



How do I buy a home in America?

Europe has historically been one of the largest investors of real estate in America. Recent figures from the National Association of Realtors, show Europeans are still one of the top five foreign investors in United States real estate. The low valued dollar and the many real estate bargains attract a stream of foreign investors who would like to profit from the housing situation in the U.S. Foreign investors also discover that buying real estate in America is a fairly easy process. On this site I will describe several aspects of buying real estate in America. It is important that you are represented by an experienced broker (Realtor) who is specialised in the area where you want to buy and knows how to deal with foreign investors who are not an American citizen or resident.

Before we continue I would like to introduce myself: my name is Paul Mees and for the last ten years I have lived, and worked as a Realtor in the San Francisco Bay Area. I am one of the partners of [HarperMees and Associates](#). My wife, Ginny, and I own properties in California, Mexico, the Netherlands and Italy. In the past ten years, we have gained a lot of experience through buying and selling of homes internationally. Our team of realtors is ready to assist you with the purchase of your dream home, or investment property, in America.

Where do I start my research?

More than 80% of buyers and sellers of real estate start their research on the Internet. There is a large difference between real estate in America and Europe. As an example, it is fairly simple in the U.S. to obtain your real estate license resulting in an abundance of Realtors. There are many well qualified Realtors, but unfortunately there are also many less qualified Realtors who have little business experience; have never experienced a real estate market like the current one; or have never dealt with international buyers and investors.

In planning to buy a house anywhere in the US, please contact us so we can connect you with one of the professional, experienced, well qualified Realtors in our nationwide network. If you plan to buy a house in the San Francisco Bay Area or Northern California, our team of professional Realtors at HarperMees and Associates is happy to assist you and your family.

America does not have a national database of homes for sale on the Internet like Funda.nl in the Netherlands. U.S. real estate information is scattered over the Internet; almost every Realtor has their own internet site linked to their specific local Multiple Listing Service. The MLS is a database of homes for sale in locally defined geographic areas.



Keller Williams Realty • www.HarperMees.com • (925) 855-6410

During your search on the Internet you will probably also find Realtor.com. This service has been introduced by the National Association of Realtors. We regularly hear complaints that the site is not always up to date and homes that are still marked for sale, have already been sold. So this is not a great source of accurate information. My recommendation is to work with a local Realtor who knows the area and has a website with a link to the local MLS.

Another difference with many of the European countries is the buyer does not pay any commission for their agent's work. In America the commission is paid for by the seller for both the Realtor representing the buyer and the Realtor who represents the seller. The buyer is, however, responsible for the closing costs which can vary between 2% and 4% of the purchase amount. There are minimal costs involved if you buy the property in cash.

Cash or a mortgage?

In most transactions the buyer chooses to have a mortgage. It is possible for foreigners to obtain a mortgage in America. Ask your Realtor to refer you to a mortgage broker or a lender like Countrywide, Bank of America, Wells Fargo or ING.

These are the conditions for obtaining a mortgage :

- An international credit overview/report which will inform the lender about your payment history, such as credit cards, mortgage, car loan, etc. To obtain this credit report will take about two weeks and cost around \$50.
- Copies of your passport and visa.
- Your two last pay stubs
- Bank statements for the last two months
- Any and all financial assets
- Tax returns from the last two years
- If you are self-employed you need a statement from your tax professional stating that you have been self-employed for the last two years.
- A statement from your company that you have worked for them for the past two years.
- Opening an American bank account; try to find a bank that is represented in America and Europe.
- Minimum downpayment requirement is 30-40% (differs per state)

How do I select my Realtor?



Keller Williams Realty • www.HarperMees.com • (925) 855-6410

Only real estate agents with a license of the National Association of Realtors are allowed to call themselves Realtor. If you are interested in purchasing or selling real estate in the San Francisco Bay Area, we have a team of qualified Realtors available to assist you. If you are interested in investing outside of California please contact us as we have a network of qualified Realtors who can represent you in their specific marketplace. They all have an Internet site which will make it easy for you to start your search for a new home while you are still in Europe.

The selected Realtor will represent you during the whole process; the preparation, the search for your home, all the paperwork, assistance during the inspections of the house, assistance during the loan process and the close of escrow. You don't pay anything for this service. As mentioned before, the seller is responsible for the entire commission cost.

How do I find the right property?

The combination of the low dollar, the mortgage crisis and the many foreclosures in America has attracted many foreign investors.. We currently see many investors who are skimming the housing market for good deals. They buy large numbers of homes which they rent out and wait until the market will improve before they sell their properties with a nice profit.

