

SEQUOIA

REAL ESTATE

BAY AREA BUYER'S GUIDE

Taking the mystery out of homebuying

ESCROW
FROM A TO Z

MAKING YOUR
OFFER SHINE

THE HOME LOAN
PROCESS, EXPLAINED



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ENTERING THE MARKET

Your dream home awaits



SO, YOU'RE BUYING A HOME...

You're relocating for work, you've gotten tired of paying rent, or you're just ready to take the plunge into the world of home ownership. Whatever the reason, you're entering the Bay Area real estate market during a very exciting time. Low mortgage rates, tax deductible interest payments, and unprecedented Bay Area home value appreciation make buying a home today a fantastic investment. Whether you're looking at a brand new high rise with all of the amenities, a century-old Edwardian home in need of some TLC, or something in between, the Bay Area has something for you.

You've connected with Sequoia Real Estate to help you purchase your home, and we're glad you did! We are a family-owned business, with a majority of our staff and realtors native to the San Francisco Bay Area, some for several generations. When we say we know this area, we mean it.

With our home office in San Francisco's Richmond District and two other offices serving the East Bay and Peninsula, we're a growing company comprised of a lovely group of people who are as excited about real estate as we are. We want you to know that when you entrust us with your home buying needs, you're getting our entire support team as well. They are there to assist our agents with some of the transaction nitty gritty so your agent has time for what's most important--you!

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YOUR AGENT, YOUR EXPERT

News of soaring home prices and competitive markets in hot spots like the Bay Area seem endless. Fortunately, you've enlisted a Sequoia Real Estate agent to guide you through the home buying process to make it as seamless as possible. As your biggest advocate, he is committed to you and will represent your best interests, while ensuring you understand all of your options, every step of the way.

With long standing experience in the Bay Area market, your Sequoia agent is an expert and will help you navigate the unique loan and disclosure processes specific to the local market. He will provide you with access to top lenders, and experienced title, insurance, escrow and inspection companies, to ensure smooth transactions. And once you find the one, he will help you establish a competitive offer that you're comfortable with, in line with the demands of the market. Your agent is here to save you time and money in the long run, so you don't have to do the worrying.

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WELCOME TO OUR SEQUOIA REAL ESTATE FAMILY

We're honored to be sharing this life changing experience with you and your family. Ready? Let's get started!

Buying a home can be an arduous process, but it doesn't have to be a mystery. And remember, your Sequoia agent will be there to facilitate every step!

HOME BUYING AT A GLANCE:

BEFORE THE SEARCH

- Communicate home search criteria and understand home buying process
- Set your budget by getting a pre-approval letter from the lender

THE SEARCH IS ON

- View active listings online & in person
- Request disclosures from potential properties

IF YOUR OFFER IS ACCEPTED: ESCROW

You submit earnest money (typically 3% of the purchase price) and the signed purchase contract to the escrow company. You have now opened **escrow**.

Over the next 30 days, called the **escrow period**, your **escrow company** will:

- Order a **Title Report**
- Provide the buyer with **Title Insurance**
- Generate an **Estimated Closing Statement**
- Schedule a meeting to sign **Closing Documents**

Your lender will:

- Accept your **loan submission**
- Order an **appraisal**
- Work toward approving your loan
- Prepare loan documents for buyer to sign
- **Fund** the loan by transferring money to the escrow company

You, the buyer will:

- Apply for loan, **loan submission**
- Schedule **home inspections** if needed
- Sign off on seller's **disclosures**
- Remove **contingencies**
- Select **homeowner's insurance**
- Select **title insurance**
- Decide on **home warranty**
- Review **estimated closing statement**
- Perform final walk through
- Sign **loan + closing documents**
- Wire closing funds to escrow

