

BUYING A HOME IN CALIFORNIA

A FIRST TIME BUYER'S GUIDE



THREE LIONS
REALTY

#02144903

ABOUT THREE LIONS REALTY

Three Lions Realty is a modern, full-service real estate brokerage built on traditional values of service, trust, market expertise and neighborhood fluency, covering Los Angeles and Orange County.

Originally from the U.K., our co-founders Jamie Brown and Michael White have built successful careers in Los Angeles building businesses and working as individual agents in their own right. With their client-centric, white glove approaches to real estate aligned, they decided to create Three Lions Realty and serve Los Angeles and Orange County.

Three Lions Realty goes far beyond exceptional customer service, though. Our data-driven approach allows us to provide tangible insights and real value for our clients, whether they are buying or selling. We're able to spot trends ahead of time and react quickly to identify the best opportunities for clients in the markets we serve. In fact, it's this expertise that our clients frequently reference when commenting on how seamless we're able to make each experience.



OUR APPROACH



VALUE

We're not talking about the value of a property. Our value to our clients is that we know the difference between a house and a home. We know homes are unequivocally special and unique. But we also feel the same about every client. We're here to make your experience as joyful as possible and are rooted firmly in the belief that buying or selling a property should be a pleasurable experience.

SERVICE

As a boutique brokerage, we offer a personal touch that isn't commonly available in Californian real estate. There is no waiting for a call back, dealing with assistants or email-only correspondence. We value clarity, transparency and direct communication, believing in unfettered access to your agent.



TRUST

Buying and selling real estate, for many, is something that happens only on rare occasions. We're incredibly proud to have been entrusted during these moments by our clients. As such, we always go the extra step for them. This means the majority business comes from former clientele and referrals, and it is common for clients to become friends, such is our holistic approach.

Before you start looking for a home, you will need to get pre-approval for a mortgage. What is a pre-approval? Well it is a process whereby a mortgage lender will analyze your financial situation to determine how much you are able to borrow and will ultimately determine the price range you are able to shop in.

When conducting a pre-approval, lenders will typically require information such as:

- Proof of income
- Proof of employment/self-employment
- Credit score
- Tax documents
- Social security number
- Current creditors and liabilities (credit card minimum payments, car payments etc.)

Once documents have been submitted for review by the lender, it usually takes them around 48-72 hours to review and provide a pre-approval letter (normally in the form of a PDF). This letter will be used to accompany any offers you make and will typically need to be updated every 30/60 days.

WHY PRE-APPROVALS ARE NEEDED?

