

Episode 8

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.

Real estate broker Matt Laricy joined me last time to walk through the intense process of submitting a competitive offer, and he'll be back to share more advice later on. Matt gave us some really effective suggestions to make your bid stand out, especially in hot markets. So now that you're at the point of having an accepted offer, go ahead and give yourself a minute to celebrate that win. Because when I got the call from my broker that my offer was accepted, it was one of those remember exactly where you were kind of moments. After all of that planning and searching, everything starts to feel real now. So celebrate, but also remember there's still a lot that has to happen before you get those keys.

Andrew Adams: [00:00:51] I'm Andrew.

Lauren Adams: [00:00:52] And I'm Lauren.

Andrew Adams: [00:00:53] And we're in Columbus, Ohio. We've got a new baby girl, her name's Josie. She's almost a year old.

Lauren Adams: [00:00:59] Right now we are renting. We're in a cute little downtown area. It's a two bed, one and a half bath with, a small backyard and a one car detached garage. It works for us for now, but we plan on expanding our family and it's cozy. And so one more person in this house will make it just too cozy.

Nadeska Alexis: [00:01:24] Yeah. Cozy always means that it's time to move on to the next situation. So when did you guys actually first start seriously considering buying your first house?

Andrew Adams: [00:01:33] We started looking, gosh, three or four years ago, before we rented this place. We knew we wanted to have a family someday. So we were looking downtown, which is where we wanted to live. And then we finally decided why don't we live where we want to live, and then buy when we do have a family. So we decided to rent, but we were looking for three or four years kind of where we're renting right now. We actually went into contract on a couple of houses that fell through, which was a whole fun experience. And now we're renting, we have a family and we're ready to really kind of buckle down. Buy hopefully a forever home.

Nadeska Alexis: [00:02:06] Well, I'm sorry to hear that, those first experiences didn't go so well. And what would you say that homeownership means to you? Of course, you could keep renting and you could rent a bigger apartment or a bigger house, but what would that give you that you feel you don't have right now?

Lauren Adams: [00:02:18] Home is, like, where the memories are made. So we're renting this place now and we're making all these memories, but you know, we're just renting, we don't own it. Eventually, we're going to have to say goodbye to it. Whereas, like, a home that

we plan on living in for, you know, the majority of our lives, like we come back to after, you know, we've been away for a weekend and we're like, "oh, like this is home. This is, like, our space. We can do what we want here. We have like our history here". And just like the more that we add to our family and the more we have those significant milestones, it's nice to come back to the place where those all happened.

Andrew Adams: [00:02:50] Home is someplace we can really kind of settle in, and you know, plant our roots. Because you can only kind of plant your roots so deep in a rental, knowing, you know, somebody else is going to have to come here, you can't make maybe permanent changes. So I think that's what we're excited for.

Lauren Adams: [00:03:05] Yeah, a place to really make our own and settle in.

Nadeska Alexis: [00:03:08] That sounds really amazing. And I think that's something that all of us would treasure and appreciate. So you mentioned that you have put in a few offers before. What did happen with those offers?

Andrew Adams: [00:03:17] The first one is the simpler of the two. We put our best and final offer in, and on Tuesday our realtor called us and she said, "congratulations, you made the finalists. They want best and final offers by Wednesday". And we were like, "that, that was our best and final offer". It feels like you're playing, you know, poker, like you're going in blind on the biggest expense of your life. So we just went back and we said, "that was our best and final, like, it's not like a best, best and final". So we ended up losing that house. And that's something that we've kind of come to terms with in this market, is that what is the dollar value that we would be okay walking away at? You know, this is what we can afford to pay. And if somebody gets it for \$1,000 more, we just weren't willing to pay that. And we've run into that again a few times.

Lauren Adams: [00:04:04] The other one we put an offer on, we actually went into contract, and then things fell through on the seller's end, which I feel like doesn't actually happen all that often. I feel like normally it's the buyers that end up pulling out for whatever reason. But essentially, the seller was looking to sell his house so he could buy another house. And then the one that he was looking to buy, it had a terrible inspection and that fell through. And so he pulled out of our contract, but had forgotten to put a contingency in it, like saying that that was the case. And it just got really messy, fast, and you know, it was going to be our first house and we're like, "we don't want to like buy our first house this way. This clearly was not meant to be. We'll just let it go". But that was quite a shock because, you know, once you go into contract on something and you're like, oh, this is like pretty much a done deal. So that one kind of blindsided us.

