

# The Advantages of Buying versus Renting



Deciding to buy a home is a highly personal choice that involves weighing numerous financial factors and individual preferences. While renting may be easier on your budget and provide more flexibility to relocate for new work opportunities, there are a number of strong reasons to purchase a home, including:

## FINANCIAL FACTORS

**Build Equity** – For most mortgages, monthly payments include both principal and interest, with principal representing your actual ownership of the home. Over time, the principal portion of each monthly payment increases, helping homeowners build equity faster.

Owners can also build equity by making smart improvements, especially if the cost of the project boosts your home's resale value by more than what you invest in the improvement.

**Tax Benefits** – If you itemize your federal income tax return, you can deduct property taxes and any mortgage interest paid during the tax year. You may also be able to take advantage of other local, state or federal incentives, such as home improvements that qualify for an energy tax credit.

**Potential Rental Income** – At some point, you may decide to convert your home into an investment property by leasing out some or all of your space. (For example, keep your first home for rental income when you decide to move to larger quarters.) Just be sure to investigate local rental property laws first.

## SUBJECTIVE CONSIDERATIONS

**Creative Freedom** – Your home is your space, and you can do whatever you want with it, just be mindful of zoning violations. Paint the walls, add a deck, create a workshop for your favorite hobbies, etc. When you own a home, you're only limited by your imagination.

**Privacy** – In contrast to sharing space with roommates or other family members, owning a home provides a private "sanctuary." Even if you've been renting your own apartment space, you may be craving a retreat from noisy (or nosy) neighbors.

**Sense of Belonging** – Buying a home involves a larger, longer-term commitment (than renting) that often extends beyond a house into a community, opening the door to participation in local events, meeting and supporting neighbors, and building deeper friendships.

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# Am I ready to buy a home?



Your buyer's rep can help you decide.

**The decision to purchase a home is a highly personal one, based on both tangible and intangible factors.** Beyond your personal situation, local market conditions, financing costs, and future expectations must also be evaluated.

The following list of questions can help you decide if you are ready to move forward with a home purchase. Your Accredited Buyer's Representative (ABR®) can help you sort through these issues and provide essential local market perspectives.



## PURCHASING CONSIDERATIONS

- ♦ If you purchase a home, how long do you expect to live there?
- ♦ What can you afford to pay each month for housing-related expenses?
- ♦ What are the total costs of home ownership? This may include:
  - Mortgage payments (based on various interest rate and term assumptions)
  - Property taxes
  - Homeowner's insurance
  - Utilities
  - Maintenance costs
  - Any other special fees?
- ♦ Do you expect these housing-related expenses to increase or decrease? (changes in interest rates may be a bigger factor than others)
- ♦ What additional expenses are required to complete a purchase? (closing costs, moving expenses, etc.)
- ♦ How much will your home ownership costs decline after adjusting for interest expense deductions and property taxes (if applicable)?

- ♦ Are local market prices favorable to purchasing? What are your expectations on future prices?
- ♦ Do you qualify for any special purchasing assistance programs that can help reduce the cost of home ownership?

## RENTING CONSIDERATIONS

- ♦ If you are now a renter, what are your total housing expenses? (monthly rent, utilities, housing assessment, parking, etc.?)
- ♦ How does renting vs. buying factor into your long-term investing goals?

## OTHER FACTORS

- ♦ What are your personal preferences regarding the type of housing you wish to live in? How does location factor into your housing preferences?
- ♦ How do you expect your personal situation to change, in terms of future housing needs?
- ♦ What are your expectations concerning future employment?
- ♦ What are your long-term personal and financial goals, with regard to housing?

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# The True Cost of Homeownership

## One-Time Expenses    Ongoing Expenses

### **Appliances**

Will the appliances in the home need upgrading—now or in the near future? Don't forget to check out the water heater and HVAC.

