



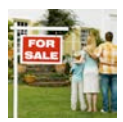
## UNDERSTANDING HOW TO BUY YOUR FIRST HOME. START NOW!

So you want to buy a home. Congratulations! This decision is an important step towards a rewarding and exciting milestone in your life. You may soon find that every homeowner you meet tells you about the joys of having a place of your very own. And you're never too young to own. Figures from the National Association of Realtors show that the average age of first-time buyers is 32 years.

Homeownership is not always easy, but most people will agree that the rewards far outweigh the challenges. The first challenge, of course, is to learn all the steps to buying a home! This guide will provide helpful tips and information you need to understand the process and get started on your path to homeownership.

*I'm here to  
help!*





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### ❖ WHY BUY INSTEAD OF RENT

If you're still on the fence, you may not know about the many great reasons to buy a home! Here are just a few of them:

#### SMART INVESTMENT

When you invest in a home, it offers the possibility for appreciation in value. The equity becomes yours even when you're paying off your mortgage. And instead of giving rent money to the landlord, you pay off your investment each month. Plus you get to live in it while your investment matures!

#### TAX BENEFITS

Since both mortgage interest and property taxes are tax deductible, homeownership can save you significant amounts of money every year.

#### PREDICT HOUSING COSTS

You get to decide how much you want to spend on your home, including repairs and improvements. Unlike renters, homeowners with a fixed-rate loan can lock in their monthly housing costs, and make plans with the confidence that these expenses will not increase substantially.

#### OPPORTUNITY TO MAKE IMPROVEMENTS

Homeownership puts you in control. You can decide which improvements to make to your own property, such as a deck, kitchen remodel, or new paint, instead of needing permission from your landlord.



## HOW MUCH HOME YOU CAN AFFORD

Your current financial situation will determine your home price range. You'll need to look at your income, credit history, the cash you have for a down payment and closing costs, and your debt. How much you earn compared to how much you owe will likely determine how much you're allowed to borrow.

First, determine your **gross monthly income**. This will include any regular income that you can verify with documents, such as your pay stubs. If you can't document the income or it doesn't show up on your tax return, then you can't use it to qualify for a loan. However, you can use unearned sources of income, such as alimony. You can also use an estimate of the income generated by your real estate or stocks.

Next, calculate your monthly debt. This includes credit cards, installment loans, car loans, personal debts or any other ongoing monthly obligation like child support. Remember: you don't have to consider a debt at all if it is scheduled to be paid off in less than six months. Add all this up to determine what's called your "monthly debt service."

Your total monthly debt service, which will include your monthly mortgage, shouldn't be more than about 36 percent of your gross monthly income. If it does, your home loan may not be approved.

Most experts say that your monthly housing expense, including taxes and insurance, should not exceed about 28 percent of your gross monthly income. If you don't know what your tax and insurance expense will be, you can estimate that about 15 percent of your payment will go toward this expense. The rest can pay down your principal and interest.

Of course, every situation is different, and each lender has different rules about working with buyers. A number of factors within your control can affect your monthly payment. For example, you might choose to apply for an adjustable rate loan which has a lower initial payment than a fixed rate program. Similarly, a larger down payment may lower your monthly payment.

To find out the maximum amount you can borrow, talk to a mortgage professional. After you know this amount you can add it to your down payment to get your home purchase price range. It's a smart idea to request multiple loan quotes from different lenders to find the best situation for you.



### TAX BREAKS

Many homeowners find that owning a home helps them lower their taxes. Homeowners can claim an itemized deduction for interest on up to \$1 million worth of mortgage debt used to acquire or improve their principal residence. The same goes for interest on up to \$100,000 of home-equity debt secured by their principal residence. Real-estate property taxes can be claimed as an itemized deduction as well. Your accountant will have more specific details as they apply to your financial situation.

### THE IMPORTANCE OF PRE-APPROVAL

Pre-approval can be a very valuable step towards purchasing a home. Before you begin your home search, talk to a mortgage professional about it. By completing your mortgage application prior to choosing a home, you can get a pre-approval letter stating how much home you can afford.

Getting this pre-approval letter is a wise move because it lets you know exactly how much you can spend, and shows home sellers and real estate agents that you're serious about buying a home. This may give you leverage in the negotiation process. Many sellers actually prefer to work with pre-approved buyers, especially in hot real estate markets.

### LOAN APPROVAL

After you've completed the application, your lender will verify the information you provided and make a decision on your application. Your lender will discuss loan programs or terms that meet your specific needs. Based on the information from your credit report and the type of property you want to finance, you may need to provide additional documents or letters to:

- Confirm your income
- Verify that you have cash in the bank for the down payment and closing costs
- Clarify any discrepancies on your credit report

### DOWN PAYMENT

Lenders used to require a down payment of at least 20 percent of the home's price. These days, however, many lenders offer flexible home loan programs allowing you to put very little down -- three percent or less of the home price. For some buyers it's possible to buy a home with no down payment at all, or to receive help from local down payment assistance programs.



If you decide to pay make a down payment of less than 20 percent, your lender may require Private Mortgage Insurance (PMI), which protects the lender in case you cannot repay the mortgage. Talk with your mortgage professional to find out the smartest deal for you.

You'll also need to pay for closing costs, which are costs associated with initiating a loan. These can include loan origination fees, discount points, attorney fees, recording fees and pre-paids. They often will total from three to five percent of the price of the home, payable in cash.

### YOUR MONTHLY MORTGAGE PAYMENT

Your mortgage payment consists of principal, interest, taxes and insurance (often abbreviated as "PITI"), and sometimes additional fees, such as homeowners association dues.

Principal is the money you borrowed to purchase the home.

Interest is the cost of borrowing money.

Taxes are paid by homeowners to local governments, and are usually a percentage of the assessed property value.

Insurance helps protect against financial loss from fire, natural disasters or other hazards. Most lenders require you to have a homeowner's insurance policy on your home because it will help protect their investment as well as yours.

Typically the lender collects a portion of your monthly mortgage payment to cover taxes and insurance. When these bills are due, the lender sends payment on your behalf. This process is known as "escrow." Using escrow for taxes and insurance is not required, and some homeowners take care of taxes and insurance on their own. Once your mortgage is paid in full, you are still responsible for taxes and hazard insurance.



