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Buying a Home in Florida – 2009 Edition

Buying a home can be a traumatic experience, but it doesn't have to be. Every year, we help dozens of families, individuals, and investors with the sale and purchase of their property.

The majority of our clients are from out of town, often from outside of the US. We work with a network of professionals – including mortgage brokers, title agencies, insurance agencies, attorneys, and other Realtors – to help make your transaction as smooth and stress-free as possible.

We've created this guide to help you understand how the home buying process works here in Florida.

House or Condo? Villa or Townhouse? Hi-rise or Patio home?

The first hurdle you need to get past is one of terminology. There are a wide variety of different types of homes available in Sarasota, so your first decision is to determine which type best suits your needs and lifestyle.

There are two major classes of homes. Single Family homes are traditional detached homes with a yard or garden. Condominiums are multiple-family homes where you own your home but share the land (and often other amenities such as a pool, tennis courts, or beach access) with the other homeowners in your condominium. There is also a third class of property – called "maintenance free homes" - where you own the home and land, but the homeowners association provides some or all of the exterior maintenance.

Here's a brief breakdown on the pros and cons of each:

Traditional single family homes are the most common type of housing in Sarasota. You own the house and the land and are typically responsible for all maintenance of the property. Home prices vary widely according to the size of the house and the property. Typical 3 bedroom, 2 bath homes prices start at about \$150,000 and go up to several million dollars. Of course, location pays an important role in determining the price of a home. Homes closer to the beach command much higher prices than those homes further inland. In addition to their higher cost, coastal homes cost more to maintain, and they also carry much higher flood and wind insurance premiums. Many of Sarasota's oldest and finest homes are located on some type of water, either on the Gulf of Mexico,

Sarasota Bay, or one of the hundreds of man-made canals that were cut into the edge of the bay to create more waterfront homes.

The majority of newer homes are located in deed-restricted subdivisions. Deed restrictions place limits on what owners can and can't do with their property. Each subdivision has its own homeowners association, and the association is responsible for enforcement of the deed restrictions. Some deed-restricted communities also provide some shared amenities like a pool, recreation area, or tennis courts; these are also managed by the homeowners association. Some subdivisions are gated, either using an electronic access control system or a live guard. While these offer an extra degree of security, they are costly to operate, and all of the homeowners share that extra cost.

Many new home developers offer maintenance-free single family home communities. These communities combine the privacy and larger living space of a single family home with the convenience of condominium-style maintenance. In a typical maintenance free community, the homeowners association takes care of most exterior maintenance, including the lawn and garden, and some even take care of the pool and exterior painting. Of course, owners pay a monthly or quarterly fee for maintenance, but the fee typically isn't much more than you'd spend for maintenance on your own. These homes are ideal for part-time residents who prefer the privacy and freedom of a single family home.

Condominiums - once found only in Sarasota's coastal and downtown areas - are making their way inland as well. The majority of condos in the Sarasota area are low-rise (up to 4 floors) and mid-rise (up to 15 floor) apartment buildings with one or more condo units per floor. In addition to traditional apartment-style condos, there are a large variety of condos including town homes (two-story, multiple-unit buildings) and patio homes (one-story condos with a small yard or garden). There are even a few condo communities that offer free-standing single-family homes as condominiums.

When you purchase a condominium, you are buying the interior of the building as well as a fractional share of the common grounds, the building itself (often called "the shell"), and the land. Condo owners pay a monthly or quarterly maintenance fee that covers insurance on the building and common areas, exterior maintenance, landscaping, and security costs. Many condos provide pest control and basic cable TV as part of the condo fee. Buyers should be aware that the condo fee is not all-inclusive. Condo associations may require owners to pay a special assessment to cover unusual expenses such as a major roof repair.

Because many owners share a single piece of land, the cost of a condo is often lower than a comparable single-family home. This is especially true for beachfront and downtown condos, where the scarcity (and resulting high cost) of land has put single-family home ownership out of the reach of most buyers.

Condominiums are governed by a condominium association, and most condos have extensive rules and regulations designed to protect the rights, privacy, and property value of all of the owners in the association. Because each condo has a unique set of rules and regulations, prospective buyers

of condos are allowed three days (15 days for brand-new buildings) to review the condominium association documents.

Finding Your Dream Home – and the Money to Buy It!

Once you've made the condo vs. single-family home decision, it's time to start the search for your new home. Unless you plan to pay cash for your new home, there are two important steps you should take *before* you start looking for your new home.

