**Home Buying Process Step by Step**

Part 1: Disclosures and inspections

These are the initial tasks once a buyer is in contract, and are most often done in parallel to Part 2: The mortgage process:

1. An offer is accepted by the seller and a contract is signed by all parties. Escrow is “opened” and the title report is ordered.
2. An earnest money deposit is made with the escrow company, seller’s real estate brokerage, or an attorney, depending on the contract (never to the seller directly). Escrow companies are often part of a title company, but work as separate divisions.
3. The buyer reviews and signs off on any disclosures, usually attached in a standard form as an addendum to the purchase contract. These disclosures vary based on property type, but often include things like known flaws with the property, prior improvements or repairs, and potential environmental hazards.
4. The buyer has an “inspection period” – an agreed upon number of days (usually ten business days) after all parties execute the contract to conduct any inspections on the home, communicate any problems found to the seller and negotiate repairs. In Oregon, common inspections include an initial home inspection completed by a licensed inspector and a pest and dryrot inspection. Depending on the property, a buyer may want to get a well or septic system inspected, or test for mold, rayon or asbestos. A property survey may also be performed during this period.
5. If the home was built before 1978, the buyer may elect to do a lead paint inspection. They must do so and object to anything found within a certain number of business days after the seller’s property disclosure statement was signed by both parties.
6. If the buyer finds anything objectionable during the inspection period, they can report these defects to the seller and choose to terminate the contract or they can ask the seller to make the necessary repairs to the property prior to closing. The buyer is entitled to a refund of their earnest money deposit should they choose to terminate the contract, however they will not be reimbursed for the costs of the inspections. Sellers have three options if requested to complete repairs: a) agree to all of the buyers’s requests, b) offer a counter back to the buyer, or c) decline to make any amends. In response, the buyer can to continue to negotiate, accept the seller’s position, or walk away.

Part 2: The mortgage process

For those borrowing to purchase their home, the mortgage process is usually the most stressful and opaque part of the transaction. It’s best to start as early as possible and be ready to produce lots of documentation. The following is the general process in Oregon:

1. A buyer submits a loan application to their lender. Of course, well before this point, a pre-qualification or pre-approval with a lender should have been acquired.  In Oregon, the contract will state the number of business days within which buyers must file their application to be in compliance with their loan contingency period.
2. The lender sends a Good Faith Estimate to the buyer that is a breakdown of estimated closing costs. The final costs are likely to deviate from this estimate.
3. The lender typically submits a request for a title report from a title company. The title company then conducts a title search and then issues a title commitment that certifies that the title is free and clear and ready for sale. Title insurance may also be arranged in this step. In Oregon, buyers have a certain number of business days within which to object to anything that’s found in the title search.
4. Buyer send a series of financial disclosures to the lender. These include: Several months of bank account statements, several months of statements for any outstanding loans, lines of credit, or other liabilities, two years of tax returns, recent pay stubs and contact information for each borrower’s employer, any other disclosures that are material to a borrower’s financial situation. This includes but is not limited to marriage licenses, divorce settlements, child support, liens, bankruptcies, or judgments. If there’s something that affects how much money you have on hand that isn’t shown by simply looking at your salary, be prepared to document it.
5. An appraisal is ordered by the lender. If the appraisal comes in lower than the purchase price, a lender can decline to approve the borrower unless a change is made to the purchase price or the size of the downpayment. In most Oregon contracts, an appraisal contingency is stated that requires the property to appraise at or above purchase price, or the buyer is entitled to walk away and recoup their earnest money deposit.
6. Homeowner’s Insurance is purchased and proof is submitted to the lender. Hazard insurance may be required by the lender to protect the asset from fire and storms. If the property is located on a flood plain, flood insurance is required as well.

Part 3: The closing itself

The closing process itself can span a couple of days or even a week, and in contrast to other parts of the country, the transaction is generally not consummated with all parties sitting at the same table. In Oregon, an escrow state, closing consists of the following steps:

1. A buyer’s lender sends final loan documents to the escrow agent and the final settlement date is scheduled.
2. A final walkthrough will often be performed the day of or before closing to verify the property is in the same condition it was when the process began, provided it’s agreed upon.
3. The settlement itself convenes at the office of an escrow agent. The seller generally signs their closing documents first.
4. The buyer then signs all closing documents and the final loan documents.
5. The buyer pays the remaining funds for their downpayment and closing costs to the escrow company via wire transfer or cashier’s check. This may also be done a few days in advance to speed along the closing process.
6. The deed gets recorded with the county and the escrow agent disburses funds to the appropriate parties.
7. The deal is now closed- the buyer receives the keys and, unless indicated differently in the contract, officially takes possession of the property.