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Your Roadmap to the Home Buying Process

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Today's Roadmap

- Introduction
- Early preparation
- Overview of the home buying process
- Negotiating
 - Gathering information
 - Negotiation pitfalls
 - Negotiable points
- Market conditions
- Questions & Answers



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Early Preparation

- Assemble your team
 - ✓ Lender
 - ✓ Agent
 - ✓ Attorney
- Put your financial house in order
- Define your goals
 - ✓ Location
 - ✓ Type of home (single family, condo or co-op)
 - ✓ Price
 - ✓ Timing



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A Word About Agents . . .

- Agents can be a good source of valuable information
- A good agent will assist in determining the market value of a property and developing a bidding strategy
- Find an agent who works in the area where you are looking to purchase
- Commission to the buyer's agent typically is paid by the seller



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Home Buying Process

- Consult with your Mortgage Representative



- Pre-Qualification:** a preliminary determination of what you can afford and establishes an appropriate price range
- Pre-Approval:** the next step before finding a property and involves formal application with review of your income, assets and credit profi



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Home Buying Process (cont'd)

- Choose an attorney
- Select property and make an offer
- The contract process
 - ✓ Sellers' attorney drafts contract for review by all parties
 - ✓ Buyers' attorney reviews offering plan (co-ops & condos)
 - ✓ Buyer issues contract deposit
 - ✓ Buyer submits contract to lender
- Obtain title report (condo) or lien search (co-op)
- Submit board package (co-ops and some condos)
- Clear lender's underwriting conditions and schedule closing



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Negotiating

- Negotiate – To confer with another or others in order to come to terms or reach an agreement (*American Heritage College Dictionary*)
- Negotiation is NOT simply price haggling
- Remember, each \$5,000 of the price translates into approximately \$25 per month on a mortgage. Query: Is it worth it to you to lose or obtain the property for that monthly difference?



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Gathering Information

- The most powerful negotiating tool is information!!!
- Information comes in various forms:
 - ✓ Knowing your personal financial situation
 - ✓ Pricing matters
 - ✓ Physical condition of the property
 - ✓ Sellers' motivating factors



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Gathering Information – Knowing Your Personal Financial Situation

- It is vital that you know, up front, what you are able to afford and are comfortable paying
- Best way to obtain this information is to speak to a Mortgage Representative for pre-qualification and later, pre-approval



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Before You Apply

- Establish credit and maintain a good credit rating by ensuring your bills and loans are paid on time
- Save for your down payment – typically a minimum of 10% of the purchase price plus closing costs
- Assets will need to be in an account for 2 months
- Provide all documentation when applying to avoid delays
- Be cautious when applying for other new loans as your current levels of debt will be assessed as part of the application process



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Gathering Information – Pricing Matters

- Finding “asking price” comparables in the area
 - ✓ Through your agent
 - ✓ Through online sources or real estate guides
- Finding “actual” comparables of recent sales
 - ✓ Through your agent
 - ✓ Through an appraisal
- Determine how long the property has been on the market and if it has been on the market on separate occasions in the recent past



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Gathering Information – Physical Condition

- Home Inspection (Engineer's Report)- obtained during contract negotiations

- Report will address:

- ✓ Foundation
- ✓ Roof
- ✓ Basement
- ✓ Attic
- ✓ Electrical
- ✓ Plumbing
- ✓ HVAC



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Gathering Information – Physical Condition

- Determine improvements needed to bring the home to your expectation:

- ✓ Renovations
- ✓ Painting
- ✓ Landscaping

- Determine EXACTLY what is conveyed or included in the sale:

- ✓ Chandeliers
- ✓ Appliances
- ✓ Custom Fixtures
- ✓ Garden Shed, etc.



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Gathering Information – Sellers' Motivating Factors

Determine the Sellers' Motivating Factors:

- Price (*always prevalent*)
- Closing Date (*when do the sellers get their money?*)
- Possession (*when do you get the property?*)
- Certainty (*is the buyer ready, willing, and able?*)



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Negotiating Pitfalls

- Home buying and selling can be very emotional -be sensitive to the sellers' circumstances
 - ✓ May be the home where the sellers lived for 50 years and raised their children
 - ✓ May be dealing with heirs
 - ✓ Learn any cultural nuances
- Offering too little - Don't over negotiate unless you genuinely can't afford the property at the asking price or you are willing to lose it with no regrets



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Negotiating Points

- Buyer Strength
 - ✓ Go armed with a pre-approval letter
 - ✓ Be prepared
 - Have your attorney lined up and ready to go
 - Have your finances in order
- Price
- Closing date
- Post-closing occupancy
- Mortgage contingency
- Household items included in purchase



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A Word About . . .

Mortgage Contingency –a contractual provision whereby if you are NOT approved for a mortgage, you receive a refund of your contract deposit

- If you agree to NO mortgage contingency you should have funds available for a cash purchase or you may lose your contract deposit

✓This is an issue not only of credit and financial soundness, but also of appraised value

CONSULT YOUR ATTORNEY
BEFORE AGREEING TO NO MORTGAGE CONTINGENCY



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A Word About . . .

Post Closing Occupancy –an arrangement whereby the seller will remain in the property AFTER the closing

- Potential risks

- ✓If seller refuses to vacate you may have to bring legal action for eviction

- ✓Seller damage to the property between closing and your occupancy

CONSULT YOUR ATTORNEY
BEFORE AGREEING TO POST CLOSING OCCUPANCY



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Market Conditions

2016 NYC Market Update:

Consumer confidence is strong, and continues to be a positive indicator for the coming year. Demand is outpacing supply but inventory is stabilizing and growing.

- In the third quarter, total market-wide listings increased slightly versus one year ago.
- As a result of steady demand, market-wide median prices continue to increase year over year.
- Overall sales were down 5% but average days on market dropped 15%.

Source: www.corcoran.com under the “Advice” tab



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Market Conditions

A few tips:

- Some properties are listed at a lower asking price to generate frenzied interest to encourage a bidding war to drive up the price
- Beware of bidding wars unless you have significant funds available for down payment
- Develop a plan and a maximum amount you will spend and stick to it
- There is always another property available
- Gather and utilize information -it is your best tool!



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Questions?



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