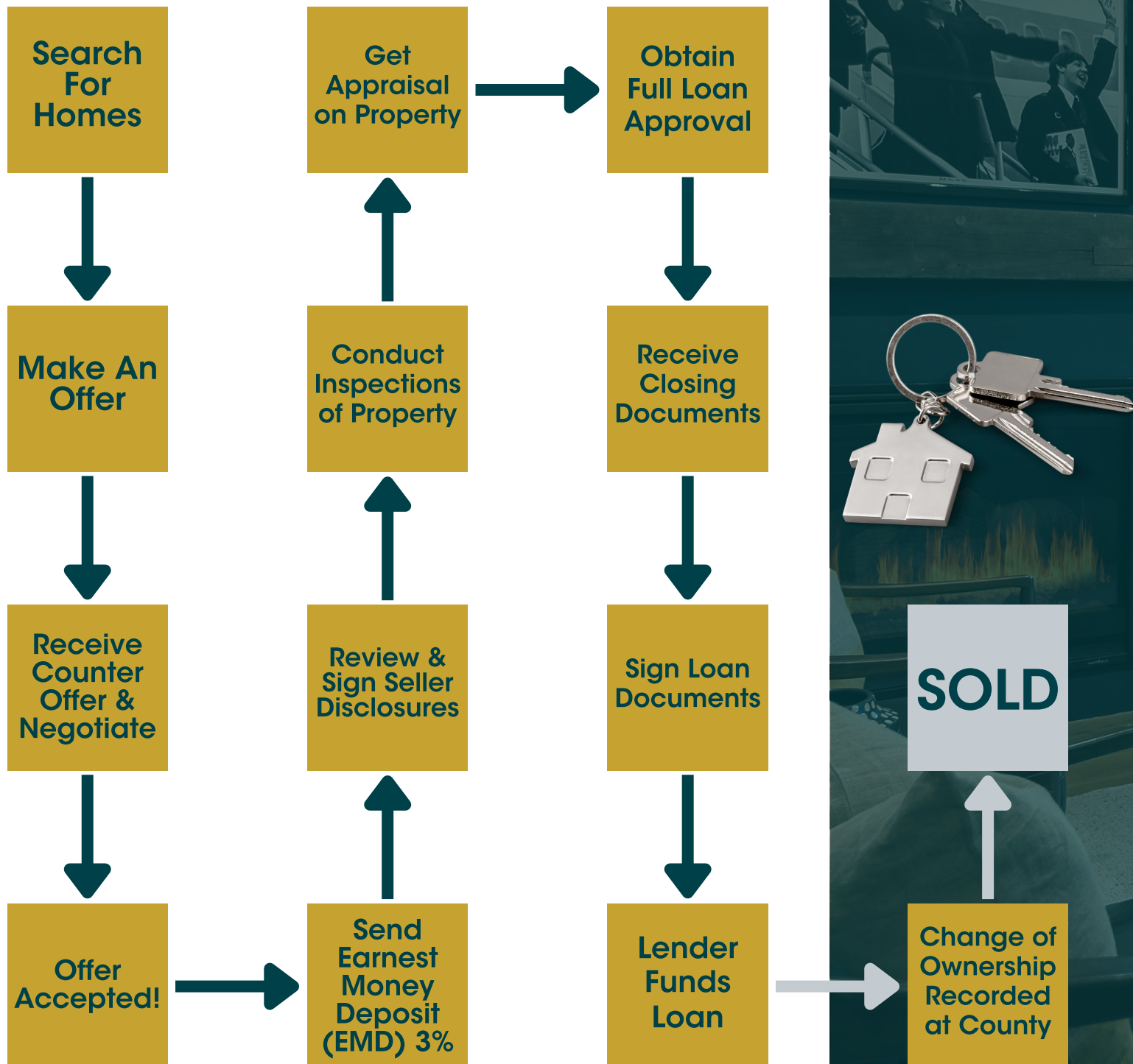
Pre-approvals are actually rather important and benefit both you as a potential buyer, and also the seller of a property.

As the buyer, it is important for you to determine just how much you are able to afford based on your current circumstances. Lenders use something called a Debt to Income (DTI) ratio to come up with the maximum amount they lend. That number essentially takes into account income and debts and determines what is a manageable amount for someone to afford (more on that in the next chapter).

The interest rate on the loan is dependent on your credit score – obviously the better it is, the ‘safer a bet’ you are seen and the lower rate you will receive. The pre-approval process can help to identify any areas in which you could change your financial profile in order to qualify for more, or get a lower rate etc. For instance, steps may be needed to improve your credit score before you can qualify for a loan, or until you can get into the next band of scores which would lower the rate on the mortgage.

THE COMPLETE BUYING PROCESS

The process of buying a house is actually fairly regimented, but to someone who isn't well versed in the various steps of what needs to happen in order to close escrow, it can be confusing. Below is a visual of the different steps in the process..



MAKE AN OFFER

So you have found a house you love, you want it, how do you put in an offer? Your agent will assist you in requesting the necessary items and will then present the offer to the listing agent who will then discuss with the seller. There are typically at least three documents required for a seller to take your bid seriously:

PRE-APPROVAL LETTER

So you have found a house you love, you want it, how do you put in an offer? Your agent will assist you in requesting the necessary items and will then present the offer to the listing agent who will then discuss with the seller. There are typically at least three documents required for a seller to take your bid seriously:

FAIRWAY
INDEPENDENT MORTGAGE CORPORATION

"Your actual rate, payment, and costs could be higher. Get an official Loan Estimate before choosing a loan."

