

Real Estate How To Guide:

Buy Santa Barbara Real Estate Smooth and Simple!

Provided by:



805-698-0351

www.SellingSB.com

Getting Ready To Buy

There seems to be a common misperception about owning Santa Barbara Real Estate. Many people believe they can't afford it, or their credit score isn't good enough, or that Santa Barbara is just too expensive. Even in a changing market, with a little effort and some good advice, it's a dream that could be a reality for many people.

Here are some steps to take to position yourself in the right place to buy:

1. **Tax Benefits:** Speak with your accountant or tax person. They will be able to help you determine how the tax benefits of home ownership can enhance your net monthly income (the amount you take home each paycheck), making home ownership more feasible than you might have thought.
2. **Mortgage Loan:** Meet with a competent, local mortgage lender. Not only will they be able to check your credit score and help figure out how much you can afford, a good lender will find ways for you to increase your credit score for a better interest rate and will understand the needs of our local Santa Barbara market. Here are some recommendations and it is a good idea to speak to all of them as they have different programs to offer:

Austin Lampson – On-Q Mortgage – 805-335-8200

Ed Soto – Bank of America – 805-560-3377

Guy Rivera – Guarantee Mortgage – 805-687-6282 Ex. 13

Todd Hull – Kinecta Federal Credit Union – 805-813-7947

3. **Caution:** Don't make any large purchases and don't transfer money around. Cars loans, appliances and other large purchases can lower your debt to income ratio, which can lower your buying power. The lender will recheck that just before they fund the loan, so wait until after you close and move into your new home to buy anything more than a few hundred dollars. And if you have to move money from one account to another, make sure you have paperwork to document where the money came from, where it went and when.
4. **Down Payment:** Be sure to let your lender know where your down payment is coming from. You don't need a big down payment to buy a home. There are lots of options, so talk to a lender about the possibilities. If you will be getting help with your down payment (from family or a program), be sure your lender knows how much and who it is coming from. They will need to prove they have the money and will need to provide a gift letter or other verification. Talk to your lender for more information.
5. **Realtor:** Interview Realtors to find one you are comfortable working with and someone who is a strong negotiator. A Realtor dedicated to your needs will help you understand exactly what type of home will fit your needs and your budget. They won't pressure you to buy something that isn't right for you. They'll spend as much time as you need helping you make the right choices for you. Once you've found a home, your Realtor will help you through the process so you understand exactly what you're buying. Using the Realtor who has the listing does not mean you will get a better price on the home - remember, they were representing the seller first, and it is their fiduciary responsibility to do their best for the seller. In addition, a strong negotiator can often net up to 20% savings for you on pricing, home repairs and other aspects of the purchase.

Home Buying Steps

Pre-Qualification/Pre-Approval: After meeting with your CPA and mortgage lender, the lender should be able to provide a pre-qualification or pre-approval letter stating to what level you are able to purchase a home. This will help your Realtor focus in the right direction and make your eventual purchase offer stronger.

Home Shopping: By helping us understand your needs, we can show you homes that could work for you. As you look, you might find other wants and needs and you should always express what you do and don't like about each home (although not in front of the seller, if they are there!) Keep in mind, sometimes you have to see what you don't want in order to determine what you do want and often what buyers think is important initially, becomes less important moving forward. Keep an open mind as you are looking at places. You might find the right place for you is not what you expected!

Negotiating An Offer: When you've found a home you'd like to purchase, your Realtor plays a crucial role in the negotiating and can substantially impact the value you receive. Your Realtor will be able to advise you on the best plan of action to help you get that home. Offer price, contingencies, down-payment, and many other options all come together to make an offer strong and acceptable to a seller. Your Realtor will present your offer and include research to emphasize the value of your offer to the seller and/or their agent. Counter-offers, often several, are part of the negotiation process which your Realtor will help you through. Once the offer has been agreed to the "Escrow Period" starts.

Escrow: During this time, often 30 days or longer, many important events take place which you may or may not be aware of:

