ultimate say in preferences.

Escrow Process

Submitting Offers - The reality is, you will be up against multiple offers for any given property and may need to put in multiple offers before getting an accepted offer. A Realtor is beneficial in advising a buyer so that they stand out among other offers.

Offer Acceptance - A seller reviews all offers received with their agent and prepares for the next steps. Once a seller accepts your offer, a contract is created that all parties must adhere to.

Acquiring Home Warranty: A warranty that covers the cost of repairing many home appliances, water heater, HVAC, and other items if they break down after the purchase of a home. Home warranty can be covered by either buyer or seller, dependent upon agreed terms in the residential purchase agreement. Contact a home warranty company for more information.

Escrow Opening Package (look up definition): A package provided by the third party, escrow, delivered within 48 hours of receiving a contract detailing the parties and terms of the contract.

Earnest Money Deposit - Typically, you pay earnest money to the agreed upon escrow company. In our real estate markets, the average good faith deposit is 3% of the property's purchase price.

Title Report - A title report is a document that outlines the legal status of a property and related information on its ownership. It will report on liens, easements, or other pertinent information that are on title of a property.

Vesting - Buyer to verify with an attorney what would be the best way for them to take title of the property. This document is given with the opening escrow package. If it hasn't been submitted yet, it should be submitted at this point so escrow can prepare necessary documents for the lender. This should be submitted before loan contingencies are removed so lender and escrow have correct names for loan documents and grant deed.

Escrow Process Cont.

Due Diligence - Information to gather before removing contingencies. During this time period, a buyer can back out for any reason.

Schedule Inspections - Inspections should be done as soon as possible, but within the contingencies time approved in the contract, and is paid for by the buyer. Our recommended priorities are home inspection, chimney inspection, and sewer line inspection. Other inspections could be ordered such as: electrical, roofer, foundation, termite, and any other inspection the buyer would like.

Request for repairs - The buyer's request for the seller to complete repairs found during the inspection time period. These items are negotiable, not required of the seller until all parties are in agreement. FHA/VA guidelines may require certain repairs of the seller.

Seller Disclosures - These disclosures are filled out or provided by the seller for the the buyer. Seller Disclosures to be received for review within the contingency period agreed to in the contract. The buyer should review these in making the decision to move forward with the purchase of the property.

Natural Hazard Disclosure Report - This report, which is mandated by California State law, tells the buyer if your home lies within a zone containing any one of six types of hazards. To be reviewed between the us and the buyer.

Home Insurance - The buyer should confirm insurability of property with an insurance agent of the buyer's choice.

Check Permits - Buyer to go to city Building and Safety Department and request all permits and/or additional documentation issued to the property address. Some cities have these available online.

Removal of due diligence/inspection contingencies - We and the buyer should discuss and review all information provided to make a decision on moving forward. Contingencies for these items should be removed within the time phrase as agreed to in the RPA. If addition time is needed, we will make a written request to the seller.

*Buyer can complete any additional inspections they deem necessary.

Escrow Process Cont.

Appraisal Contingency - The appraisal needs to be ordered as soon as the buyer is ready to move forward. Keep in mind that you want to receive the report before the contingency time period agreed in the residential purchase agreement. This may mean ordering the appraisal before releasing all due diligence contingencies.

Loan Contingency - It is important to have good communication with the lending officer and provide all requested documentation in a timely manner to get full loan approval as quickly as possible. This contingency must be removed by the time period agreed on the residential purchase agreement.

Closing Disclosure (CD) - This form provided by the lender is designed to provide disclosures that will be helpful to borrowers in understanding all of the costs of the transaction. From the date issued, the buyer has to review before signing no sooner than 3 days from receipt. Once signed, the lender will issue final loan documents to escrow for buyer to sign.

Closing Procedures - Escrow to issue buyer estimated closing statement showing the balance of funds that need to be submitted for closing. The buyer should wire their funds to escrow at least 2 business days before closing, if not sooner. Once escrow prepares all documents for signature, including loan documents, they will schedule a time to sign and notarize all documents. Escrow then forwards the documents to the lender to fund the loan amount for closing. Once escrow has all funds, they give the Title Company the deed and note to schedule the recording date. Upon confirmation of recording, keys are delivered to the buyer.

After Closing - Within a few weeks of being new homeowners, you will receive documents from county recorder, home warranty (if you obtained one) and other legal documents. You may periodically have real estate questions. We are available to answer any questions and explain you may have received.

Then, Congratulations on your Real Estate purchase are in order!