### **Furniture**

Moving from a one-bedroom apartment to a three-bedroom house often means you'll need more furniture. Evaluate furniture needs and costs for your new home.

### **Remodeling**

Before purchasing a home that needs remodeling, ask a contractor to give you an estimate. Homeowners often underestimate the costs.



### **Principal, interest, taxes, and insurance (PITI)**

If you have a fixed rate mortgage, the payment will remain the same for the life of the loan. Taxes and insurance may increase.

### **Homeowner Association Fees**

Fees or assessments for a condo, townhouse or single-family home with an association can increase yearly. Compare fees of similar properties line-by-line. Check what the fee includes; for example, utilities gas, electricity, garbage pickup, and water. Watch out for special assessments for capital repairs and improvements to common areas.

### **Exterior maintenance**

Replacing the roof, painting the siding or trim, sealing the driveway, sealing the deck, replacing windows, gutter cleaning or repair, septic and well maintenance are just some of the additional exterior maintenance costs in owning a home. Some jobs you can do yourself, but others require professionals. Don't forget the tools that go along with home maintenance: power washers, compressors, heavy-duty ladders, and power tools.

### **Interior maintenance**

If you've been renting, your landlord probably picked up the tab for repairs and general maintenance. Once you own your home you'll be footing the bill. You will need to maintain

appliances, plumbing and electrical systems, carpets, floor and wall coverings, and so on.

### **Utilities**

If you are renting, you're probably used to budgeting for utilities. But the cost of heating a one-bedroom apartment can pale in comparison with the bills for an entire house. A real estate professional can help you find out about the current occupant's costs but family size and usage impacts those numbers.

### **Yard care and snow removal**

Plan on buying a lawnmower and other landscaping tools or budget for a professional lawn service. Include a snow shovel or snow blower if you live in a cold climate.

### **Pest control**

Depending on location, be sure to schedule a termite inspection before you purchase a home. Purchasing a termite infestation bond may be in order. Even if there is no infestation at the time of the inspection, that's no guarantee these or other pests won't show up.

### **Transportation Costs**

Don't forget to calculate transportation costs whether by public transportation or your own vehicle. Budget for gas, oil, insurance, tires, and regular maintenance. Will you need to purchase another car to take care of all of the family's transportation needs?

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# 5 Steps to Obtaining a Mortgage

Today's stricter lending environment means that processing a mortgage application is more complex than ever, given the number of steps that lenders, underwriters, and mortgage insurers must all complete before home buyers truly have their financing in place.

To help ensure the process goes smoother, you can also take steps of your own. It's a good idea to discuss the process with your Accredited Buyer's Representative (ABR®), even before shopping for homes. By planning ahead, you'll be in a much better position to negotiate and move forward on a purchase—and avoid any unpleasant surprises regarding your mortgage.

## 1. EVALUATE AFFORDABILITY

Lenders and mortgage insurers look at a variety of factors, but the two most important are your monthly mortgage payment and your total debt load, relative to your gross income. As a home buyer, it's also important to consider additional expenses, beyond your mortgage payment, that can impact how much home you can afford. Depending on your situation, these other expenses could include property taxes, mortgage insurance, homeowners insurance, home maintenance expenses, homeowner association fees, parking expenses, and utilities.

## 2. DISCUSS YOUR OPTIONS

Deciding what type of mortgage is best for you depends on your personal situation, your financial scenario, and your future plans. For example, if your down payment isn't large enough to qualify for a conventional loan, an FHA mortgage can be an excellent option. Alternately, you may qualify for an attractive program offered at the national or local level. Mortgage programs are always changing, so ask your ABR® about current options.

## 3. INTERVIEW LENDERS

Your ABR® can provide several recommendations, based on past home buyers' experiences. Rates and fees are typically very competitive between lenders, so it's often more important to focus on other factors, including the level of service provided and how well they've executed transactions for other buyers. The type of mortgage you are seeking may also impact your choice of lender, since some are more familiar with certain mortgage programs than others.

