



A Simple Guide to Purchasing Real Estate

Smith &
Associates Real Estate





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GLOSSARY



1 BEGINNING THE PROCESS

Organization is the key to finding the home you want while spending the least amount of time and energy.

It's always best to find out how much house you can afford before you go house-hunting. Your Smith Associate can refer you to a loan officer who can assist you with determining how much of a down payment you can afford, along with a monthly payment you can handle. (To help determine this, see "HOW MUCH HOME CAN YOU AFFORD?")

Make a list of everything you want in a home. Is a primary suite important? How many bathrooms? What about closet space? Do you need a yard for the kids and pets to play in? How about a garage or a bay window? Do you prefer a rambler or a multiple-story house? Are schools or access to public transportation important?

Separate the essentials from the items you could do without and put them on the "A" list. Prioritize the rest of the items into a second and third list in order of importance. Then review the lists with your agent so they're very clear on what you want and need in your home.

Keep good notes as you look at homes. After a while, it becomes difficult to remember which features belong to which home. Your agent can provide you with a form and rating system to help you compare homes.

When selecting a home, look beyond cosmetics. Make sure the home is in good physical condition and that you understand the cost of repairs. For more information on how to assess the home's condition, refer to "HOME INSPECTIONS".

Look at additional homes, even if you love the first one you see. Many times, it takes looking at several homes before you find the one that is really right for you.

Your Smith Associate will check in with you regularly, even if you haven't yet found the home that's right for you. Keeping in contact promotes good rapport and helps your agent understand your priorities as they search for homes that best suit your needs.



HOW MUCH HOME CAN YOU AFFORD?

Before you start looking at homes, it's a good idea to find a target price range that you can afford. A mortgage lender will want to make sure you can handle the down payment, plus a monthly mortgage payment made up of principal, interest, taxes and insurance (PITI).

Interest rates and your personal finances will influence the amount of house you can afford. That's why it's always good to talk to a lender before you start shopping for a home. Your Smith Associate can refer you to lenders suited to your specific financial needs. There are a wide variety of loan programs available to buyers. Your agent can give you the names of several mortgage specialists who can review all of your options with you.

In order to plan properly, you need to understand what lenders are looking for from a borrower. There are three factors that help determine if you qualify for home financing:

YOUR INCOME

YOUR ASSETS

YOUR CREDIT HISTORY

Most loan programs require you to verify all of your income sources. Your mortgage consultant will let you know what documentation is needed. Typically, you will need to provide pay stubs and your W-2, and if you are self-employed, you may need to provide copies of your tax returns.

