

Episode 9

Nadeska Alexis: [00:00:00] Hey, I'm Nadeska Alexis, and this is Beginner to Buyer. Beginner to Buyer is powered by Chase Home Lending, and you can get more great tools and useful information to help you buy your first home anytime by visiting BeginnertoBuyer.com.

We've covered a lot of ground together over our last eight episodes, from becoming financially and emotionally ready for homeownership to actually landing your first home. I'm happy to say that at this point, you're almost ready to step off this wild rollercoaster ride and settle in, because it's finally time to sign those closing papers and officially become a homeowner.

Omar George: [00:00:35] So I'm Omar George. I'm from California, born and raised, moved to New York City for a few years after college. And then after that, I, you know, decided to kind of give it a chance and move to Chicago.

Nadeska Alexis: [00:00:46] So you did just buy your first property, which is an apartment in Chicago. Congratulations. How did you feel when you collected those keys?

Omar George: [00:00:54] Honestly, like my experience was short in the sense that I didn't have to wait a huge amount of time, but that short time was just so excruciating in terms of its intensity and how many things pretty much went wrong and things that I didn't even think about happening last minute. So when I got those keys, to be honest with you, I should have probably been more excited, but I was just so ready to be done with the whole thing that I was like, "thank you". And then, you know, it wasn't until probably like two weeks later that I was like, "holy moly, this is my apartment, like this is literally mine. Wow, it's mine".

Nadeska Alexis: [00:01:34] Listen, relief is a totally acceptable emotion after going through a stressful experience. It's okay that it takes some time for it to really sink in, you know? So was, was it always your goal to own your own place? Like, is this something you grew up thinking about? Is this something you grew up talking to your family about?

Omar George: [00:01:50] Never. Honestly, never. I never had even a concept of what it meant to own a home. It was like, okay, my father is providing us with shelter. That was literally the only thinking that I had when it came to thinking of what a home was. And it wasn't until probably about 26, 27, that I was like, "Omar, you need to start being a little bit more financially conscious and just thinking about what it means to have a savings account and what it means to really diversify your financial future". So I moved to Chicago, you know, landed a great job and I was able to save money. And that's when the conversation of owning a home really came about. But once it happened, I mean, it was pretty like, pretty fast. I kind of equated having a home to your forever place. And that to me, kind of petrified me. Like that was a, you know, it could have been my commitment issues, but I was just afraid.

I realized that buying a property did not, you know, chain you down to that certain city. And for me, having that thinking gave me that sense of confidence to really go for it. For me, it was like alright, this is a rental. I will live in it for about a year or two, does it have the opportunity to rent at a good price point in that timeframe? And mind you, these are things

that I was not thinking about even six months ago. It was through conversations with my agent, with my lender, with friends that I, you know, started thinking in that mindset.

Nadeska Alexis: [00:03:14] And there's absolutely nothing wrong with that. It definitely sounds like you learned a lot along this process, and you mentioned your realtor and your home lending advisor. So tell me, at what point did you involve them in the conversation?

Omar George: [00:03:26] You know, it was very important for me to kind of bring them on early in the process. I had an idea of what I wanted, but it was all over the place. So for me, it was really important to have a really good agent who knew what they were doing and also could kind of come to me and speak on a personal kind of way. And, you know, my agent came referred through a friend who had a wonderful experience. So once we started seeing apartments, I think that's where really like a lot of the learning curve really started. And when I looked at that price, that calculation, I was like, "this is frightening, this is definitely not something that I would be able to afford". And let's say, if I did, I don't want to, I was like, "I don't know if this is right. I don't know if I'm doing the right thing". Like you keep looking at these apartments and I'm just feeling overwhelmed. When I tell you, it felt like literally the world was crushing down, because I quite honestly thought that I was getting myself into a situation that I didn't understand and that I would, at the end, be ended up like having to, you know, have a financial loss on.

You know, first-time home buyers, especially, you know, first generation like me, I don't have, you know, a dad or a mom coming to me and telling me what questions I should be asking. So everything that I was learning was through trial and error. And that's frightening because it is probably one of the biggest purchases of your life.

Nadeska Alexis: [00:04:43] Absolutely.

Omar George: [00:04:44] I think it was important for me personally to also connect with the people that I was working with. And, you know, I'm not sure for other home buyers that is too, but for me it was because it felt like there was this really kind of sense of connection and an understanding between us. So, you know, they were very professional. I was too. Things that I was thinking about, you know, not only as a person of color, as a gay man, like, you know, all that stuff, they already kind of had experienced.