TYPICAL 30 DAY ESCROW

	LENDER	ESCROW	BUYER	SELLER
DAY 1		Open escrow	Submit 3% deposit to escrow + signed contract	Provide disclosures (if haven't done so already)
DAY 2	Order appraisal	Order Preliminary Title Report	Loan submission form to lender	Order the local ordinance inspections and reports, if not provided with disclosures
DAY 3	Mortgage underwriting (begin loan processing)		Schedule Home Inspection and Pest Inspection, if needed	If applicable, order HOA documents
DAY 4			Sign off on all disclosures provided by seller	
DAY 7			Remove inspection contingency	
DAY 10	Appraisal report received		Remove appraisal contingency	
DAY 17	Loan approved		Remove loan contingency	
DAY 19			Select Homeowner's Insurance (required by lender)	
DAY 22			Select Title Insurance from escrow company	
DAY 23		Generate Estimated Closing Statement	Decide on home warranty (optional)	
DAY 24			Review Estimated Closing Statement	Review Estimated Closing Statement
DAY 25	Prepare loan documents and send to escrow company	Prepare closing paperwork for seller to sign	Perform final walk through	
DAY 26		Prepare closing paperwork for buyer to sign		Sign closing paperwork
DAY 27			Sign loan documents and closing paperwork	
DAY 28			Wire closing funds (down payment and closing costs) to escrow company	
DAY 29	Fund the loan via wire to escrow company			
DAY 30		Record deed of trust with county; disburse funds to seller	Congrats! Buyer owns the home	

A photograph of the Golden Gate Bridge tower in San Francisco, California, taken at sunset. The tower is illuminated with warm lights, and the sky is a mix of orange and yellow. The bridge's roadway is visible, curving down towards the water. In the foreground, there are two large, weathered tree trunks framing the scene. Below the tower, there are some buildings and a parking area with a few cars and a motorcycle. The overall atmosphere is serene and scenic.