Nadeska Alexis: [00:04:58] Wow. Guys, I'm sorry you had to go through that. Both of those stories are really upsetting. I mean the first one, my heart skipped a beat when you said best finalist offer. It sounded like you were on a reality show or something like contestants. I didn't know that was a thing. I thought it was just the best offer. And in the second one, I've actually had an experience as well when I went into contract and then the seller changed their mind, and that definitely made my heart sink. So I'm sorry to hear that that happened

to you. I mean, based on those experiences, I guess, how do you feel now moving forward as you continue to put offers.

Andrew Adams: [00:05:31] I would say we kind of braced ourselves for the market now. We don't kind of set our heart on something prior to closing, I would say.

Lauren Adams: [00:05:42] I fall in love with houses very easily, so it's really hard for me to like, keep it cool and be like, "we might not get this house". Andrew's always over here like, "you know, hon you gotta calm down, like, we haven't even made an offer yet, let alone hasn't been accepted".

Andrew Adams: [00:06:00] So recently, the experiences we've been having is we go to put an offer in and, you know, how much do you want to go over asking? What concessions do you want to make? And that has been kind of a new, difficult thing to get used to. And so there's been a couple of houses that we've put offers in on and come to find out later that we were, we thought we went high and we've been like blown out of the water by multiple offers. So that's something that, when that happened a couple of times in a row, we've kind of recalibrated to knowing that, you know, we're going to have to go through this a handful of times before we find the right house that works for us. And that these big cash offers just don't beat us out on.

Nadeska Alexis: [00:06:45] Wow. Yeah, the market is really, really intense right now, but I'm glad to hear at least it sounds like you guys have a budget in mind and you're not willing to bend and go far over that. You know, because then that puts a stretch on your finances moving forward, especially as you want to grow your family, it doesn't make sense. So I guess to sum it up, what would you say are your biggest questions or concerns right now?

Lauren Adams: [00:07:08] So the market right now, my biggest question is, how long is it going to stay this way? When it's listed so much lower and you have to put an offer on a house, and you know, you have to go over, it's hard to know how much you have to go over to secure it. So that's really hard. This is exhausting, like doing this all the time and like wondering if you went over enough.

Andrew Adams: [00:07:31] I would say similar, but more from even like an investment standpoint, the word "bubble" gets tossed around a lot, but where are we? And how long is it going to sustain like this? Because you know, this is a house. It's also the biggest investment that we've ever made.

Nadeska Alexis: [00:07:46] And that's a completely valid fear. It sounds like you guys are well informed, you've done your research, you've had enough experiences to toughen you up as well, and you're making smart decisions. But I know for a fact that you're not alone in having these questions in your mind. Because like you said, this is the biggest investment of your life. It's really, really important.

Andrew Adams: [00:08:03] It's just so difficult right now because the inventory is low, just trusting in the fact that our dream house is yet to come on the market. It's easy to say it, but I think we remind each other that often.

Nadeska Alexis: [00:08:15] That's really good. I definitely believe that that house is out there if you know, my opinion counts for anything, which it probably doesn't, but I'm still sending you guys all of the positive thoughts that you're going to find that forever home.

I know Andrew and Lauren are going to find their perfect home because they have such a great attitude and they're being very sensible in their approach. There's always a new property around the corner, so just trust that you'll eventually have that big victory. Andrew and Lauren also mentioned that heartbreaking experience of having an offer fall through after going into contract. And I know that it can be so disappointing when deal-breakers come up right as you're really making some headway, but I promise you'll eventually feel better. It's always critical to do your due diligence before handing over that down payment because that's money that you worked really, really hard for. So I got back in touch with real estate broker Matt Laricy, and he's going to break down all of those next steps we need to take before getting to the closing table.

