



MICHELLE ROBERTS
REAL ESTATE TEAM

YOU ARE UNDER CONTRACT! What Happens Next?

CONGRATULATIONS! You are officially under contract for the purchase of your new home. I'm sure that you are now wondering what the next steps are. Hopefully, the following outline of events will shed some light on the upcoming process:

1. Your "To Do" List During the Due Diligence Period

The due diligence period officially starts once you enter into a binding sales contract. During this period, you have the opportunity to perform any and all tasks related to purchasing the home. This includes, but is not limited to any of the following:

- ✓ Submit a formal loan application and make sure you are fully approved for financing and that you have the cash available to close on the transaction.
- ✓ Order all inspections (home inspection, termite, radon, septic, well etc). This is normally handled by us (see item 2 below).
- ✓ Negotiate repairs of the home (see item 3 below).
- ✓ Procure homeowners (hazard) insurance
- ✓ Schedule your closing. As your Realtor, we will normally suggest a closing attorney and will schedule this for you on the negotiated closing date and a time of your choice. In the event that you have an attorney you prefer to use, please make this known.
- ✓ Prepare for your move... This may include any of the following:
 - Procure a moving company to help facilitate your move
 - Order electric and/or gas service
 - Order cable, phone and Internet
 - Order water, sewer and trash service
- ✓ Make yourself available for closing. If you will not be available for closing, we will need to make alternative arrangements for closing on your property (see item 7 below).

2. The Home Inspection, Termite Inspection and Radon Test

Under normal circumstances, the first thing that will take place is the home inspection, termite inspection and the radon test (done at the same time). This will be scheduled by the buyers' agent and the Centralized Showing Service will set up the appointment. If you choose, you have the option of attending the home inspection. At this time, you can ask the home inspector questions, review items of concern with them, further inspect the home yourself or even plan for furniture layouts. This process normally takes approximately 3 hours to complete.

To further help give you an idea of what is inspected, here is a link to a sample home inspection report: [LINK](#).

3. The Due Diligence Negotiation

This is the point that we negotiate repairs of the home and anything else we may wish to ask for. You can ask for virtually anything you want – repairs, cash considerations, a new hot water heater etc. Please keep in mind that this is a negotiation and we advise not to be unrealistic in your requests as this might make for a testy negotiation or even a termination of the contract in the event that you cannot come to terms. Things that you might request include:



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- You might ask for a subset of the inspection report items to be made to the home
- You might ask for all repairs on the inspection report to be made
- You might ask for cash considerations at closing in lieu of repairs
- You might ask for the home to be treated for pests and/or termites
- You might ask, for example, that a new hot water heater be installed to replace an old unit

4. The Appraisal

During the due diligence period, you should be finalizing your financing (assuming it is not a cash sale). One of the primary hurdles to clear in this process is the appraisal. Your lender will set up the appraisal and the appointment will be scheduled by the Centralized Showing Service. The majority of the time homes do appraise for the negotiated purchase price or higher and unless we ask the lender, we never see the actual appraisal or hear anything about what the home appraised for. There is the occasion, however, when a home does not appraise, and this presents a problem since the lender will only lend up to the appraised value of the home.

- a. **Example:** If the agreed upon purchase price of the home is \$500,000, the appraisal needs to come in for at least this amount. If the appraisal comes in lower - say \$490,000 - then there is essentially a \$10,000 gap in the financing. In this case, the difference will need to be paid in cash at the closing table. Sometimes the appraiser will consult with the listing agent for advice on how they priced the home. If this is the case, they will try to justify the price of the home. If they are not given this opportunity or the home simply does not appraise with or without a justification, there are a few options to be considered:
 - i. **Option 1:** The seller will agree to lower the sales price to the appraised value. This is the optimal outcome, but one that does not always come to fruition. Sellers often feel as though their home is worth more than it is. On the flip side, you should not be put in a position to willingly overpay for a home knowing that you walk into this significant investment from day one in a negative equity situation. Sometimes you might do this because we do not agree with the appraisal and you simply love the home, however, most of the time this is not the case.
 - ii. **Option 2:** We can negotiate with the sellers on a mutually agreeable compromise. Per our example above, we can try and agree to meet in the middle with each contributing \$5000 towards the difference.
 - iii. **Option 3:** You have the right to walk away from the transaction. If it gets to this point, please keep in mind that you forfeit your due diligence money, any money paid for inspections and/or lender fees. You will be refunded any earnest money paid to the sellers.

5. The Due Diligence Date

This is the date (by 5PM) by which all due diligence tasks and financing approvals need to be finalized. Up until this day and time, you have the legal right to walk away from the transaction for ANY reason and all you are liable for is the due diligence money previously provided and any expenses incurred in the home inspection and lending processes. After 5PM on the due diligence date, the earnest money further secures the transaction. If for some reason you were to terminate the transaction after this date, you stand to lose your earnest money in addition to all other expenses incurred. It is extremely rare for a transaction to fall apart after the due diligence date.

6. Preparing for Closing and the Final Walkthrough

After the due diligence date has come and gone, you should be in good shape to move on to closing.



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Approximately 1-2 days prior to the closing date, we will schedule a final walkthrough of the property. At this point we will inspect the home to make sure everything was completed per the due diligence negotiations and ensure that the home is left in an acceptable condition.

7. Closing

Closing will normally take place at the attorney of your choice (we have recommendations). The transaction is consummated once the deed is recorded by the attorney — normally around 3PM on the day of closing. Please note that the seller has the right to withhold access to the home until after it has recorded and may not necessarily provide keys at closing. This is due to the fact that even though you have signed the paperwork, you do not technically own the home until it has been recorded. If for some reason a disaster were to strike the home prior to it recording (fire, act of God etc), the seller is still responsible for the home prior to it recording. Please keep this in mind when planning your move and scheduling movers and deliveries.

Even though it is highly encouraged that you attend your closing at the attorney's office on the date chosen, you do have several options when it comes to signing the deed, loan paperwork and closing disclosures:

- You can attend closing and sign at the prescribed time
- You can appoint a Power of Attorney to sign on your behalf (i.e. your agent, friend or family member can sign for you)
- You can sign remotely in front of a notary and overnight the paperwork back and forth

Once again, congratulations for being under contract at this time. Please do not hesitate to let us know if you have any questions about anything that is outlined in this document. We look forward to the opportunity to guide you through the rest of this process and will be in regular contact with you throughout.

Sincerely,

Michelle Roberts