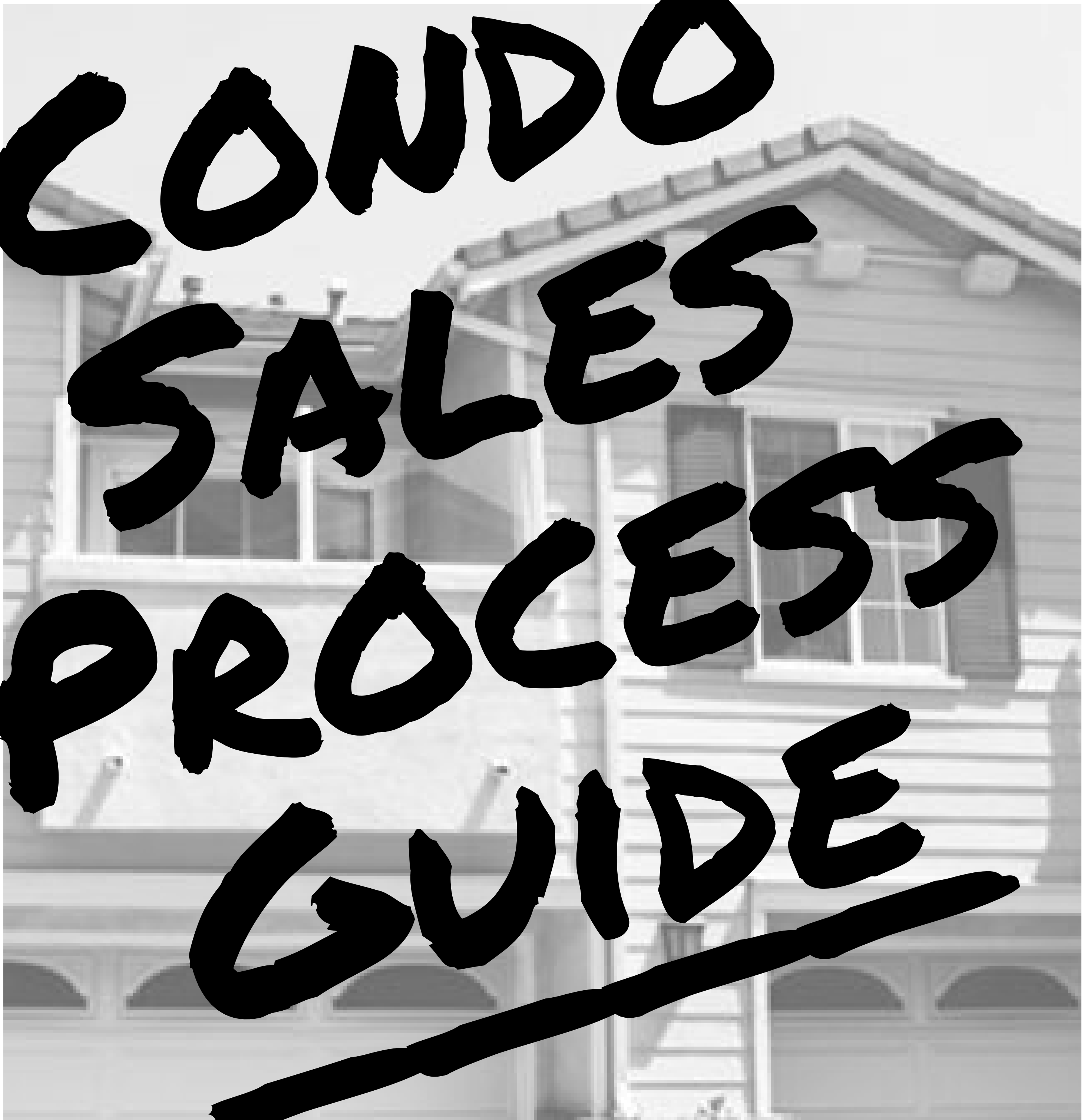
CONDO SALES PROCESS GUIDE



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Contingent Condo Sales Process

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What to Know About a Contingency Sale

If you do know what a contingency sale is, you know that it can also seem like a daunting task, but with the right guidance from a team that is experienced in these types of sales we'll help make the process less stressful and as smooth and efficient as possible. This section will cover what to expect when trying to purchase a new home while simultaneously selling yours.

