

HOME

BUYER'S GUIDE

sereno

A modern living room interior. In the foreground, a light beige sofa with a yellow and a dark blue cushion sits on a light wood floor. A round coffee table with a metal base holds a stack of books. A large potted plant is visible on the right. In the background, a black floor lamp stands next to a wall with vertical wood slats. The word "sereno" is written in white lowercase letters, followed by a horizontal line.



Sereno is particularly proud to be the largest, locally owned and operated, independent real estate company in Northern California. Our unique model of local ownership, local leadership, local management, and local legal counsel allows us to powerfully impact our clients and the communities we serve.

Our hyperlocal focus on the highly desirable communities where we live, work and contribute creates unparalleled expertise and a competitive advantage that we use to benefit each and every one of our clients.

Alongside the desirability of the areas we serve are very unique market conditions that require a highly-skilled professional with pricing expertise, boots on the ground experience, and negotiating finesse. In the hands of your Sereno agent, you have a trusted guide to advise your every move through the intricacies of buying your home and negotiating a deal that best serves your ultimate goals.

We hope this guide will serve to empower you as you navigate the process of buying your home with real estate intelligence, industry jargon, and useful information about every step of the journey.



To make your home buying process easier, we recommend thoughtful consideration of these points before you begin your search.

What is your ideal price range?

What type of property suits you best – single family home, condo or townhome?

Where are your preferred neighborhoods?

If you have children, what amenities are important to you?

Do you have pets that need consideration?

Will proximity to work or schools be a factor?

Will you be relying on public transport?

What are your “non-negotiable” absolute must-haves?
(i.e., large yard, close to town, pool)

Part One.

THE FUNDAMENTALS OF FINANCING YOUR HOME

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NOTES, INSIGHTS AND OBSERVATIONS



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Part One.

THE FUNDAMENTALS OF
FINANCING YOUR HOME

The Home Loan Flow Chart



PREPARE TO BUY

Loan Application +
Supporting
Documentation



Credit Report



Pre-Approval
Issued



Loan Options
Presented



HOME SEARCH

Identify and
Visit Suitable
Properties



Offer Accepted



Loan Submission
Sent to Lender



Underwriting
Process Begins



ESCROW

Conditional
Approval
from Lender



Final Approval
Given



Loan Documents
Sent from Lender



Loan Documents
Recorded



**Purchase
Completed**

The Importance of Pre-Approval

Pre-Approval is a sign of readiness and provides buying leverage if you find a home you want. “Pre-Qualification” is essentially an opinion letter from a bank, while “Pre-Approved” means the loan is set to go.

Knowing the approved loan amount up front will amplify your buying power and simplify your home search.

- ✓ **Determine Your Price Range**
Pre-Approval will determine your purchasing power. Your lender can share the types of financing available and what you qualify for with each type (i.e. fixed or adjustable rate loans).
- ✓ **Understand Your Monthly Payments**
Before landing on a price range, it is important for you to ensure your comfort level with your monthly payment which includes Principal, Taxes, Interest, Insurance, and possibly Mortgage Insurance, if applicable.
- ✓ **Pre-Approval Makes You A “Cash Competitive” Buyer**
When considering offers, sellers have a vested interest in how their potential buyer intends to purchase their home. Pre-Approval positions you as serious, willing and able to complete the deal. If there are multiple offers, a buyer must put themselves in the best possible light in order to have their offer shine through. Pre-Approval is the proactive way to make this happen.



Things to Avoid During the Loan Process

We recommend you make every effort to avoid these actions at the risk of slowing down the process of financing your new home.

DO NOT:

Buy or lease a new automobile

This is a good time to be mindful of anything that may affect your debt-to-income ratio. New payments, particularly large ones, may detrimentally impact your ability to obtain a loan.

Run a credit report on yourself (or your spouse, if applicable)

All inquiries must be explained in writing so it is advisable to avoid doing at this time.

Consolidate your bills prior to meeting with your lender

Speak to your lender first about any financial maneuvering to avoid delaying your loan approval.

Make major purchases, such as appliances or furniture

Purchasing anything at this time can potentially increase your debt and reduce your chance for an optimal loan.

Move your financial assets around

During this process, everything on your financial dashboard will be examined carefully. You must disclose and document everything you do so it is highly recommended that you keep your accounts free and clear of complications.

Pack or ship important loan documents

We recommend that you keep a file on hand with important documents like W-2 forms, Tax Returns, Divorce Decrees, and any other supporting information. It is wise to be prepared with these items right up to the close of escrow.