GETTING STARTED

Your journey begins

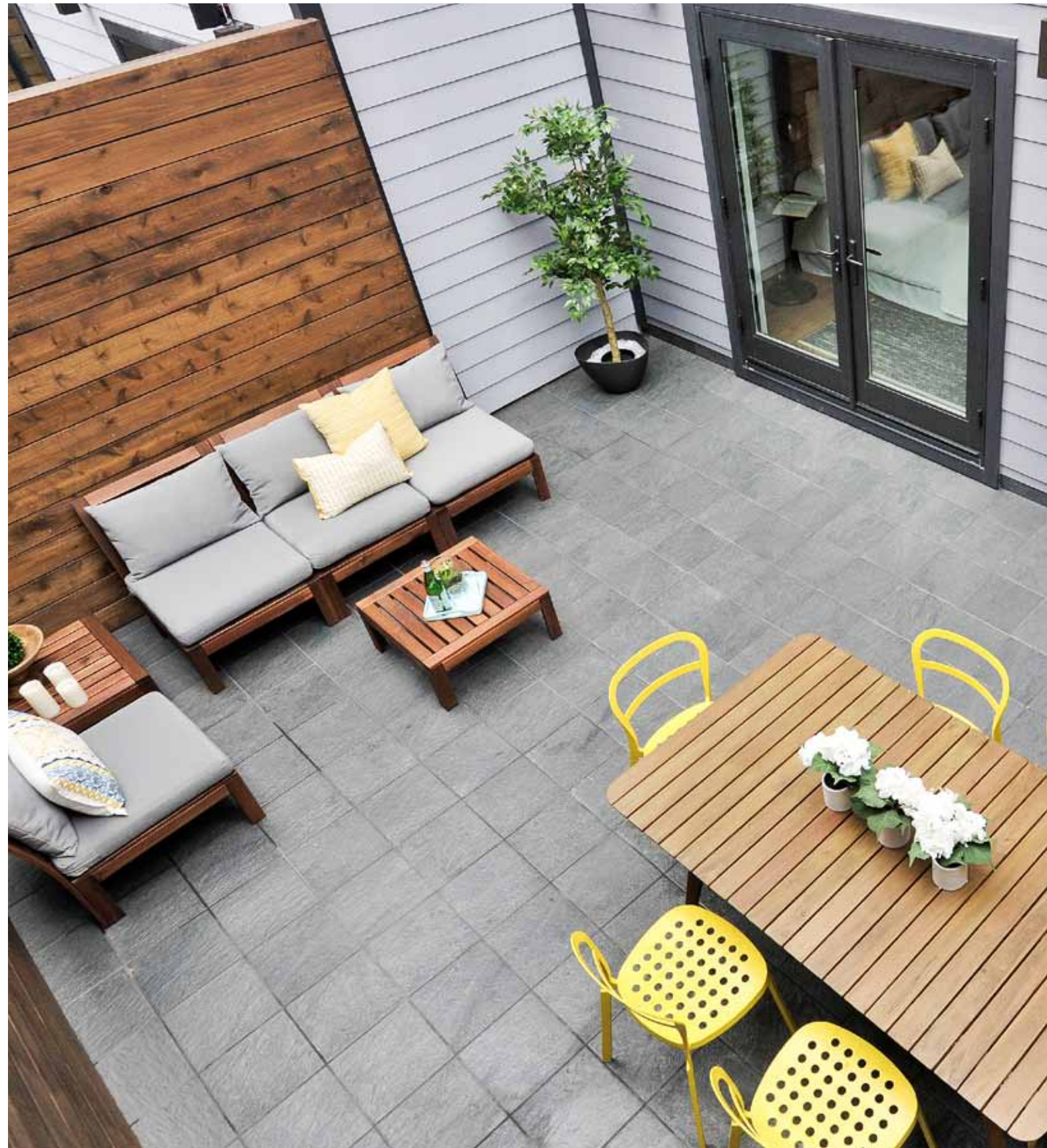
NEEDS V. WANTS

Given that buying a home will likely be the largest investment you will ever make, it is essential that you educate and prepare yourself in advance. This means clearly establishing why you are buying and what kind of home you are looking for. Are you open to different neighborhoods or are you committed to a specific school district? Can you do without a large yard...garage...third bedroom? The more flexible you are, the wider you can cast your net during your home search. But really understanding what you need (versus what might be nice to have) will help your Sequoia agent find something that suits your family.

GETTING INFORMED

Your Sequoia agent will sit down with you to talk through these decisions. He will also ensure you understand the home buying process to help round out your understanding of escrow, contingencies, inspections, disclosures, loans, and all that good stuff. Armed with this information, your agent will make sure you're always one step ahead of the game.

The more flexible you are, the wider you can cast your net during your home search.



GETTING YOUR FINANCES LINED UP: THE LOAN PRE-APPROVAL LETTER

And because buying and financing a home are intertwined, getting started also means examining your current financial situation and projecting how much you can afford in conjunction with your lender. After looking closely at your credit and income, your lender will give you a **pre-approval letter**.

The letter states your loan will be approved up to a certain amount of money at a specific interest rate once you get an offer accepted on a home.* Armed with this letter, you will have a realistic idea of what you can afford. Although this is not mandatory, at Sequoia we always recommend obtaining this prior to your search to help keep your upcoming offer(s) competitive.

*Subject to proper submission and examination of the purchase contract, preliminary title information,



THE SEARCH IS ON

You've established your needs and your budget. It's time to find a home! This part can be both fun and exacerbating. Let your Sequoia agent be your guide.

Your Sequoia agent will begin by creating a personalized electronic search based on your criteria, and you will receive automated emails with listings that match. During the week, he will view properties on your behalf at broker's tours, and on weekends, he will bring you to open houses so you can view the properties and find out more about them.

As you view multiple listings, you may realize that your criteria has changed. You may discover new neighborhoods you've never considered, or realize you need more square footage. This is part of the process, and your Sequoia agent will work with you to refine your search.



YOU'VE FOUND SOMETHING YOU LIKE. NOW WHAT?

We're not going sugar coat it. The buyer's market can be really competitive, especially in the Bay Area. Because of this, the offer process is a bit unique to this area. Your Sequoia agent will make sure you understand how it's different, and what that means for you and submitting a competitive offer.

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DISCLOSURE PACKAGES

The seller is legally obligated to disclose any defects or problems with the property that could affect its value in documents known as **disclosures**.

Outside of the San Francisco and some hot markets along the peninsula, the buyer receives the seller's disclosures *after* the offer is submitted, along with the required local ordinances and any reports the seller chooses to order and include. But in the competitive San Francisco market particularly, the seller's agent will generally create a **disclosure package** and submit it to interested buyers *before* offers are taken. In San Francisco, this package will generally (but is not required to) include a Home Inspection Report, Pest Report, as well as other local ordinances required by the county. Included offer instructions will specify when the offers are due.

MAKING YOUR OFFER SHINE

It's your Sequoia agent's job to make sure to compose a complete and competitive offer, and submit it on time, on your behalf.

Your agent will ask you to submit the following to help prepare your offer:

- Your **pre-approval letter**
- Letter to seller. *It's always nice to add a personal touch to your offer in the form of a letter to the seller, describing your family, what drew you to their home, your hopes for the future. etc. Not only is buying about an emotional connection, selling can be too.*

The following list of variables will be specified in your offer and will help the seller decide which offer to accept.



Your Sequoia agent will discuss each of them with you to determine what you're comfortable with before submitting:

- Offer price. *Your Sequoia agent will examine sales comparables or comps for short. These are properties recently sold in the same area which are comparable in size and condition to the one you're interested in. These recent sales figures will help you make a decision about the offer price.*
- Down payment
- Loan amount
- Inspection contingency period
- Appraisal contingency period
- Loan contingency period
- Targeted close of escrow

It's your Sequoia agent's job to make sure to compose a complete and competitive offer, and submit it on time, on your behalf.

