

Buying a Home in North Carolina:

25 Frequently Asked Questions

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GETTING STARTED

1. Should I sell my current home before buying a new one?

It depends. By selling first—which is the more common sequence—you avoid having to pay two mortgages and gain access to your current home’s equity if you need it. However, there are drawbacks to selling first. Living in your home while listing and showing it; obtaining temporary housing while you buy your new home; and moving twice instead of only once can each be overwhelming. Depending on your finances, the moving timeline, and market conditions, buying first may be preferable.

You may also be able to make an offer contingent upon your own house selling. But note that such offers may be less competitive in hot markets.

2. Is there anything special about being a first-time homebuyer?

In North Carolina, first-time home buyers may be eligible down payment assistance with the NC 1st Home Advantage Down Payment. To be considered a first-time home buyer for this program, you must have not owned a home as your principal residence for the past three years.

3. What is the difference between “prequalification” and “preapproval”?

Prequalification and preapproval are both types of mortgage approvals. In prequalification, the lender makes an estimate about what you might be able to borrow, based on information you provide about your finances. Preapproval is one step better: The lender also verifies your financial information and credit history and actually offers to lend you a specific amount. That offer is usually good for 90 days.

The preapproval process is more involved than the prequalification process. However, it is worth going through as real estate agents and seller are likely to see you as a more serious buyer because you are already approved for loan funding which would make the closing process shorter.

4. Do I need preapproval before viewing a home or making an offer?

You should be preapproved before making an offer so that you are more competitive, especially in hot markets. You do not need pre-approval before speaking with an agent although they make suggest that you attempt to become preapproved as soon as possible in order to avoid any delays and so that you are a more competitive buyer.

ASSEMBLING THE TEAM

5. Do I need a real estate agent?

Working with a real estate agent is strongly recommended. Real estate agents are licensed professionals who can help you buy your home. Your real estate agent knows the market, is familiar with the process and paperwork, and has the negotiating skills to help you get the best deal.

If you are a buyer, the recommendation is to work with your own buyer's agent. This will avoid any conflicts of interest as they will only be representing you and not the seller. Usually, the commissions for both a buyer's agent and the seller's agent are paid by the seller at closing, so in most circumstances, there should be no cost for a buyer to work with his or her own agent.

If you decide to work with the same agent that is helping the seller sell his or her home, that agent is acting as a dual agent. While dual agency is allowed, the agent must disclose to both the buyer and the seller that she is acting as a dual agent and both the buyer and the seller must consent in writing.

6. Do I need a lawyer?

Yes. Many of the steps involved in the closing of a home purchase are processes that only an individual who is licensed to practice law in the state of North Carolina are able to do. This includes processes such as drafting legal documents like affidavits, lien and waivers, rendering opinions on title, obtaining title insurance and giving you advice on the purchase contract and other legal documents prepared by a lender. —getting a lawyer is also strongly recommended. A lawyer will also perform a title search to ensure the seller owns the property, and that the property is free of liens (legal claims) or judgments (court orders) encumbering the title.

As the buyer, you have the right to choose your closing attorney. Often, banks will have a list of approved attorneys that you can choose from if you do not already have a closing attorney in mind.

7. Who does the lawyer represent in the transaction?

The lawyer represents the buyer. The attorney may draft the seller's documents, such as the deed, but the attorney will still only represent the buyer. Note that the seller may have their own lawyer too.

8. Who pays the real estate agent fees?

Generally, the seller pays the real estate agent fees. However, sometimes, sellers place limits on the amount they are willing to pay for the buyer's agent.

CHOOSING THE RIGHT HOME

9. When does an offer become a contract?

When one party accepts the other party's offer or counteroffer, the parties enter a binding legal contract.

10. How long does it take to buy a home?

Buying a home could take a couple of months between getting preapproved for a loan, finding a house you want to make an offer on, going under contract and completing the closing process. Once an offer on a house is accepted, the closing process takes between 30 and 45 days.

11. What questions should I ask my agent about the home I want to make an offer on?

Below is a short checklist of things to consider when choosing where to buy a home. Your agent will usually cover these topics.

1. How good is the local school district?
2. What is the community like and what type of people live there? What are the neighbors like?
3. What stores and other common services are nearby?
4. Is there an HOA (homeowner's association)? What are the HOA fees and when are they due? Does the HOA regulate home design and improvements? If so, how?
5. How long has the home been on the market? Have there been reductions in the asking price since it was listed?
6. Why are the sellers leaving?
7. Are there any problems with the home or any repairs or renovations that must be undertaken now or soon (ex. Replacing the roof, replacing an HVAC or water heater)?
8. Is the home in a flood zone or other area prone to natural disasters?

9. What is included in the sale?

10. Are there in there any plans for major development in the neighborhood or area?

12. I found a home that I like. How do I make an offer?

Your real estate agent can help you submit an offer to the seller. They can help you decide what a competitive offer may be and write an offer letter on your behalf and send it to the seller's agent. If the seller accepts your offer, you will enter a contract.

13. How soon will the seller respond to my offer?

Sellers typically take between 24 and 48 hours to respond to offers.

