



Your Journey to Homeownership



Chicago Title



Chicago Title®



Dear Home buyer:

Congratulations on beginning your journey towards the purchase of your own home, thus establishing a stronger foothold in this country. This guide was designed by our multicultural marketing division to help you with the process, from beginning to end. Additionally, we highlight important events during the transaction and identify responsible parties, whether it is the Lender, the Real Estate Agent, or the Title Company.

It is a true honor for us to offer this document to you. If you have any questions please contact the local office of **Chicago Title**.

Congratulations again, and thank you for the opportunity to serve you!

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Let's start by addressing some questions you may have...

Why buy a home?

In addition to the pride of ownership and enjoyment that you get from your own home,

- You will build wealth as your house value appreciates
- It can be a tax write-off
- Your housing expenses usually increase slower than renting
- You have much more flexibility in how you use, decorate, and/or remodel your home

How do I go about buying a home?

Once you have decided to buy a home, contact a local Real Estate professional to help you with the process. He/she will help you determine what you can afford, decide what kind of house you want, find the right neighborhood, negotiate the purchase, arrange for inspections, and guide you through the escrow and loan processes that will lead to homeownership.

Do I need a Real Estate Agent, and how can I find a good one?

Definitely. Purchasing a home is a big emotional and financial undertaking. Choosing an experienced, professional, qualified Real Estate Agent or Broker will help you through the complicated process, and your agent will negotiate with your best interests in mind, throughout the entire transaction. Real estate agents can also make a big difference in obtaining the financing for the transaction, and in finding just the right home for you. Most people in the United States work with a Real Estate Professional during the home-buying process.

The fees or real estate commission for the Real Estate Agent or Broker are usually paid for by the seller of the property. Real Estate Agents are only paid if the transaction is consummated. In order to find an agent who will meet your needs,

- Contact your local Association of REALTORS®, or other organizations that focus on promoting homeownership
- Ask your friends or relatives, or
- Call our local **Chicago Title** office or visit our website at www.chicagotitle.com, for a list of Real Estate Agents who will meet your criteria.



How do I get a loan, and what terms are best for me?

To make this important purchase you must be fairly well-established financially. Your credit history must be acceptable and you must NOT have had bankruptcies for the past seven years. You must be able to present tax returns and other financial documentation during the home buying process. Please keep these financial considerations in mind:

- Do you have money saved for a down payment on the home?
- Do you have a stable, reliable source of income, having been employed regularly for the last 2-3 years?
- Do you have a good record of paying bills?
- Can you pay a mortgage and additional costs, on a regular, monthly basis?
- Do you have relatively few outstanding long-term debts, such as car payments?

Also, ask yourself these questions to determine which is the best loan for you:

- How long do you plan to live in this home?
- Will your finances change significantly over the next few years?
- When do you want to finish paying this mortgage? Before you retire?
- Will you be able to handle a changing mortgage payment amount, or would you prefer that it stay the same over the life of the loan?

Your Real Estate Agent can help you find a lender who can help you determine which loan best fits your needs based on the considerations discussed above.

What is escrow and title insurance?

Escrow is simply the time period during which all the funds and documents that are related to the transfer of property are verified. This is where **Chicago Title** becomes involved, acting as an independent third party for the buyer and seller, carrying out the instructions of both parties, assuming responsibility for distribution of funds, handling all paperwork, and recording the deed which transfers the title to you, the buyer.

Escrow protects all parties involved in the transaction. As an example, with a deposit, the buyer's money is protected while the seller verifies evidence that the buyer's interest is in good faith. The title company holds all monies, instructions, and documents required for the transaction, distributes the appropriate amounts to each party, and handles details such as recording the new deed.

Title Insurance is an insurance policy which protects the buyer against risks that can go undiscovered during a title search. Also known as "hidden defects", these risks might not show up until several years later. **Some examples are:** undisclosed or missing heirs, impersonation of the true owner, a forged signature on a deed or a deed and mortgage signed by persons of unsound mind, minors, or supposedly single but actually married persons.

Even in the event that hidden defects such as these occur, with **Chicago Title** you and your property will remain protected.

What are closing costs, and do I pay for them?

There are two types of closing cost expenses: **Non-recurring** (*you only pay once*) and **recurring** (*costs that repeat at certain intervals*). Non-recurring costs include but are not limited to the following fees: Appraisal, credit report, points or loan origination, property inspection, title insurance and escrow, document preparation, tax service, notary, recording, courier, wire transfer and transfer stamps. Recurring costs and pro-rations include but are not limited to the following fees: Property hazard insurance, property tax, interest pro-ration, pro-rated first month's payment and PMI (*Private Mortgage Insurance*), if applicable. Many of these costs are divided between the buyer and seller based on the custom of the county where your property is.

Your lender and Real Estate Agent/Broker will provide a "**good faith estimate**" of anticipated closing costs, and the actual costs will be summarized by the escrow holder in accordance with the lender's instructions, and will be explained to you at the time of signing.