June 7, 2021

Congratulations! I am pleased to inform you that you are pre-approved for a home loan based on the following terms:

Monthly payment of: **\$6,535.45***
Purchase price of: **\$1,100,000.00****
Program: **Conventional**
Loan type: **Fixed**
Property type & use: **1 Family - Primary Residence**

Down payment of: **\$110,220.00**
First Lien Mortgage
Term: **360 months**

*How much you are pre-approved to borrow is calculated based on the maximum total monthly payment you can afford, which includes: Principal, Interest, Taxes, Insurance, Mortgage Insurance, if applicable, and any other dues or fees associated with home ownership. You may elect to waive

DISCOVER PREMIUM SAVINGS

ACCOUNT SUMMARY

Beginning Balance	\$115,532.02	Interest Rate as of Statement Date	1.49%
Deposits and Credits	\$50,708.74	Annual Percentage Yield (APY)	1.49%
Electronic Withdrawals	\$50,000.00	Interest Earned This Period	\$786.21
Fees and Other Withdrawals	\$0.00	Interest Earned Year to Date	\$708.01
Ending Balance	\$116,240.76	Days in Statement Period	92
		Average Daily Balance	\$200,771.57

ACCOUNT ACTIVITY

Eff. Date	Bus. Date	Description	Amount
Jun 30	Jun 30	ACH Deposit From (PACIFIC CHASE BANK, NA)	\$ 20,000.00
Jun 31	Jun 31	Interest Paid	246.65
Feb 13	Feb 13	ACH Deposit From (ROBINHOOD (CRF))	0.34
Feb 13	Feb 13	ACH Deposit From (ROBINHOOD (CRF))	0.29
Feb 28	Feb 28	Interest Paid	225.00
Mar 31	Mar 31	Interest Paid	235.53
TOTAL DEPOSITS AND CREDITS			\$ 20,708.74

Electronic Withdrawals	Eff. Date	Bus. Date	Description	Amount
	Feb 14	Feb 14	ACH Withdrawal (ROBINHOOD (CRF))	\$ 0.34
	Feb 14	Feb 14	ACH Withdrawal (ROBINHOOD (CRF))	0.29

PROOF OF FUNDS

Along with your pre-approval letter, a proof of funds is required. This can come in the form of a PDF bank statement, savings account, IRA etc. and demonstrates that you have the financial resources to cover both the down payment and the closing costs of the loan.

RESIDENTIAL PURCHASE AGREEMENT (RPA)

The RPA outlines all the elements of the offer. It is a comprehensive document that gives information on the purchase price, terms, escrow period etc. In almost all transactions, a seller and listing agent will expect to receive an RPA. It has been carefully curated by real estate legal professionals and is the most comprehensive contract available. Attached is the first page of the offer document, which contains the majority of the pertinent information:

CALIFORNIA ASSOCIATION OF REALTORS®
RESIDENTIAL PURCHASE AGREEMENT AND JOINT ESCROW INSTRUCTIONS
(C.A.R. Form RPA-CA, Revised 12/18)

Date Prepared: **06/25/2021**

1. OFFER
A. THIS IS AN OFFER FROM **Andriy Marchuk, Katerina Marchuk** ("Buyer")
to be accepted by **12209 Fall View Unit C, Marina del Rey, CA 90292-7071** ("Seller")
located in **Los Angeles** County, California. **9252-7071** Code: Buyer's First No. **9224-030-099** Code
B. THE PURCHASE PRICE offered is **One Million, One Hundred Eighty-Five Thousand** Dollars \$ **1,185,000.00**
(b) (a) or (b) **21** Days After Acceptance.

2. AGENCY: **DISCLOSURE** The Parties each acknowledge receipt of a ☒ "Disclosure Regarding Real Estate Agency Relationships" (C.A.R. Form ADI).
The following agency relationships are confirmed for this transaction:
Seller's Brokerage Firm **Compass** License Number **01991628**
Is the broker of (check one): ☒ the seller; or ☐ both the buyer and seller. (dual agent)
Seller's Agent **Danielle Sagar** License Number **01799006**
Is (check one): ☒ the Seller's Agent. (salesperson or broker associate) ☐ both the Buyer's and Seller's Agent. (dual agent)
Buyer's Brokerage Firm **Three Lions Realty** License Number **02144903**
Is the broker of (check one): ☒ the buyer; or ☐ both the buyer and seller. (dual agent)
Buyer's Agent **Michael White** License Number **01987399**
Is (check one): ☒ the Buyer's Agent. (salesperson or broker associate) ☐ both the Buyer's and Seller's Agent. (dual agent)