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So what happens at the point that an agreement is reached? You signed the contract, what happens now?

Matt Laricy: [00:09:15] So once you go under contract, we have attorneys here. So we open up what we call attorney review. So the great thing about Illinois is that you have five business days after a contract's accepted to have cold feet and pull out and you lose nothing. Most states go into what they call escrow, and then the seller has the power, so you're kind of locked in. But I will tell you the one thing that is common in all states is earnest money. You have to submit what they call a deposit, which is earnest money. In general, every state's different, here it's like an initial batch is \$1,000. So you get a contract accepted, you give \$1,000 earnest money to the other side. And then we open up attorney review, other states would open up escrow. And then typically, once your due diligence is over with your earnest money is raised. So like our earnest money here is raised to 5% total of the purchase price. So 5% in Chicago is standard, but every state is different and every state has different rules. But that earnest money is always used towards your down payment.

Nadeska Alexis: [00:10:08] Okay. And at this point in the process, who's involved in helping the buyer? Is it just you, or is this where you're also consulting with the home lending advisor and an attorney for example?

Matt Laricy: [00:10:17] In my state, once you go into contract, we have attorneys. So you have your realtor, you have your attorney, and you have your lender. And we're kind of all on this team to advise you, to make sure that you understand what's happening. Like on my side, we do two updates a week minimum, we have a Google doc that has a checklist of what has to happen to get the close, we complete a task we change that color for you so you can follow along. I have, you know, we're constantly have the team in place. We'll have our Chase lender, calling them up, telling them what's going on with the finances. We're telling them where to be in the process. Other cities that don't have lenders usually have mostly their

agent and their lender that are constantly following up with them to walk them through, to make sure they don't miss deadlines.

The main thing again, to make sure that you don't feel overwhelmed in this process, is make sure that you have some sort of checklist in front of you so that you know what's coming up for you. The reason we have a checklist and it's color coded is because I think when I get overwhelmed, I'm always like, "what do I have to do? Where do I have to be? What's, what am I missing?", right. I always feel like there's something that I'm supposed to be doing. But if you have a checklist in front of you that you're crossing off as a task is completed, it's kind of like a de-stressor situation, right? You're like, "am I, am I missing anything?", you look at the checklist and the timeframe and you're like, "okay, everything's, everything's okay". We've gotta settle down a little bit and not be as nervous and know that like Ron, a little cakes, you know. And if you're checking in with the people to make sure that they have an understanding too, that they're comfortable, I think it always helps. And this is advice for agents and lenders out there, is checking in even if you have no update to give, just to let the buyers know that "hey, there's nothing to do, there's nothing wrong, there's nothing going on. Your job right now is just to be patient and that's it". And you would be surprised on how beneficial that is because when you're spending possibly the most money you've ever spent in your life at one time, as a homebuyer you could feel very nervous. When you have somebody telling you that you're okay and there's nothing else to do, and it's a one-liner email, it can make this process be much, much easier on that homebuyer and ultimately create an experience to not be this huge, difficult task that everybody thinks it has to be.

Nadeska Alexis: [00:12:16] Absolutely, that one line email goes a long way. I remember buying a home for the first time, it's nerve wracking and you're so impatient and you're stressed, waiting the whole time. And then sometimes your lending advisor will tell you, "yep, we're just waiting on the underwriter". And so one of my first questions when I was buying initially, who is this person? What is an underwriter? And what are they actually doing?

Matt Laricy: [00:12:33] Right, yeah. And, and when you're educated on knowing, like who's supposed to be where and what's supposed to be happening, it just makes you feel a lot more comfortable. And when you don't have questions and the pieces are being answered before you even think about them, it does make the experience a little bit easier on you. And I think as a homebuyer, when you're buying your first place, the best thing you can do when you go into a contract is just ask, "what are the big deadlines I'm supposed to be meeting," and this is if you don't have some sort of checklist, "and what should I be prepared for?" so this way you won't ultimately have to seek down the advice, you kind of have that timeframe in front of you.

Nadeska Alexis: [00:13:05] Okay. And what is an underwriter actually evaluating during this process?