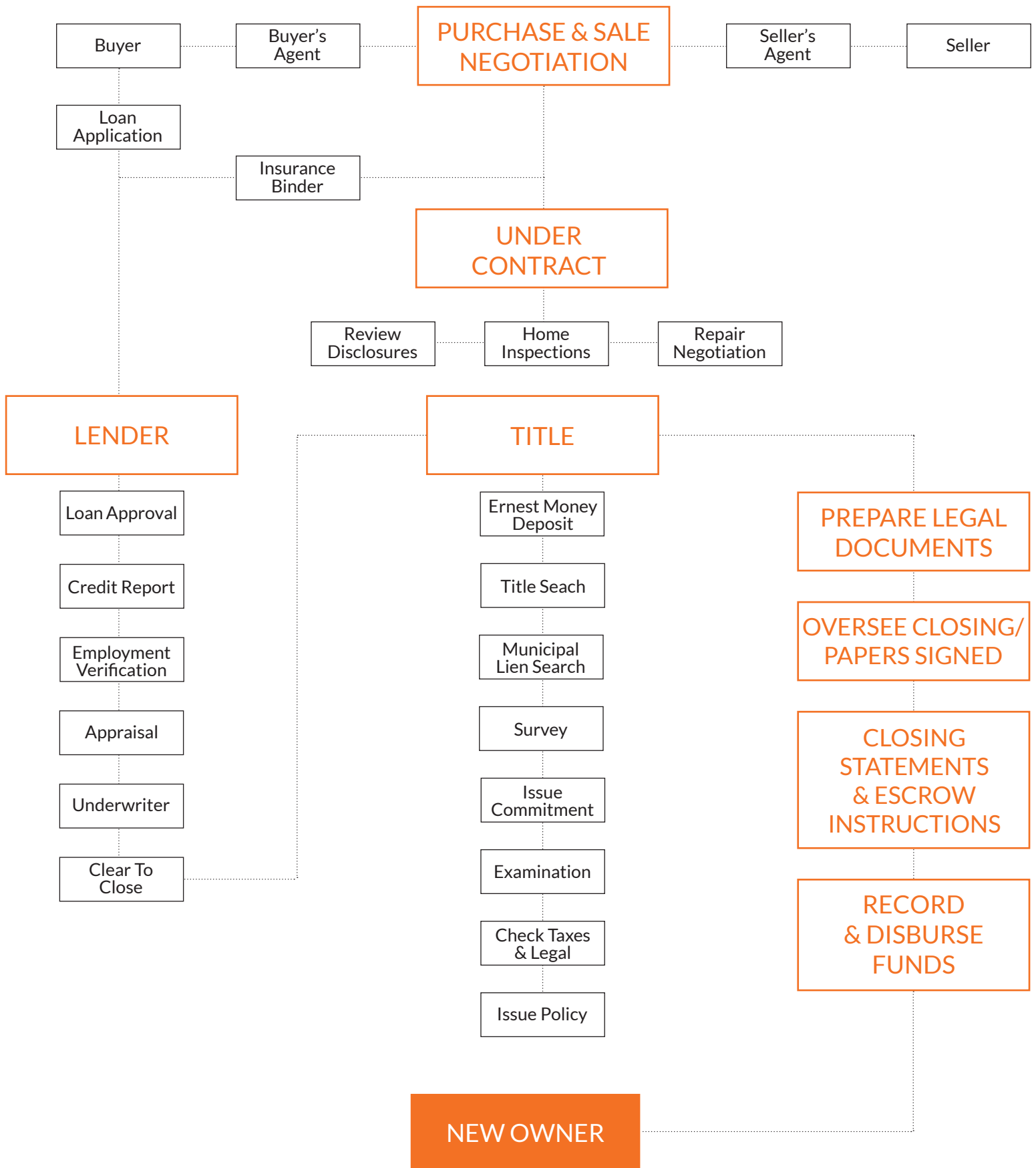
The required down payment varies according to the loan program. There are several affordable options for borrowers. Closing costs are associated with finalizing the transaction and include the appraisal fee, loan origination fee, title insurance, escrow services and legal recording of documents. Each loan is different, so it is important to discuss these fees with a mortgage expert.

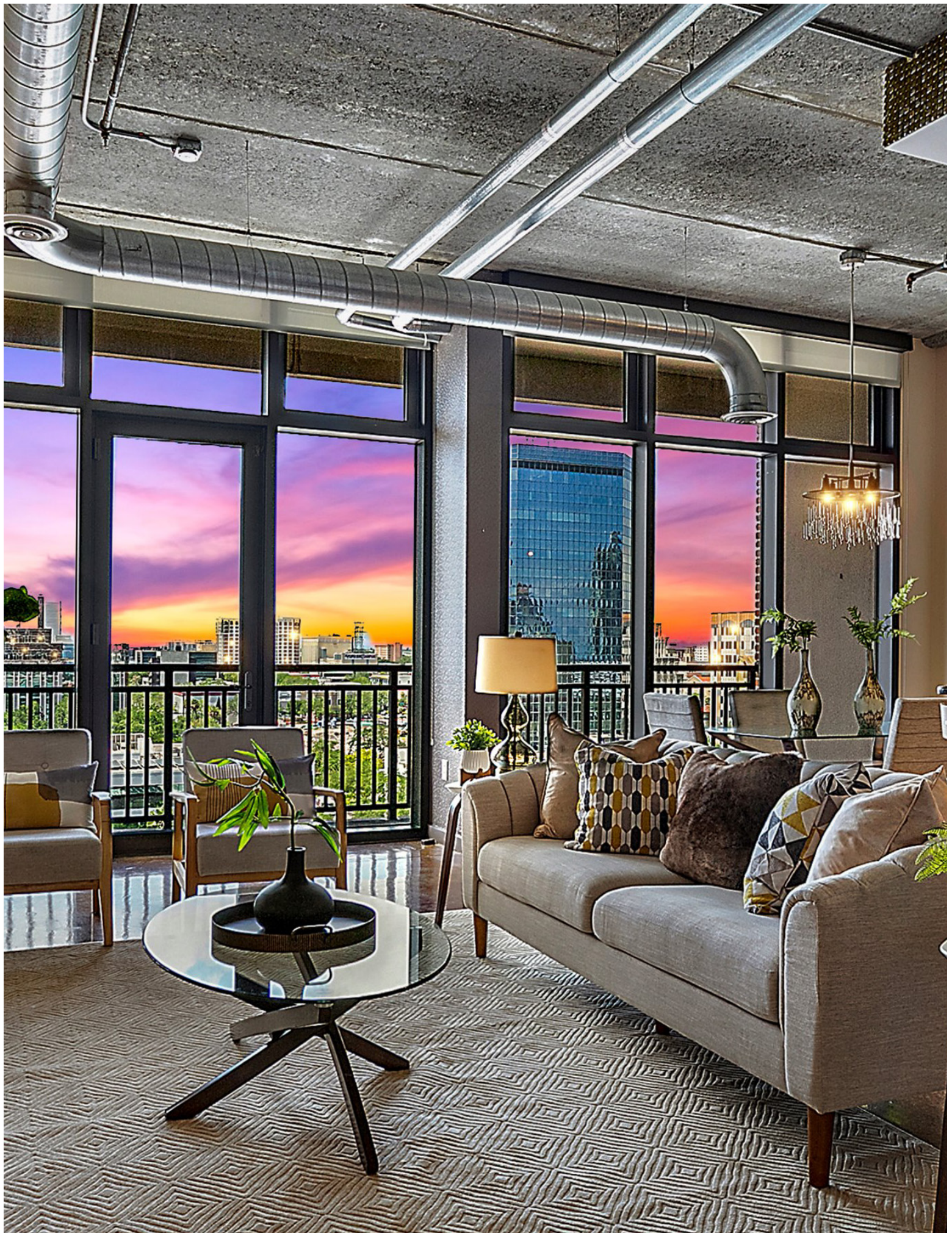
All lenders review a borrower's credit history to determine the type of credit used, the amount owed and the borrower's history of repaying debt.