What is a contingency sale?
A contingency sale happens when you are selling your home in order to purchase another house, concurrently.

The following are the steps involved in the contingency sale process.

Step One - Knowing the Numbers
The first step is to meet with our team, preferably at your condominium to perform a visual inspection of your home to ultimately provide you with a close estimate of your home's worth. A Net Sheet will also be prepared once we know the value of your condo. This report will include the fees involved, mortgage payoffs, and anything else that may come into play when selling your home. Ultimately, the Net Sheet is designed to show how much you will profit from the sale. Knowing what your proceeds will be will allow our lending partner to start working up the figures for your new home. This brings us to step 2.

Step Two - How Much Can You Qualify For
The second step is to sit with our preferred loan officer to go over what you will be able to qualify for utilizing the proceeds of your sale. You'll undergo a preliminary interview to uncover qualifying criteria and also to determine what your goals are for this new home. This will all be covered in detail in the "Planning for your financing" section.

Step Three - Listing Your Home
Once you are comfortable with the payment and understand how much you qualify for it's now time to put your condo on the market. We want to make sure your home is on the market before looking at other property. The idea is that if you are looking at homes to buy you are ready and willing to write offers on the ones that you like. So basically, you are moving forward 100%.

Having your home listed will bring legitimacy to your offers. This means that when a seller receives your offer and notices that it's a contingent sale the fact that you have your current home on the market dramatically increases your chances of acceptance. This tells the seller that you are serious about your attempt and are ready to move forward with the purchase of their house.

Step Four - Start Your Home Search

Now that your condo is on the market the fun part begins. It's time to look for your next home!!! Once you find a house that you want to submit an offer on, there are two scenarios that will come into play. The first scenario is if your current home is in escrow and the second is if it's not. Keep in mind you will be covered/protected the same way for both, however the terms differ depending on the status of your current home.

Scenario One - Writing an offer when your home is NOT in escrow

When we submit an offer, regardless if you're home is in escrow or not, we are a contingent offer. Your offer will state that you will need to find a buyer for your home. Therefore, we will be asking the seller to give us 17 days from the day the offer is accepted.

If we cannot find a buyer after the alloted time of 17 days, the seller can either give us an extension or we cancel and go on to finding another property. For situations where a buyer can not be found for your condo, and after analyzing the situation we may recommend suspending viewing of homes until we're able to get your home in escrow. This is rare especially in a hot market, but during a colder market this may become common.

Scenario Two - Writing an offer when When your home IS in escrow.

This offer will also be contingent on your home closing. The difference is that we will be able to open escrow right away and begin the process for both escrows. This scenario makes your offer look more attractive to the seller.

Once you accept an offer on your home the buyer will also give you 17 days to find your next home. If more time is needed either we negotiate more time or we may be at risk of losing the buyer altogether.

What if the buyer of my condo cancels while I'm purchasing my new home?

This is a common question and a fear for many people. Within 17 days, if the buyer cancels escrow you also have the right to back out from purchasing the new home. As part of our job, we are hired to help you secure a home that you absolutely love and since that was done, it's also our job to help you not lose it. This will require strong negotiations with the seller to provide you adequate time to find a replacement buyer, which we're trained for.

The most important thing you need to know is how we will protect you during a contingent sale. When in escrow with your new home we will advise you not to release contingencies until we absolutely say it's safe. This requires knowing the status of your loan, which requires a thorough consultation with your loan officer. It also entails knowing how your inspections (appraisal and home) are doing and if already completed.

Many listing agents require the buyers to remove their contingencies after 17 days, however my team and I have strategies to extend this term if necessary. We want to ensure that our clients feel safe for a longer period of time.

Step Five - Clear to Close

Ideally, once both homes are clear-to-close we at that time can remove all contingencies and now focus on making a smooth transition into your new home. Clear-to-close is a term used in our industry to inform everybody involved that the lender has completed the underwriting of the loan.

Bonus Days to Move

When writing and accepting an offer, our team will ask how many days will be needed to move. Depending on the amount of days required we will take the appropriate technique to get those days. Keep in mind, we need to close escrow on your old home one day before you close on your new home so that the funds can be wired to the new escrow the following day. If you tell us that you need five days for a smooth move due to scheduling conflicts or because the new home requires extensive cleaning or repairs. This would mean that even though we closed escrow you and your family will still be able to stay in your old home for the 5 days you requested.