Change employment

The probationary period that often comes with new employment can jeopardize your ability to qualify for a loan.





Loan Review Elements Explained

Credit

Your credit score is the mathematical calculation of your overall credit rating. This is the moment when a good payment history comes front and center, and any derogatory credit notations need to be explained with a very good reason.

Any outstanding collection accounts, judgments or liens will be paid through escrow.

Job Stability

Consistency is a beautiful thing when applying for a loan. The same job with the same company for a long time is ideal but of course, life throws curveballs. Change for the sake of advancement is acceptable. Schooling in preparation for your vocation is meritable on your employment path.

Down Payment, Closing Costs + Cash Reserves

You will be required to provide a minimum of 3% towards the down payment from your own funding. For funds to be considered, they MUST be verified as having been yours for 3 months. The remainder of the down payment, closing costs and 2-3 months of reserves may be gifted by a relative who provides a letter and bank statement showing ability and proof of funds.

Income and Ratios

Your gross monthly income, before taxes, is computed.

Bonuses, overtime, part-time or self-employment income are averaged over the last two years.

Principal, Interest, Taxes, and Insurance (= PITI) on the loan are divided by the gross monthly income to get the "Top" ratio.

Ideally, ratios are below 33 for the top ratio, and below 38 for the bottom ratio for an 80% LTV loan. These can be lower for 90%, 95% or 97% LTV loans.

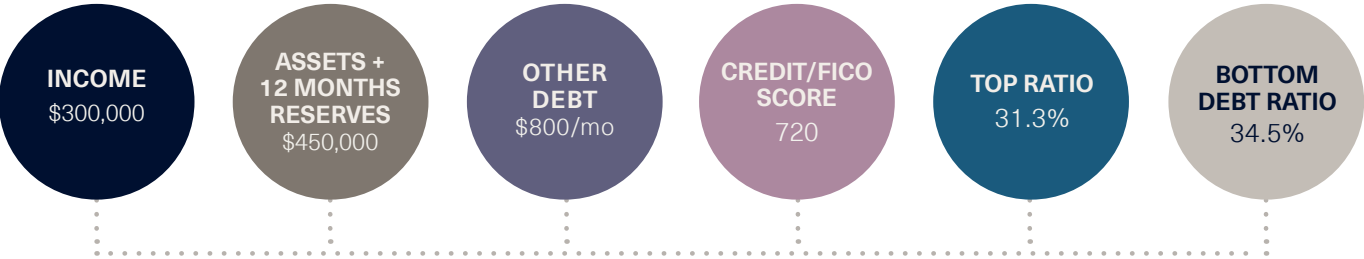
If other components weigh strongly, higher ratios may be permitted and are often available in our local marketplace.

Property

The subject property is considered security for the loan. To ensure sufficient collateral, the lender will require proof in the form of an appraisal from a Certified Appraiser. An underwriter reviews the appraisal for verification of marketability, condition, and value. The lender also requires a Title Report and Insurance on the property to protect both you and them.

What is the Loan Qualification Process?

Single Family Home Example



Using these figures, proposed monthly housing expenses would be:

Purchase Price..... \$1,500,000
Loan Amount..... \$1,200,000 (80% LTV)
Down Payment..... \$300,000

30-year Fixed Payment @ 4.5%..... \$6,080.22
Insurance Due per Month..... \$187.50
Taxes due per Month..... \$1,562.50

TOTAL MONTHLY PITI..... \$7,830.22
TOTAL DEBT SERVICE..... \$8,630.22

Top Ratio = 31.3%

Bottom Ratio = 34.5%

P.I.T.I

- Principal
- Interest
- Taxes
- Insurance

INSURANCE

- Homeowner's Insurance
- Mortgage Insurance
- Homeowner Dues

PROPERTY TAX FORMULA

$$\left[\begin{array}{l} \text{Purchase Price} \\ \times \\ \text{Tax rate (1.25\%)} \\ = \\ \text{Annual Property Taxes} \end{array} \right]$$

