

The Ten Essential Steps to Buying Your New Home

Purchasing a home is an exciting and often very emotional experience, whether or not you are an experienced property owner or a first-time buyer. In Fairfield County, attorneys play a much larger role in the process than in other parts of the state and even in the entire country.

At Hastings, Cohan, Walsh & Lovallo, LP, we are not only sophisticated real estate attorneys but also avid real estate investors. Our many perspectives on selling and buying property will be greatly beneficial in assisting you in the process. The following ten steps will help guide you through the typical home-buying processes and procedures. By understanding the basic steps that you are about to take to purchase your home, you will feel more comfortable with the process by understanding what you have to do and when to do it. This is meant as a brief summary and should be supplemented with additional counsel from us.

1. The Offer

After finding your new home, the first step in purchasing it is to make an offer to the seller. This is accomplished by completing an “offer to purchase” form. Essentially, this form reduces your offer to a written document and includes such details as the price at which you have offered to purchase the home, the property location, the items to be included and/or excluded from the sale, the amount of the purchase price to be mortgaged, the types of home inspections to be performed and the dates by which you are required to perform such inspections and all other contingency dates.

Your real estate agent will fill out this form with your assistance and then proceed to give it to the Seller via his/her real estate agent. Do not sign the “offer to purchase” if it includes language that in anyway states that it will be the contract if no other document is signed between the parties. This caveat is crucial!

At this point, the Seller may respond with a counter-offer, which would then have to be approved by you. The signed “offer to purchase” is not a final contract. Instead, it will be used to formulate the official “Purchase and Sales Agreement” (contract of sale) to be drafted by the Seller’s attorney.

You should include the following phrase on all “offers to purchase”: “Subject to the approval of my attorney within five business days.” You must then send us the offer immediately.

At the time you execute, or sign, the “offer to purchase” you will be required to provide a binder deposit. This binder deposit is generally equal to one percent (1%) of the offered purchase price. This deposit is generally held by your real estate broker until the contracts are signed. After you have signed the Contract for Sale this money is delivered to the seller’s attorney, who in turn will hold it in escrow, and is credited to you as part of your

PRACTICE GROUPS

earnest money deposit.

PRACTICE GROUPS

PERSONAL INJURY · CRIMINAL · REAL ESTATE · BUSINESS LAW · LITIGATION · PROBATE

2. Selecting Your Attorney

You should contact us as soon as you are interested in making an offer so we can assist and counsel you through the process.

We will prove invaluable counsel in a number of areas including, but not limited to:

- Negotiating items that have resulted from your building inspection;
- Revising, amending and providing additional buyer protection to the contract;
- Rectifying any title problems associated with the property;
- Contacting your mortgage lender to determine your financing status and assisting the broker in obtaining your commitment;
- Dealing with all mortgage paperwork and representing the lender at the closing; and
- Arranging for and protecting your interests at Closing.

3. Inspection

Once your “offer to purchase” is accepted by the seller and the Contract for Sale is being drafted, it is important to have your new home inspected by a licensed and certified home inspection company. The purpose of the home inspection is to determine any defects in the structure of the home including, but not limited to:

- the foundation;
- the roof;
- plumbing and heating systems;
- electrical systems;
- the well;
- septic system;
- driveways and garages;
- interiors, ceilings, floors, walls, and more.

You may also want to have other tests on the property performed, such as those that detect mold, wood destroying insects like termites, radon, and lead and other harmful chemicals in well-water. Although Connecticut has many new disclosure requirements, in most cases, the seller is under no legal obligation to make any warranty that the house and the related systems are in proper working order. Your real estate broker and our firm can be of great assistance in selecting the best qualified home inspection company. Before selecting a company, be sure to find out what specific defects they will check for and if there are certain extra tests you want performed, how much they would cost. Additionally, we can assist you in understating your building inspection and negotiate possible credits that are needed as result of the inspection.

PRACTICE GROUPS

4. Purchase and Sales Agreement:

After the offer to purchase is accepted by the seller, the seller's lawyer will draft the Purchase and Sales Agreement (Contract for Sale) and forward it to our office for review. We will review the Contract for Sale and make the necessary amendments to provide you with certain protections by requiring the seller to make a number of representations about the property.

Although we will walk you through the complex legal terms that comprise the Contract, there are a few sections of note of which you will want to be aware. The mortgage contingency date, for example, provides you with the deadline by which you are to have obtained a mortgage commitment letter from your lender, expressing that you will receive a loan for at least the amount that you have requested. If you pass this date without receiving a commitment, then it may not be possible to cancel the contract and receive a full refund of your earnest money (deposit).

Also, you will want to discuss with us and your spouse how you intend to hold title. The vast majority of married couples chose to hold it jointly in survivorship, which means that upon the death of one owner the survivor owns it in full. Some may chose, however, to own it as tenants in common, which means that when one spouse dies, his/her share of the property will become part of his/her estate and will disposed of according to his/her will.