Contingency sales can be tricky and complicated when not done right; therefore, having a great team every step of the way is key to a successful and smooth transaction. Our job is to make sure you are covered/protected every step of the way not only financially but covered “over your head”.

Do's and Dont’s of the Contingency Process

1. **Don't** purchase anything large, especially with credit. Large withdrawals can be viewed negatively by the underwriter and may make the loan approval process difficult. Charging up your credit balance can negatively affect your credit score and increase your debt-to-income ratio which can impact your terms or cause a loan denial. Make sure to run all purchases over $500 by your lender to make sure it will not cause any problems.
2. **Do** keep your home orderly and presentable at all times even when in escrow. You never know when a home inspector, appraiser or buyers are going to want to walk through your home.
3. **Don't** give away any information to people viewing your home. You have a team that can answer all questions that they may have. Saying the wrong thing could jeopardize negotiations and terms of the contract.
4. **Do** declutter your house. This makes it easier for buyers to envision themselves living there.
5. **Don't** hold off packing until the last minute. It's key to start putting away things you don’t need into boxes to make the transition a lot easier. But leave your boxes out of sight. Boxes laying around are not appealing.
6. **Do** keep paying your mortgage payments. Even though you're in escrow make sure to pay your payments on time. Having a mortgage late payment on your record can jeopardize your escrow for your new home. I hear many people say that they want to save a payment, but in reality escrow will prorate the amount of interest charged to the exact day you close.
7. **Don't** be picky with showing times - The more buyers we can get into your house the more likely we’ll be able to get your home in escrow. It may sometimes seem like a hassle, but please do what you have to do to comply with the showings. Stepping outside while the showings are happening can be very beneficial as it encourages them walk freely and talk amongst themselves. This also includes the amount of open houses that may have to be done on your home.
8. **Don't** make any large cash deposits into your bank. The lender needs to be able to paper-trail all large deposits and cash is usually non-traceable. If you have a large amount of cash that you’re considering depositing please run it by your lender to find the best method.

Keeping these top of mind can really help promote a smooth transition. The key is to be open with us with everything so we can prevent delays or conflicts. We are here to work with you and to ensure nothing but a great outcome.

Preparing Yourself for the Financing Process

During a contingent sale you're going to be hearing from your Realtor® often for both the sale of your home and to prepare you for the purchase of your new home. In the midst of that you're going to also have a hand in the loan process. I don't say this to overwhelm you, but just to prepare you mentally for the process. We will take a lot of the work away from you, but we do need your help with some it. The first thing you have to do before listing your home is to know what your financing will be for your next home and that starts with having a conversation with us, the mortgage loan officer.

When you speak to a loan officer you will find out the following:

- How much house can you buy using some, most, or all of the proceeds from the sale of your home
- What will your payment be at that particular loan amount and other amounts as well
- Which loan programs work best for your particular scenario and will they meet your goals
- How much funds will you have to bring in to close (including the costs of getting the loan)

What Can I Expect when I Meet with a Loan Officer?

Our team will first begin filling out the loan application in order to get familiar with your finances and also to find out what your goals are. If you're time is restricted, the loan application can also be done on your own time through the secured website which only takes a few minutes of your time.

Secondly, the loan officer will need some initial documentation in order to put your loan file together and to make sure all bank guidelines are met. You'll be required to provide the last couple of years of income documentation, 2 months of assets, identification, etc… The items needed will also depend on your particular situation.

You will also undergo a credit check utilizing our sponsored provider. The credit report obtained will be the most detailed and will show everything from your account's history to inquiries and even addresses that you've used in the past. Our team will analyze your report and even suggest small changes to improve your FICO score (if needed); all in efforts to get you the best possible terms.

After obtaining a full loan application and analyzing your credit report you will be presented with your mortgage options. You will receive a Mortgage Edge report that will help you understand each option in detail. You'll be able to make an educated decision about your next mortgage based on short and long term goals, tax benefits, and other important aspects to consider.

Planning and Organizing Yourself For the Loan Application

Whether your moving up to a bigger home or if this will be your first home, buying a home takes a game plan. Depending on your situation, you may be able to buy a home as soon as your condo sells, for others it may take some credit repair or even some income tax planning strategies. Either way, our team is here to guide you.