First, find a good, reputable mortgage broker that is licensed to do business in Florida and who has actually closed a loan in Florida. Some out-of-state mortgage brokers are not familiar with the way things are done here, and that unfamiliarity can cause major problems at closing time.

Second, ask the broker to take your credit application and provide you with a pre-approval letter. This process used to take weeks but many mortgage firms can give you an answer within minutes. The pre-approval letter states that the lender has examined your credit and financial status and is willing to write a loan for a specific amount. This is different than a pre-qualification letter, which simply states that the lender has briefly examined your credit and is willing to take your formal loan application.

When you do find the right home, the pre-approval letter shows the seller that you are a serious, qualified buyer who is ready to buy if the price and terms are right.



Money Magazine has an excellent mortgage calculator on [their web site](#) that can help you determine how much house you can afford.

Using Internet Search Tools

Thanks to the Internet, you have a number of tools to help with your search. We have a search tool on this site that allows you to search through the listings on the Sarasota MLS system; you can also use the search engines on Realtor.com and Century21.com to search a broader area.

While these sites have excellent search features, they don't tell you much about the area. That's why it's important to have input from a local real estate professional. We live and work in the area every day and are intimately familiar with all of the neighborhoods and condominiums in the area. We also have direct access to the Multiple Listing Service in our area, and we can e-mail listing information to you from the MLS. We can even set up an automatic search for you that will immediately notify you as new listings come onto the market.

No online search tool can replace the experience of seeing a home in person. We suggest that you use the online search tools to get a general sense of the homes available in the area. When you're ready to come to Sarasota and look at prospective homes, we will work closely with you to learn your preferences and needs so that we can narrow the field of potential homes to a manageable number.

The Buying Process

Once you've found the perfect home, the real work begins. In this section, we'll give you an overview of the buying process so that you'll know what to expect.

Step 1: The Offer

The first step in the purchase process is to write an offer to purchase. In Florida, most Realtors use a standard contract approved and distributed by the Florida Association of Realtors. This document is called the FAR-9 contract, and it may include one or more standard addenda documents designed to cover special situations.



In many states, an attorney must create real estate contracts. Florida law allows real estate agents to use a "fill in the blanks" contract. Every real estate attorney in Florida is familiar with the FAR contract, so there typically is no need to have an attorney review the contract before closing.

To start the process, you and your Realtor will fill out a new contract, specifying the purchase price, amount of mortgage (if any), closing date, amount of deposit (also called *earnest money*), amount of additional deposits, inspection dates, and other terms and conditions of your offer. This can be done in person, but we often create the contract on our computers and e-mail a copy to the buyer for signatures.

Once we have a signed contract, we present the offer to the seller's Realtor. The contract requires the seller to respond to the offer within a specific time frame, usually by 5:00 PM the following day. If the seller chooses not to respond to the offer, the offer expires and the buyer is under no obligation to purchase the property.

Step 2: The Counter-Offer

In many cases, the seller will not accept the initial offer made by a prospective buyer. If the seller does not agree to the price or terms of the offer, the seller will make a counter-offer back to the buyer.

If there are only a few changes to be made, the seller's agent will simply mark through and change the original offer. The seller will initial each of the changes, indicating his or her agreement to the revised terms and conditions.

If there are extensive changes to be made, the seller's agent may also choose to use a counter offer addendum form. This is a single page document that amends the terms of the original offer.

In either case, the seller's agent returns the marked-up offer back to the buyer's agent for review. At this point, the buyer may either accept the modified offer, or decide not to purchase the

property. An offer may go back and forth between the buyer and seller several times before an agreement is reached.

If the buyer and seller fail to come to agreement on the offer, the offer expires and the buyer's deposit money is refunded.

Step 3: The Contract

Once the buyer and seller agree to the terms and conditions of the buyer's offer, the offer to purchase becomes a legally binding contract. At this point, several clocks start ticking. Under the standard terms of the contract buyers and sellers have to meet certain deadlines or one of the parties may be in default. In particular:

1. Any additional deposits specified in the offer must be made on or before the date specified in the contract.
2. If you are purchasing a condominium, you have the right to review the condo association documents, including the most recent financial statement and any rules and regulations. If you do not agree to the terms and conditions of the condo association, you have three days (for resale condos) or 15 days (for new construction) to rescind your contract. The document inspection period begins from the time you receive the condominium documents.
3. The buyer has 10 days to have a home inspection performed by a professional home inspector. Once the buyer receives the results of the inspection, the buyer has 5 days to submit a written repair request to the seller.
4. If the buyer is obtaining a mortgage, the buyer has 5 days to apply for financing with a lender.
5. The buyer must obtain a loan commitment within 30 days of the original contract date, unless another date is specified in the contract.
6. The closing must take place on or before the date specified in the contract. If the closing must be delayed for any reason, the buyer and seller must both agree to the original closing date.