The next step is to sign the Contract for Sale. This will take place after our office and the seller's lawyer have negotiated its terms. Upon the signing of the Contract for Sale you will be required to forward to the seller's lawyer the balance of your earnest money ten percent (10%) deposit. The seller's attorney should hold this deposit in escrow until the Closing. This can be in the form of a personal check made payable to the Seller's attorney, which will be cashed and held in the Seller's attorney's trust account.

You should also seriously consider having a survey of the property performed if no survey or a much older one is available. This will help you to understand the boundaries of your property as well as determine if there are any encroachments.

5. The Mortgage:

Although the Contract for Sale will be contingent upon you acquiring a mortgage to finance the purchase your home, it is your responsibility to make the application and provide all the supporting data which may be required by your lender. The mortgage market is constantly changing and there is no way to provide information here that is comprehensive and up-to-date. Trust your real estate broker and our office to provide you with the names of qualified individuals and/or lenders to assist you in acquiring a mortgage. Here is some general information that is helpful early in the process:

-Pre-qualification for a Mortgage: This is essential in that you will know how high a price you

PRACTICE GROUPS

can afford for your home and in many cases it will shorten the time required to arrange financing.

-Mortgage Rates Change Frequently. Make sure you know what the lender requires to “lock in” a rate. If you discover at the Closing the interest rate on your mortgage is higher than expected it may be too late to do anything about it.

-Make Sure You Retain Copies. It is important to retain copies of all documents you forward to a prospective lender. Many times these hand written documents will be re-typed by the lender and will require your signature at Closing.

-Good Faith Estimate: Your lender is required to provide you with a good faith estimate of your closing costs. It is important that you ask questions of any expense you do not understand.

-Follow Through: You will need to provide your mortgage lender with all of the requested information as quickly as possible and follow-up with them on a regular basis to make sure you have secured your financing.

6. Title Insurance:

Title Insurance is required by all lending institutions as a condition for the financing for your new home. Our office will be responsible for acquiring the insurance on your behalf. Our office will be compensated by the title insurance company by retaining up to sixty percent (60%) of the premium. It is important to note that unlike other forms of insurance, you are required to pay only one premium during your ownership of the premises.¹ The title insurance premium is based upon the purchase price of your home. Your title insurance policy will be based upon a title search of the property you are purchasing. A title search is important as it will disclose all previous owners of record and all other matters which affect the land upon which the home your are purchasing rests. Title insurance provides protection against financial loss which could result from any title defect or claims against your property.

7. Hazard Insurance:

Unlike title insurance, hazard insurance or homeowners insurance protects you against loss to the physical structure and the contents of your home. Hazard insurance is also required as a condition for the financing of your new home. There are many insurance agents to assist you in purchasing hazard insurance. It is recommended that you trust your real estate broker and our office to provide you with qualified agents. Make sure you discuss with your insurance agent the fact that you need settlement limits of liability to protect your assets in the

¹ You may however be required to purchase addition title insurance if, during your ownership, you refinance your home.

PRACTICE GROUPS

event of a peril.

8. The Walk Through:

Just before the closing you will have an opportunity to walk through your new home after the sellers have vacated and before you move in. This is an important step to insure no damage has been caused to the house since you last visited it and made your “offer to purchase”.

9. The Closing:

The term "Closing" is used to describe the event at which legal title to your new home transfers from the seller to you. At the closing, the money is transferred, the paperwork for the sale is completed and you receive the keys to your new home. Below is a brief description of some the things you can expect:

-The place. The location of the Closing is generally held at the Seller’s Attorney’s office. Our office will provide directions if you are unfamiliar with the area;

-Adjustments. The real estate taxes and other assessments on your new home will be adjusted. For example, if the seller has paid the real property taxes through the end of the year, you are responsible to re-imburse the seller for that portion of taxes paid from the date of the closing though the end of the year. Like taxes, if the home has oil heat, you are responsible to re-imburse the seller for any oil that remains in the tank at closing;

-The Document Signing. For the experienced home buyer the “shuffle” of documents is routine. For the first time home buyer the quantity of paperwork required to be executed can be overwhelming. Trust our office to explain all the documents you are required to sign;

-The Mortgage. The Mortgage comprises of two documents: the first is a promissory note, by which you promise to repay the lender a particular sum of money within a certain time period. The second is the mortgage deed, by which you sign over to the lender certain rights to the property in the event you fail to repay the borrowed money. These documents are often lengthy and consist of fine print. Our office will explain all the terms and conditions of these instruments; and

-Final Closing Costs. These figures should be available from our office the day before your Closing. The most important number is the total amount of money that you are required to bring with you to the Closing. You should bring one or more certified or bank checks, payable to yourself to cover these charges. Once again, trust your lawyer to fully explain all

PRACTICE GROUPS

the charges associated with the purchase of your new home.

10. Moving Day:

After the Closing, the final and perhaps most difficult step will be moving in. Please make sure to call all utility companies to arrange for services to be placed in your name. Congratulations on the purchase of your new home. We are available to answer any of your questions or concerns and pride ourselves on our ability to get right back to our clients to answer their important questions.

PRACTICE GROUPS

PERSONAL INJURY · CRIMINAL · REAL ESTATE · BUSINESS LAW · LITIGATION · PROBATE