When you speak with your mortgage professional to figure out how much home you can afford, it's also a good idea to get pre-approved for a mortgage before starting your home search. This will help narrow your home search to a price range that's comfortable for you, and being preapproved also makes for a stronger offer in the eyes of sellers.



CONTRACT TO CLOSE







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PURCHASE & SALE AGREEMENT

Once you've found the home you want to buy, your Smith Associate will work with you to complete a purchase and sale agreement. This is the contract in which you and the seller outline the details of the property transfer. The purchase and sale agreement usually consists of the following pages:

- Earnest money receipt
- Financing addendum
- Inspection addendum
- Conditions/disclosure addendum
- Contingency addendum, when appropriate
- Addendum outlining special conditions
- Lead-based paint notification, when appropriate

In selected areas, the following forms will also be part of your agreement:

- Agency disclosure form
- Property disclosure form completed by the property seller
- Local area disclosures



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MORTGAGE TERMINOLOGY

What Is The Difference Between Prequalified And Preapproved?

These terms refer to your status in the loan approval process. Prequalification is a determination of your probable ability to obtain a loan. To become prequalified, meet with a loan officer or mortgage company. They will help you determine the price you can afford, based on your monthly income and your current debts, as well as the cash you have for a down payment.

Preapproval means that the mortgage lender has already verified and approved your credit and income. Obtaining preapproval early in the process will make your offer more attractive to the seller.



What Is Earnest Money?

Earnest money is a “good faith” deposit submitted with your offer to show the sellers that you are serious about purchasing their home. Earnest money is a required part of an offer. There is no set amount that is required, but the amount sometimes makes a difference in the negotiation process. Earnest money eventually becomes part of the purchase and will show as a credit to the buyers on the settlement statement drawn up by the escrow company.

What Are Closing Costs?

Closing costs are charges paid to various entities during the real estate transaction. They can include escrow fees, document preparation fees, the cost of an inspection, and lender fees.

What Is A Point?

A point is equal to one percent of the loan principal. Some lenders charge points, in addition to interest and fees, at closing.

What Is Title Insurance?

Title insurance protects against loss from any defects in the legal title, liens against the property or other adverse claims. The lender usually requires title insurance.



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PROPERTY INSPECTION

When you're ready to complete a purchase and sale agreement on a home, your offer will generally be contingent on a professional inspection of the entire property—including improvements. The home inspector looks beyond the cosmetics to make sure that the home's general systems operate properly. The inspector will also look for large repairs that are needed and report on the condition of the home.

A critical facet of the home inspection process involves recognizing that securing financing necessitates the binding of insurance, which mandates that any home that surpasses a specified age threshold must undergo a comprehensive 4-point inspection. Your real estate agent is adept at evaluating and negotiating the key components of this inspection, namely the roof, plumbing, air conditioning, and electrical systems. Furthermore, your agent can play a pivotal role in facilitating the acquisition of insurance quotes, a vital component in the financial planning associated with the home purchase process.