In Florida, a licensed title agency or real estate attorney handles real estate closings. In some counties, it is customary for the seller to pay for the title transfer and title insurance; in other counties, the buyer pays. Normally, the party who is paying for the title insurance gets to choose the title agency or attorney. *Note that the FAR-9 contract requires that the closing be held in the county where the property is located.*

We closely monitor all activities from the contract through the closing. We personally attend all inspections and we keep in touch with all parties, including the seller's agent, the lender and the title agent (or attorney) to insure a smooth and successful closing.

Step 4: Inspections

Under the terms of the FAR-9 contract, the buyer is entitled (at his/her own expense) to have the home inspected. There are several types of inspections that may be performed:

1. Home Inspection: This is a comprehensive inspection, performed by a certified home inspection specialist. The inspector typically checks all of the major systems in the house, including the foundation, walls, roof, appliances, heating and cooling systems, water heater, and swimming pool. This inspection typically costs between \$250 and \$500, depending on the size of the home.
2. Wood Destroying Organism (WDO) Inspection: The home is inspected by a licensed pest control technician, who checks the home for termites, wood boring beetles, fungus, and other wood-eating organisms. Many lenders require this inspection, and it costs between \$35 and \$60.
3. Mold Inspection: If you or someone in your family is especially sensitive to mold, we recommend that you get a mold inspection. We also recommend this inspection if the main home inspection turns up any evidence of mold or prior water or roof leaks. Mold inspections cost between \$500 and \$1000.
4. Radon Gas: The United States Environmental Protection Agency (EPA) rates West Central Florida "Low Potential" for Radon gas. Nevertheless, the EPA recommends that all prospective homebuyers have their new home tested for Radon gas. Radon gas tests start at about \$300. See <http://www.epa.gov/iaq/radon/zonemap/florida.htm> for more details about Radon in Florida.
5. Although the contract doesn't require it, you may also want to have a surveyor locate your lot corners. (Some lenders will require a survey in any case.) If your new home is in a flood zone, you may also need to obtain a *Certificate of Elevation* before you can obtain flood insurance. If the property has been surveyed in the past and there are no obvious encroachments (fences, driveways, new construction, etc.) on the property, you may not need a new survey. Some lenders will allow you to use an old survey as long as the current owner signs an affidavit stating that there have been no material changes to the property. You do not normally need a survey for a condominium. Surveys cost about \$350 and up, depending on the size and shape of the property.

If the home or WDO inspections reveal any deficiencies, the seller may be required to correct those deficiencies before the closing. The FAR contract specifies that the seller must correct warranted items (which typically includes all functional aspects of the house) up to 1.5% of the total purchase price. In addition, the contract requires sellers to correct problems caused by wood destroying organisms up to 1.5% of the purchase price.



The 1.5% repair reserves are not cast in stone. Some sellers may specify a smaller repair reserve. In addition, some homes are sold "As-Is with right to inspect", meaning that the seller is selling the home with no repair reserve. In As-Is sales, the buyer has the right to inspect the home within 10 days, but the seller is under no obligation to make any repairs, even if those repairs are necessary for the buyer to obtain financing.

Step 5: Preparing for the Closing

As soon as your offer becomes a firm contract, we send a copy of your contract to the title agency or law firm who will be handling the closing. We create a checklist of due dates to make sure that your closing takes place on time. We stay in touch with you and all of the parties involved in the transaction (seller's Realtor, title company, lender, insurance agents, etc.) to make sure that there are no last-minute surprises.

During this period, the title agency or law firm will contact you to confirm your full legal name, mailing address, and other identification information.

If you are purchasing a condominium or a home in a subdivision with a mandatory homeowners' association, you will need to apply for membership in the condo or homeowners' association. The association may require a formal or informal membership interview. We will work with you to obtain the necessary application forms.