Matt Laricy: [00:13:10] They're pretty much making sure that you can actually approve what you're supposed to be getting. So they're going to be looking at all the documents that were sent over and made sure that no "i's" were missed or "t's" were not crossed. Because essentially there are some problems that can happen where you said, "Hey, I don't have any

debt", and we send in the documents and you find out that you do. So they're pretty much, you know, overlooking all the documents that were sent over to them.

Nadeska Alexis: [00:13:33] Okay. And I think some terms that people may be a little bit confused about, is the difference between an inspection and an appraisal, which actually happens during the process that you're already under contract. So what is an appraisal and why is that important?

Matt Laricy: [00:13:46] So an appraisal essentially is a third party that's going out on behalf of the bank to make sure that the place is worth what you're paying for it. So again, let's use \$400,000 as kind of like a barrier and say, "hey, we paid \$400,000 for this property". The bank's like, "hey, I'm going to send somebody out there to make sure that this place is worth at least 400,000". And if it's not, they're going to say, it says it's worth 380, the bank's only going to give you money up to 380. They won't give you that amount up to the 400. So they do want to make sure, the appraisal wants to make sure that the bank's money that's going out is protected and they're not giving away too much money.

That was one of the big problems that happened during the bubble that burst, was that they were giving these fictitious appraisals and over evaluating properties when they weren't worth what they were. And then when people went to sell them, they were underwater. So today appraisers are a little bit more strict to make sure your property is worth what it's supposed to be.

Nadeska Alexis: [00:14:39] Okay. I know we spoke a little bit about inspections earlier and you were mentioning your advice would be to take it as it is, especially in this market. But I guess during the inspection process, which is really important, do you think there are some things that are generally overlooked when it comes to inspections?

Matt Laricy: [00:14:54] You know, it's tough because when you buying a, let's say a single family home, and it's, three months of the year in most parts of the country it's snowing out, and there's, you know, two feet of snow on your roof, it's pretty easy to overlook if there's any roofing problems. Yeah. You can say, Hey there, you know, there'll be water leaking in through the ceiling and stuff like that, and that's how we would know. But the reality is, you can't really inspect the roof during winter time. You can't inspect an air conditioning unit during winter time. There's certain parts of the exterior you can't really, you physically cannot access because there's so much snow. And I'm not saying all over the country, I'm saying there's a big part of it. And there's, there's different types of weather that affects other parts of the country at other times of year. So, you know, unfortunately, some inspections get kind of held down and held back because of weather, you're not able to get to certain aspects of it. I think the other problem that you could run into with inspections is that they can't really see behind the walls. And there's this equipment that they can use, but ultimately there's been some horror stories where there's, you know, black mold behind something and they didn't find that out until they open up the wall to remodel a kitchen and things of that nature.

You as a homebuyer has to understand that inspection is kind of like a small piece of advice to make sure that the nuts and bolts of the property is doing okay. But ultimately you are

taking a risk because there are certain things that we'll never know about until they actually, let's say remodel the place or open up a wall or there is unfortunately a problem that you kind of uncover because of something else. Does that kinda make sense on that?

Nadeska Alexis: [00:16:20] It does. From my experience, that's part of the fun. You discover weird plumbing issues or wiring issues that, again, you can't take a sledgehammer to the walls and learn that ahead of time. You know, it's a bit of a learning curve. So I guess in, in the average inspection, are there some things that you can usually negotiate and some things that a seller usually won't budge on?

Matt Laricy: [00:16:39] So I always tell people, concentrate on life and safety issues. Electric, plumbing, window seals broken, you know, things that are big ticket items that you can't like, I always tell people it's hard for you to tell me that if the electricians aren't up to code, you can't argue with me that it is because it's, there's a code and it's either there, or it's not. I think a lot of first-time buyers concentrate too much on cosmetic issues. In my association, they actually got rid of saying, you can even ask for them. But a big problem that you leave a bad taste in a seller's mouth, is you're like, "hey, you know, I don't like that four of these closet doors don't close and the kitchen cabinet door doesn't close, you know, let's ask money for that". And I would say, "okay, you want money there? Ignore that. Ask for the electric and plumbing, because I'll definitely get that back". And they're like, "well, I know a plumber, my dad's a plumber, he can do it". I'm like, "perfect, get the money there. Use the money there towards the closet doors you don't want to do".

