Today’s Roadmap

• Introduction
• Early preparation
• Overview of the home buying process
• Negotiating
  • Gathering information
  • Negotiation pitfalls
  • Negotiable points
• Market conditions
• Questions & Answers
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
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
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 a formal application with review of your income, assets and credit profile
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
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?
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
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
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
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
Gathering Information –
Physical Condition

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

• Report will address:
  ✓ Foundation
  ✓ Roof
  ✓ Basement
  ✓ Attic
  ✓ Electrical
  ✓ Plumbing
  ✓ HVAC
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.
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?*)
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
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
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**
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

New York University Federal Credit Union
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](http://www.corcoran.com) under the “Advice” tab
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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