Over the last few years, we have seen an increasing number of foreigners buying properties outside of their own country as a vacation home, as a second home, as an investment or as permanent new residence. Some owners rent out their homes for part of the year or the entire period; others decide to keep the home as a permanent residence.

Before you start shopping, it is important to know what kind of home you intend to purchase. Here is a number of important criteria assuming that you have already decided in which state and area you would like to buy::

- What is your budget?
- Rental Income (if for investment purposes)
- Type of home; single family home, condominium, town home, golf community, etc.
- Number of bedrooms and baths
- Back yard
- Age of the home
- Pool/spa
- Garage (how many cars?)
- Other criteria which are important for you



Keller Williams Realty • www.HarperMees.com • (925) 855-6410

It is important to know that property dimensions in America are reflected in square footage – not meters.

After you have chosen your Realtor; you have decided where you want to live or invest and you have decided on the type of home, the exciting part of your search starts – shopping for your dream home or investment property.

Many Realtors have a service on their website where you can register your search criteria and every time a new listing that matches your criteria hits the market you will automatically receive an email with the property information. Keep your Realtor informed on any changes you would like to make regarding your search criteria.

In general, you will pretty quickly define where you would like to be, and what kind of home you would like to buy. When you have your shortlist of homes it is time to get on a plane.

After arrival, your Realtor will show you the area and the homes that you have selected; Realtors that have experience with buyers from out of town will make a point of showing where the local schools are, the down town area, shopping and other important locations.

Unlike Europe, it is very easy to preview homes in America. In most states the Realtors use a lockbox in which the house key has been placed; those lockboxes are placed at the frontdoor of the home for sale.

Your Realtor will inform the sellers in advance that the home will be shown to a potential buyer. Realtors work on Saturday and Sunday, as well as mid-week, so you may see properties over the weekend. As soon as you have made your choice it is time to prepare an offer.

The Realtor is responsible for all the paper work involved. The documents required can differ among the states. The Realtor is also responsible to get copies of all the seller's disclosures and book all necessary inspections. To the best of their knowledge, the seller will outline in the disclosures any existing or past issues with the house.

How do I make an offer?

After you have made your choice, it is time to write the offer. In most American states it is common that the Residential Purchase Agreement is used to prepare the offer, a contract that has been produced by the National Association of Realtors. While writing the purchase contract the following aspects are important:



- Purchase price you would like to offer
- Earnest money deposit
- Down payment and mortgage amount
- Contingencies
- Close of Escrow date (C.O.E.)
- Pre-approval
- Inspections
- Personal property

Purchase price

You consult with your Realtor and decide which purchase price you would like to offer. It is common in America that you negotiate the purchase price with the seller. The price offered is based on comparable homes that have recently been sold in the neighborhood, similar homes on the market, the condition of the house, your financial strength (deposit, down payment and loan approval), days on the market and of course the general condition of the local real estate market.

Deposit

When you write an offer, an Earnest Money Deposit is required by the seller. This is usually a personal check made out to the Escrow Company also called Title Company. This is a neutral third party (like an attorney or notary in Europe).

The deposit check acknowledges that the buyer is serious with the transaction. It is common to write a \$5,000 to \$10,000 deposit check depending on the purchase price. In some states, the seller can require up to 3% of the purchase amount as a deposit. The deposit check is put into an escrow account, and will be part of the buyer's downpayment.

All offers include contingencies. In the event the contract is canceled by the buyer within the contingency period, the deposit check will be returned to the buyer.

Down payment and mortgage amount

When a non-citizen buys real estate in America it is very common for a 30-40% down payment to be required; the percentage can differ per state. Your mortgage broker or lender can calculate the several financial options to meet your individual needs.

Contingencies



Almost every transaction has one or more contingencies. The most common contingencies are: the appraisal of the house, obtaining a mortgage, sale of a current home and for the inspection of the property. (In one of the next chapters, I will talk about inspections in more detail.)

In the purchase contract you describe which contingencies are part of the contract and how long your Realtor expects before removing these contingencies; 14 – 21 days to get all activities finalized is standard. In case you decide not to move forward with the purchase of the home it is recommended you cancel the contract within the contingency period, so the deposit can be returned to you.

If you decide to continue with the purchase of the property, you will be asked to sign a Contingency Removal Form. With this document, you declare you have done your due diligence in getting the home appraised, obtaining a loan approval, and completed necessary inspections. It is important to know your deposit is at risk in case you would decide to cancel the contract **after** you have signed the Contingency Removal Form.