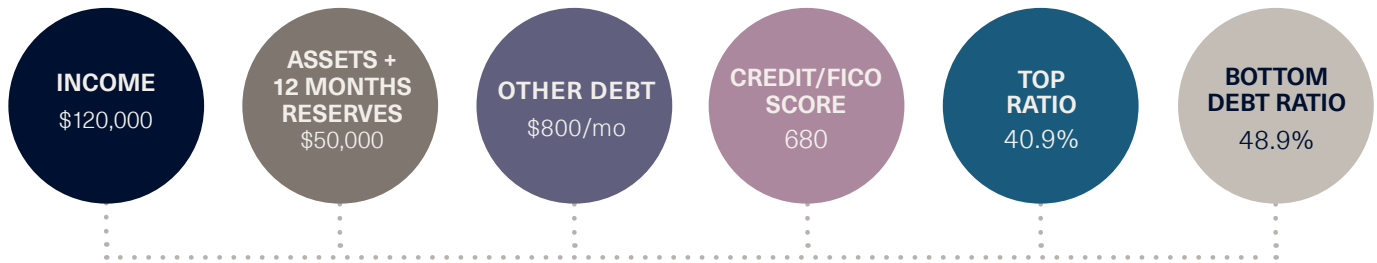
$$\left[\begin{array}{l} \text{Annual Property Taxes} \\ \hline 12 \text{ Months} \\ = \\ \text{Monthly Tax Rate} \end{array} \right]$$

HOMEOWNER'S INSURANCE FORMULA

$$\left[\begin{array}{l} \text{Loan Amount} \\ \times \\ .15\% \\ = \\ \text{Annual HO Insurance} \end{array} \right]$$

$$\left[\begin{array}{l} \text{Annual HO Insurance} \\ \hline 12 \text{ Months} \\ = \\ \text{Monthly Rate} \end{array} \right]$$

Condo or Townhome Example



Using these figures, proposed monthly housing expenses would be:

Purchase Price..... \$650,000
Loan Amount..... \$585,000 (90% LTV)
Down Payment..... \$65,000 (\$25,000 Buyer/\$40,000 Gift)

30-year Fixed Payment @ 4.5%..... \$2,964.10
HOA & Insurance Due per Month..... \$450.00
Taxes due per Month..... \$677.08

TOTAL MONTHLY PITI..... \$4,091.18
TOTAL DEBT SERVICE..... \$4,891.18

Top Ratio = 40.9%

Bottom Ratio = 48.9%

These ratios may exceed traditional guidelines and may require lender exceptions.



NOTES, INSIGHTS AND OBSERVATIONS



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Part Two.

THE BUYING PROCESS

REAL ESTATE TRANSACTION JOURNEY



What are Disclosures?



If you are serious about a particular property, your agent can request a disclosure package from the listing agent. These disclosures are your opportunity to review general information regarding the property prior to writing an offer.

Both the seller and listing agent are required to disclose all material facts they know about the property so you are aware of anything that might affect your decision to buy the home.

General Disclosures

- **Preliminary Title Report**
Provided by the Title Company, this report shows ownership of the parcel, as well as any liens and encumbrances thereon which will not be covered under a subsequent title insurance policy.
- **Property Inspection Report**
This report examines the overall functionality and condition of the home including appliances, mechanical, plumbing, and electrical systems.
- **Pest Inspection Report**
This report examines structural damage due to wood boring beetles, termites, and dry rot.
- **Agent's Visual Inspection Disclosure (AVID)**
Required for both listing and selling agents to complete a visual inspection of the property.
- **Natural Hazard Zone Disclosure (Property ID or JCP Report)**
This report details how the property might be affected by natural hazards like a earthquake, wildfire, tsunami or flood based on its specific location.
- **Real Estate Transfer Disclosure Statement (TDS).**
Questionnaire completed by the Seller about the property.

HOA Disclosures

- **Conditions, Covenants, and Restrictions (CC&Rs).**
- **Homeowners Meeting Association (HOA) Meeting Minutes for the last 12 months.**
- **HOA Budget and Budget Reserve Study.**
- **Condominium Certification Form.**
- **House Rules + Miscellaneous Communication.**



Provide something personal with your offer

Include a letter with your story, reasons why you love the house and true intention to close the deal can be helpful if there are multiple offers on the table. This act can elevate your position and indicates to the seller that you are genuine and have the ability to perform.

The Offer Process

What constitutes a “good” offer?

An offer to buy depends on many factors, including market conditions, the neighborhood, your needs, the Seller’s needs, and the list price. It is important to consider how the market is responding to the list price and adjust accordingly. Your agent will provide you with the best information to help you make an informed decision.

What does “as is” mean?