Nadeska Alexis: [00:05:09] Well, I think also sometimes if you get a recommendation from a person you already, you know, you trust and you feel like you work well with, in a process that can be so stressful and uncomfortable, that bit of comfort can make you want to stick with it. So that's understandable. Did your home lending advisor also prepare you for closing costs and property taxes? Did you budget for that?

Omar George: [00:05:30] Yeah, I mean, I'm kind of a little speechless still because I did not expect closing costs to be so much. And the biggest frustration that I had throughout this entire process was that every single time I received a breakdown or somewhat of a calculation. And listen, I know it's not the final number, but you expect that these things will be close to what you might be putting down. When I tell you I was getting numbers that changed by day, you know, by week. You know, "Hey, you're going to put 5,000 and closing.

Oh, wait. No, it's coming up to like 15. Oh wait. No, it's 10". I'm like, "where are these line items coming from? Like, I expect someone who's done this before to come with a semi-accurate number, and if there will be some changes it won't be more than like two, three grand". But some of these numbers were just absurd and you know, it wasn't until the end that I was like, "okay, I'm just done with this". You know, I ended up having to put a good amount down. I think I put like 10% and then closing costs, which was like \$8,000. And I was like, I definitely did not expect that the closing costs would be \$8,000. So luckily I did have, you know, the capital for that, but it was frustrating because not only are you looking at, you know, the biggest possible purchase of your life, but it's like, these numbers just keep changing and you're trying to get a grasp on what it's going to be. And it's just impossible. And you probably don't know up until a few days before. I mean, I'll tell you my exact number, I got the day before my closing.

Nadeska Alexis: [00:07:04] Really?

Omar George: [00:07:05] So these are the things that you don't expect, but honestly happen. And when they do it does push either the timeline back, or it stresses you out more than you already are. I think it's a little bit different when you're a couple or you're going into it with someone else. You know, not only are you able to split the cost, but you get to have someone to kind of bounce ideas and opinions with. So I reached out to my brother. You know, he owns two places out in California. And then I had buyer's remorse. I was like, "I've gone through all of this, but now I don't know if I want the keys". He's like, "what are you doing? Relax, take a breather. You'll be fine. You're not going to die". And I'm like, "I feel like I am", you know. I loved having him there.

I had to go to my lawyer, and then he had to go to their lawyer, and then he would come back and say, "Hey, you need to do this". And I'm like, "alright, great. How do I do it?" "Oh, I'm not sure, that's your lender". And then I go to my lender and my lender is based out of California, so he's like, "in California, we do this, so I'm not sure what he's talking about". So it was like, at one point I'm here, I remember being on the phone and I was like, "do we know what we're doing? Do we know what everyone's job is?" And I'm like, I just need everyone to do their job. Like, do we know what we're doing?" And again, it wasn't their fault. It was really that these cities all have such different rules and laws and protocols that, you know, it just makes it much harder.

Nadeska Alexis: [00:08:26] You know, early in our conversation when I asked you how you felt when you got the keys and it wasn't excitement, it was relief. Now I understand why, because you've clearly been through a lot. I'm really glad that you're finally on the other side of it.

I really hope that Omar is settling in and enjoying his new apartment after all of those last-minute complications. He gave us a good reminder of why having a reliable team of professionals working with you is really important throughout your buying process. After all of the weeks of planning, searching, submitting what feels like hundreds of documents and then waiting and impatiently, closing itself can actually go pretty fast. Mine took less than an hour, which surprised me. So there's a lot to do ahead of time to make sure that experience goes smoothly and nothing stands between you and that new home. A lot of people choose

to hire an attorney to counsel them through closing, and some states actually require it. So I sat down with Chicago real estate attorney, Alexis Hart McDowell, to hear more about what you should expect at closing.

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Alexis, I've been having a lot of conversations with first-time home buyers and they're trying to wrap their heads around this entire process. So I think it's enough for them to try to understand how hard it is to find a home they like, and to even get that offer accepted. So once you get through that initial stage, I'm wondering if you could give us sort of a very broad overview of the closing process, like the big bullet points of what that actually entails.

Alexis Hart McDowell: [00:09:51] Absolutely. So home buyers, especially first-time home buyers are so excited, but they're so anxiety-ridden at the same time, right? Because this is the biggest financial purchase of most people's lives. So when they get that clear to close, that's the number one step that we have to have before we hit the closing table, the clear to close from their mortgage lender, then it's a clear shot to the closing table. So when they receive that, we start to schedule the closing, meaning we work with the buyer's attorney, we work with the seller's attorney, we work with the title company if you're in a title company closing state, we set up a date. You want to make sure that the seller has completed all of their obligations to you. For example, if they agreed to do some repairs on the house, you want to make sure that's done. And then you want to prepare for closing. So you want to make sure that your lender has everything that they requested of you, and that you want to make sure you have the right amount of money that you need to bring to the closing table. And then trust your professionals. Enjoy your closing, sign the documents, and get the keys to your brand new home.