CHOOSING THE RIGHT HOME DOTTING THE "I's" CROSSING THE "T's"

14. What is an earnest money deposit?

It is a deposit that the buyer pays to show the seller's the buyer's commitment to the transaction. This money reassures the seller that the buyer is acting in good faith and will follow through with the transaction. The earnest money—it goes to the law firm or the brokerage overseeing the transaction.

In most cases, the earnest money is returned to the buyer if the transaction fails. If the transaction closes, the earnest money is credited to the buyer towards the purchase price.

15. What is due diligence money (deposit)?

Like earnest money, due diligence money is money that the buyer gives to the seller once the offer has been accepted as an assurance that the buyer is committed to following through with the transaction. It allows the buyer to have a due diligence period in which the buyer can have the property inspected, surveyed, etc. If anything is found during the due diligence period that would deter the buyers from purchasing home, they can withdraw from the transaction before the due diligence period is over and they will not lose out on their earnest money.

Due diligence money, in contrast to earnest money, stays with the seller if the buyer decides to pull out of the sale during the due diligence period. But just as with earnest money, if the transaction closes, due diligence money is credited to the buyer towards the purchase price.

16. What is the due diligence date?

It is a deadline for the buyer to pull out of the contract without losing the earnest money. The parties negotiate and agree on the due diligence date in the purchase agreement.

The period leading up to the due diligence date is called the due diligence period. This is the period during which you inspect the home. After the due diligence period expires, it is difficult for either party to terminate the contract without penalties.

17. What is the settlement date?

It is another name for the “closing date.”

18. What is title insurance? Should I get title insurance? What about if I am only buying land?

When you buy a home, you gain title to the home, which means that the seller transfers legal rights to the home to you, the buyer. But suppose you discover, after the sale, that the seller did not actually have any legal claim to the home. Or suppose that someone contests the seller’s legal claim. To protect against these claims and unexpected tax liabilities, you should obtain title insurance. If you are buying the home with the help of a bank or lender, they will most likely require that you purchase title insurance to protect the bank’s interest in the home.

Title insurance is recommended for land purchases. Land is a real property, just like a home. Even if your land is vacant, there may still be unanticipated issues concerning third-party legal claims or taxes.

Your closing attorney can obtain title insurance for you through any of the title agencies in North Carolina. You pay a one-time insurance premium at the closing. If you also obtain an owner’s title insurance policy, it will be in effect while you still have title to the property.

19. What if the seller rejects my offer?

If the seller rejects your offer, then there is no longer an active transaction. You should start a new search to make an offer on another home or speak to your agent to see if you can submit a new offer.

20. What if the seller accepts my offer?

If the seller accepts your offer, then you are under contract to buy the home. The clock starts for completing the transaction.

21. What is an appraisal? Do I need one?

An appraisal is a valuation of the home by a licensed expert.

If you are using a lender (such as a bank), the lender will require an appraisal, at your expense, before issuing a loan.

22. Do I need a home inspection?

A home inspection may be optional but is always recommended. Your agent will usually recommend a home inspection to discover unexpected defects in the home that are not visible with the naked eye. Discovering defects will enable you to claim repair costs from the seller. In some cases, the seller may agree to repair the defects before closing.

23. What is a survey? Should I get one?

A survey marks out the boundaries of the land and reveals its general landscape (for example, whether the property is on a flood plain). A survey is always recommended as a surveyor may be able to find areas of concern with the property's boundary lines, easements, etc. that your closing attorney may not be able to find in the official county records.

For a town home or condominium, a survey is optional. For a land property transaction, a survey is highly recommended. If you opt out of obtaining a survey, it is likely that your closing attorney will have you sign a survey waiver.

24. What is a final walkthrough?

In a final walkthrough, you go through the seller's home for the last time before signing the closing documents. If you requested any repairs, you have the opportunity to inspect the repairs to ensure that the seller completed them. You should also ensure that the seller did not leave behind any personal property. Most of the time, your real estate agent will be present with you during the final walkthrough.

25. What is “closing” and what can I expect on closing day?

Closing is the process of getting to the settlement date, or the date when the buyer and seller go to the buyer’s lawyer’s office to sign the documents to complete the transaction.

During the closing process, you will pay any due diligence and earnest money deposits as agreed to in the purchase contract, you will continue working with your lender to secure the funding for your loan, you will be running inspections and surveys, will negotiate and agree with the sellers on post-inspection repairs, do walk-through, etc.

As the buyer, the day of closing, you will go to your attorney’s office to sign all the paperwork. Your real estate agent is not required to be present at closing but many agents do come with their buyers to the closing in case they have any questions. Your lawyer will have all of the bank documents prepared and will help you go through them and explain and answer questions as you sign.

After you are done signing the documents and after your lender has sent the funding, the deed and deed of trust will be recorded with the Register of Deeds in the county where the house is located. After the documents have been recorded, the attorney will let you know, and you will be free to move into your new home. Your attorney will make copies of the documents for you, will send out the loan package to the lender, and will disburse the funds for the seller’s proceeds, the agent commissions and anything else that needed to be paid at closing.