## 4. GET PREAPPROVED

Completing a loan application with one or more lenders will help confirm whether your intended mortgage financing plans will work out as hoped, or if you must modify your plans. It's important to understand since preapprovals are contingent upon the lender receiving full documentation, your preapproval does not guarantee that you have a mortgage. Still, it's an important first step that will also put you in a better negotiating position with sellers.

## 5. COMMIT TO A LENDER

As soon as you are under contract to purchase a home, commit to working with one lender to complete your mortgage application. You will probably be charged a fee at this point because this is when the lender starts incurring processing expenses on your behalf. Show your lender that you are serious about working in partnership with them by submitting all the required documentation as quickly as possible.

Following these five steps will greatly improve your results in getting a mortgage. Count on your ABR® to provide more detailed information on each step in the process and answer any questions you may have.



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# What Buyers Should Know About Property Portals



If you're like most buyers, you probably started your home search online. What you've found, however, may have raised more questions than answers. That's because various consumer-oriented portals operate in very different ways and produce very different results. Understanding the nuts and bolts of how listings are published online will help you gain access to the most complete and accurate information.

## THE SYNDICATION PROCESS

A seller's agent starts the home marketing process by creating a "listing" that includes key details and selling points, as well as photos. This information is usually entered into the local multiple listing service (MLS). All agents within that MLS share access to the most current details on every listing and may, depending on rule requirements, republish listings on their own websites.

Because seller's agents want their properties to be seen by as many consumers as possible, they typically use syndication services to republish listings on various consumer sites. Even though the listing agent created the original content, their ability to control future updates may be hit or miss. Additionally, some consumer sites sell listing information to other sites, in a process called resyndication, creating further distance from the original source.

## IMPROVING YOUR RESULTS

Portals are hungry for as many listings and as much content as possible—that's how they attract visitors. But they may be less interested in, or capable of, keeping their content up-to-date. As a result, buyers often find properties that are no longer available for sale or otherwise inaccurate details, such as estimated values.

## THE SOLUTION?

Work with and rely on a source who can offer the most current and accurate information. Your buyer's agent has real-time access to the most complete inventory of homes for sale, along with the most timely details on prices, market status, comparable sales, etc. Many buyer's agents can also give their clients access to proprietary tools that provide emailed updates on qualified properties.

If your only option is a portal, rely on [realtor.com](http://realtor.com)®, which is more closely integrated with the MLS system than other property sites and does the best job of providing consumers timely, accurate listing data.

## How Listings are Published Online



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# What Do You Want *and Need in a Home?*

Finding a new home can be exciting. But deciding what you truly want and need—and can afford—can be challenging. Making these decisions begins with setting priorities among many different preferences.

Most homebuyers invariably face trade-offs. Your buyer's representative can play a key role in helping you sort out your options. He or she can also offer important insights specific to your local market.

Here are many of the considerations you'll want to discuss with your buyer's rep:

## BASIC HOME FEATURES

- ✦ Do you prefer a single-family detached home, townhome, condominium, or other type of property?
- ✦ Desired number of bedrooms and baths
- ✦ Preferences regarding kitchen, dining, family rooms, etc. and preferred home layout
- ✦ High-priority home features, such as kitchen appliances, fireplace, etc.
- ✦ Other types of rooms needed (e.g., a home office or a hobby space)
- ✦ Storage spaces (closets, basement, an outdoor shed, etc.)
- ✦ Need for a garage or parking space, and if so, for how many cars?

## OTHER HOME PREFERENCES

- ✦ Ranch, two story, split level, etc.
- ✦ Age and style of home (Victorian, bungalow, modern, etc.)
- ✦ How important is energy efficiency or other green home features?