Nadeska Alexis: [00:11:02] You did mention that there are a couple of attorneys involved. So at which point should a home buyer be involving their own attorney in this closing process?

Alexis Hart McDowell: [00:11:10] I say you need to involve an attorney at the very beginning. How about before the beginning? It's about having the best team for you and you want to make sure that you're vetting and have the right teammates. Not every attorney is going to communicate the way that you want to be communicated with. Not every attorney is going to be a teaching attorney, right? Some people want more education than others. Some aren't going to be as responsive. So you have to find the right teammate for you and involve them at the very beginning. At the contract stage, you want to have your team, which is your real estate broker, your attorney, and your lender, and your home inspector all together and working together for your greatest outcome, which is to get you into this house.

Nadeska Alexis: [00:11:56] That's great advice. Do you have any recommendations for how a home buyer could go about finding the right attorney for their team?

Alexis Hart McDowell: [00:12:02] Yes. I have some great pointers for people who are looking to vet the professionals for their team. First and foremost, check out referrals, right? Who

have your friends, family, and others used and who want to give a good recommendation to you? We all know that we've worked with professionals that we absolutely loved, and we will refer them to everyone. And then we've also worked with professionals that we didn't have quite such a good experience with, and so we're not going to send their name out.

So number one is referrals. Number two, reviews. Definitely Google the person, check out their reviews. What are other people saying? How are other people experiencing that professional's services, right? And then the last one is go to their website, reach out to them. Do they have a free download so that you can see how they communicate? What type of information are they putting out there? Schedule a free consultation with them so that you can have a one-on-one conversation with them and see if you enjoy speaking with them. See what additional information that they're open to sharing with you. See if that's going to be a good relationship for you, if it's going to be a good interaction. So all of those techniques and strategies will help you find the right professional for you to ensure that you're building the right team so that you can have the success of moving into your first home.

Nadeska Alexis: [00:13:28] There's honestly nothing more frustrating than being so excited your first time and constantly waiting for updates and realizing you have to wait days and days to hear back from someone on your team. So you do want to make sure that you like their communication style. What does the average timeline usually look like for closing? And are there things that happen or can happen that can make that timeline vary?

Alexis Hart McDowell: [00:13:50] Oh, absolutely. So that contract date to close can be anywhere between 30 and 50 days. But the actual closing itself is probably an hour to two hours, right. But 50, 60 days, not unheard of at all. Some things that may extend the contract is if the buyer's paperwork isn't together, if their lender isn't turning around their file fast enough and getting it to underwriting, if they're coming back requesting additional documentation.

Another thing that can make the timeline go longer is if the seller isn't doing what it is they're supposed to do. For example, with some loans, like an FHA loan, they may have to do repairs required by the appraisal. And if the seller is dragging their feet, that's going to extend the timeline for you to get to the closing table. So there's a couple of different things that can happen in that case. But on average, you're looking at 45 to 50 days.

Nadeska Alexis: [00:14:49] Okay, so 45 to 50 days if all goes well. And like you said, there's variables and with other humans involved, like, you usually cannot control their actions, but for the things that you can control, you mentioned paperwork. There certainly is a lot of paperwork involved in closing. What kinds of paperwork should buyers be prepared to have ready to speed up the process on their end?

Alexis Hart McDowell: [00:15:08] So in order for them to speed up the process, you want to know what your lender requires before you even start with your lender. Most lenders are going to require similar documents; your W2's, your tax returns from the last two to three years, employment verification, bank statements, right? So you want to make sure you have all of those items readily available and any other document that your lender is going to require. Additionally, when it's time to hit the closing table, you're going to want to have an

unexpired government ID and/or a passport because they need to verify that you are the person taking out that loan in order to notarize your signature. So those are the very basic items, but you can't imagine how many deals get slowed up because the buyer didn't have those basic items together.

Nadeska Alexis: [00:16:00] Okay. So that's your list of paperwork that you should always have ready. And then another thing I've noticed in my conversations with first-time buyers, and I had the same experience as well, when you start looking for a property, it takes you some while to figure out there are things like property taxes that you didn't consider at first. And then there are closing costs, which also just like really hit you like a ton of bricks sometimes. So can you tell us, like, what are closing costs? Like, what is this money that we're paying to finally get our keys?