### LOAN HELP FOR FIRST-TIMERS

There are several organizations designed to help people purchase their first home: Fannie Mae, Freddie Mac and Ginnie Mae. While they do not lend money directly to buyers, they all help lenders make loans to people with low or moderate income. If you qualify for one of these programs, they can mean lower down payments and easier qualification limits than regular loans.

How do they work? They sell mortgage-backed securities (Fannie Mae), mortgage-backed bonds (Freddie Mac) and pass-through certificates (Ginnie Mae) that generate monthly income for investors. Ginnie Mae is a government entity, while Fannie Mae and Freddie Mac were commissioned by the government and are owned by private shareholders.

These three use the money they raise on Wall Street to buy packages of local mortgages. This helps ensure that there is loan money available for home loans and that interest rates are fairly consistent across the country.

The maximum dollar amounts for these loan programs may make it hard to cover the cost of a house in expensive areas. If this is the case for you, you may want to save more money to cover the difference in price, or else try to find a house or condo that is within the loan amount. If you're interested in learning whether you qualify for these programs, ask lenders when you get loan quotes.



### **GLOSSARY**

#### **AGENT/BROKER**

An individual who represents a seller, a buyer or both in the purchase or sale of real estate.

#### **AMORTIZATION**

The schedule of loan payments that establishes the amount of payment to be applied to the principal and the amount to be applied to interest, usually on a monthly basis, for the full term of the loan.

#### **ANNUAL PERCENTAGE RATE (APR)**

The total interest rate of a mortgage, including the stated loan interest as well as any upfront interest paid in securing the loan. The APR will invariably differ from the mortgage rate quoted due to the inclusion of these items.

#### **APPRAISAL**

An estimate of value of a real estate property by a professional third party. Virtually all non-owner financed mortgages will require an appraisal, which is generally paid for by the buyer.

#### **ADJUSTABLE RATE MORTGAGE (ARM)**

A mortgage in which the interest rate is adjustable, meaning that the rate can go up or down according to prevailing financial market conditions.

#### **ASSESSMENT**

The value of a property as determined by the local tax jurisdiction, used to determine the amount of your property taxes.

#### **BUYER'S AGENT**

A real estate agent that has made an agreement to represent the buyer exclusively, rather than the seller.

#### **COMPARABLE MARKET ANALYSIS (CMA)**

A comparison of the prices of similar houses in the same general geographic area. A CMA is used to help determine the value of a property, either for a seller or a buyer.

#### **CLOSING**

The process that affects the final transfer of the deed from the seller to the buyer, as well as finalizes all aspects of the mortgage of the property.



### **CLOSING COSTS**

Funds needed at the time of closing (separate from and in addition to the down payment). Loan origination fees, discount points, attorney fees, recording fees and pre-pays are some items that may be included. They often will total from 3% to 5% of the price of the home, payable in cash.

### **CONTINGENCIES**

These are conditions, or “safety valves,” written into real estate offers and contracts to prevent a buyer from being forced to buy a house that is unsatisfactory— either structurally or financially. Examples of contingencies are: “This contract is subject to the buyer obtaining a satisfactory whole house inspection,” or “Subject to the buyer being able to obtain a mortgage.”

### **CONDOMINIUM**

Housing where the owner owns only the unit in which they live — from the interior walls inward, generally — as well as a portion of the common area.

### **DEBT-TO-INCOME RATIO**

The ratio of a borrower’s total debt as a percentage of their total gross income.

### **DEED**

The document that, when recorded with your local government, determines ownership of a property. Transferred from seller to buyer at closing.

### **EARNEST MONEY**

Money that is submitted with an offer to purchase and indicates a buyer’s seriousness and good faith. In virtually all cases, earnest money must be submitted at the time of the offer and remains in escrow until the time of closing, at which time it becomes part of the down payment.

### **EQUITY**

The difference between the value of a property and the total of any outstanding mortgages or loans against it.

### **ESCROW**

Funds held in reserve both prior to closing (for example, the earnest money and deposit) by a third party and after closing by the mortgage company to pay future taxes and homeowners insurance. In some areas, “escrow” also refers to the closing process.



### FIXED-RATE MORTGAGE

A mortgage loan where the interest rate is established at its origination and continues unchanged through the life of the loan.

### FSBO (FOR SALE BY OWNER)

Real estate that is sold without the assistance of an agent. FSBO can refer to both the individual selling the property — “They are a FSBO” — or the property itself — “That house is a FSBO.”

### FORECLOSURE

The process through which a lender takes back property from a defaulting owner and re-sells it.

### HOMEOWNERS' ASSOCIATION

An owners group, whether in a condominium, townhouse or single-family subdivision, that establishes standards and general guidelines for the operation of the community.

### INSPECTION

A thorough examination of a home being considered for purchase which looks for defects in the property.

### INTEREST

That portion of a mortgage payment that is the “charge” for using the lender’s funds.

### LIEN

A legal claim against a piece of property that can prevent it from being sold unless the lien is satisfied (paid off). Liens can be filed by unpaid contractors or other debtors in a legal process so that they will be paid when a property is sold.

### LISTING

A property for sale by a real estate brokerage and agent.

### LOAN ORIGINATION FEE

A charge imposed by the lender, payable at closing, for processing the loan. (keep in mind that an average of maximum point should not exceed 1% of loan amount)

### LOCK-IN

An agreement by the lender at the time of mortgage application or shortly thereafter, to write the mortgage at a specific interest rate, whether rates rise or fall, up to the date of closing. Obviously a good move if rates are rising, not so good if they are falling. Lock-ins have specific expiration dates, such as 30, 60 or 90 days in the future.



### LTV (LOAN TO VALUE)

The ratio of the amount of the mortgage as a percentage of the value of the property.

### MLS (MULTIPLE LISTING SERVICE)

A listing (almost always computerized) of all the properties for sale by real estate brokerages in a given geographical area.

### PMI (PRIVATE MORTGAGE INSURANCE)

Required on virtually all conventional loans with less than 20% down payment. The payments for PMI are included in your mortgage payment, and it protects the lender if you default on the loan. On FHA loans, you will pay a MIP (Mortgage Insurance Premium), which accomplishes the same purpose.