1. Your good faith deposit, usually 3% of the purchase price, is deposited into an escrow account. The escrow officer is a neutral third party who keeps your money safe until you remove contingencies, usually 17-21 days after escrow is opened.
2. Your lender will put your mortgage together. He/She will need updated information from you, such as bank statements, pay stubs, tax records. It is critical to respond quickly to your lender to keep the timeline running smoothly.
3. The title company will make sure the home is free of liens and make you aware of any issues affecting the property. They will issue Title Insurance, which will protect you from claims against the property prior to your ownership.
4. The Seller and their Agent will provide disclosures and reports required to make you aware of the condition of the home.
5. Your Realtor can help advise you on what types of inspections should be done in order to have a full understanding of the condition of the home. You, as the buyer, should participate in a home inspection with a qualified home inspector as well as other necessary due diligence.
6. Once you have completed investigations of the home, your Realtor will discuss with you the results and if there is anything that makes sense to ask the seller to repair or provide a credit for.
7. Contingency removal - Your Realtor will advise you on when and which contingencies should be removed, getting you one step closer to home-ownership.
8. Loan documents will be sent from the lender to the escrow officer, who will contact you to obtain signatures. This must happen in person with a Notary Public, who will need to see valid identification from each buyer signing. You will also need to either wire or provide a cashier's check from the rest of the funds outside of the loan. You may not provide a personal check for this. It must be a wire or cashier's check.
9. The escrow officer will complete the paperwork and return the loan documents to the lender. The lender does a final review and may have some "conditions" for funding the loan. These conditions are generally pretty simple and may require you to provide additional documentation, which will be needed immediately.
10. Once all conditions are met, the lender will fund the loan to the escrow account and the next day, the escrow officer will record the transfer of ownership of the property to you and transfer the funds to the seller. That's when it is official and you get your keys!

Keep in mind, this is a very limited description of what is involved in purchasing a home. If you would like a more detailed description, please give us a call at 805-698-0351 to schedule a time to review the process or to receive a brochure with more information.

Ways of Holding Title

	TENANCY IN COMMON	JOINT TENANCY	COMMUNITY PROPERTY	COMMUNITY PROPERTY with Right of Survivorship
Parties	Two or more persons ¹	Two or more natural persons	Spouses or domestic partners ²	Spouses or domestic partners ²
Division	Ownership can be divided into any number of interests, equal or unequal	Ownership interests must be equal	Ownership interests must be equal	Ownership interests must be equal
Creation	One or more conveyances (law presumes interests are equal if not otherwise specified)	Single conveyances (creating identical interests); vesting must specify joint tenancy	Presumption from marriage or domestic partnership or can be designated in deed	Single conveyance and spouses or domestic partners must indicate consent which can be on deed
Possession and control	Equal	Equal	Equal	Equal
Transferability	Each co-owner may transfer or mortgage their interest separately	Each co-owner may transfer his/her interest separately but tenancy in common results	Both spouses or domestic partners must consent to transfer or mortgage	Both spouses or domestic partners must consent to transfer or mortgage
Liens against one owner	Unless married or domestic partners, co-owner's interest not subject to liens of other debtor/owner but forced sale can occur	Co-owner's interest not subject to liens of other debtor/owner but forced sale can occur if prior to co-owner's/debtor's death	Entire property may be subject to forced sale to satisfy debt of either spouse or domestic partner	Entire property subject to forced sale to satisfy debt of either spouse or domestic partner
Death of co-owner	Decedent's interest passes to his/her devisees or heirs by will or intestacy	Decedent's interest automatically passes to surviving joint tenant ("Right of Survivorship")	Decedent's 1/2 interest passes to surviving spouse or domestic partner unless otherwise devised by will	Decedent's 1/2 interest automatically passes to surviving spouse or domestic partner due to right of survivorship
Possible advantages/disadvantages	Co-owners interests may be separately transferable ³	Right of Survivorship (avoids probate); may have tax disadvantages for spouses	Qualified survivorship rights; mutual consent required for transfer; surviving spouse or domestic partner may have tax advantage ²	Right of survivorship; mutual consent required for transfer; surviving spouse or domestic partner may have tax advantage

1. Persons includes a natural person as well as validly formed cooperation, limited partnership, limited liability company or general partnership. Trust property is vested in the trustee (usually a natural person or corporation).
 2. Transfers by spouses/domestic partners may require a quitclaim deed from the other spouse/partner for title insurance purposes.
 3. If co-owners are spouses/domestic partners, property may be subject to legal presumption of "community property" requiring consent of both spouses/partners to convey or encumber title notwithstanding vesting as "joint tenancy"

Thinking about waiting a while to buy? You may want to consider some things!



Buy now or wait a year?

	Now	1pt Increase	Next Year
Purchase Price:	\$1,000,000	\$1,000,000	\$1,070,000
Interest Rate:	4.25%	5.25%	5.25%
Difference In Monthly Payment		\$481.63	\$790.86
Additional Cost Over 30 Years		\$173,559.80	\$228,884.00

So not only is there a big change in the monthly payment, but huge over the 30 year term. Don't have 20% to put down? Check with your lender about loans with as little as 3.5% down or 0% if you are a veteran!