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### The Home Buying Process in Hawai'i - Introduction

*Congratulations*, homeownership can be the most rewarding financial decision you will ever make. Not only will your home provide you with a sense of identity; it will provide security from your investment, offer tax advantages, and after time, can be a valuable source of equity from which you can borrow from.

These are just a few of the reasons that make obtaining a home a rewarding and worthwhile experience. These same reasons also make the purchase of a home one of the largest, most important, financial decisions people will ever make. However, if you are not informed of the options that are available, and are not aware of all the details involved in the mortgage and buying process; the purchase of a home could very well be the most uncertain, frustrating purchase of your life.

A fundamental knowledge of the process of obtaining a mortgage loan and the local real estate purchase process is necessary in order for you to make an informed home purchase. Being an informed buyer also makes lenders and real estate agents less frustrated. If all parties of a real estate transaction are informed, the chances of "unexpected developments," that can dissolve a transaction are greatly reduced.

Beginning with this introduction, we are starting a comprehensive four part series on the complete home buying process. This series will provide a step-by-step home purchasing guide that will be useful to you, as well as any person involved in the home buying process (lenders, real estate agents, etc).

The four steps are as follows:

#### **1- Qualifying**

The first step in buying a home is always to find out what you have to work with. Your Realtor can recommend several lenders to help you assess your mortgage needs. In this step a lender will help the buyer figure out the amount that the buyer is qualified to borrow, and

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determine any options available to the buyer to increase borrowing power. Alternative lending programs, such as those backed by the Federal Housing Administration (FHA), the Veterans Administration (VA), and The Federal National Mortgage Association (Fannie Mae) will be briefly explained to show the qualifying options available to the borrower.

After general pre-qualification a selection of a lender familiar with Hawaii's particular land laws should be selected as the homebuyer's loan officer to help the Buyer find the right loan to fit their personal needs. This step will help the buyer determine what type of loan is best-suited for his or her financial and personal situation.

### **2-Finding and Securing the Right Property**

The buyer will learn how to select the real estate agent that will best serve his or her needs. We will point out the differences between a Realtor or Realtor Associate and a real estate agent as well as one that works for the buyer and an one that works for the seller. We will give pointers on how to find the right property, and negotiate the contract once the property is found. Other important topics that will be discussed are the role of the real estate attorney, if any, and the home inspection, termite inspection, home warranties, surveys and other issues relative to buying or selling real property in Hawaii.

### **3-Now We're in Contract - Managing the Transaction**

A overview of the contract, addenda, contingencies, deadlines, and key points in the contingencies for the buyer to approve or recind. There will be discussion of escrow, title, funding, inspection, disclosure and document requirements. Every contract is different as every property and parties to the buy and sell are different. We will highlight what you need to know to be an informed and protected buyer.

### **4-Closing, Settlement and Recordation – Welcome Home to Hawai'i**

#### *Costs*

We will inform potential buyers of all the costs involved in completing

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a purchase. Points, application fees, documentation preparation fees, prepaid expenses and closing costs will all be discussed in this section. We will point out the differences between, and the reasons for needing homeowners/hazard insurance, mortgage insurance, and title insurance.

### *Loan Processing and Approval*

We will take the buyer from the loan application to the final approval of the loan. The role of the loan officer/originator, loan processor, and the underwriter will also be discussed. We will explain how to do the whole process in enough time to beat the closing date.

### *Settlement (Closing) and Recordation*

A buyer that does not come to the closing fully prepared may run into unpleasant surprises that could not only delay the closing of the deal, but could very well dissolve it altogether. We will make sure the buyer is prepared for the most crucial part of the entire Buying process. We will tell the buyer what happens at the closing, how the Loan closing factors into settlement, who needs to be there, and what documents to bring (and expect).

In order to help illustrate the four steps of the process we will use a hypothetical potential buyer – Kane and Leilani Makai. Look for the start of our *story-Part 1 Qualifying* to see how Kane and Leilani begin their home search.