### POINTS

One point is equal to 1% of the loan value, paid at closing. Points can be loan origination fees or "discount points," which reduce the interest rate of the loan (you are actually paying a finance charge up front). For example, when a lender quotes a rate of 8 1/2% with 1 + 1 points, 1 point is for the origination fee and 1 point is for the discount fee.

### PREQUALIFICATION

The first stage of a mortgage application where the lender will run a basic credit report and determine your debt-to-income ratio in order to see how much mortgage you qualify for.

### PRE-PAIDS

Items paid for (in cash) at closing, such as homeowners insurance for one year and real estate taxes for several months.

### PRINCIPAL

The amount borrowed for a mortgage loan. Your monthly mortgage payment will be applied to both the interest and the principal. (The lion's share of your payment will go to the interest portion in the first years of the loan).

### PROPERTY TAX

An annual or semi-annual tax paid to one or more governmental jurisdictions based on the amount of the property assessment. Generally paid as part of the mortgage payment.

### RECORDING

The act of entering deed and/or mortgage information into public record with your local government jurisdiction.



### SUB-AGENT

A real estate agent who is working with a buyer but who represents the seller in the transaction.

### TITLE INSURANCE

Protects your title - your ownership rights to a home - from claims against it. Paid at closing, title insurance may be the responsibility of the buyer, the seller, or both, depending on what is traditional in your locality.

### WARRANTY

Covers either most of the house in a new home, or selected items (for example, the heating and air conditioning system or the water heater) in a used home. Warranties can vary widely and are optional in used homes (paid for by either the buyer or the seller).

### ZONING

Laws that govern specifically how an area can be used. For example, an area may be zoned for single-family residential, condominiums, commercial or retail, or a mix of two or more uses.



### HOME BUYER'S CHECKLIST

Before you begin looking for a home, you should spend some time thinking about the features you want. Create your checklist to help you identify all the things that you absolutely must have, as well as those things that would be nice to have but you could live without.

	NEED	WANT		NEED	WANT
Price Range	<input type="checkbox"/>	<input type="checkbox"/>	Central Air	<input type="checkbox"/>	<input type="checkbox"/>
Square Footage	<input type="checkbox"/>	<input type="checkbox"/>	Separate Tub/Shower	<input type="checkbox"/>	<input type="checkbox"/>
Newer Home	<input type="checkbox"/>	<input type="checkbox"/>	Appliance Stay in House	<input type="checkbox"/>	<input type="checkbox"/>
2+ Stories	<input type="checkbox"/>	<input type="checkbox"/>	Hardwood Floors	<input type="checkbox"/>	<input type="checkbox"/>
Basement	<input type="checkbox"/>	<input type="checkbox"/>	Security System	<input type="checkbox"/>	<input type="checkbox"/>
Newer Roof	<input type="checkbox"/>	<input type="checkbox"/>	Fenced Yard	<input type="checkbox"/>	<input type="checkbox"/>
Garage	<input type="checkbox"/>	<input type="checkbox"/>	Professionally Landscaped	<input type="checkbox"/>	<input type="checkbox"/>
How Many Bedrooms	<input type="checkbox"/>	<input type="checkbox"/>	Swimming Pool	<input type="checkbox"/>	<input type="checkbox"/>
How Many Bathrooms	<input type="checkbox"/>	<input type="checkbox"/>	Dog Run	<input type="checkbox"/>	<input type="checkbox"/>
Master Bedroom Upstairs	<input type="checkbox"/>	<input type="checkbox"/>	Cul-de-Sac Neighborhood	<input type="checkbox"/>	<input type="checkbox"/>
Family Room	<input type="checkbox"/>	<input type="checkbox"/>	Planned Community	<input type="checkbox"/>	<input type="checkbox"/>
Den/Office Space	<input type="checkbox"/>	<input type="checkbox"/>	Additional Street Parking available	<input type="checkbox"/>	<input type="checkbox"/>
Formal Dining Room	<input type="checkbox"/>	<input type="checkbox"/>	School District	<input type="checkbox"/>	<input type="checkbox"/>
Kitchen Nook/Eating Area	<input type="checkbox"/>	<input type="checkbox"/>	Close to Parks	<input type="checkbox"/>	<input type="checkbox"/>
Laundry Room	<input type="checkbox"/>	<input type="checkbox"/>	Close to Shopping	<input type="checkbox"/>	<input type="checkbox"/>
Fireplace	<input type="checkbox"/>	<input type="checkbox"/>	Close to Place of Worship	<input type="checkbox"/>	<input type="checkbox"/>
Gas/Heat	<input type="checkbox"/>	<input type="checkbox"/>	Near Public Transportation	<input type="checkbox"/>	<input type="checkbox"/>



### CHOOSING THE NEIGHBORHOOD

Buying a home is an investment in the neighborhood as well as the house. In fact, the character and amenities of the neighborhood may be as important to the property value as the house itself. No matter what kind of neighborhood you're looking for, it's important to know its history and future when you decide to buy. Here's what to research:

1. RECENT SALES — Find out if the market is slow and what homes have been selling for.
2. LISTINGS FOR SALE — What homes are listed in the area, and are they listed above past sales? This will give you a good idea of the area's overall market value.
3. HOME APPRECIATION — Historical data on sales gives the best indicator of a neighborhood's potential. Are homes appreciating at 3%, 5%, 10% or higher every year?
4. SCHOOLS — School scores and district boundaries are very important to research before moving into a neighborhood. The closest school is not always in your district, and school scores reveal if a neighborhood is invested in the schools' success.
5. CRIME — Get the hard facts about any problems in the neighborhood — don't depend on anecdotal information.
6. DEMOGRAPHICS AND GROWTH — Find out how the area is growing and changing.
7. Community — Learn about the features that contribute to your neighborhood:
  - Proximity to a thriving economic center
  - Public schools
  - Shopping areas
  - Public facilities, such as parks, theaters, community centers
  - Convenient commuting options
  - Well-maintained homes
  - Owner occupancy rates



### GRADING LOCAL SCHOOLS

When thinking of buying a home, most people research various neighborhood amenities, including local schools. Naturally many families prefer to send their children to public schools, and declining schools can deter buyers and hurt property values. Here are four ways to tell if area schools are having problems:

#### LOCAL TEST SCORES LOW OR DROPPING

Low test scores can be a product of resource shortages, poor teachers, lack of commitment by the school district, low parental involvement, or neighborhood instability. Ask local residents or the district's head of school testing about the cause.