The standard home inspector's report will review the conditions of the home's heating and cooling systems; interior plumbing and electrical systems; the roof, attic and visible insulation; walls, ceilings, floors, windows and doors; foundation, garage and visible structure. The inspector will also look for cracks in cement walls, water stains that indicate leakage, and any indication of wood rot.

A home inspection also points out the positive aspects of a home, as well as the maintenance that will be necessary to keep it in good shape.

Your Smith Associate can typically provide you with a list of reputable home inspection services from which to choose.

Remember, no home is perfect. If problems are found, your Smith Associate will help you negotiate through the process.

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SETTLEMENT & CLOSING

During the negotiation stage of the transaction, a mutually agreed-upon date for closing is determined. “Closing” is when you and the seller sign all the paperwork and pay your share of the settlement fees, and the documents are recorded. Settlement obligations vary widely due to specific contract language, local laws, and customs. Prior to closing, the closing agent (usually an escrow or title company or attorney) will complete a detailed settlement statement for both buyer and seller. Your Smith Associate can help you understand which of the following typical settlement fees apply to you.

The Buyer Receives:

Credit toward buyer closing costs or the purchase price for any earnest money deposited.

The Buyer Pays:

- Document preparation fees, if applicable
- Recording and notary fees, if applicable
- Title search and title insurance*
- Local transfer taxes*
- Loan fees
- Appraisal fees
- Credit report fees
- Home Owners Association fees, if applicable*

*Paid by either the seller or the buyer



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MOVING TIPS

The process of moving is long and complex. Being organized, knowing what needs to be done, and tackling tasks efficiently can make your move significantly less stressful. Here's a checklist to keep you on task and help make your move successful.

6-8 Weeks Before:

- Use up things that may be difficult to move, such as frozen food
- Get estimates from professional movers or truck rental companies if you are moving yourself.
- Once you've selected a mover, discuss insurance, packing, loading and delivery, and the claims procedure.
- Sort through your possessions. Decide what you want to keep, what you want to sell, and what you wish to donate to charity.
- Record serial numbers on electronic equipment, take photos (or video) of all your belongings, and create an inventory list.
- Change your utilities, including phone, power, and water, from your old address to your new address
- Obtain a change of address packet from the post office and send it to creditors, magazine subscription offices, and catalog vendors
- Discuss tax-deductible moving expenses with your accountant and begin keeping accurate records.

2-4 Weeks Before:

- If you're moving to a new community, contact the Chamber of Commerce and school district and request information about services.
- Make reservations with airlines, hotels, and car rental agencies, if needed.
- If you are moving yourself, use your inventory list to determine how many boxes you will need.
- Begin packing nonessential items.
- Arrange for storage, if needed.
- If you have items you don't want to pack and move, hold a yard sale.
- Get your car license, registration, and insurance in order.
- Transfer your bank accounts to new branch locations. Cancel any direct deposit or automatic payments from your accounts if you change banks.
- Make special arrangements to move pets, and consult your veterinarian about ways to make travel comfortable for them.
- Have your car checked and serviced for the trip.
- Collect items from safe deposit box if changing banks.

2-3 Days Before:

- Defrost your refrigerator and freezer.
- Have movers pack your belongings.
- Label each box with the contents and the room where you want it to be delivered.
- Arrange to have payment ready for the moving company.
- Set aside legal documents and valuables that you do not want packed.
- Pack clothing and toiletries, along with extra clothes in case the moving company is delayed.
- Give your travel itinerary to a close friend or relative so they can reach you as needed.



Moving Day: Old Home

- Pick up the truck as early as possible if you are moving yourself.
- Make a list of every item and box loaded on the truck.
- Let the mover know how to reach you.
- Double-check closets, cupboards, attic, sheds, and garage for any left-behind items.

Moving Day: New Home

- Be on hand at the new home to answer questions and give instructions to the mover.
- Check off boxes and items as they come off the truck.
- Install new locks.
- Confirm that the utilities have been turned on and are ready for use.
- Unpack your “first day” box (see list for suggested contents).
- Unpack children’s toys and find a safe place for them to play.
- Examine your goods for damage.