## NEIGHBORHOODS/LOCATION

- ✦ Commuting considerations (to work, shopping, etc.)
- ✦ Proximity to desirable features (such as a community center, exercise facility, school, hospital, etc.)
- ✦ Views—how important is to find your ideal view (overlooking a park, for example) or avoiding a bad one (a busy highway)?

## LOT CHARACTERISTICS

- ✦ Size and shape, including back, front and side yards
- ✦ Landscaping considerations—the need for open play areas, privacy, patio space, decking, etc.
- ✦ Home orientation—Is it important for your home to face a particular direction?

## LIFE AT HOME

- ✦ If you'll be sharing your home with children, pets, live-in parents or others, how does this impact your housing preferences? Both now, and in the future? (For example, pets may require a fenced-in yard; older parents may dictate one-floor living.)
- ✦ Proximity to neighbors

## RELATED COSTS

- ✦ Homeowner association fees?
- ✦ Property taxes

## TRADE-OFFS

- ✦ How much do you want to invest in a home beyond the purchase price, either financially or in terms of sweat equity, if you can't find exactly what you want?
- ✦ Are you willing to consider other neighborhoods that provide better affordability?

## RESALE

- ✦ How long do you plan to live in this home? How does this impact the type of home you will buy, how much you'll spend, and your choice of location?

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## Common Myths and Misunderstandings about Shopping for Homes

**You've been searching for homes online, driving by interesting properties in your car, and found one that looks perfect. What do you do next?**

Contact the agent featured on the yard sign and the online listing? While that may sound like the most logical step, it's a common home buying mistake based on several myths and misunderstandings:

**Assumption: It's best to contact the listing agent because they're already familiar with the property.** Sure, the agent on the yard sign knows the property, but that's because they've been hired by the owners to help sell it. That's what listing agents do. Their job is to represent sellers in property transactions, marketing properties to potential buyers and helping sellers earn as much as possible on the sale.

Does that sound like an agent who will be looking out for YOUR best interests? Buyers will be better served if they avoid the listing agent (anything you tell them may hurt your negotiating position) and select a buyer's agent to arrange a showing—someone who will represent your interests in a transaction.

**Assumption: I'll save money on commissions if I work with the seller's agent.** Not true. Commissions paid to the buyer's and seller's agents are predetermined and written into the listing agreement; in most cases, if the listing agent brings a buyer to the table (because the buyer contacted them directly) that brokerage will earn both sides of the commission.

That means buyers don't necessarily save anything by going directly to the listing agent. More importantly, when a buyer approaches the listing agent, they've potentially lost a vital opportunity to receive loyalty, confidentiality and other fiduciary duties that buyer's agents owe their clients.

**Assumption: All real estate agents are basically the same, so I might as well contact this one.** Again, not true. As in all professions, some real estate agents deliver a higher standard of service than others. One way to make sure you're working with a professional who's already received special training in representing buyers is to find an agent who's earned their Accredited Buyer's Representative (ABR®) designation—an official designation certified by the National Association of REALTORS®.



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# Property Disclosures

Buying a home can present hidden risks. While sellers must provide prospective buyers with complete and accurate descriptions of properties for sale, each state varies regarding the details sellers must legally disclose to buyers. No matter where you live, smart buyers also exercise personal responsibility, to whatever extent possible and reasonable, to help avoid unpleasant surprises.

The following list outlines numerous issues buyers should consider when purchasing property. Some are addressed by sellers' disclosure documents, others are not. Your buyer's rep can counsel you on the specifics in your state and discuss appropriate steps to discover and remedy potential property concerns.

