

The Contract Process



Buyer's Viewpoint

By Rosanne Kolodenko

Home Buyer's Agent, LLC

Once under contract to purchase a home, the purchaser obtaining a loan is required to pursue in good faith the loan referenced in the contract. If a loan commitment cannot be obtained by the contract loan commitment deadline, the contract can be terminated by written notification. It is important to choose a reputable lender because if the buyer keeps the contract in force beyond that deadline and the loan falls through, the buyer risks losing the earnest money.

In addition to the buyer qualifying for the loan, the property needs to qualify. An appraisal of the property indicates if it has sufficient value for the mortgage requested, and if there are any defects that need to be corrected for it to be eligible for financing. (The appraisal provision of the contract allows the purchaser to terminate the contract if the appraised value is less than purchase price.)

The title commitment is checked, and the lender may order a survey of the property. Relevant HOA documents are reviewed for homes belonging to homeowner associations, and the owner occupancy ratio checked for condos and townhomes.

The loan is also dependent on the buyer obtaining homeowners insurance. As insurance is getting harder to obtain, I recommend the buyer contact the insurer soon after contract acceptance, and that the seller obtain a CLUE (Comprehensive Loss Underwriting Exchange) report, which gives an indication of the insurability of the property.

The loan is submitted to underwriting with the required documents, and if conditions are satisfactorily met, it is approved.

There are two parts to the loan approval process: approving the buyer and approving the property. I advise the buyer to get pre-approved, before making an offer on a home, for negotiating leverage, peace of mind and possibly to achieve a quicker closing. The burden of proof is then on the home to prove it's merchantability.

Rosanne Kolodenko is a Realtor with an office in downtown Boulder. She is an Exclusive Buyer Agent, representing only home buyers and working as their advocate. Rosanne is an officer of the Colorado Exclusive Buyer Agents Association. She serves Boulder County and the surrounding areas. You can contact her at 303.447.1112 or Rosanne@BoulderBuyerAgent.com, or visit www.boulderbuyeragent.com.