

Ross & Ross Attorneys at Law, LLC

HOMEBUYER OVERVIEW OF A NEW JERSEY PURCHASE TRANSACTION

The information contained in this document has not been provided with any particular situation or problem in mind. Persons reviewing this information should not act upon any information without consulting an attorney. Nothing contained herein should be construed as legal advice. Instead, it is intended to provide basic information to the reader so that he or she will be able to become familiar with the terms and procedures regarding their particular situation. This will assist them at the time they seek legal counsel. Nothing contained in this document shall be construed to create an attorney/client relationship. The viewing of any information contained herein or any in persons, written, Phone, or e-mail contact with this law firm, shall not form an attorney/client relationship unless otherwise agreed in writing.

CONTRACT & ATTORNEY REVIEW: After you find your house you will be asked to sign contract. You may be asked to sign the Contract before the price is determined; this will constitute an offer to purchase. When working with a Realtor®, it will be a Realtor® form contract which will contain a three day attorney review provision. The three day attorney review begins only after a contract is fully signed by both buyer and seller. The three (3) day attorney review clause found generally on the 4th page of most contracts. If the seller signs the contract, then at that time, you have a Contract still subject to attorney review. During that three (3) day period, the attorneys can disapprove and cancel the contract or can request modifications. However, only an attorney can disapprove the contract. The buyers and sellers do not have authority or an independent right to cancel the contract. Once the three (3) day Period expires, the Contract is firm and binding. For this reason, often times a lawyer may terminate the Contract the contract as a matter of practice and consent to the contract being reinstated provided certain additional terms are incorporated. Once out of attorney review, the contract is now firm, subject to mortgage contingency and home inspection contingency, if included

DELIVERY OF BALANCE OF DEPOSIT: The balance of the deposit money is usually due within a few days from the end of attorney review. Your attorney will advise you of the exact due date. Please do not delay when delivering the deposit check. If you fail to pay the deposit by the date specified in the contract, you could be held in breach of contract. In most cases, the deposit check does not have to be certified, it can be your ordinary check, which is drawn directly from your personal

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checking account. However, at the time of closing, you must bring CERTIFIED FUNDS. Personal checks are NOT accepted at the time of closing. If you need to sell stock, cash bonds or transfer funds, please prepare to do so.

HOME INSPECTION: the home inspection usually must be completed within ten days from the end of attorney review. Customarily, only substantive material, defects are grounds to terminate the contract, but your attorney may still be able to negotiate for repairs. Always attend the home inspection and pay careful attention to the home inspector's advice. Some of the more hotly contested issues are heating, water systems, septic systems, roof, foundation, oil tank, and general structure. Please remember that just because the home inspector gives a suggestion, this does not mean that the seller must make a repair or grant a credit. Please do not wait until the last minute to schedule the home inspection. In the event you fail to make a home inspection you will have waived the home inspection contingency. The time periods are critical and they are dictated by the contract. If you wish to request repairs, you must do so within the time period set forth by the contract. Please be advised that as of December 30, 2005 all home inspectors are required to be licensed by the State of New Jersey. The inspector is also required to carry a State issued photograph identification and State issued license when performing the inspection.

MORTGAGE: Most contracts will provide a mortgage contingency permitting the buyer or seller to terminate the contract in the event you fail to obtain a mortgage within a predetermined period of time. Remember that only a mortgage commitment satisfies a mortgage contingency. A pre-approval is not a mortgage commitment. Also, a document, which can be revoked at any time or requires the ultimate lender's approval, may not be deemed a commitment. You should contact a Bank or Mortgage Company to inquire about financing. This is a lengthy process and you should provide your mortgage representative with all documents and information they request as soon as possible. You must receive your mortgage commitment by the date specified in you contract because the contingency expires on that date. You should remain in continuous contact with your mortgage representative and deliver all documents he or she requests. Please keep copies of all documents, which you give to the lender.

If you intend to lock in your interest rate, you must be careful and you must notify your attorney. Please be mindful of your scheduled closing date and be sure that the mortgage interest rate will not expire prior to the scheduled closing date.

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Also remember that closings do not always take place on the scheduled date. Please review your finances carefully to be sure that the loan program is appropriate for you. You should check over your finances personally and not just rely upon discussions with your mortgage representative. A lawyer generally does not review your finances or make any analysis of your financial condition or your ability to afford the loan. You should review your finances to make any analysis of your financial condition or your ability to afford the loan. Also you should carefully consider how your payment might change in the future. An adjustable rate mortgage or interest only mortgage may seem attractive now, but these types of loans will result in higher payments later. Please do not assume that you can refinance and receive a lower rate. I strongly suggest that you discuss your finances and your ability carry the new debt with your accountant or financial advisor.

TITLE WORK & ORDERING SURVEY: The title search is to determine who the owner of the property is and once you purchase the property, you will be the true owner with no prior liens on the property. This is also required by the mortgage lender to ensure that the mortgage, once placed on the property, will be paramount to all other liens. The survey shows your property and where the house is located on the property. It shows encroachments, overlaps, fencing, and is necessary to ensure that your house is actually located on your property. You may request that corner markers be placed at the boundaries of your property. These markers are usually metal rods pounded into the ground at the corners of your property.

HOME OWNERS INSURANCE: You will need to obtain insurance for the property to cover the structure from losses such as fire. Also you will need coverage for your belongings as well as liability coverage. You should obtain the maximum coverage possible. The Lender requires that you obtain this Homeowners Insurance prior to purchasing the home. Do not wait until the last minute, because this may delay your closing. You will also be required to deliver the original insurance declaration page and a copy of a full year's paid receipt prior to closing.

MANSION TAX: this is a fee which must be paid to the County Clerk's office by the buyer on residential purchases over one million dollars and the charge is equal to one percent of the purchase price. Example: If a buyer were to purchase a home

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for \$2,000,000.00 the mansion tax would be \$20,000.00. This sum is payable at closing.

SCHEDULING THE CLOSING Hopefully your closing will take place as scheduled. However, if you are borrowing part of the purchase price from a bank you cannot close until they are satisfied. The closing cannot be scheduled before the file has been "cleared to close" by the bank closer. Once this occurs a closing can be scheduled usually within four business days. The lender usually wire transfers the funds directly to your attorney's trust account. This wire is routinely received in the afternoon. For all of these reasons it is important to work diligently with your mortgage representative and provide all requested information in the quickest possible time period.

HUD-1 RESPA STATEMENT This is your closing statement which identifies all charges and is signed at the time of closing. It is important to keep this document for future tax issues.

CONTACT WITH YOUR LAWYER: You and your lawyer will speak frequently during this transaction. In addition, your lawyer will send many letters to you, which give instructions and request information.

For example, Steven P. Ross, Esq. attempts to explain all requests in a clear fashion. However, you may still have additional questions. Mr. Ross is always happy to speak with you and tries to return all calls each day. Many times he cannot return your call until the evening and for that reason, he requests that you always leave your daytime and evening number when you call. Generally, he does go home until he has returned all calls for that day.

There are many other things that the buyer must do in order to complete the purchase. Mr. Ross would be happy to guide you through the process.

Good luck in your home search.