Here is the list of the items and important points to consider before entering the pre-qualification stage.

Income:

- Your most recent pay-stubs covering 30 days along with your last two years of W2's and Federal tax returns for the last two years (include all schedules) will be needed. State returns (CA 540) are not required. It's good practice to have your W2's and tax returns in a file folder in a file cabinet. Portable file boxes are great for this. I urge everyone to eventually upload or scan these and save them to a folder somewhere in your computer. This way you're either able to send everything electronically or upload it to your Personal Portal a lot faster which improves efficiency in processing. Your paystubs don't usually have to be saved for years or even months, but have those most recent ones handy, ready to send over when asked.
- If you are self-employed, depending on the structure of your business additional documentation may be required.
- If you receive bonus or commissions or have changed your job or position recently, the situation may get a little trickier. If that's the case, let's talk.

Assets:

- Its common for your most recent 2 months of bank statements to be required.
- To avoid showing so many different bank statements combine all the funds needed to close into one account at least two months prior to your application or at least before entering into an escrow transaction.
- Document any other deposits here as each could be scrutinized.

Your Statements:

- All banking institutions as far as I know offer access to electronic bank statements from their websites. If you're the kind of person that does not like to have access to this feature, the next best thing is to save all pages of your asset statements, even if some are blank or advertisements.

Deposits:

- Make copies of checks and deposit slips to prove they are not borrowed money. Images of these are also available on the bank's website through your online account.
- Deposit checks individually.
- Don't deposit cash without clear proof of the source. If all possible, don't make the cash deposit at all without getting instructions from me first.

Liquidation of Assets:

- If you are going to sell stocks, bonds, investments or borrow against a retirement account, do it now. Cashing out now may cost you a few dollars in additional gains, but it also protects against losses and delays.

Current housing:

- This applies if you have already sold or are currently in escrow. Be prepared to provide a copy of the HUD-1 settlement statement. We can help contact the escrow company with your permission to help obtain this document.
- If you own and are not selling, you'll need to qualify for both homes or meet the requirements for renting the current.

Credit:

- You can check your credit report initially at www.annualcreditreport.com or services like Credit Karma. I will need to run your credit using our credit service, but checking your credit in advance with one of these FREE services prior to your application will help you know approximately where you stand. Remember, your credit doesn't have to be perfect.
- Identify any errors now and consult with us for the correct action to take.
- If you co-signed on a loan or are being reimbursed for a loan that's in your name, you'll need at least twelve months of checks or some sort of acceptable proof to exclude it.
- Avoid new credit or inquiries. These can lower your score and increase your rate.
- If you have more than one credit card that are maxed out, this would be a good time to drop those down to at least the halfway mark.

You may be in the position where you need to sell your home and purchase another within two months and you don't have the time to prepare and take the steps mentioned above. A lot of what I mentioned above is based on the ideal situation, but there are workarounds to most of them. Obviously, it sometimes complicates things, but as an experienced mortgage team we have dealt with it many times and know how to handle it properly.

Tax Benefits of Owning a Home

As you know, being a homeowner offers the ability to obtain large tax benefits in the form of deductible items. By obtaining a new home you will also have the ability to deduct certain fees to help you improve your tax refund, come tax time. This section will cover some of the important things to know about your home's tax deductibility.

What part of your home is deductible?

Mortgage interest
You are able to deduct all the mortgage interest that you've paid all year. Your bank will send you a 1098 form prior to January 31st of the following year for you to take to your tax preparer.

Property Taxes
Just like mortgage interest you will be able to deduct all the property taxes that you paid throughout the year.

Closing Costs
The only portion of closing costs that are deductible are Discount Points or Origination Points.

A Point equals to 1% of the loan amount. An origination point is also a percentage of the loan amount, but it's paid to the Loan Officer as a fee for their service. It's important to know that there are two ways a loan officer can get paid. The first and most common is the Lender-Paid option. With this compensation type, the bank is responsible for paying the Loan Officer a flat percentage of the loan amount which benefits the borrower by keeping their fees low. *Keep in mind that the rate does not determine how much the Loan Officer gets compensated. The bank pays the officer a set amount and it doesn't matter if you obtain the highest rate or the lowest.*

For the Borrower-Paid option, as the name states the borrower will be responsible for paying the Loan Officer their commission. This option allows the borrower to obtain a lower interest rate, but the fees will be higher due to the points being charged.