Real Estate Terms

Appraisal - An estimate of value of a property as a result of analysis on a property.

Annual Percentage Rate (APR) - the yearly interest generated by a sum that's charged to borrowers or paid to investors. This includes any fees or additional costs associated with the transaction, but it does not take compounding into account. The APR provides consumers with a bottom-line number they can compare among lenders, credit cards, or investment products.

Beneficiary - A beneficiary is any person who gains an advantage and/or profits from something.

Covenants, Conditions & Restrictions (CC&R's) - These are limits and rules placed on a group of homes or condominium complex by a builder, developer, neighborhood association, or homeowners association.

Closing Disclosure (CD) - This form provided by the lender is designed to provide disclosures that will be helpful to borrowers in understanding all of the costs of the transaction. From the date issued, the buyer has to review before signing no sooner than 3 days from receipt. Once signed, the lender will issue final loan documents to escrow for buyer to sign.

Contingencies - Contingencies are placed into purchase agreements so buyers have the right to back out of a deal or demand certain items be amended, removed, or added to a contract.

Conventional Loan - A type of mortgage loan that is not insured or guaranteed by the government. Instead, the loan is backed by private lenders, and its insurance is usually paid by the borrower.

Deed of Trust - An agreement between a lender and a borrower to give the property to a neutral third party who will serve as a trustee. The trustee holds the property until the borrower pays off the debt. Often used in place of a mortgage.

Deed Restrictions - Limitations in the deed of a parcel of real property that dictate certain uses that may or may not be made of the real property.

Earnest money Deposit - A down payment made as a deposit or partial payment by a purchaser of real property as evidence of good faith to move forward with the purchase.

Easement - The right, privilege, or interest limited to a specific purpose that one party has in the land of another.

Escrow - A neutral third party that receives and disburses funds for transacting parties.

FHA Loan - A type of loan from the Federal Housing Association for first-time buyers and for folks who might have a hard time getting approved for a conventional mortgage when buying a home. It offers minimized credit qualifications, reduced down payment requirements, and cheaper closing costs.

Home Insurance - A form of property insurance that covers losses and damages to an individual's residence, along with furnishings and other assets in the home. Homeowners insurance also provides liability coverage against accidents in the home or on the property. The most common forms of homeowner insurance include fire and liability insurance, and earthquake insurance.

Home Owners Association (HOA) - an organization in a subdivision, planned community, or condominium building that makes and enforces rules for the properties and residents. Those who purchase property within an HOA's jurisdiction automatically become members and are required to pay dues, known as HOA fees.

Impounds - A type of trust account established by lenders for the accumulation of borrower's funds to meet periodic payments of taxes, mortgage insurance premiums and/or future insurance policy premiums, required to protect their security.

Lien - A form of encumbrances that usually makes a specific parcel of real property the security for the payment of an obligation.

Mortgages - A mortgage is a debt instrument that obliges the borrower to pay back a predetermined amount to a lender in order to purchase real estate over a predetermined amount of time. To find out what type of mortgage would be best suited for you, consult your lender. Few people know that some lending institutions will complete a manual underwriting if you do not have a credit score.

Natural hazard disclosure (NHD) Report - This report, which is mandated by California state law, tells the buyer if your home lies within a zone containing any one of six types of hazards. These include flood hazard areas, dam inundation, very high fire, wildland fire, earthquake fault zone, seismic hazard.

Probate - Probate is a court-supervised process where the final will of a deceased person (dependent) is proven to be valid and the provisions of the will are given effect by the appointed executor and the decedent's estate is distributed to listed beneficiaries. The process changes slightly when there is no will. Speak with an attorney for more ways to avoid probate.

Prorations - The distribution of materials to a smaller monthly payment due or the startup of a service.

Residential Purchase Agreement (RPA) - A binding contract between a buyer and seller that outlines the details of a home sale transaction. Negotiations may go back and forth between the buyer and the seller before both parties are satisfied. Once both parties approve the terms and have signed the purchase agreement, they're considered to be "under contract."

Seller Property Questionnaire (SPQ) - It is used by the Seller to provide additional information when a transfer disclosure statement (TDS) is completed or when no TDS is required.

Title - Title is the legal way of saying you own a right to a parcel of real property.

Title Insurance - This is meant to protect against any financial loss if any title problems can pop up after closing. Two types of title insurance exist: owner's title insurance and lender's title insurance.

Transfer Disclosure Statement (TDS) - This document is one of the seller disclosures that buyers receive during their contract contingency period. The purpose of the TDS is to let a buyer know of major defects in a property as required by California law.