#### STUDENT ENROLLMENT DROPPING

If fewer families are moving into the neighborhood, or parents are choosing schools outside the neighborhood, ask your agent and local residents why.

#### POORLY MAINTAINED OR VANDALIZED BUILDINGS

Inadequate upkeep may indicate funding shortages and low parental involvement. Talk to the principal to find out more.

#### TROUBLES AT PTA MEETINGS

Tension among parents or between parents and the school's teachers or management may indicate serious problems in a school. Find out the issues, which can include funding shortages, teacher quality, curriculum choices or security.

If you have any doubts about the school quality in your target neighborhoods, consider your options and priorities, then make a decision about whether to buy or look for a home elsewhere. Learning about local schools helps you make an informed choice about where you live.



### PRIORITIZE AND BE FLEXIBLE

Keep in mind that there's no such thing as a *perfect home*...Every home buyer has budget limits, and not everyone can afford a 5,000 square foot home with granite counters, jetted tub and 180-degree view. When you're looking for a home, you'll probably have to compromise on a few characteristics. Here are some important things to consider as you determine your priorities in your home.

#### LOCATION

Location is the one thing about your home that you can't change later by spending money on it. You may feel a well-regarded school district is so important you're willing to buy a home on a busy street if necessary. For other buyers, that's a deal-breaker. Consider whether you're willing to compromise on some or all of the following location questions:

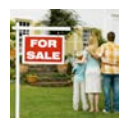
- School district
- Neighborhood aesthetics
- Amenities
- Traffic
- Walking distance to restaurants or a supermarket
- How close to or far from a highway you want to be
- How much traffic you will have to deal with
- Appearance of other houses and yards on the street
- Street filled with parked cars
- Noisy neighborhood



#### FLOOR PLAN

A home's layout is also difficult to change without major investments of time and money. Buyers should think carefully about what they need and what they want. For example, some buyers seek out a home with a formal dining room only to find that they rarely use it.

- Number of stories
- Bathroom locations
- Covered entryway
- Basement/attic



### CONDITION

Most buyers want to move into a home that's in "move-in" condition, with nothing to fix or replace. However, condition may be a good area to compromise to get closer to your dream home. Minor problems like worn carpets or cracked windows are easy to spot and fix. Other questions of condition should be evaluated by a home inspector. After getting the inspector's feedback, you can determine what you are willing to live with. Things that may come up include:

- Strength of the foundation
- Age of the wiring
- Pest damage
- Future repair costs
- Insulation





## DO YOUR HOMEWORK

As you are looking for your next home, you'll probably attend a lot of open houses. They're helpful to get a better idea of home prices and help you decide what you want in your home. An open house can also be an opportunity for you to talk with a local agent about for-sale homes and the housing market.

Here are seven things to ask about when attending an open house:



### 1. LISTING AGENT VS. SHOWING AGENT

Busy agents sometimes arrange for a colleague or assistant to hold an open house. Don't assume the person on-duty knows the house well.

### 2. LENGTH OF TIME ON THE MARKET

Well-priced homes in good condition generally don't last long. Unless the market is slow, you'll want to know why a particular home been for sale for a while.

### 3. HISTORY OF PREVIOUS OFFERS ON THE HOME

If the sellers rejected offers that were too low or had unusual contingencies or conditions, you may use that information in making your own offer.

### 4. REASONS FOR SELLING

Understanding the sellers' motivations and needs will help you put together a strong offer that takes their priorities into consideration.

### 5. APPLIANCES AND FIXTURES BEING SOLD WITH THE HOUSE

Find out whether the dining room chandelier or other removable features are included. Questionable fixtures should always be itemized in the purchase contract.

### 6. SPECIAL COSTS OF OWNERSHIP ATTACHED TO THE PROPERTY

Possible costs could include homeowner's association dues and assessments, special property tax assessment, flood hazard insurance or other hidden costs of ownership.

### 7. COMPARISON TO OTHER HOMES ON THE STREET

A sharp agent might be able to tell you about recent sales in the neighborhood or other homes that might be coming on the market.



## TIME TO CHOOSE AN AGENT

At first it might seem that by visiting a few open houses you could quickly find the right home at the right price. However, as you get deeper into the process, you'll find that buying and selling real estate is a complex matter that requires assistance.

Comparing homes and determining their value is very challenging. The same goes for contract terms, financing options, inspection requirements and closing costs. The complexity of forms, financing, inspections, marketing, pricing and negotiating is so difficult that some people make it a fulltime job to help you buy a home. Those people are real estate agents.

The right time to choose a real estate agent is after you have done your own preliminary assessment of what you want and need — or perhaps beforehand. In addition to showing you homes, the real estate agent can help you narrow your parameters and offer suggestions on locations and home features that you may not have thought of. A real estate agent can be of invaluable service when you're undertaking such a major commitment as owning a home.

### WHAT AGENTS DO

All real estate agents are required to obtain a license by the state in which they work, either as an agent/salesperson or as a broker. They must receive an education and take examinations, which vary from state to state. After receiving a real estate license, most agents join their local board or association of real estate agents and the National Association of Realtors®.

A good real estate agent stays up to date about things like schools, tax rates, and public transportation systems, as well as the going mortgage rates. An agent must also manage delicate price negotiations when an interested buyer and seller interact. The agent coordinates the "closing" when a property is sold, which refers to the actual signing of papers and transfer of a property's title. Finally, a real estate agent should be able to discern and be sensitive to a client's needs during what may be an uncertain time. To be available when their clients have free time, most real estate agents work during evenings and weekends.



### WHAT MAKES A GOOD AGENT



When you choose a real estate agent, you're selecting someone to represent you in one of the largest financial transactions you may ever undertake. Once hired for the job, the real estate agent should provide you with information about current market conditions, financing options and negotiating issues that might apply to a given situation. Remember: because market conditions can change and the strategies that apply in one negotiation may be inappropriate in another, no information is set in stone. During your time house-hunting, real estate agents will adjust tactics, keep you updated and alert you to each step in the transaction process.