## HOME CONDITION—STRUCTURAL

- ♦ Roof
- ♦ Foundation
- ♦ Interior/exterior walls
- ♦ Fireplace/chimney
- ♦ Floors
- ♦ Windows/doors
- ♦ Ceilings
- ♦ Garage
- ♦ Patio/deck

## HOME CONDITION—MECHANICAL

- ♦ Plumbing system
- ♦ Electrical system
- ♦ Heating and/or air conditioning
- ♦ Sewer and/or septic system
- ♦ Built-in appliances
- ♦ Other systems and fixtures

## ENVIRONMENTAL HAZARDS

- ♦ Asbestos
- ♦ Lead-based paint\*
- ♦ Meth lab
- ♦ Mold
- ♦ Radon

## OTHER CONDITIONS

- ♦ Termite or other pest infestation
- ♦ Flooding (including federally-designated flood plain\*)
- ♦ Utility or other easements
- ♦ Adjoining private roads (and obligation to maintain)
- ♦ Shared driveways, walls, or encroachments from or on adjacent property
- ♦ Stigmas (including registered sex offenders)

## OFF-SITE CONDITIONS

Odor, smoke, noise, and hazards affecting property due to proximity to:

- ♦ Highways
- ♦ Railroads
- ♦ Commercial/Industrial facilities
- ♦ Military installations
- ♦ Superfund sites
- ♦ Toxic waste dumps

## LEGAL /FINANCIAL CONSIDERATIONS

- ♦ Possible or probable short sale or foreclosure
- ♦ Violation of building codes, zoning ordinances or other restrictive covenants
- ♦ Zoning (restricting buyer's intended use for the property)
- ♦ Homeowners association obligations
- ♦ Tenancies, judgments or tax liens
- ♦ Proposed assessments or zoning changes
- ♦ Mechanics' or materialmen's liens

## OTHER OFF-SITE CONSIDERATIONS

- ♦ Neighborhood noise (e.g., barking dogs)
- ♦ Traffic
- ♦ Safety
- ♦ Availability of, or consequences from, public parking
- ♦ Zoning (impacting how nearby property will be used in the future)

## PREVENTIVE MEASURES

Buyers can take steps to reveal problems and reduce risk. Ask your buyer's rep about the following options and other appropriate measures. Inspections and other preventive steps are especially important for distressed properties.

**Home Inspections:** A thorough home inspection should reveal structural or mechanical issues. Certain problems may require a separate evaluation by a trained specialist.

**Home Warranties:** Home protection plans can cover the cost of future repairs to malfunctioning home appliances or systems. Policy coverage and costs vary.

**C.L.U.E. Reports:** Comprehensive Loss Underwriting Exchange Reports provide details on insurance claims filed in the past five years, such as wind, water or mold damage—considerations that could impact the cost of insuring the home.

\*These items are subject to federal laws and must be disclosed in all states.

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# Moving Checklist



**Moving into your new home is a big job.** The further you plan in advance, the smoother it will go. This list contains most of the big tasks you'll need to do and suggested timeframes. Depending on your situation, you might be able to delete (or may need to add) some items.

## 8 WEEKS BEFORE

- ☐ Call moving companies for estimates.
- ☐ Remove and dispose of unnecessary possessions.
- ☐ Start compiling an inventory of your possessions.
- ☐ Get a floor plan (with room dimensions) of your new home to help you decide which furnishings you want to keep and which room they will go in.
- ☐ Start a file of moving-related papers and receipts.
- ☐ Locate schools, healthcare professionals and hospitals in your new location.
- ☐ Arrange to transfer your children's school records and family medical records.

## 6 WEEKS BEFORE

- ☐ Secure off-site storage.
- ☐ Choose a mover and sign contract.
- ☐ Contact your homeowner's insurance agent about coverage for moving and secure more.
- ☐ Contact insurance companies (auto, homeowner's, medical, and life) to arrange for coverage in your new home.

## 4 WEEKS BEFORE

Create a file of important papers, such as auto license, registration documents and title; any medical, dental and school records; birth certificates; wills, deeds, stock certificates, and other financial documents.