Selling a property “As Is” means that the property is being sold in its present condition. The Buyer, however, does have the right to inspect the property and the Seller is legally obligated to disclose any and all known material defects. If an offer contains contingencies, and defects are found that were not previously disclosed, the Buyer has the right to cancel the contract or negotiate specific repairs or cash in lieu of repairs. The California Association of REALTORS® contract is an “As Is” contract by default, whereas the PRDS purchase contract leaves it open to negotiation.

How long before I know if a Seller has accepted my offer?

It is customary to allow at least 24 hours for a seller to give a response.

Multiple offers – How do you win the deal?

It is important to understand the motivation and goals of the seller. Every offer is unique and offers different benefits depending on how price and terms are structured. Your agent can help determine how to position your offer in a way that will appeal to the seller’s motivations and/or expectations.

What is a counter-offer?

A Seller has four choices when responding to purchase offers: ☒

<input type="checkbox"/> ACCEPT as written. You are “in contract” to sell the property.	<input type="checkbox"/> REJECT the offer.	<input type="checkbox"/> COUNTER an offer with a revised purchase price, length of escrow, contingency period or other terms. Once you receive a counter offer back from a Buyer, you can then ACCEPT, REJECT or COUNTER the counter. This can go on until both parties come to an agreement.	<input type="checkbox"/> Offer a BACK-UP position behind an accepted offer.
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What is a multiple counter-offer?

In a multiple offer situation, the Seller has the option to simultaneously counter more than one offer for better price/terms with a single form “Seller Multiple Counter Offer,” reserving the right to proceed with only one of the agreements, presenting the best terms.

Contingencies or No Contingencies

A contingency in a real estate contract defines a period of time to investigate certain aspects of a property to ensure the Buyer is satisfied with the condition of the home they are purchasing. A contingency becomes part of a binding sales contract when both parties, the Buyer and the Seller, agree to the terms and sign the contract.

Contingencies in a contract give the Buyer a right, but not the obligation, to back out of the purchase contract. In a competitive market, a Buyer may choose to waive all contingencies to make their offer more competitive, but this practice comes at a risk to the Buyer that they may lose their good faith deposit if they back out. Below are the typical contingencies used in a contract.

Financing Contingency

If you enter into the purchase contract contingent upon obtaining written lender commitments for your loan amount and the lender commitment cannot be obtained, you have the right to cancel the contract. Please note, your right to exercise the Financing Contingency to cancel is dependent upon you making a timely, good faith application for the actual loan specified. You should not remove the Financing Contingency without first personally verifying all of the terms and conditions of the loan directly with your lender.

Inspection/Investigation Contingency

The contract is contingent upon the Buyer's approval of all conditions, disclosures, factors and circumstances relating to the Property and any other matter, on or off-site, that materially affects

the value and/or desirability of the Property including, but not limited to, any and all matters contained in written disclosures and advisories.

The scope of the Property Condition Contingency includes Buyer's approval of the Property Disclosure Documents and Compliance Statements and cost and/or availability of Homeowner's Insurance Coverage (i.e., fire and liability.)

Appraisal Contingency

This applies if the Purchase Contract is contingent upon you as the Buyer obtaining an appraisal of the Property at or above the Purchase Price, whether or not you are seeking a loan or receiving a lender's written commitment for the financing of the purchase.

In exercising this contingency, you as the Buyer shall rely upon an appraisal from an independent licensed or certified appraiser.

A Note on Inspections

The seller is obligated to make the Property reasonably available for all Buyer related inspections and investigations. Inspections are advised, and the Buyer's failure to fully conduct inspections and investigations is against the advice of your real estate agent. A Buyer assumes all risk of any decision not to conduct any and all inspections. During the time between Acceptance and Close of Escrow, the Seller is obligated to maintain the Property, including landscaping and all items included in the contract, so they are in the same general condition as at the time of acceptance.





How to Negotiate

There's an old saying that states, "Everything is negotiable." This is particularly true in real estate and why having an agent acting on your behalf when it comes time to negotiate the deal is so important.

Sereno agents are well versed in the art of negotiation, from doing necessary research to unearth the best strategy, exploring common objectives before exploring differences and, most importantly, defining your ideal outcome and the steps it will take to move both parties towards this outcome.

Deals can often fall apart over the smallest, and seemingly inconsequential details. Having the negotiation intelligence of an experienced agent can be an essential element to preventing a deal break down.