3. FINANCE TERMS: Buyer represents that funds will be good when deposited with Escrow Holder.
Representation of More than One Buyer or Seller - Disclosure and Consent" (C.A.R. Form PIRB).
A. INITIAL DEPOSIT: Deposit shall be in the amount of \$ **35,000.00**
(1) Buyer Direct Deposit: Buyer shall deliver deposit directly to Escrow Holder by electronic funds transfer. ☐ Cashier's check, ☐ personal check, ☐ other within 3 business days after acceptance (or ☐ Buyer Deposit with Agent: Buyer has given the deposit by personal check (or ☐)

HOW TO GET A WINNING BID

In recent times, the market, in particular for the price range typically most common for first time buyers (\$500k-1.5m) has been red hot. That means multiple offers and a sellers market. Now obviously the offer price is the most obvious factor in determining the chances of getting a winning bid, but there are other things that can be done to make an offer more attractive and enhance the chances of getting it accepted.



HOW TO GET A WINNING BID

SHORTEN INSPECTION PERIOD

The shorter an inspection period the better as far as sellers are concerned. Why? Because the inspection period enables buyers to do all of their due diligence on a property and then if they so wish, they can back out at no expense other than the cost of the inspections they have had performed. Therefore, if an inspection period is on the longer side (say 17 days for example), then the seller is in limbo for that period as the buyer may walk away on day 17 leaving them back where they started.

REMOVE APPRAISAL CONTINGENCY

An appraisal contingency is in place to ensure that the lender does provide a loan based on an inflated price of a home. It is meant to protect both the lender and buyer, but in certain instances can be a stumbling block during a transaction. In some scenarios it will be obvious during the offer submission period that the appraisal will likely come in low. This can happen on a remodeled home which is nicer than any others in the area and appraisal issues also arise when there are certain features of a home which are very desirable to buyers (things such as architectural features or a fantastic back yard) but wouldn't be given the monetary value by someone assessing the home for the lender. Appraisers work in a very linear and objective way and often undervalue things in a home that carry weight with buyers.

Appraisal problems usually arise with properties that receive multiple offers, as the price gets driven up to a new high for the local market. For those who are lucky enough to have a little extra cash on top of their down payment, the option is there for them to waive the appraisal contingency, and make up any discrepancy in the purchase price and the appraised value in cash.



HOW TO GET A WINNING BID

PUT A STRONG OFFER IN STRAIGHT AWAY

In order to maximize your chances of being successful, it is imperative to submit a very strong offer off the bat. That may mean paying little regard to the list price as that number can often be significantly different to the true market value of the home. In prior times, buyers would submit a full price offer in the expectation of receiving a counter offer from the sellers, however, with the sheer volume of offers in recent times, sellers are often just countering the top few or are even just taking one if it has especially appealing terms. Go in with purpose, close to your top number and that way there will be no regrets.

HAVE YOUR LOAN OFFICER CALL THE LISTING AGENT

This has worked well for us in the past and stresses the importance of getting a diligent and committed lender who will go to bat for you. It is always a good idea to have your lender call the listing agent directly to reinforce your profile as a strong and reliable buyer who won't have any problems in closing the deal. Additionally, it shows to the seller and their agent that you are organized and serious to win the bid on the house. Sellers want committed buyers and this definitely helps.

OFFER A LEASEBACK

Flexibility increases the strength of an offer. If you are currently renting and looking to buy your first home, the chances you can be flexible in terms of move in date are quite high. Often sellers may want a little extra time after closing to either close on an up leg property, or find somewhere new to live. By offering the option of a leaseback up to 60 days (the maximum allowed by most lenders), this may make the offer more appealing to a seller.



COSTS WHEN BUYING

Although during the escrow process you will encounter some fees (inspections and appraisal), the majority of the costs of obtaining a mortgage and closing on a house come up at the very end in 'closing costs'. As a buyer in Southern California, your costs will be significantly less than the seller (who has to pay both agent's commission as well as transfer taxes etc.), but they still need to be accounted for when you are planning your budget for a down payment etc. Below, we will explain some of the main costs that are encountered:

Loan origination fee:

Lenders charge this fee when they "originate" or create a loan. It covers some of their upfront costs and creates a source of revenue. The loan origination fee is usually around \$1000.