An agent is also bound by certain legal obligations. Traditionally, these common-law obligations are to: put the client's interests above anyone else's; keep the client's information confidential; obey the client's lawful instructions; report to the client anything that would be useful; and account to the client for any money involved.



### HOW TO CHOOSE AN AGENT

It's essential to find a real estate agent with whom you have good rapport and whom you trust to handle such an important and personal matter. In many cases buyers will interview several real estate agents before selecting one professional with whom to work. These interviews represent a good opportunity to discuss such issues as training, experience, representation and professional certifications. Here are some questions to ask:

1. How long have you been licensed as an agent?
2. Do you work part-time or full-time?
3. Have you received any awards or certifications?
4. How can we keep in touch?
5. What's your communication style?



It's also important to consider an agent's knowledge of technology. As the Internet continues to simplify the way people do research on buying or selling their home, there are many good reasons to choose an agent who can harness the power of technology to provide you with exceptional service. A tech-savvy agent can:

- Send up-to-date information by email for you to review at your convenience.
- Provide you with an online home valuation so you can stay on top of current market value.
- Forward new home listings to you as soon as desirable properties hit the market.
- Deliver e-newsletters to keep you informed about market trends and other valuable pointers.
- Showcase your home on the Web to help you sell it for top dollar.

Whether you're thinking about buying or selling or simply want to stay informed about the real estate market, using new technology helps us consistently provide you with timely information and outstanding service.



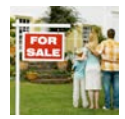
### TYPES OF REPRESENTATION



When buying real estate, you may have several choices as to how you want a real estate firm and its agents to work with you. For example, you may want them to represent you, the buyer. If that's the case, the agent will work only on your behalf, relaying helpful information and negotiating for your offer. Or, you may be willing for an agent to represent both you and the seller at the same time as a dual agent. Or you may agree to let

them represent only the seller as the seller's agent or subagent. Some agents will offer you a choice of these services. Others may not.

The "dual agency relationship" is most likely to happen if the listing agent of a home you'd like to buy is already working with you. The agent may ask the seller to sign a separate agreement or document permitting the agent to act as agent for both you and the seller. It may be difficult for a dual agent to advance the interests of both the buyer and seller. Nevertheless, a dual agent must treat buyers and sellers fairly and equally. Although the dual agent provides services on both sides of the transaction, buyers and sellers can prohibit dual agents from divulging certain confidential information about them to the other party.



### HOW THE MLS WORKS



Most people have heard of the Multiple Listing Service (MLS). But do you know how useful this tool can be in buying or selling a home? Real estate agents subscribe to an MLS to share information about their listings. All real estate agents with MLS membership can access information and photos of every property listed in the MLS.

The MLS is divided into regions; there is no “national” listing database. Your local real estate professionals access and update your area’s MLS so you receive only local information. Agents use information in the MLS to generate a comparable market analysis to help in setting the price for your home.

Agents also use the MLS to help find the ideal home for buyers. As new properties are placed in the MLS, agents email information and photos of properties that fit their buyers’ search criteria. This gives buyers the opportunity to educate themselves about the market and learn what their dollar can buy. Listings in the MLS can include multiple photos, a virtual tour and a detailed property description.



After you look at a few homes with a real estate agent, you may find one that meets your needs in your price range. When you find a home that you want to buy, you enter into a written contract, which starts with your written proposal. This proposal specifies price, and all the terms and conditions of the purchase.

Real estate agents handle the steps that need to be taken during the purchase process. In many states certain disclosure laws must be complied with by the seller, and the real estate agent will ensure that this takes place.

If you are not working with a real estate agent, you must draw up a purchase offer or contract that conforms to state and local laws and that incorporates all of the key items. State laws vary, and certain provisions may be required in your area.

After the offer is drawn up and signed, it will usually be presented to the seller by your real estate agent, by the seller's real estate agent if that's a different agent, or often by the two together. In a few areas, sales contracts are typically drawn up by the parties' lawyers.

### WHAT THE OFFER CONTAINS

The purchase offer you submit, if accepted, will become a binding sales contract (known in some areas as a purchase agreement). The offer will state:

- Address and sometimes a legal description of the property
- Sale price
- Terms -- for example, all cash or subject to your obtaining a mortgage for a given amount
- Seller's promise to provide clear title (ownership)
- Target date for closing (the actual sale)
- Amount of earnest money deposit accompanying the offer, and whether it's a check, cash or promissory note, and how it's to be returned to you if the offer is rejected -- or kept if you back out for no good reason
- Method by which real estate taxes, rents, fuel, water bills and utilities are to be prorated
- Provisions about who pays for title insurance, survey, termite inspections, etc.
- Type of deed to be given
- Other requirements specific to your state, which might include a chance for attorney review of the contract, disclosure of environmental hazards or other state-specific clauses



- A provision that the buyer may make a last-minute walk-through inspection of the property just before the closing
- Contingencies
- A time limit after which the offer will expire

### CONTINGENCIES

Most of the time when making an offer, you'd like to have several things happen before the sale goes through. "Contingencies" are put in the contract in order to ensure that these things happen, or else the contract is invalidated. The most common contingencies in a purchase order are:

- Financing: The buyer must get specific financing from a lending institution. If the loan can't be found, the buyer won't be bound by the contract.
- Home inspection: A satisfactory report by a home inspector "within 10 days (for example) after acceptance of the offer." The seller must wait 10 days to see if the inspector submits a report that satisfies you. If not, the contract would become void.

### *EARNEST MONEY*

This is a deposit that you give when making an offer on a house. A seller may be skeptical of a written offer, usually holds the deposit, the amount of which varies from neighborhood to neighborhood. This will become part of your down payment.

### **THE SELLER'S RESPONSE TO YOUR OFFER**

You will have a binding contract if the seller, upon receiving your written offer, signs an acceptance with no conditions. The offer becomes a firm contract as soon as you are notified of acceptance. If the offer is rejected, the seller cannot later change his mind and hold you to it.

If the seller likes everything except the sale price, the proposed closing date, or the chandelier you want left with the property, you may receive a written counteroffer with the changes the seller wants. You can accept or reject it, or even make your own counteroffer. For example, "We accept the counteroffer with the higher price, except that we still insist on having the chandelier."

Each time either party makes any change in the terms, the other side is free to accept or reject it, or counter again. The document becomes a binding contract only when one party finally signs an unconditional acceptance of the other side's proposal.