VA Loan - A mortgage loan that's issued by private lenders and backed by the U.S. Department of Veterans Affairs. It helps U.S. veterans, active duty service members, and widowed military spouses buy a home.

Vesting - Title vesting is simply taking ownership and the official rights of the title on a property. It is necessary when more than one individual appears as the property owner on the title.

Other Terms

1031 Exchange - A 1031 Exchange is an exchange between 2 parties of "like kind" rental or investment properties. This process has to be completed within 180 day of the closing of the sale. This allows investor to defer paying capital gain tax, depreciation recapture tax, and state income tax that would otherwise be due upon the closing of a sale. To determine whether or not this is a beneficial option for you, consult your CPA.

Home Warranties - A home warranty covers costs of fixing several appliances and other items as they break down. A home warranty is often a feature in the sale of a home, where you can pay a few hundred dollars for a one-year warranty. This is different from home insurance, which covers things such as damage made from natural disasters.

Prop 13 - Passed in 1978, Prop 13 reduces property taxes on homes, businesses, and farms by limiting increases for tax rates to no more than 2% per year. When a property is sold, the taxes are reset and assessed for 1% of the sale price. Now property owners are better able to calculate and anticipate future tax increases.

Prop 19 - Prop 19 provides housing and tax benefits for seniors, severely disabled homeowners, and those whose homes were destroyed by wildfire or natural disaster. It allows qualifying homeowners to transfer their taxable value of their primary residence to replace primary residence anywhere in the state regardless of the location or value of the new property.

Short sales/Foreclosures - Essentially a short sale is a negotiation between an owner and a lender in trying to sell a home for less than the loan amount. A short sale requires cooperation of the lending institution holding the note (typically either a grant deed or trust deed). A short sale is better than foreclosure if possible, as in a foreclosure, the lender assumes ownership of a property and evicts the borrower, effectively ruining the borrower's credit.

Step-Up in Basis Tax Benefit - The Step-Up in Basis is a tax benefit Congress gives families who can't be subjected to the estate tax but who diligently built wealth by acquiring stocks, real estate investments, or other property throughout their lifetime and want to pass those assets on to future heirs after death. Under present tax law in the United States, when you die, the qualified stocks, real estate, and other capital assets that you leave to your heirs get their original cost basis wiped out entirely, meaning your heirs can value that property at its fair-market value on the date they inherited the asset and have the fair-market value become the new tax basis. To determine whether or not this is a beneficial option for you, consult your CPA and/or estate planning attorney.

Trusts - Having a property estate plan for after an owner's passing, like a trust, can help avoid probate court and save families thousands of dollars if not more depending on the size of your assets. Working with an attorney can help determine what kind of trust is best for each individual and when to create one.

Wealth Building through Real Estate - In the long run, your home could be part of your retirement plan. You can take the equity on your home, downsize, and use the remaining monies as part of your retirement plan. There's also the possibility to save and invest in 1-4 units or more for additional income. Because of the strong appreciation rate in California, it's always great if you can have real estate in your portfolio for additional income, now and into retirement.

Wills - A will is a legal document, effective at death, that names an appointed executor who will handle the distribution of assets to beneficiaries after death. In a will you can also name guardians for minors, gift specific items, assets, or money to individuals or organizations and institutions, forgive debts owed to you, pay off debts, and pay your taxes. Speak with an attorney to create an estate plan.

Key Professionals

Realtor - A Realtor is a broker or agent that is part of the National Association of Realtors. They have access to more data and more software to aid in your purchasing process.

Real Estate Agent - A real estate agent is a state licensed professional that can aid in the process of buying or selling real estate.

Escrow Officer - An escrow officer oversees the escrow process to make sure all fiscal parts of a transaction go smoothly. They oversee the escrow instruction preparation, document preparation, funds disbursement, and more.

Title Company - A Title Company finds/examines the title report and provides the policy of title insurance of a property being purchased.

Lending Officer - A representative of a bank, credit union, or other financial institution who assists borrowers in the application process.

Home Inspector - A home inspection observes and reports on the condition of a real estate property. A qualified home inspector assesses the condition of the property, including its heating and cooling systems, plumbing, electrical work, water, and sewage, as well as some fire and safety issues. In addition, the home inspector will look for evidence of insect, water, or fire damage or any other issue that may affect the value of the property.

Appraiser - a professional who determines the market value of an asset, notably in the real estate industry. Their opinion about the real and fair value of an appraised asset must be unbiased by using observations as well as relevant statistics, facts, and other information.

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