Alexis Hart McDowell: [00:16:26] So closing costs are all of the fees and expenses associated with not only your loan, but the title company if you're in a title company closing state, transfer taxes, government fees, all of those fees show up on your HUD-1, also known as your settlement statement, your closing statement, all those different names for that one document. So everybody's fee shows up on this document, this closing statement. So your lender's fees are on there, any points, any additional credit reporting fees, appraisal fees that you didn't pay in advance or outside of closing are all going to show up on the closing statement. Transfer taxes, as you've mentioned. Also, any credits that the seller is owed to you and any municipal or government fees as well. So recording fees, you got to record that mortgage and that deed. Those fees are going to show up on the closing statement as well. Not to mention title company fees if you're in a title company state, they'll charge for the title insurance. They'll charge to have their person handle the closing. So there's a lot of different fees that show up on a closing statement.

Nadeska Alexis: [00:17:36] So exciting, all of these fees, right? I mean, can, can, any of these fees usually be negotiated?

Alexis Hart McDowell: [00:17:42] You know what, actually some of them can. But most of the ones that can be negotiated are with your lender. So if your lender is late or you didn't have a good experience through the process, you can mention that to your lender and ask for a credit. So typically your best bet is going to be with your lender. Not all fees though, but just some of them.

Nadeska Alexis: [00:18:05] That's good. So you do have a little bit of negotiating power at least. And would you say that most fees are pretty standard, or is there anything that you should look out for that maybe could end up on your HUD-1 that shouldn't be there.

Alexis Hart McDowell: [00:18:17] Most fees are standard. However, the thing that you probably want to look out for is making sure you're not charged a fee to pay the back taxes owed by the seller. So the seller has to give you a clear title, and sometimes you may find that the back taxes of the seller are being paid, but then they're charging you the fee for it. So that's something to look out for as well.

Nadeska Alexis: [00:18:45] Okay. And escrow is also one of the terms that come up pretty early in the closing. Again, something that just as a normal person living life, you don't really have to know about. Can you explain what escrow is?

Alexis Hart McDowell: [00:18:55] Yes. Escrow is simply a third party who is holding funds and is going to disperse those funds according to how the buyer and the seller agree. So if you owe \$100,000 on this house, you're going to put \$100,000 into the escrow, and then once all of the fees are paid, the net is what the seller gets. So it's a holding place for money.

Nadeska Alexis: [00:19:20] That's reassuring, right? You're not handing the seller such a big check upfront and then have to wait 50 days for closing anyway, so it's a bit of reassurance.

Alexis Hart McDowell: [00:19:29] It absolutely is. And it is probably one of the ways that makes a buyer feel okay with moving forward. Now I mentioned that there's title company states, that would be your escrow holder. All the money goes into the title company and they print out the closing statement and disperse the money as it is supposed to be. But then you have other states that don't require a title company, in which case you will use a third party escrow holder, and they're going to perform the same function. So the buyer can feel secure that, "Hey, I don't have to sign off and release these funds if this isn't what I agreed to or what was promised to me". And so you don't have to worry about someone running off with the money because you have to sign to release that.

Nadeska Alexis: [00:20:17] Which is good. I think we all love that reassurance because those are some pretty big checks that you're writing. You also mentioned title, another term, you know, as a previous renter, or if you're living at home with family, it's not something that necessarily registers to you. So what exactly is a title?

Alexis Hart McDowell: [00:20:31] Title comes in two forms. So I'll start with the first one. Title can mean title to the property. Who owns that property? Okay. Do you own it? Do I own it? Do my mother and father own it? That is the title holder. That's one aspect of title. Another aspect of title could be title insurance. Okay. And so title insurance is insurance that protects not only the buyer or the borrower. But also the lender from any defects on title. So it's an insurance policy to make sure that your title to the property is unencumbered. That's the word in the industry.

Nadeska Alexis: [00:21:12] You can find even more useful tips like these by visiting beginnertobuyer.com, now let's get back to the episode.

So once you get through all of these initial things with your lender, your attorney's going to check on the title insurance and things like that, and you get to the closing table. You are signing a lot of documents. There are so many documents. Can you tell us what actually are some of those things that you're going to be signing on that final day?

Alexis Hart McDowell: [00:21:30] Oh my God. Sometimes the stack is so big that it can be very intimidating and then sometimes the stack could be very manageable. It really just depends on your lender. But the overall thing that the buyer needs to know is that all of the documents have to be signed. I know because I've been in closing and the buyer was like, "wait, can I not sign this? Can I not sign that?" and I was like, "no, it doesn't work like that.