Moving Essentials:

- Furniture Pads
- Handtruck Or Dolly
- Packing Tape
- Bubble Wrap
- Newspapers Or Packing Paper
- Scissors
- Utility Knife
- Labels
- Felt-Tip Markers
- Cornstarch Packing “Peanuts”
- Plenty Of Boxes

First Day Box:

- Scissors
- Utility Knife
- Local Phone Book
- Coffee Cups
- Teakettle
- Instant Coffee Or Tea, Soft Drinks
- Pencil And Paper
- Soap
- Bath Towels
- Trash Bags
- Shelf Liner
- Paper Plates
- Snacks
- Toilet Paper
- Children’s Toys And Books

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CLOSING COSTS & REPRESENTATION

Common Costs for Buyers

Expenses associated with purchasing property are paid at different intervals throughout the closing process and are typically equal to 2-3% of the purchase price.

Estimated Buyer Expenses*

| | |
|--|--|
| Property Inspection | \$400+ |
| Municipal Permit Inspection | \$125 |
| Pest & Wood Destroying Organism (WDO) Inspection | \$125 |
| Radon Inspection | \$150 |
| Optional Environmental & Specialty Inspections | \$200-\$500 |
| Survey | \$500 - \$600 |
| Appraisal | \$550 (paid at loan application) |
| Loan Application | TBD by lender |
| HOA/COA Approval Applications | \$75 - \$150 |
| Origination Fee (some Lenders) | 1% if applicable |
| Daily Interest | For # of days from closing to end of month |
| Homeowner's Insurance | 1 year, paid at closing |
| Escrow for Lender | 4 months taxes, 3 months insurance |
| Title Services & Attorney Fee | \$1,000- \$1,500 |
| Home Warranty | \$550 - \$750 |

*Good Faith Estimate of Closing Costs required and provided by mortgage lender. These costs might include but are not limited to commitment fees, underwriting fees, tax service fees, flood certification fees, courier fees, etc. The title company or other entity conducting the closing will relay the required amount several days in advance of closing.

Credits to Buyer at Closing

| | |
|-----------------------------------|--------------------------------------|
| Earnest Money Deposit | TBD at time of contract |
| Closing Costs | TBD at time of contract |
| Pro-Rated Taxes | Seller's portion of annual tax bill |
| Pro-Rated HOA Dues, If applicable | Seller's portion of current HOA bill |



Understanding the Exclusive Buyer's Agreement

The exclusive buyer brokerage agreement is the contract that you sign when you begin your house hunt and start looking at properties. This form establishes what is known as an exclusive agency relationship between you and your agent. This means that:

- The agent is committed to putting your needs first as a client and doing whatever it takes to get you your ideal home with the best possible pricing & terms.
- You are selecting the agent to represent you in the negotiation and full contract process.
- Terms of payment between you and your agent are understood by both parties and exchanged only at the time of successful closing.

The terms of the agreement are negotiable, typically last for 12 months and are cancelable at any time in writing from either party. It is common for brokerages to require these forms to be signed before touring properties to protect both your interests as well as your agents.





SERVING TAMPA BAY'S BUYERS SINCE 1969

With multiple generations of real estate experience as the foundation of our company, Smith & Associates is not only rooted in the rich history of the Tampa Bay area but also driven by a vision to be the trusted real estate partner for future generations. We share our commitment to excellence and deep understanding of the local market to help you as you create your life's legacy.

As Tampa Bay's largest independently owned brokerage, Smith has focused on the needs of Tampa Bay homeowners since 1969. Becoming the industry leader is a result of our commitment to serving every client with expertise, respect, and by offering an exceptional and enjoyable customer experience.

We attract the finest professionals in the industry who are deeply embedded in the community. Our associates set us apart - their knowledge, commitment to integrity, and responsiveness to client needs are a symbol of how much they care. From supporting a thriving local arts scene to headlining major causes, the staff and associates of Smith & Associates Real Estate participate with passion.

When you work with a nationally recognized company that's more like a big family, the experience will be one to remember. Good things happen when you add a little personality to exceptional listings, innovative marketing, and advanced technology.

DEEPLY ROOTED IN YOUR SUCCESS

54

Years in
Tampa Bay

282

Sales
Associates

100K+

Lifetime
Transactions





WHY BUY WITH A **SMITH ASSOCIATE**

Local Market Expertise

Gain insight into the most current local market data, as well as the amenities & unique characteristics of each part of Tampa Bay.

Access to The Most Housing Opportunities

Receive details on Smith exclusive properties before they are made public, giving you more choice while reducing the potential for competition.

Negotiations Tactics

Get the best possible terms for your desired home with your associates' advanced offer strategies and negotiation tactics.

Transaction Management

Our full-service transaction team ensures your deal goes on schedule and all parties are informed each step of the way.