- ☐ Notify the following of your change of address:
  - ☐ Post office
  - ☐ Banks
  - ☐ Credit card companies
  - ☐ Relatives and friends
  - ☐ Insurance agent, lawyer, tax/financial advisor
  - ☐ Magazine subscriptions

- ☐ Notify utility companies of date to discontinue/transfer service and/or establish service at your new home. Also arrange for final readings and bills, including refunds on prepaid services.
  - ☐ Electric
  - ☐ Heating oil
  - ☐ Internet service
  - ☐ Natural gas
  - ☐ Telephone
  - ☐ Television
  - ☐ Trash collection
  - ☐ Water
- ☐ Notify your state's department of motor vehicle of your new address.
- ☐ If moving from an apartment, arrange for refund of your security deposit.
- ☐ Discontinue additional home services (housekeeper, gardener/lawn service, snow removal, and pool cleaner).
- ☐ Start using up things you can't move, such as perishables.

## 3 WEEKS BEFORE

- ☐ Make travel plans.
- ☐ Make arrangements with condo or homeowner's association to reserve elevator usage time if moving into or out of a high rise building.
- ☐ Arrange to close existing bank accounts and open new accounts in new area.
- ☐ Arrange for child care on moving day.

## 2 WEEKS BEFORE

- ☐ Arrange special transport for your pets and plants.
- ☐ Contact your moving company and review arrangements for your move.

## 1 WEEK BEFORE

- ☐ Pack moving-essential boxes—Important documents, travel clothes, personal items and prescription medications.

## 2-3 DAYS BEFORE

- ☐ Confirm all final arrangements with your mover and other service providers.



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# From Contract to Closing



**Congratulations! A seller has accepted your offer. Before you can take possession of your new home, however, several important details must fall into place. Count on your Accredited Buyer's Representative (ABR®) to explain each step in the process and answer your questions.**

**While each transaction is unique, the most important steps include:**

## ☐ COMPLETE A HOME INSPECTION

Assuming this contingency was in your offer, schedule a thorough inspection of the property with a qualified home inspector. If you like, your ABR® can help you identify several inspectors to choose from.

The inspector should provide you with a written report detailing any flaws found in the home, including information about the severity of his or her findings. If severe problems are found, your contingency clause should permit you to cancel the contract without obligation.

Alternately, you may want to negotiate performance and payment for any significant repairs noted in the inspection. But also remember that no home is perfect and small repairs and maintenance issues should not derail the transaction or require another round of negotiations.

## ☐ REQUEST ATTORNEY REVIEW

If specified in your offer, ask your attorney to review your sales contract and, if desired, schedule his or her participation in your closing.

## ☐ FINALIZE YOUR MORTGAGE

Securing a mortgage can be more complex and expensive than many consumers realize. Numerous documents and details must come together in a short period of time. Make sure you have promptly supplied your lender with everything they ask for so your financing is in place for closing day.

## ☐ GET READY TO MOVE

Moving may be the biggest job you face in buying a home. Be sure to get a jump on these preparations. First, decide how much help you'll need. If you plan to hire a moving company, compare costs and make a reservation.

Other important details include coordinating dates to end service with all utilities and establish service in your new home. Make sure the post office has been notified of your change in address, as well as your bank, credit card companies, insurance agent, attorney, other key professionals, and family and friends.

## ☐ ATTEND A FINAL WALK-THROUGH

A pre-closing walk-through is a final check to ensure that the home is in the same condition it was during the inspection, and to make sure all contracted items, such as appliances, are still in the home. The timing of the final walk-through will vary, depending on practices in your market.

## ☐ PREPARE TO PAY CLOSING COSTS

When you applied for your mortgage, you received a good-faith estimate of closing costs. As closing approaches, you'll need to determine exactly how much money you will be expected to bring to closing and what forms of payment are acceptable.



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# Formulating an Offer



## You've found a home you'd like to buy. How much should you offer to pay?

To help answer this important question, your buyer's representative will prepare a detailed Comparative Market Analysis (CMA) that examines recently-sold properties, active listings, pending sales and expired listings. Through their Multiple Listing Service (MLS), your agent has access to the most current information on properties in your area.

