

What kind of funds do you need to purchase a home?



Below you will find some of the most common funds needed.

Earnest Funds: These are the funds that are needed at the time an offer is submitted to purchase a home. Usually only 1% is required, however some sellers may require more. These funds are normally not cashed until there is an offer is accepted. Then the check is sent to escrow to be cashed, the check opens escrow. At this point some escrow companies or sellers may require the check to be in the form of an official bank draft. Earnest funds are counted as part of your down payment and can be put toward the down payment or closing cost.

Down Payment: The balance of your down payment will be due at the end of the escrow period. Escrow will inform you of the amount due, i.e. if you are putting down 3% of a \$100,000 purchase price, your earnest funds were \$1,000 then you would have \$2,000 plus any closing cost not cover by seller due. These funds need to be in the form of an official bank draft or wired from your bank to the escrow company. Many buyers will bring the check to the signing of their documents.

General minimum down payment amounts:

VA – no down payment required.

FHA – 3.5% of purchase price.

Conventional – 5-20%

Investor – 25% of purchase price

Check with your lender as these amounts are meant only as a guideline, and lending polices are constantly changing.

Appraisal: After an accepted offer an appraisal has to be done. This is ordered by the lender, most lenders will require this to be paid at the time it is ordered. It has to be paid up front just in case the purchase does not close – the appraiser still needs to be paid for his work.

Termite Report: In a standard sale this would be paid for by the seller. But in today's market if you are buying an REO, the bank, many times, will not pay for a termite inspection report or any work that may need to be done. You could be required to pay for the work to be completed yourself. Work with your realtor as they will help you with information to decide if you should request it or not.

Home Inspection: The home inspection happens after you have an accepted offer. Price is based on the square footage of the house, starting at about \$175.00 for smaller homes under 2,000 square feet. The price will also increase if you need to have the roof, septic tank, pool, or other out buildings inspected. Many lenders are now requiring a home inspection to be sure it is sound.

Closing Cost: Be sure to ask your lender to give you a good faith estimate when you are qualifying with them, this way you will have a better idea of what to expect. After you have an accepted offer they should give you another one, as they will then have all the correct amounts; purchase price, seller's credit, if any, for closing cost, interest rate, taxes, etc.

*The above is for educational purposes only, contact the professional in the above areas for exact amounts.

Claudia M .Rood
Cell - 951-203-3400
Claudia@ClaudiaRood.com

BRE#1340432
19322 Jesse Lane
Riverside, CA 92508