Affiliated Resources

Integrated mortgage, insurance, and title give you the opportunity to save time while getting access to the highest quality of service.

Home Service Provider Liaison

Get recommendations to trusted vendors that can assist with any projects you are dreaming up for your new home.

Community Involvement

Smith & Associates is proud to call Tampa Bay home and collectively volunteers thousands of hours annually to local organizations to make our region the best it can be.



GLOSSARY

ADJUSTABLE-RATE MORTGAGE (ARM)

interest rates on this type of mortgage are periodically adjusted up or down depending on a pecified financial index

AMORTIZATION

a method of equalizing the monthly mortgage payments over the life of the loan, even though the proportion of principal to interest changes over time. In the early part of the loan, the principal repayment is very low, while the interest payment is very high. At the end of the loan, the relationship is reversed

ANNUAL PERCENTAGE RATE

the actual finance charge for a loan, including points and fees, in addition to the stated interest rate

APPRAISAL

an expert opinion of the value or worth of a property

ASSESSED VALUE

the value placed on a property by a municipality for purposes of levying taxes. It may differ widely from appraised or market value

BALLOON PAYMENT

a large principal payment due all at once at the end of some loan terms

CAP

a limit on how much the interest rate can change in an adjustable-rate mortgage

CERTIFICATE OF TITLE

a document, signed by a title examiner, stating that a seller has an insurable title to the property

CLOSING

the deed to a property is legally transferred from seller to buyer, and documents are recorded

CLOSING COSTS

see “settlement” or refer to “Settlement and Closing” in this guide

COMMISSION

a fee (usually a percentage of the total transaction) paid to an agent or broker for services performed

COMPARATIVE MARKET ANALYSIS (CMA)

a survey of the attributes and selling prices of comparable homes on the market or recently sold; used to help determine a correct pricing strategy for a seller’s property

CONTINGENCY

a condition in a contract that must be met for the contract to be binding

CONTRACT

a binding legal agreement between two or more parties that outlines the conditions for the exchange of value (for example: money exchanged for title to property)

DEED

a legal document that formally conveys ownership of a property from seller to buyer

DOWN PAYMENT

a percentage of the purchase price that the buyer must pay in cash and may not borrow from the lender

EQUITY

the value of the property actually owned by the homeowner: purchase price, plus appreciation, plus improvements, less mortgages and liens

ESCROW

a fund or account held by a third-party custodian until conditions of a contract are met



| | |
|---------------------------------------|--|
| FIXED-RATE MORTGAGE | interest rates on this type of mortgage remain the same over the life of the loan. Compare to “adjustable-rate mortgage” |
| FIXTURE | a recognizable entity (such as a kitchen cabinet, drape or light fixture) that is permanently attached to a property and belongs to the property when it is sold |
| HAZARD INSURANCE | compensates for property damage from specified hazards such as fire and wind |
| INTEREST | the cost of borrowing money, usually expressed as a percentage rate |
| LIEN | a security claim on a property until a debt is satisfied |
| LISTING CONTRACT | an agreement whereby an owner engages a real estate company for a specified period of time to sell a property, for which, upon the sale, the agent receives a commission |
| MARKET PRICE | the actual price at which a property sold |
| MARKET VALUE | the price that is established by present economic conditions, location and general trends |
| MORTGAGE | security claim by a lender against a property until the debt is paid |
| MULTIPLE LISTING SERVICE (MLS) | a system that provides to its members detailed information about properties for sale |
| ORIGINATION FEE | an application fee(s) for processing a proposed mortgage loan |
| PITI | principal, interest, taxes and insurance, forming the basis for monthly mortgage payments |
| POINT | one percent of the loan principal. It’s charged in addition to interest and fees |
| PREPAYMENT PENALTY | a fee paid by a borrower who pays off the loan before it is due |
| PRINCIPAL | one of the parties to a contract; or the amount of money borrowed, for which interest is charged |
| PRORATE | divide or assess proportionately |
| PURCHASE & SALE AGREEMENT | a contract between buyer and seller that outlines the details of the property transfer; or refer to “Purchase and Sale Agreement” in this guide |
| SETTLEMENT | all financial transactions required to make the contract final. See “Settlement and Closing” in this guide. |
| TITLE | a document that indicates ownership of a specific property |
| TITLE SEARCH | detailed examination of the entire document history of a property title to make sure there are no legal encumbrances |

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Smith & Associates Real Estate fully supports the principles of the Federal Fair Housing Law