Your agent will take many elements into account as part of the negotiation strategy:

- What personalities are involved?
- Who is the decision maker?
- What are the non-negotiable points?
- In which areas is it likely that concessions might be possible?
- What are the true costs of repairs, and can we get estimates quickly using agent network and save time in negotiations?
- What would be a win-win situation for both sides?
- What has happened so far that we can use to our advantage?



Can You Cancel Your Offer?

Suppose you as the Buyer determine, in good faith, that any conditions or circumstances relating to contract contingencies are unacceptable. In that case, you are permitted to cancel within the prescribed time frames or prior to the expiration of a Notice to Perform by delivery of written Notice of Cancellation to the Seller.

The Buyer is entitled to a refund of deposited monies, less any non-reimbursable fees and costs. Please note, if the Seller unreasonably refuses to cooperate in the release of Buyer deposited funds, Seller may be exposed to monetary sanctions and attorneys fees per Civil Code Section 1057.3.

Likewise, suppose the Seller determines, in good faith, that any conditions or circumstances relating to the Seller's contingencies in the contract are unacceptable. In that case, the Seller is entitled to cancel the contract within the prescribed time frame and prior to the Notice to Perform.

A written Notice of Cancellation to the Buyer must be supplied, and any deposited funds are subject to refund, less any non-reimbursable fees and costs.

If you choose to cancel the contract after all contingencies have been removed, please note that your good faith deposit may be at risk. It is highly recommended that any client choosing to cancel a purchase contract where all contingencies have been removed consult a California licensed real estate attorney before proceeding.

What is Escrow?

Escrow broadly refers to a third party that holds money on behalf of two parties in a transaction and, as it pertains to a real estate, escrow is the time period between your offer being accepted and closing.

How does it work?

Escrow instructions are created, signed and delivered to the escrow officer when the principals to a transaction – the buyer, the seller, the lender, and agents – open escrow. The escrow officer is charged with processing the escrow in accordance with the instructions and ensuring all necessary documents are completed and signed. Once this is achieved, the escrow will be closed.

An escrow officer cannot take instructions from one party in the transaction. All parties must be in agreement.

Typical duties include:

- 1 Ensuring instructions laid out by the principals and parties to the transaction are executed in a timely manner.
- 2 Paying any bills specified in the instructions.
- 3 Responding to requests from parties to the transaction.
- 4 Handling any funds or documents as directed in the instructions.
- 5 Closing escrow ONLY when all the terms have been satisfied.
- 6 Providing final accounting details with the Closing or Settlement Statement.

Why do I need escrow?

It is important that no funds or property change hands until the instructions in the transaction have been followed and completed. This is for the protection of the buyer, seller, lender, and borrower. The escrow holder is obligated to safeguard the funds and documents while in their possession and disperse funds and convey title ONLY when all provisions of the escrow have been satisfied.

The escrow officer is a third and entirely neutral party and does not represent the interests of anyone in the transaction.

How long is escrow?

The length is written into the offer and varies. Typically, escrow is 25–45 days however it can be much shorter in all-cash deals and much longer for new home construction.

Who chooses where escrow is opened?

The selection of the escrow holder is typically done by agreement between the principals. Laws prohibit the payment of referral fees to escrow officers to ensure unbiased and professional services for both parties.



The Escrow Flow Chart

Several things need to be accomplished during a typical escrow:



A refundable deposit (usually 3% of the purchase price) is placed and held by the escrow company.



Your lender prepares loan documents and collects necessary information for approval.



Review and sign disclosures.



Any inspections mandated in the offer are performed.



Property appraisal completed by the lender.



Due diligence is performed by you. Remove contingencies to meet deadlines.



All loan and title documents are signed by you when complete.



Final walk through to make certain that the property is in the same condition as it was when the Buyer signed the contract.



Escrow closes and the property transfers when all conditions have been satisfied.



At Sereno, we believe our services do not end with the close of escrow. It is our great privilege to assist in the search and purchase of the right home and we hope to continue being of service as you settle in and become a part of a new community.

There can be a seemingly endless list of projects that go hand in hand with a new home. Your agent is your best resource and local point of contact to ensure all your needs are met so your home becomes your oasis.

- Cleaning Services, Interior and Exterior
- Handyman
- Contractor
- Plumbers, Electricians and Carpenters
- Landscaping
- Interior Design
- Solar Energy Resources
- Windows

Other areas your agent might be of assistance:

- Refinancing
- Remodeling consultation to maximize your return on investment
- How to buy investment properties
- Assisting family members to purchase or sell properties, even outside the area

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