Congratulations! You have taken the first step. Here are 19 additional steps of this journey:

1. Choosing your Real Estate Agent.
2. Choosing your lender (*know about different types of mortgage loans and pre-qualification*).
3. Selecting your home (*determine the type, the price, and the location*).
4. The Offer (*once you have found the property make a written offer through your real estate agent*).
5. The escrow process (*when you have reached an agreement with the seller, the initial good-faith deposit is given to an escrow representative, and the process begins*).
6. The mortgage loan (*a mortgage loan is requested, filling out the appropriate forms*).
7. Preliminary title report (*is reviewed and accepted*).
8. Inspections and disclosures (*the property is inspected during the period specified in the contract, and all disclosures made by the seller about the property are reviewed*).
9. Assessment (*the property value is determined by the lender*).
10. Loan approval (*the lender contacts the escrow agent*).
11. Hidden defect insurance (*the buyer tells the Escrow Agent the name of the insurance company that will grant the policy*).
12. Conditions (*the escrow agent ensures that the conditions are met*).
13. Final visit to property (*the buyer inspects the property with the Real Estate Agent, before closing the transaction*).
14. Document signing (*the buyer signs the loan documents and the escrow instructions, and deposits the initial payment with the title company*).
15. The escrow agent returns the documents to the lender.
16. The lender's funds are electronically transferred to the title company (*the monetary exchange occurs between the lender and the title company*).
17. The deed is registered at the county office (*this transfers the property title to the buyer*).
18. The transaction closes (*accounting is finalized and the account statement is remitted*).
19. The keys are delivered to the new owner.



What happens during the purchase process?

The following **35** steps describe the functions that your REAL ESTATE TEAM will perform (your Real Estate Agent, lender, and the title and escrow company) so that your transaction is successful. After each description, you will see the team member(s) associated with that action, labeled in brackets.

These steps have been numbered to make the process easy to follow, although some of them may occur simultaneously. Check with your Real Estate Agent or your lender if you need more detail or clarification.

1. Pre-approval and evaluation of your financing options [Lender / Loan Officer]
2. Choosing the desired property, and presenting the purchase offer and the initial good-faith deposit [Real Estate Agent]
3. The transaction is started at the Title and Escrow Company [Title and Escrow Company]
4. The loan application form is completed [Lender / Loan Officer]
5. Property inspections are ordered [Real Estate Agent]
6. Credit report and property value assessment are ordered [Lender / Loan Officer]
7. The contract is reviewed with particular attention to the steps with specific dates [All Team Members]
8. The preliminary title report is reviewed and sent to the lender and the Real Estate Agent [Title and Escrow Company]
9. The disclosure reports are delivered to the buyer [Real Estate Agent]
10. The preliminary title report is reviewed [All Team Members]
11. The desired loan is selected [Lender / Loan Officer]
12. The inspections are reviewed and/or the contingencies are eliminated [Real Estate Agent]
13. The contingencies are removed from the loan and the deposit is increased if necessary [Real Estate Agent]
14. Receipt of increased funds [Title and Escrow Company]
15. Final gathering of documents for loan approval [Lender / Loan Officer]
16. The escrow agent ensures that the title report is free of errors and that it complies with any additional instructions [Title and Escrow Company]
17. The package is sent to the lender (risk assessor) for final approval [Lender / Loan Officer]
18. Discussion about the selection of an agent for insurance against hidden defects [Real Estate Agent]
19. The loan is approved and the loan documents are ordered [Lender / Loan Officer]
20. The loan documents are sent to the title company [Title and Escrow Company]
21. The property owner's hidden defects insurance is ordered [Title and Escrow Company]
22. The closing date, and the required final balance needed to close the transaction, are confirmed [Real Estate Agent]
23. The Real Estate Agent gives final instructions for the closing [Real Estate Agent]
24. Final conditions of the loan are reviewed with the escrow agent [Lender / Loan Officer]
25. The escrow instructions are formulated [Title and Escrow Company]
26. The escrow instructions are signed (*by both Buyer and Seller*) and the loan documents are also signed (*by the Buyer*) [Title and Escrow Company]
27. The signed documents are returned to the lender along with the hidden defects insurance policy [Title and Escrow Company]
28. Final visit to the property [Real Estate Agent]
29. The loan file is reviewed [Lender / Loan Officer]
30. The monetary exchange occurs [Lender / Loan Officer]
31. The buyer deposits the funds balance in the escrow account [Title and Escrow Company]
32. The team decides that other measures are necessary for closing [All Team Members]
33. The documents are registered (*the deed*) at the county office [Title and Escrow Company]
34. The transaction is closed. Final accounting: Checks are written and sent, a final account statement is produced, and all parties are summoned and notified of the closing [Title and Escrow Company]
35. The keys are handed to the new owner [Real Estate Agent]