As your representative, your Sequoia agent will let you know if your offer has been:

1. *Rejected*--and the search continues!
2. *Accepted as is*--and you open escrow
3. *Countered with another offer from the seller, known as a counter offer.* Because there are often multiple offers in the Bay Area, the seller will commonly distribute multiple counter offers. At this point, you may choose to accept the counter offer

or submit another counter offer. This process usually opens up the door for some negotiations for things like repair requests, credit for damages, appliances, etc. Your Sequoia agent will work on your behalf to find out as much information as possible from the Seller's agent to help you make informed decisions during these negotiations.

With your Sequoia agent, you've submitted an offer and it's been accepted. Now what?

ESCROW FROM A TO Z

After a seller accepts the offer to buy the home, the escrow process begins. To keep things fair and impartial, a neutral party with no vested interest in the house — also known as an escrow agent — prepares the paperwork for transferring the title of the property from the seller to buyer, gathers the closing documents from the lender and coordinates the closing process between all parties.

Escrow is officially opened once the seller accepts your offer, and the signed purchase contract and earnest money (initial deposit typically 3% of the purchase price) are forwarded to the escrow company. The escrow process is generally 30 days, but ultimately depends on how long the loan approval process takes.

During the escrow period, there are a lot of moving parts. The escrow company, lender, buyer's agent, and seller's agent are all busy making sure that the proper reports are drawn, inspections and appraisals are ordered, and insurance purchased in order for the loan to be approved and closing paperwork prepared. Your Sequoia team will stay on top of this process to make sure everything moves along in a timely manner, and that you are informed when decisions need to be made.

THE ESCROW COMPANY

ESCROW AGENT GENERATES A PRELIMINARY **TITLE REPORT**

This report primarily outlines who owns the property, or who holds **title**. The common ways to hold title are: Community Property with right of survivorship, Joint Tenancy, Tenancy in Common (TIC), Partnerships, and Trust Arrangements. The title report also lists what type of liens (i.e., unpaid taxes, utility bills or mortgages owed), easements, or



restrictions are on the property. Your Sequoia agent can give you some information about these various ways to hold title, and will recommend you consult your CPA to decide what is best for you.

ESCROW AGENT PROVIDES BUYER **TITLE INSURANCE**

Your Sequoia agent will highly recommend all buyers purchase title insurance from the Escrow company to protect you from any title defects. Insurance fees are outlined and paid out per the Estimated Closing Statement.

ESCROW AGENT GENERATES THE **ESTIMATED CLOSING STATEMENT**

At the end of the transaction, part of the escrow agent's job is to provide the seller with the proceeds from the sale. During escrow, buyer's and seller's agents must submit closing instructions to the escrow company. Subsequently, it also details how much the buyer requires for down payment and closing costs. These instructions confirm what the buyer and seller agreed upon in the purchase contract and in any follow-up addendums. This includes information such as the purchase price, sales commissions, transfer tax, credits, and fees. The lender must also submit any closing costs to escrow.

The escrow agent will take this information to create an **Estimated Closing Statement** (also known as the **Closing Statement**). This is a summary which itemizes all the fees and credits and ultimately calculates how much money is going to the seller and how much the buyer requires for down payment and closing costs.

Your Sequoia team will stay on top of this process to make sure everything moves along in a timely manner, and that you are informed when decisions need to be made.



THE HOME LOAN PROCESS, EXPLAINED

Once your offer is approved, you will notify the lender so they can get the ball rolling to work on your behalf to approve your loan.

Summary of documents the lender requires:

FROM BUYER

- Your credit report and other financial documents
- Title insurance, lender's policy (the escrow officer will provide this for the buyer)
- Homeowners insurance

FROM LENDER

- Appraisal report (the lender will order this and the buyer will pay for it in the closing costs)

5 STEPS FOR APPROVING YOUR LOAN

Step 1: Loan Submission and Appraisal

To apply for your loan, you will submit to the lender a **Loan Submission Form** along with required documents, including your credit report, W-2's, and bank statements. This is known as loan submission.