Shortly before the closing, the title agency will send us a preliminary closing statement, called a HUD-1 form. This form is long and complicated, and we will go over it with you in detail before the closing.



The US Department of Housing and Urban Development (HUD) has an excellent series of articles explaining the closing process on their web site at <http://www.hud.gov/offices/hsg/sfh/res/sfhrestc.cfm>. The article includes a sample HUD-1 form, and explains how to read the form.

You will need to make arrangements to transfer funds from your bank account to the title agency before the closing. Most title agencies can accept wire transfers, which is a secure electronic transfer of funds performed through the American Banking Association's private network. You may also choose to bring a certified check to the closing. As part of the pre-closing process, we will help you determine the best way to initiate the transfer of funds. Note that closing agents will NOT take a personal check, even for a few dollars. For this reason, we recommend that buyers send a little more money than the closing statement indicates in case there are any last minute changes to the closing statement. The closing agency will write you a check for any overage.

If you are financing any portion of your new home, your lender will require you to obtain an insurance policy before the closing. The policy must name the lender as a payee in the event of loss. Depending on the location of your home, you may also be required to obtain flood and/or windstorm insurance coverage.

Step 6: The Closing

At last, your offer has been accepted, you have your financing lined up, all of the inspections have been completed, and you're ready to close on your new home. In many cases, the closing is the easiest part of the entire transaction. Some buyers seem to think that the closing is some sort of mystical ritual, but it is really very simple:

1. The title agency or law firm will review the HUD-1 statement with both parties to make sure that everyone agrees to the charges and credits on the HUD-1 statement.
2. The buyer provides payment in the form of a mortgage note, wire transfer, check, or some combination of these. Any funds placed as a deposit with the selling real estate broker are presented to the title agency on behalf of the buyer.
3. If the buyer is obtaining a mortgage, the buyer signs the new mortgage and note. The title agency immediately sends the new mortgage and note to the lender. Many lenders will not transfer the loan proceeds to the title agency until this step is complete.
4. If there is an existing mortgage on the property, the title agency makes sure that the existing mortgage is paid from the sale proceeds. The title agency issues a check to the seller for the sale proceeds, minus any loan payoff, real estate commissions, and other charges.
5. The seller signs a warranty deed, transferring ownership of the property to the buyer.
6. If the buyer is purchasing title insurance, the title agency issues a new title policy to the buyer, with the lender (if any) shown as a loss payee.
7. At this point, the closing is complete, and the buyer owns the property.
8. After the closing, the title agency records the note, mortgage, and new deed with the Clerk of the County Court.

These steps don't always happen in this order, and they don't have to happen in person or on the same day. Because many of our buyers and sellers are out of town, we often handle closings by fax, e-mail, or overnight courier. We'll work with you to determine the best way to handle your closing.

Short Sales & Foreclosures

During your search for a new home, you will probably encounter homes being sold as a *short sale*, *bank owned sale*, or *foreclosure*.

A short sale means that the seller knows he must sell the house for less than he owes, and he has negotiated a payoff price that the bank will accept. The buyer also can be fairly certain that if he makes an offer close to the asking price, the seller will likely accept. The buyer may also offer less than the advertised price, but the bank and seller will need to re-negotiate the terms of the existing mortgage. This can take some time.

"Bank owned" (or "REO") means that the seller has stopped making payments on the property, and the bank has foreclosed on the loan. Once the foreclosure is complete, the bank owns the property and may sell it with no further involvement from the original owner. Generally speaking, the banks had these properties priced at or very near the lowest price they will accept. Banks don't like to own real estate, so they are generally anxious to sell and recover as much cash as they can. This means that they usually want to close as soon as possible.

Short sales and foreclosures are distress sales, and they may take slightly longer than normal to close the transaction. When you close on the property, the closing attorney (who is working for *you* and not for the seller) makes sure that you receive clean title, free of any liens or other encumbrances that the previous owner may have attached to the property.

Short sales and bank-owned properties can be an excellent buying opportunity, but you must keep in mind that they are almost always "as-is" sales, meaning that the seller does not agree to make any repairs, and the buyer is taking possession of the property in an as-is condition. The buyer is allowed to have the property inspected and may cancel the transaction if the inspection turns up any major defects, but once the inspection is complete, you are agreeing to buy the property as it sits.

Now You Know...

We hope you've found this crash course on Florida Real Estate to be helpful. If you have any questions, please feel free to call or e-mail us, and we'll be glad to answer them for you.

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