## STEPS TO BUYING A HOME



### WRITE A CONTRACT

When you find the home you want, you will write a contract, either through your agent or your attorney. Your offer should spell out what you are willing to pay for and what you are not, when you want to close, and when you want to take possession of the home. Your contract may be contingent upon getting an inspection and evaluating the results. If the inspection reveals a big problem, you and the seller can renegotiate the purchase price if you are still interested in buying.

### START THE **LOAN** PROCESS

As soon as the seller agrees to the contract, you must start following through on your loan. Take the contract to the lender and let it start the loan process in earnest. If you have been pre-approved, much of the legwork has already been done and your loan will process more quickly.

### GET AN APPRAISAL

The lender will have the home appraised, which may affect whether the loan is granted. Most lenders will have a maximum number of square feet per home they will lend in a certain neighborhood.

### HIRE AN INSPECTOR

In many markets, you will have the inspection after the contract is signed, rather than before. Inspections have been known to reveal some surprises. Your inspector may find a major problem, such as a cracked foundation. Such problems must be fixed or the home cannot be conveyed. The seller then has to arrange to pay for the repairs, or have the repairs paid for out of the contract proceeds via a mechanic's lien. Before setting the closing date, the repairs should be made and approved by the buyer.

### CONTINUE NEGOTIATIONS

The negotiation may be a stressful time of waiting for a response, deciding your next move, then acting quickly with your response. You think you may have addressed all the issues and closing will proceed without any other hiccups, but negotiations still continue as you reevaluate the inspection report, or find out the chandelier you thought was included is actually excluded from the contract. You may revisit the home several times, torn between doubts and hopes of owning the home.



### CLOSING



Until closing, and even during closing, anything can happen. You may find out that your closing costs are higher than you thought they would be because some additional service fees have been added by the lender. A minor glitch in financing paperwork could delay the sale; a problem the owner was supposed to fix wasn't repaired in time; the appraisal may come in the day before closing and be short of the asking price of the home. If so, the buyer, seller, and their agents have to figure out how to handle the issue.

A lot happens during the closing and the real estate agent takes care of most of it, keeping in close touch with your mortgage professional and the selling agent, and relaying all important information back to you. When closing is completed, you own the home!



### THE ART OF NEGOTIATION



In a home seller's eyes, not all buyers are equal. In a tough market, sellers may be able to choose the buyer they sell to. You're in a strong bargaining position, which means you may look more attractive to a seller, if:

- You're an all-cash buyer; or
- You're already pre-approved for a mortgage; and
- You don't own a house that has to be sold before you can afford to buy.



In those circumstances, you may be able to negotiate some discount off the listed price. On the other hand, in a "hot" seller's market, if the perfect house comes on the market, you may want to offer the list price (or more) to beat out other early offers.

It's very helpful to find out why the house is being sold and whether the seller is under pressure.

Keep these considerations in mind:

- Every month a vacant house remains unsold represents considerable extra expense for the seller;
- If the sellers are divorcing, they may just want out quickly; and
- Estate sales often yield a bargain in return for a prompt deal.

What's more, knowledge is power. You and your real estate agent may be able to get a better deal by doing a little research on the home you'd like to buy. When you're ready to make an offer, find out the following information:

#### 1. HOW LONG THE PROPERTY BEEN ON THE MARKET

The length of time a property has been on the market may indicate the seller's willingness to negotiate.

#### 2. PRICE REDUCTIONS DURING THE LISTING PERIOD

The amount of any price reduction, as it relates to the overall purchase price, may indicate the seller's desire to attract an offer.

#### 3. OTHER OFFERS ON THE PROPERTY

It will be helpful to know what offers may have been turned down and for what reason.



#### 4. MOTIVATION OF THE SELLER

Motivation is a key element in any negotiation. As an example, if the seller has already purchased a new property, your ability to close quickly may be an attractive element of the negotiations.

#### 5. PERSONAL ITEMS INCLUDED IN THE SALE

Anything the seller is willing to leave behind that you won't need to buy when you move in has real value. Consider those items in your offer.

#### 6. PRICE RANGE OF SOLD PROPERTIES IN THE AREA

This information is important since it will indicate the top and bottom of that specific market.

#### 7. AVERAGE TIME ON MARKET FOR PROPERTIES IN THE AREA

Short market times may indicate a sellers' market. If this is the case, you may face competition from other buyers.

#### 8. LIST-TO-SALE PRICE RATIO IN THE AREA

This information will indicate a sellers' past willingness to negotiate and by how much.

#### 9. AVERAGE SALES PRICE PER SQUARE FOOT OF RECENT SOLDS

This approach to establish value works best in a P.U.D. and/or where there are similar homes, lot sizes and improvements.

#### 10. OTHER KNOWN FACTORS ABOUT THE PROPERTY/NEIGHBORHOOD

Review the seller's disclosure statement very carefully with your sales associate.



### HOME BUYERS RIGHTS & RESPONSIBILITIES

of Property. You may wish to employ a professional home inspector, lead paint inspector, termite/pest inspector, sewage/septic system inspector, engineer or other expert to evaluate the property as a condition of an offer. If you prefer that the obligation to purchase be contingent upon an inspection, you should include an inspection

contingency in any offer. You may also

wish to check public records to verify information which may have been received concerning taxes, zoning, rent control and history of work performed.



Lead Paint, Hazardous or Toxic Materials. In purchasing any home you may wish to conduct special tests to determine the presence of toxic or hazardous materials. These include lead paint, radon, airborne asbestos, urea formaldehyde foam insulation ("UFFI"), oil spillage etc.

Fair Housing Laws. Real estate agents and sellers are required by federal law to treat all parties in a property transaction equally and without regard to race, color, national origin, religion, gender, sexual preference, age, marital status, presence of children, military service/veteran status or receipt of public assistance or physical or mental disabilities.

Right to Have All Offers Presented. By law, real estate agents are required to present all offers to a seller. Normally real estate agents will not solicit buyers or continue to show property after acceptance of an offer, unless otherwise agreed. Even if you make an offer for the full listing price, you cannot legally require the seller to accept it.

