



The Buying / Selling Process

-- Residential Income Property --

Financial Preparation: First and foremost, it is important that any potential Buyer meet with an experienced lender to determine **1)** specific financing programs that may be available and **2)** obtain a letter of loan pre-approval. This must be done prior to submitting an offer, as all Sellers will require a prospective Buyer to be financially qualified and pre-approved before they will agree to an offer and allow the property to be opened up for inspection. Verification of down payment funds, a copy of the deposit check, and confirmation of FICO scores are also required when presenting an offer.

Once a property has been identified and a prospective Buyer wishes to make an offer, the typical sequence of events is as follows:

- **Submit Offer:** A formal purchase contract is prepared by the Buyer's agent and submitted to the Seller's agent "Subject to Buyer's Interior Inspection & Approval". The offer must be accompanied by the Buyer's loan pre-approval letter, verification of down payment funds, confirmation of FICO scores, and a copy of the good faith deposit check. (typically no less than 1.5% of the purchase price)
- **Preliminary Walk-through:** If the Seller accepts the initial offer as submitted, or a subsequent counter-offer is agreed to by both parties, the property is opened up and a preliminary "walk-through" is scheduled, usually within 2-3 days of acceptance. If the Buyer is satisfied with this initial inspection, Escrow is opened and the process continues. If the Buyer is not satisfied with the property for any reason, the offer may be withdrawn and the Buyer is under no further obligation to proceed.
- **Escrow Opens:** Assuming a satisfactory walk-through by the Buyer, Escrow is officially opened and the agreed upon contract and good faith deposit check are submitted to the Escrow company. Formal Escrow instructions are prepared for signature and a preliminary title report is ordered.
- **Seller Disclosures:** Within seven (7) days of acceptance, the Seller is required to provide the Buyer with all relevant financial information about the property, including copies of all rental agreements, current profit & loss statements, etc. The Buyer will also receive a Natural Hazard Report, as well as several other "disclosures" legally required by the State of California for proper transfer of ownership.
- **Termite Report & Clearance:** The Seller schedules a professional Termite inspection and pays for all agreed upon "Section 1" repairs (i.e., existing infestation & damage). A copy of the final termite "clearance report" must be provided to both the Buyer and the Escrow company prior to closing.
- **Buyer's Inspections:** Unless otherwise stipulated in the contract, within seventeen (17) days of acceptance the Buyer must complete all inquiries, inspections, appraisals, and secure final loan approval. Of key importance is the prompt scheduling of the appraisal and a comprehensive property inspection to be completed by a licensed Home Inspection Company. (Buyer pays) Buyer reviews inspection report and has the option to submit a written repair request to the Seller for any items deemed necessary. (Note: Seller has the option to agree or not agree to pay for any repairs).
- **Property Appraisal:** As part of the loan approval and underwriting process, the Buyer's lender orders a formal appraisal of the property to be performed by a qualified licensed appraiser. (Buyer pays)

- **Loan Approval / Follow-up:** Buyer and Buyer's agent continue to follow up with loan officer to insure that the lender has all paperwork necessary to process the loan. Many times the lender may request additional information from the Buyer in order to satisfy specific approval conditions required by underwriting. Once final loan approval is granted, formal loan documents will be prepared by the lender.
- **Loan Documents Delivered / Signed:** Typically within 7-10 days of closing, the loan documents are delivered to Escrow for review and final execution. Escrow will schedule an appointment with the Buyer to sign all appropriate loan documents, title transfer papers, and disclosures.
- **Final Walk-through:** Within five (5) days of closing, the Buyer is entitled to conduct a final walk-through of the property, verifying that any agreed upon repairs have been completed and that the condition of property is as originally noted. This final Buyer inspection is not a contingency.
- **Funding / Recording:** One day prior to closing, Buyer delivers or electronically transmits remaining balance of down payment funds necessary to complete the loan and Escrow process. The loan then "funds" and the county subsequently "records" the Buyer as the new legal owner within 24 hours. The recording step also signals the official close of escrow and transfer of ownership.
- **Contact Tenants / Notify HUD:** New owner immediately informs tenants in writing that ownership of the property has changed. Emergency contact phone numbers should be provided, along with the mailing address for submission of rent checks. If the property houses Section 8 tenants, HUD must be notified with proof that the Buyer is now the new owner.
- **Change Utilities:** New owner follows up to insure that all common area utilities and property services are properly transferred to his/her name.
- **Post Closing Support:** Your **CA Income Property** representative continues to stay in touch with you after the close of escrow to provide any ongoing ownership and/or landlord needs.

Congratulations! You're Done!!!