

HK REALTY

Congratulations on making the choice to become a homeowner! Whether this is your first time purchasing or your 10th, this document should help you better understand the real estate transaction and language used in the purchase and sale agreement.

Let's start with the initial costs of the transaction:

- **Earnest Money** - When making an offer on a home, your agent will ask you how much earnest money you want to put down. Earnest money is similar to a deposit and needed to show the seller you are serious about the purchase of the property. This money will be held by the closing attorney and then applied towards your closing costs or the purchase price, at closing. The average earnest money deposit is generally 1-2% of the purchase price.
- **Home Inspection** - During your due diligence period, you will have the opportunity to get the home inspected by a licensed inspector. The cost of this inspection depends on the size of the home. For a 2,500 sq/ft home, you can expect a cost of between \$300 - \$500. The home inspection is important because it will give you an idea of what condition the home is in and the repairs needed to make it like new. You will then use this report to request the seller make necessary repairs or contribute money towards your closing costs, so that you may do those repairs yourself after closing. (We recommend you accept money towards closing, so you can hire your own professional to complete these repairs.)
- **Appraisal** - Once the inspection is completed and the repairs have been negotiated, it will be time to order your appraisal. The appraisal is needed to determine the true value of the home. Once you have the appraisal, the lender can then provide you with a loan, up to that appraised value. You will have to pay for the appraisal in most cases, which varies from \$400-\$800, depending on the size of the home. *Please note that for larger homes prices may be more

Example: If you are purchasing a home for \$400,000, your earnest money should be a minimum of \$4,000, Inspection around \$400 & Appraisal roughly \$500, for a total of \$4,900 out of pocket before closing.

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Let's take a look at some terms you will see when it comes time to make an offer.

Due Diligence - This is the period of time allotted for you to get inspections and decide if you want to move forward with the purchase. You can terminate the contract at any time during this period for any reason. If you terminate during your Due Diligence, your earnest money will be refunded. The only potential loss to you during this time will be the cost of the home inspection, if performed.

Financing Contingency - This is the period of time allotted for you to secure financing with a lender. You will want to make sure that all of the necessary documents have been sent to the lender and you are eligible for the loan prior to your financing contingency ending. During this time, we are hoping to receive the "Clear to Close" from your lender. If something happens or you no longer qualify for the loan, the financing contingency will allow you to terminate the contract and get a refund of your earnest money.

Appraisal Contingency - This contingency will protect your earnest money in the event the house appraises for less than the purchase price on the contract. For example, if you offered \$350,000 but the appraisal states a value of \$300,000, you will have the opportunity to negotiate a new purchase price with the seller, as long as you are still within the allotted time for your Appraisal Contingency. If both parties can not agree on a price, you will be able to terminate the contract and get a refund of your earnest money.

As always, if you have any questions or concerns that come up during the transaction, please do not hesitate to ask your agent. We are here to help.

Here's a quick recap of the process, step-by-step, so you know what to expect.

1. Search for the perfect home
2. Make an offer and get the offer accepted
3. Get a home inspection during your due diligence period
4. Negotiate repairs
5. Order the appraisal (due diligence will most likely have ended by this point, that's okay)
6. If appraisal value is lower than purchase price, negotiate the appraisal
7. Get clear to close from your lender
8. Go to closing and get your keys to your new home!
9. Do a little dance and move in!

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Again, thank you for choosing HK Realty to represent you through the buying process. We are honored to be a part of your journey and look forward to helping you get into your new home.

Please feel free to reach out if you have any questions or concerns, at any point of your transaction.

Handwritten signatures of Daniel Humphries and Thomas King in black ink.

Daniel Humphries & Thomas King
Brokers/Owners of HK Realty