From the CMA and your agent's personal knowledge, you'll gain insights on the market in general and the specific property you're considering—important details that should be factored into your offer. These include:

Market Facts	Property Facts
<b>Price of similar properties</b> - both list and sales prices for similar properties in the area	<b>Property condition</b> - Is it in good condition or will you need to make substantial investments in repairs?
<b>Price trends</b> - current percentages of list price compared to sales price	<b>Length of time on the market</b> - a long time on the market may indicate a slow market, inappropriate pricing or some inherent problem with the property
<b>Supply and demand</b> - in a high-demand, low-supply market your offer may be competing with others	<b>Seller's motivation</b> - a seller under pressure to close a deal may be more receptive than one who can wait until the "right offer comes along."
<b>Absorption rate</b> - number of month's supply of inventory. Smaller numbers (shorter time frames) indicate a more competitive market for buyers.	<b>Terms</b> - what terms and contingencies must be written into the offer? Terms that make your offer more attractive include an all-cash transaction, pre-approval for financing, quick closing, and few contingencies or seller concessions.
<b>Average time on market</b> - because listings expire or homes may be re-listed to appear "new" cumulative market time is critical	<b>Property history</b> - previous sales and financing history

*Count on your Accredited Buyer's Representative to answer your questions and guide you through these and other important decisions when buying a home.*

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## Multiple Offers: Questions to Consider in a Seller's Market

When home buyers outnumber sellers, the result can be a multiple offer scenario. If you're searching for homes in a competitive market environment, you'll want to take time to understand the dynamics of multiple offers and understand how this might impact your negotiating strategy. Some questions to discuss with your buyer's representative:

### **Will I know if I'm in a multiple offer situation?**

Not necessarily. Typically it works to a seller's advantage if buyers are told they are competing with one another. But a seller must give their agent permission to disclose the existence of other offers before this can be shared with your buyer's rep.

### **How will offers be presented to the seller?**

The seller decides how they want this handled, either individually or as a group presentation. Once presented, a seller can elect to accept (or counter) one offer, reject all offers, or reject all offers in conjunction with a request to resubmit a "highest and best" offer.

### **Will the details of my offer be kept confidential from other buyers?**

The only way to preserve confidentiality is to ask the sellers to sign a confidentiality agreement before presenting your offer (which also applies to their agent). However, if the seller decides to have a group presentation of offers, you'll either have to withdraw your offer or revoke the confidentiality agreement.

### **If my offer has the highest price, can I be confident that I'll beat out other buyers?**

No. Sellers can accept whichever offer they consider "best" and that may be based on other factors, like the certainty of closing (e.g., the buyer is already approved on their mortgage) or flexibility on closing dates.

### **What are my options for writing a stronger offer?**

In addition to firming up your financing (or paying cash) and offering flexibility on timing, there are a number of other things you can do, including eliminating contingencies, increasing your earnest money deposit or paying closing costs, to name a few. Discuss your options with your buyer's rep.

### **If I don't want to compete with other buyers, can I withdraw my offer?**

Yes, as long as you deliver notification to the seller revoking your offer before they've accepted it.

Every home buyer benefits from having their interests represented in a real estate transaction, but in a multiple offer scenario, you'll gain even more if you're working with an **Accredited Buyer's Representative**. Discuss these and other questions with your buyer's rep so you can anticipate each step in the negotiation process and improve the likelihood of a successful outcome.



The Accredited Buyer's Representative (ABR®) designation is awarded by the Real Estate Buyer's Agent Council (REBAC), a subsidiary of the National Association of REALTORS® (NAR).

To learn more about REBAC and access various home buyer resources, please visit [REBAC.net](http://REBAC.net).





# The Negotiating Process

You've found a home that's right for you and it's time to make an offer. What steps are involved in negotiating a real estate purchase?