Nature of Seller's Duties to Condition of the Property. Every seller has the duty to respond fully and accurately to any request for information about a property. This is true whether the information is requested directly by you or by a real estate agent who, in turn, may pass along the information to you. Answers that are misleading or are half-truths are improper. If a seller is unsure of information, the seller should not guess, but should qualify his answer. Otherwise, you may be misled.

Contract Requirements. Agreements for the purchase of real property generally must be in writing and be signed to be enforceable. An offer signed by you which includes all essential terms and which is accepted and signed by the seller can constitute a binding contract. A written counteroffer made by the seller that is accepted in writing by you can also constitute a binding agreement. Many real estate agents have forms of such agreements for use by clients and customers. Often a more detailed agreement



known as a “Purchase and Sale Agreement” (“P&S”) will be signed by you and seller after an offer has been accepted. The P&S will then replace the earlier agreement. If you are unsure of your risks and responsibilities under any proposed agreement you may want to contact an attorney to assist you.

**Deposit By The Buyer.** It is customary for you to give a deposit as a show of good faith when an offer is presented. Normally this deposit is held in escrow, then deposited when the seller has accepted your offer.

**Mortgages and Financing Contingency.** If it will be necessary to obtain institutional financing for the purchase, you must fall within the lender’s guidelines to qualify for a loan. Loan packages, mortgage interest rates, points (pre-paid interest or administrative fees) and terms vary from one financial institution to another and will be adjusted from time to time. If institutional financing for a purchase is required, you may wish to make an offer contingent upon receipt of a mortgage commitment within a specified period of time. Careful compliance with the exact conditions in a mortgage contingency clause is crucial.

**Title Examination and Title Insurance.** Most banks and mortgage lenders require that an examination of the seller’s title to the property be conducted to determine if the property is marketable and will provide adequate security for the loan it is making. Lenders generally require title insurance up to the amount of the loan and for an additional fee, title insurance can be obtained to protect the portion of the purchase price that the buyer paid.

**Zoning and Building Code Compliance.** Zoning refers to the right of a local city or town to regulate the use of a particular property. It can include whether the use may be residential, commercial or industrial; the number of dwelling units which may be located on a lot; the minimum lot size; the minimum amount of street frontage; the minimum distance a structure must be set back from the street, from the side lot line or from the rear lot line. Structures which conformed to zoning at the time they were built may be “grandfathered” in under current zoning, while structures which did not conform when built usually require a “variance” from the city or town to be legal.

**Apartments.** Often homes are advertised as containing extra apartments. Such an apartment may be called an “in-law” apartment, an “au pair” suite or by some other name. Generally this refers to a structure which has been converted to add a separate dwelling unit. You may wish to determine whether such use has been approved.



### 10 BUYER MISTAKES

In a market where houses sell extremely fast, buyers are prone to make mistakes. Some buyers think, "If I don't buy now I never will." Still, it's smart to prepare yourself early to ensure no regrets. Here are common pitfalls you can avoid:



#### 1. FORGETTING A BUDGET

If you buy a home that's significantly out of your price range, you could make it more difficult to fund other important items such as retirement savings, your kids' education -- not to mention other daily expenses. Remember: experts say your total monthly debts, including your mortgage, should not exceed 36 percent of your income before taxes.



#### 2. WRONG MORTGAGE

Many homebuyers rush to secure a mortgage quickly without fully exploring options, because in a hot market, sellers often only consider bids from individuals who have been pre-approved for a loan. However, it's wise to pick your financing with care. Your choices may include adjustable rate mortgages (ARMs), 15-year fixed mortgages, or the traditional 30-year loan.

#### 3. WRONG NEIGHBORHOOD

Many popular locations are very expensive, and you will most likely have to search for a home that's affordable in such an area. On the other hand, location is important, and you may regret leaping at a great house in a less-than-great area. If you don't like the location you'll be unhappy. Plus you'll probably have a hard time selling your home later if the neighborhood isn't good.

Schools are an important aspect of the neighborhood as well—if not for you, then for future buyers of your home. Research test scores and other school statistics, then talk to parents and students to hear personal accounts of schools in the area.

#### 4. BAD HOME PRICING

Is that home really a great deal? Compare the cost with similar homes in the area. Your agent can help by providing you with a Comparable Market Analysis. A CMA lists such things as addresses of recently sold homes, prices, date sold, the number of bedrooms and bathrooms and -- ideally -- such things as the home's condition, its size and extra features.



### 5. POOR AGENT CHOICE

Buying a home is a challenge that can be made more difficult if you choose the wrong agent. You want an agent working on your behalf who understands your needs and financial limitations. Ask for references from friends who have recently bought a home. Interview three agents, and ask to see their activity lists, which list every property the agent has helped to sell or buy in the past year. Do research to ensure that the agent is experienced in the neighborhood where you want to live and the price range that you're looking for.

### 6. NOT DOUBLE-CHECKING THE NEIGHBORHOOD

Most homebuyers do their house-hunting on weekends. But neighborhoods can be very different on weekdays or after dark. Traffic and commute times may not be the same on Sunday afternoon as on Monday at 8 a.m. Be sure to check out what the neighborhood is like at different times of the day and week. Location is something that you cannot change about the home. Find out all that you can about the neighborhood before you buy.



### 7. IGNORING RESALE POTENTIAL

As you stroll through homes for sale, imagine yourself as the seller a few years hence. While you may appreciate a home's idiosyncrasies, future buyers may not. When you buy, think about how easy or difficult the home will be to sell in the future.

### 8. BUYING THE MOST EXPENSIVE HOME ON THE BLOCK

If the home you want to buy is significantly more expensive than others on the block, you may have future resale problems. Why? Because your neighbors' home values may decrease yours.

### 9. SKIPPING THE INSPECTION

It's **extremely risky** to buy a home without having it inspected. There are many major problems that may be lurking behind what appears to be a solid façade, and they're difficult for the untrained eye to spot. Such problems can be costly in the long run.