And also like pick and choose your battles. The inspection is always the hardest part of any transaction, okay, because the buyer wants the world and the sellers lived there for, you know, maybe their whole life and said, "none of these issues ever existed, and you paid somebody some money to tell you the issues existed". So we're kind of at a crossroads, right? And it's like a game of chicken and somebody is going to win, okay, and somebody is gonna feel like they lose. So I always tell people, we need to make this feel like a win-win situation, which is very difficult to do during inspection. So, if we're only asking for big ticket or life safety issues, it's harder for Mr. Seller over here to argue with me that these issues aren't real issues. But the biggest problem that first-time buyers and sellers run into is that people nitpick, I'm going to call them Mickey Mouse items. Okay, so like, they're like, you know, doors, closets, you know, like, you know, small chip in something, or like a scuff in the floor. And that creates a problem. And now both parties feel like they're offended and the deal ends up dying. So if you just concentrate on big ticket and life safety issues, you usually end up winning an inspection and the seller will feel like they didn't get hosed and give in too much money because they were legit asks.

Nadeska Alexis: [00:18:32] Okay. Mickey Mouse items, that's good to know that there's a term for it. That's actually pretty funny. So those sort of, you know, silly items aside that are cosmetic, you can fix yourself. Are there situations when you absolutely think a buyer should just walk away from the deal?

Matt Laricy: [00:18:46] Well, I think everything in life can be fixed, right. But I mean, there are certain things that maybe it doesn't make sense, right? If there's a big foundation issue that would cost you \$20,000 and you're already overpaying 10,000 for the house, right? At

that point, it may be worth to walk away. Or maybe if there's just too many inspection items that are out there, that when you add up the cost compared to what you paid for it, it doesn't make sense. You know, are you getting a scorching deal and you're spending \$100,000 underneath market and there's \$30,000 worth of stuff that came up in inspection? Normally, I would tell you to walk away, but you're, you're still \$70,000 above the game. So it's all relative. But I do think that if there's just too much and let's say you're younger and you're putting down that 3% and you don't have the money to fix those big life safety issues, and the seller is being difficult and saying they won't fix them, then ultimately it's gonna be time to walk away from that property. There's also some situations where there's just some weird stuff in the house where you shouldn't buy it. But you know, these are smaller situations, but if it is a huge, huge, big ticket item and we can't come to terms on things getting fixed, then yeah as a first-time buyer, it's best to kind of, you know, suck it up and just say that, chalk this one up as a loss and try to find the next one.

Nadeska Alexis: [00:19:51] Absolutely. If you're looking for even more useful insights into the home buying process check out beginnertobuyer.com.

Now, you know, hopefully you get through all of these bumps and you're at the point after waiting for a few weeks that your loan is officially approved. What happens now?

Matt Laricy: [00:20:00] Once your loan's approved and you get issued what they call a clear to close, which essentially means that the bank has verified everything, they say, you're good to go, we're ready to give you the money, you just close. Every state is different, and in our state we actually go to title companies. And a buyer has to be physically present, and it takes about roughly one to two hours of signing the most amount of paperwork you will ever sign your entire life. And once you sign those papers, you are handed the keys right then and there. And now that property is yours to own. But no matter what state you're in, at some point you're going to have to sign a bunch of papers. And once you do officially sign those papers, you officially are a homeowner. And that means that property is yours to celebrate.

Nadeska Alexis: [00:20:41] Yeah, it's true. The sign, the signing part is definitely hysterical. I didn't know there could be so many sheets of paper that one person had to sign. So at that point, do you recommend that buyers do a final walkthrough before the official closing?