As part of my consultation, I will break down both options for all of my clients to make sure both scenarios are presented in a clear and transparent manner. There isn't a better option, it just all depends on the client's goals and objectives.

Disclaimer

We’re not tax advisers, please consult with a CPA or knowledgable tax preparer for accurate tax scenarios.

Preparing Your House for a Quick Sale

Selling your home quickly and for the most money takes strategic measures. This section will cover a few simple steps to do before listing your home.

Presentation is everything

Think about the feeling you had when you walked into the model homes for one of those brand new developments. You felt wowed, warm inside, and inspired, right? Guess what, the builder paid a staging company a hefty fee to go in and strategically decorate the house so that each potential buyer that walks in gets those exact feelings. This helps capture more attention which in turn captures more buyers. Obviously, we're not suggesting that you spend an enormous amount of money or do we imply that hiring a staging company is the best way to sell your home, but we can take some of those same principles and apply them to your home. Here are a few of the most important things to consider when selling your home.

Staging:
We're not a staging company, but we do know certain techniques that will help your potential buyers stay in your home longer during showings increasing the chances that they'll make an offer.

1. **Clean and Declutter -** Clutter makes your a house seem smaller and messy. The first thing you need to do is take anything that does not need to be out and store it in boxes. Get it out of view. Remember, when decorating your home to sell, less is more. After decluttering perform a deep clean of your entire house. If you're able to, hire a cleaning company to go in and spend a full day detail cleaning. It may be worth your time to hire a company.
2. **Family photos -** Portraits are distracting and can take the attention away from your actual house. Have you ever walked through an open house and caught yourself unusually interested in looking at the family pictures on the wall? Human nature caused you to stop and look at who lives there, right? Chances are you lost connection with the home after you saw who was living there. Chances are, you had a tougher time visualizing yourself living there. Even if it didn't phase you in that way, it may for others. So, why risk it? My recommendation is to replace family portraits with framed pictures of something neutral. You can get inexpensive pictures at Homegoods, Marshalls, Tj Max, etc… with frames that match the rest of your decor. You don't need many, but you do need enough to fill a space.
3. **Furniture Placement -** This is a big one. The placement of your furniture needs to convey what the room is for and to create a visualization for the buyer. If your couches are pushed into the corner with no rhyme or reason, your potential buyers won't be able

to see themselves sitting there drinking their coffee and watching tv. Just an example, but you know what I mean… This is especially true for odd shaped or small rooms. Keep in mind that half of your potential buyers don’t have the skill of visualization or imagination. You have to help create that for them.

4. **Paint -** A fresh paint job goes a long way. Not just any paint, stick to neutral colors to be safe. An accent wall can go a long way as long as it’s in the same color scheme so it doesn't stand out too too much. Avoid bright colors such as red, bright blue, yellow, etc…

5. **Freshen up your Patio -** Let’s face it, many people that are looking at condos are doing so because they are not able to yet afford a house. These people want a backyard to entertain or just to have an outdoor space to hang out at. There are simple techniques to transform your patio to make it look bigger and help the buyer visualize a peaceful outdoor space for them to enjoy.
    a. Think about it as an extension of the inside of your condo. By adding some outdoor furniture and an area rug that small patio can already start feeling warmer.
    b. Small plants or trees are ideal so they don’t take up too much of the area and it gives it a fresh and nature feel. A nice palm tree in the corner with a nice modern pot will do wonders. You can also look into artificial plants, just don’t go too cheap on those because you get what you pay for.
    c. Small decor including candles will help dress up the area

I hope this section has giving you a guide of how to prepare your condo to sell quickly and for top dollar. Remember, my team will be with you every step of the way and we’ll make sure to help you with each step discussed above.

Thank You!

We want to sincerely thank you for taking the time to read our guide and we hope that you have found value in it.

If you are ready to talk to us about possibly selling your condo to purchase a new home we would love the opportunity to serve you.

To show our gratitude for reading we would like to offer two discounts below for when you're ready to start the process:

FREE home inspection (Value of up to $300)
&
FREE Appraisal (Value of up to $560)

[Refunded to you upon closing of your new home]