Close of escrow

Part of the contract is the Close of Escrow date. On this date, the property will record in the buyer's name. It is common that an escrow period takes up to 30 days, but it is also possible this period can be 21, 45 or even 60 days after acceptance of the contract.

In some cases, the seller can request to stay longer in the house after close of escrow for several reasons; they have not found a new home yet or the children are still in school. In this situation the seller will “rent back from the buyer” by paying the buyers' daily PITI-cost similar to a rent amount; this stands for Principal, Interest, Taxes and Insurance. This amount will be pro-rated on a daily basis.

Pre-approval

Based on your financial documents, like bank statements, salary stubs, existing loans and assets, your mortgage broker or lender will calculate what the maximum mortgage amount is that you can qualify for and the monthly payments you can afford. He or she will write a pre-approval letter which will be part of the offer package.

Inspections

In the contract you specify which inspections you plan to do. The inspections will be described in a separate paragraph.



Personal property

All items that are attached to the house are considered part of the real estate property: for example lamps, window coverings, cabinets, built in appliances, etc. The purchase contract has a paragraph that describes which real estate items and which personal items are excluded or included in the sale.

There are situations where the seller is also interested in selling personal property, like furniture. These items can be sold separately and will not be part of the contract or the mortgage amount.

Inspections and disclosures

Inspections

In nearly every transaction we deal with inspections, disclosures and contingencies. As part of your purchase contract you describe which inspections you want to do. Depending on the property here are some examples:

- Home inspection; these are done in almost every transaction. I always recommend the buyer to be present at the home inspection; you will have an opportunity to learn a lot about the house from the inspector in about one to two hours. Home inspectors are usually licensed contractors; they will also make recommendations for more in depth inspections if needed; like for instance a chimney or roof inspection.
- Termite inspection: many of the homes in America are built out of wood; wood homes are susceptible to dry rot, or other conditions that can lead to termite damage or other pest infestations. In some states this inspection is a mandatory part of the purchase contract.
- Roof inspection; again many of the roofs on older homes in America are made of wood shingles; whether tile, composition material or shingles we recommend a roof inspection in our transactions..
- Pool and/or spa inspection: if there is a swimming pool and/or a spa we recommend to have an inspection done. This inspection will test the condition of the equipment and also the surface of the pool or spa.
- Chimney inspection: whether the fireplace has been used heavily or ignored; the fireplace needs to be checked every couple of years; this relatively cheap inspection can prevent major costs in the future.
- HVAC inspection; energy regulations have become more stringent and new regulations encourage our clients to have the system checked, especially the



ducts; it happens often that cold or warm air escapes from gaps which leads to loss of energy and higher energy bills.

These are the main inspections, which can differ per state. Discuss with your Realtor which inspections he/she recommends.

There are differences per state regarding the mandatory repairs. Discuss with your Realtor which repairs you will ask the seller to take care of; this request is described in the Request for Repairs. This document is a negotiation between buyer and seller; there are several options for response:

- The seller carries out the repairs
- The seller refuses to do the repairs
- The seller gives a credit for the repairs so that the buyer can take care of it themselves.
- The seller carries out part of the repairs and gives a credit for the remainder of the repairs..

A couple of days before the close of escrow there will be a buyer's final walk through to make sure that the property is still in the same condition as when the property was purchased and to check on the repairs. Usually the seller will take the opportunity to explain to the buyer how to operate the sprinkler system, alarm system and any other items.

Disclosures

The local Real Estate Board has put together a collection of documents, called disclosures. The disclosures need to be filled out by the seller and delivered to the buyer within five days after acceptance of the contract. The seller is obliged to describe any known malfunction or issue that might affect the value of the property. It is the buyers obligation to thoroughly read the disclosures within the contingency period and ask the seller for clarification if there are any questions.

Counter offer

After the offer is made there are three options;

- The seller accepts the offer
- The seller does not accept the offer.
- The seller makes a counter offer: the seller accepts part of the offer but for instance counters the price. Buyer and seller can counter back and forth until they reach an agreement.



Keller Williams Realty • www.HarperMees.com • (925) 855-6410

Home Warranty

In nearly all transactions the buyer requests that the seller will pay for a Home Warranty: this warranty is valid for one year and can be annually renewed by the buyer at their own expense. The buyer can request in the purchase contract to have certain items covered, like for instance pool and spa equipment.

Escrow Company or Title Company

In Europe official documents, like contracts, are usually drawn up and handled by a notary or a lawyer. In America, an Escrow Company, also called Title Company, will take care of the official papertrail between buyer and seller. My recommendation is to work with an Escrow Company in the area where you buy and who has a working relationship with your Realtor.