Meanwhile, the lender will order an appraisal and add the **Appraisal Report** to the loan documents. The buyer will pay for the appraisal in the closing costs. The appraiser will research or take note of the following in an inspection:

- Year built, number of bedrooms and bathrooms, lot size, square footage, and neighborhood
- Comps
- Field inspection: inspection of subject property + exterior-only pictures of comparable properties
- Floor plan

Step 2: Mortgage Underwriting and Final Loan Approval

The lender will process your loan. If they require any additional documents, they will request them during this time. Once all conditions of the loan are met, your loan will be approved.

Step 3: Lender Preparation of Loan Documents

Step 4: Funding

After the documents are signed, the lender will fund the loan by transferring money to the escrow company.

Step 5: Recording the Deed

The escrow company will record the Deed of Trust with the county, called recordation, then disburse proceeds to the seller.

The home is yours!



HOME INSPECTIONS & MORE





EVERYTHING YOU EVER WANTED TO KNOW ABOUT HOME INSPECTIONS & MORE

While the escrow company and lender are busy preparing your closing documents during escrow, your Sequoia agent will be walking you through several inspection reports. These can get quite technical, and it's important for your Sequoia agent to make sure you understand how the information from these reports affect the value of home you're about to buy.

Your Sequoia agent will be walking you through several inspection reports.

Because of the unique practice of **Disclosure Packages** in San Francisco, most of the following reports will be distributed with the disclosures by the seller before offers are even accepted. But, in less competitive counties where



Disclosure Packages are uncommon, the seller will generally distribute these inspection reports with the **disclosures** during the escrow period. While some are legally mandated, others are not. You as the buyer can at any time elect to purchase and schedule any inspections you want, and your Sequoia agent will help you figure out what is best for you.

MOST COMMON INSPECTIONS

Home Inspection

A visual examination of the condition of the home, such as plumbing, electrical, heating, roof, walls, ceilings, floors, doors, windows, foundation, and fireplaces.

Termite/Pest Inspection

Exactly as it sounds. An inspector looks for evidence of bugs like termites or fungus that can damage wood.

Natural Hazard Disclosure

This report tells you whether the house is located in, but not limited to any of the following zones: flood, fire, earthquake fault or seismic hazard (landslide).

HOA Documents

Not an Inspection report, but we'll include it here because if you are purchasing a property with a Homeowner's Association (typically a condo or townhouse), your Sequoia agent will request these so that



you understand how their by-laws and restrictions will affect your monthly payments and day-to-day living. There are many components to the HOA documents, but in particular, you will want to understand HOA fees as well as Covenants, Conditions, & Restrictions, or CC&R's of the community, which outline what you can and cannot do with your home.



LOCAL ORDINANCE: MANDATED INSPECTIONS UNIQUE TO YOUR COUNTY

Additional required reports and inspections vary from city to city. Your Sequoia agent will make sure you understand the most current requirements. The following is a sample list of mandated reports.

3R Report (Report of Residential Building Record)

A mouthful, but basically a building permit history of the property, NOT including plumbing or electrical permits.

Sewer Lateral Inspection

The inspector confirms the condition of

the underground sewer line running from the home to the sewer main to make sure there's been no damage from tree roots or drought.

Automatic Gas Shutoff Valve

In case of an emergency, an automatic gas shutoff valve is required to stop the flow of gas.

Carbon Monoxide Detector

Seller is required to install a carbon monoxide detector on the property to prevent deaths from this invisible gas.

Energy & Water Conservation Inspection

To comply with city housing code, these inspectors are looking for things like low flow faucets, showerheads and toilets, weatherstripping, insulation, and boiler leaks.

INSURANCE + WARRANTIES: PROTECTING YOUR PURCHASE

We're almost there, but we need to talk about insurance. You wouldn't buy a car without car insurance, so you will surely want to understand how to protect yourself when purchasing your home.