This is all required by your lender, otherwise they're not going to give you the money". But some of the most important documents that you'll be signing of course, is the mortgage. And that puts the lien on the property and secures the promissory note. The note is what you're borrowing from your lender and you're promising to repay. So those are the top two documents that you'll be signing, but you'll also be signing some other things like environmental indemnities in case there's anything going on with the property, your lender isn't going to be responsible for that, right. So all of the other documents, including your closing statement, you'll sign that as well, all the other documents are going to be required by your lender, and some are very lender specific. And the lender should give you a list of any and all documents that they want you to sign.

Nadeska Alexis: [00:22:46] Okay. So I think, you know, to your point, like the sheer volume of some of those documents can be a little bit overwhelming and that's when people start wondering, "do I have to sign all of these?". So at that point, is there anything, any sort of fine print that you should really really be paying attention to, something that people can overlook? Or again, are these all pretty standard at this point, since you're so close to really just putting your signature down?

Alexis Hart McDowell: [00:23:08] Well, most things are standard. There are some key things that every buyer really needs to look out for, and especially their attorney. That's going to be your interest rate. You want to make sure that is what you agreed to. If you purchased any points to buy down that rate, you want to make sure that is taken to account as well. You also want to make sure that, of course the purchase price is correct, right? Sometimes dealing with humans, a \$200,000 loan can turn into a \$208,000 loan, right? Because at eight and a zero sometimes can get mixed up. So you definitely want to make sure your purchase price and your interest rate is correct. You also want to make sure that the type of loan that you're taking out is represented as well. You may think you're in a 30 year fixed, and it could show up as, you know, an eight in one arm, or a balloon, or a 15 year. And if that's not what you wanted, then you need to speak up loud and clear at that point saying, "this is not the loan that I bargained for". So those are some of the top things that a buyer needs to look for.

And I'd say the last thing is the legal description. Now I know that buyers are like, "well, I don't even know what a legal description is. I don't even know where to find that". Don't worry. Your attorney and the title company should be taking care of that. But it never hurts to have a second set of eyes, or third or fourth, on that legal description to make sure that it accurately describes the property that you're buying and, case and point, sometimes with the condo, you may be deeded a parking spot, but maybe in the legal description it's parking spot 10 when really you're supposed to have parking spot 12. So it's just little things like that that can make a difference.

Nadeska Alexis: [00:24:58] Wow. Thank you. That's really helpful. My heart would sink to my toes if I signed and then realized I'm just overpaying for a house that we were just in closing for for 50 days. Alexis, thank you so much. So I guess my final question to you is just what advice would you give to first-time buyers? They're brand new to this process, they're feeling really intimidated by the whole thing, what would you tell them?

Alexis Hart McDowell: [00:25:18] I would tell them, educate yourself. Knowledge kills fear. That's what I tell people. Knowledge kills fear. So go to as many home buyer workshops as you can. They're free, they're on Zoom, they're back in person now. So definitely attend the home buyers workshops so that you can get a level of comfort with not only the terms, but the process of buying a home. And then the next thing is, get the right professionals on your team, from your realtor to your attorney, to your lender, to your home inspector. Then trust those professionals to do their job. You don't go in and tell a surgeon how to cut on you. So trust the professionals that are going to represent you in this process, and get the right ones on your team. And all of those things will help to decrease and even eliminate your level of intimidation and anxiety. And you will have a great home buying experience.

Nadeska Alexis: [00:26:16] Amazing. Alexis, thank you. So much information, and we ended on such a positive note. We appreciate it.

Knowledge kills fear. I love that little gem from Alexis. She emphasized that it's important to educate yourself before you go to the closing table so you can sign all of that paperwork with confidence. And if something unexpected does come up during closing, don't hesitate to speak up. Once again, your team is essential during this step. And after those closing documents are signed, you've officially graduated from home buyer to homeowner. So sit back and let that one sink in. Walking through my new home for the first time after closing, knowing that it was actually mine is one of the best feelings I've ever had.

Now I know we've spent a lot of time preparing for this big moment, but there are still a few things to keep in mind as a new homeowner that'll really set you up for long-term success. So we'll cover those details on our final episode.

Until then you can check out BeginnertoBuyer.com to learn more. Beginner to Buyer was created by a Magnet Media and Chase Home Lending. Our executive producers are Keosha Burns and Akash Vaswani. Our lead producer is Anna McClain, our audio editor is Will Watts, and Kelly Drake is our production assistant.