Points:

You can pay interest up front at closing, in the form of discount points. It's usually optional. Buyers do this to get a lower interest rate on a mortgage. Paying discount points will reduce the monthly payment on your mortgage and may make sense if you plan on staying in a home for a long period.

Homeowners insurance:

In order for the lender to give you a mortgage, they require that you have purchased a homeowner's insurance policy for the first year.





COSTS WHEN BUYING

Mortgage Interest:

Mortgage interest is required to be paid from the time you close to the end of that month. So, for instance, you close on 20th September, the lender will calculate 10 days of mortgage interest to the end of September, and then add it into your closing costs. You won't make a payment in the month of October as payments are made in arrears and then your first payment will be on November 1st.

Lender's Title Insurance:

It is common for the seller to pay for the owner's title insurance, but commonly the buyer will pay for lender's title insurance. Title insurance is required to protect the lender against defects or disputes over ownership or a previous chain of title.

Prorated Property Taxes:

The seller of the house will have paid property taxes for the current period and when closing on a house, you will be required to pay them back for the portion they have paid for when you will be occupying the home.

Escrow fee:

This is the fee paid to the escrow company for their service in the transaction. The escrow company are a neutral third party who help with all of the paperwork.

OUR TIPS



Do Not Rely On Zillow or Redfin Estimates!

Almost all buyers and sellers will at some point mutter the words ‘...but Zestimate says’. Websites like Zillow and Redfin are fantastic in some respects as they allow people to easily search for properties and mortgage and their affordability calculators provide value. However, we are sure we are not alone in saying that the property valuation feature of their website is unhelpful to buyers, sellers and agents. Their estimated value is based on an algorithm and doesn’t take into account things such as remodels, unpermitted space, quality of landscaping and back yard and much more. It is a fairly crude way of calculating value. To get a real value of a property, you need an agent who has the ability to perform an in-depth market analysis, adjusting suitable comps to determine an accurate figure.



Visit Open Houses

As a prospective buyer, the more houses you see, the better an idea you have of what you like, what area you want to be in etc. For instance, even if you have it in your head that you only want a remodeled home, check out fixer uppers as well to understand what the difference in price between the two gets you. We have had many clients who have pivoted from their original idea of what they wanted in a property after being open minded in checking out homes they didn’t originally think would suit them.



Have An Idea Of How Long You Want To Stay

Although plans can and do change, it is useful to have an idea of how long you intend on staying in a house. The estimated duration of your stay may have an impact on a few different factors when looking at properties and when considering making offers. If you only plan on being in a property for a couple of years then we would suggest staying quite strict with your budget, not getting carried away during the counteroffer process. If you overpay for a property, it may not have recovered enough value in the short period you are there when you come to sell.

REVIEWS



JAMIE BROWN

323-363-6250

Jamie@threelionsrealty.com
@Jamielbrown_agent

DRE #01997495

“

I've been working with Jamie for a year. He helped me sell my old house and find the perfect new home. Over the course of the year he went above and beyond what is expected of an agent and was there with me every step of the way. Answering my calls/texts quickly, helping me find contractors, and most importantly getting me my dream home. I know for a fact without him, I would not have gotten my house which had 22 offers but we prevailed. Great guy with great knowledge of the market and excellent communicator. HIGHLY recommended and trustworthy.

”

- Chad A.

“

As first time home buyers, we were apprehensive and naive. Michael guided us through all stages of the home buying process from searching for a lender to dealing with inspections, negotiations, and contractors. We were very impressed with how easily accessible and responsive he was to us. One thing that we truly liked about him is his honesty and how comfortable he made us feel. He was never pushy and recognized the fact that this is one of the biggest financial decision for anyone and shouldn't be rushed. Also, his experience working with builders has allowed him to provide us with valuable insights on potential renovations. We truly enjoyed working with Michael and would definitely recommend him to all people we care about.

”

- Joanne P.



MICHAEL WHITE

424-302-7744

Michael@threelionsrealty.com
@Michaelwhite_agent

DRE #01987399

Final Word

Buying a house is likely to be the biggest purchase you will make. The process of getting on the property ladder will elicit many emotions along the way, from excitement to anxiousness, to happiness and relief. When working with Michael and Jamie at Three Lions Realty, you can be assured of expert guidance, empathy, patience and results. We will stand with you every step of the way.



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