Homeowner's Insurance

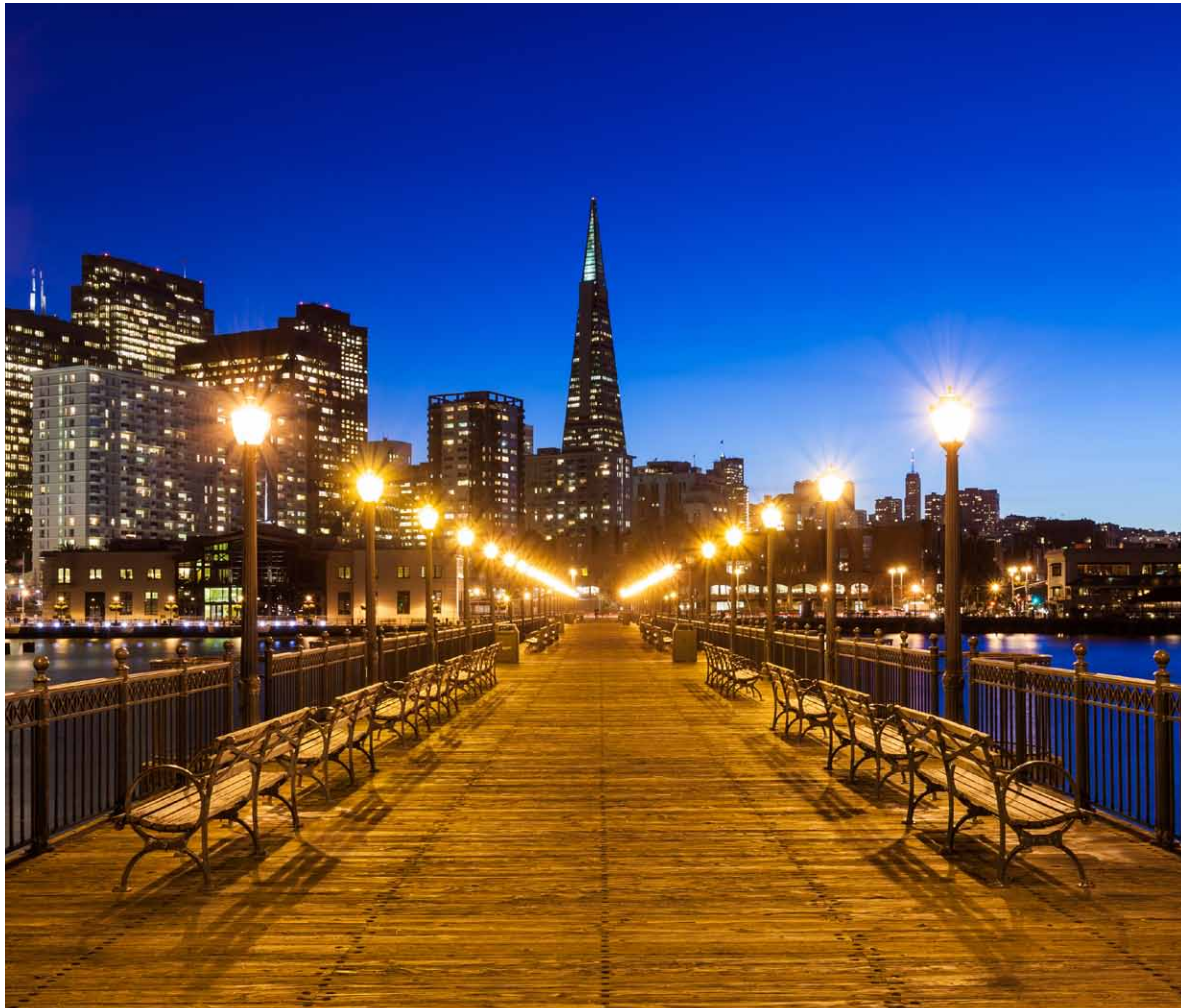
Your lender will require this before approving your loan, and will specify minimum policy limits and hazards to be covered. This policy will typically protect you in the event of damage caused by events like fire, vandalism, and windstorms. Damage by events like earthquakes and floods are NOT included, but can be added on.

Home Warranty

An additional layer of protection to the buyer, this optional policy pays for certain repairs and replacement of home system components and appliances, such as a furnace or water heater.

Title Insurance

Touched upon earlier, the escrow company will offer buyers a title insurance policy to protect from defects in the title. The escrow company will order this insurance for you and you will pay for it in the closing costs. There is an **owner's policy** to protect you, and a **lender's policy** to protect the lender.



YOU MADE IT-- CLOSING ESCROW

The Final Walk Through

Your Sequoia agent will bring you to the property to make sure it is in the same condition as when you made your offer.

The Settlement

When people say they're going to sign the closing docs, this is what they mean. Typically, a few days prior to the closing date, you will meet with the escrow officer and sign the closing paperwork required to complete the transaction, including loan documents and the Closing Statement. The Closing Statement will specify the amount (down payment and closing costs) you will need to provide to the escrow company. You will be provided a copy of everything you signed.

The escrow company will execute all of the closing instructions from all parties, including transfer of funds and issuance of the title insurance policy.

CONGRATULATIONS!

The best part of our job--handing over the keys! Nothing makes us happier than guiding you on this journey to finding a place of your own, a place to call home.





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