Matt Laricy: [00:20:55] Absolutely. So you always, I call it like an insurance policy. It's kind of like something that's annoying for you, right? Because depending on where you have to go to close and where your walkthrough is, it could be a little bit of a ways away. But you want to kind of take that quick, last walk through. Like we give our clients all a checklist of what to make sure they look for. We're with them for it. And we kind of just walk through the house and make sure nothing has changed since the last time you were there and make sure that everything looks as it was supposed to look. In our city, they say it has to be groomed, cleaned, and conditioned, which sometimes can be a problem because nobody knows what the definition of that is.

But essentially you're going to walk in there and make sure that, you know, the major ticket items are still working, that there's not been any new leaks or anything since the last time you've been there. And you know, a big problem is, is, you know, where some of the big

furniture was to make sure there's not like a hole in the floor or something crazy. But, like I said, it's, it's a quick insurance policy to make sure that everything is up to snuff so that you can go to close and get your keys and officially know that you can feel comfortable signing all your papers to close on the property.

Nadeska Alexis: [00:21:53] I would hope at that point, the sellers are really careful, especially when they're moving the furniture out to not put a huge hole in the wall or the floor. But just in case something like that does happen, you know, is it easy for you to sort of get some compensation for that, or do they have the right to be difficult in that situation?

Matt Laricy: [00:22:08] Everybody's different and we've all seen every situation in the world. I mean, listen, the big problem is, is if there was a material defect that they've tried to hide by a piece of furniture that nobody could have physically have moved that to see, like a rug over a gaping hole in the floor. And it has happened. Typically at that state of the game, a seller is so close to getting their funds that they almost never don't give some sort of credit. So that's where things get interesting is if you didn't do the walkthrough until like an hour before close, we're negotiating a hefty credit right then and there. But usually the biggest ticket items that come up is like the movers put a ding in the wall and the sellers haven't been back there since it's moved, so we got to get a couple hundred dollar credit or something like that. We try to recommend to do a walkthrough the day before. So this way it helps make sure things don't come up last minute. And it's easier to deal with. But if something unfortunately does happen, that's where credits are going to be given to make sure that the homebuyer is whole and is able to help get that fixed before they move in.

Nadeska Alexis: [00:23:11] So Matt, I'm sure that in your many years of doing this, you know, some part of your role is sort of being a therapist to your clients in a way. I'm sure they're super thrilled with you at the point that they have those keys, they finally own their first home, but of course there are a lot of situations where buyers might not actually get the house that they wanted, at least the first couple of times. So what's your advice to those buyers who are feeling discouraged by losing a house?

Matt Laricy: [00:23:32] Listen, everybody's going to lose. That's life. You know, nobody wins every single time. I tell my buyers that, unfortunately sometimes you can just run into a little bit of bad luck, but everything happens for a reason and you just have to keep trying. And if you're putting your best foot forward every single time and you're waiving the right things that you're supposed to waive, it's only a matter of time until the right place comes up. I think the biggest reason people get discouraged is that a lot of buyers will start off uneducated and try to rush into this without understanding the process itself, they get burned three or four times, and then they kind of get burnt out on it and they just end up re-renting. If you do all of your homework upfront, watch things like this so you're educated, and you kind of feel more prepared for it, you'd be surprised at how often you won't lose out. I mean, every now and then you're going to go against maybe two properties in a row where people just go like absolutely insane on the prices and things of that nature. But statistically speaking, if you put your best foot forward enough, you're going to win out on it. And just understanding that losing is going to be part of the process in hot markets like this.

Nadeska Alexis: [00:24:32] Amazing. Matt, thank you so much for all of this input. I definitely learned a lot today and I hope our listeners will as well. I definitely think you've answered a lot of the questions that they've had for us.

Matt Laricy: [00:24:40] Perfect. Thank you so much for having me.

Nadeska Alexis: [00:24:44] Once again, Matt left us with a lot of helpful insight. He told us it's important to have a checklist in front of you so you know that you're covering all of your bases. And also make sure to do your homework and be strategic with your home inspection. Like Matt said, it's only a matter of time before you get your win, even if you do run into some obstacles along the way. So be patient and don't make any decisions out of frustration.

Matt also mentioned that big pile of papers you're going to have to wade through before you finally own your home, so in the next episode, we'll talk about that final step before those keys are officially yours: closing. 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.