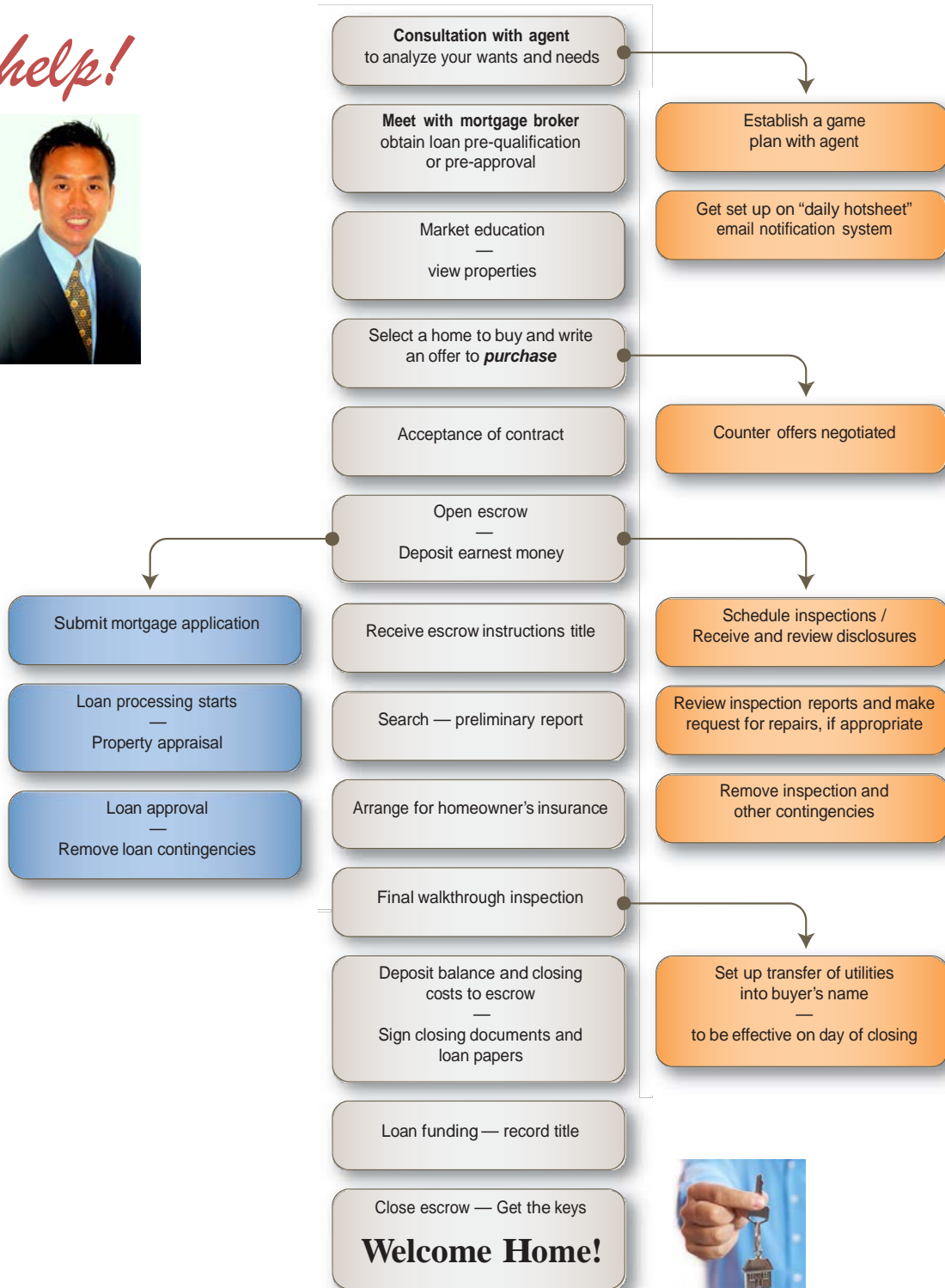


### 10. FORGETTING CLOSING COSTS

There are so many other costs to consider when buying a home, closing costs sound like a small piece of the pie. However, "small" adds up when you're making a six-figure purchase. Closing costs are usually around 2 to 5 percent of the home's purchase price, according to experts. Your mortgage professional can provide you with an estimate of what your mortgage costs will be.

# UNDERSTANDING ESCROW PROCESS

*I'm here to help!*





### MOVING

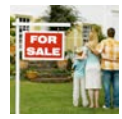
After the stress of finding a home and closing the deal, it's easy to forget what happens next! You need to pack up and move. Choose your movers and line up your moving days. Many people report that it takes longer than they expect to pack all their belongings. The good news is, it often takes less time to unload the truck on the other end.



Here are some things to consider when making a move:



- Get a binding estimate from the moving company. Make sure the amount is written in the contract.
- Check the local Better Business Bureau to learn the moving company's history.
- Check your existing renter's policy to see if it covers moving damages.
- Make sure the contract guarantees how many hours the move will take, allowing an overrun of no more than 10%.
- Watch loading and unloading and examine all furniture and boxes of fragile items carefully before signing a receipt.
- Make a complete inventory of your belongings before you pack.
- Get Moving Quotes
- Get Storage Quotes



### CLEANING

If you're moving into a brand-new home, your cleaning may be relatively minor! But if the home was previously occupied, you will probably want to do a top-to-bottom clean. After all, the home will never be this empty again—until you move out.

**KITCHEN** — Take advantage of the empty cabinets to clean out crumbs, and take care of the lining. **BATHROOMS** — Check the drains and do the standard cleaning.

**WALLS** — do a complete wipe down with soapy water. This is also a good prep step if you're planning to paint later on.



**WINDOWS** — Vinegar and water do the trick less expensively than store-bought window cleaning fluid.

When you have moved into your new home, start with a clean slate and organize your closets to maximize storage capacity. Be sure to gather together everything that you plan to store in a certain area before you decide on a shelving or container system. While you may be tired from all the other activities you've had to do lately, it's well worth the effort to take a little extra time to get organized. This will help you enjoy your new home!





## FINDING SERVICES

Thanks to **GOOGLE**...!! Internet search to find providers in your area for many common things you'll need as you settle into your new home, such as:

- Electricity
- Gas companies
- Telephone service
- Television cable
- Garbage collection
- Cellular phone service
- Basement Remodeling Services
- Yard Landscaping Needs
- Handyman Help
- Home Inspections





## HOME SWEET HOME



I hope that you've found the information in this handbook helpful—and that it has helped you survive the home purchase process and move into your next home! As you get better acquainted with your neighborhood, remember that I'm always available to help you find additional information about your neighborhood as well as resources for your new home.

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*I'm here to  
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