## STEP 1. RESEARCH AND PLANNING

Depending on market conditions, you may have to act quickly, before another buyer steps ahead of you. That said, the best way to approach a home purchase is to arm yourself with facts and to plan a negotiating strategy. Your ABR® can assist you on both these points.

When deciding what to offer for a property, current market prices are the most important factor. Your ABR® can provide valuable assistance in this regard—counseling you on market conditions, price ranges, comparable properties, and appropriate negotiating strategies.

## STEP 2. SUBMIT AN OFFER

Real estate transactions require a written contract, which conveys an initial written offer. A check for earnest money usually accompanies an offer.

Your offer will specify price, plus all the terms and conditions of the purchase you want to negotiate. Your ABR® provides a valuable service by helping you use standard forms that are kept up-to-date with changing real estate laws, which vary from one state to another, and by explaining the negotiating impact of including various terms and conditions.



## STEP 3. THE SELLER'S RESPONSE

When your offer is presented, the seller's options are to:

**Accept.** If, after reviewing your written offer, the sellers sign their unconditional acceptance, then you will have a binding contract as soon as you are notified of the offer's acceptance.

**Reject.** If the sellers reject your offer, you are released of any obligation. The sellers cannot later change their minds and expect to bind you to a contract based on that offer.

**Counteroffer.** If the sellers like most aspects of your offer, they may present a written counteroffer that includes the changes the sellers want to make. You are then free to accept their counteroffer, reject it, or make your own counteroffer to their counteroffer. This process can repeat itself as many times as it takes for you and the sellers to agree on the sales contract. At this point, negotiations are over and the terms of the sale are final.

It is important to note that the negotiating process always moves forward; buyers cannot decide at a later time to accept a counteroffer that they previously rejected. If the property is still available, buyers must reinstate negotiations by submitting a new offer.

## WITHDRAWING AN OFFER

Can you take back an offer? In most cases the answer is yes, right up until the moment your offer is accepted. In some cases, you can withdraw an offer before you've been notified of its acceptance.

If you want to withdraw your offer after acceptance, be sure to do so only after consulting a lawyer who is experienced in real estate matters. You want to avoid losing your earnest money deposit or a lawsuit for damages the sellers incurred because of your actions.

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# Final Walk-through Checklist

## GENERAL

- ☐ Have all agreed-upon repairs been completed?
- ☐ Has the associated paperwork been submitted?
- ☐ Have the sellers removed any contents that are supposed to stay?
- ☐ Is the home relatively clean and ready for new occupants?

## WALLS, CEILINGS AND FLOORS

- ☐ Are there signs of new damage? (water damage, gouges, stains, etc.)

## ELECTRICAL

- ☐ Do all light fixtures work?
- ☐ Does every outlet have power?

## PLUMBING

- ☐ Test each faucet. (On/off? Water pressure? Hot/cold water?)
- ☐ Check under sinks for leaks
- ☐ Do all toilets flush properly?
- ☐ Are any drains clogged?

## WINDOWS/DOORS

- ☐ Do all windows open, close and lock properly?
- ☐ Do they all have screens (if applicable)?
- ☐ Do all exterior and interior doors open and close properly?
- ☐ Do the locks work?
- ☐ If there's an electric garage door, is it operational?
- ☐ Do all cabinet doors/drawers open/close?

## APPLIANCES

Do all appliances included in the home operate correctly?

- ☐ Refrigerator
- ☐ Dishwasher
- ☐ Stove, cook-top, oven, microwave
- ☐ Garbage disposal
- ☐ Other specialized kitchen appliances (e.g., warming drawers, wine coolers, trash compactors)
- ☐ Exhaust fans (kitchen and bath)
- ☐ Heaters (bath)
- ☐ Ceiling fans

## HVAC

- ☐ Test the furnace and/or air conditioning system
- ☐ Are any vents blocked?

## EXTERIOR

Has there been any damage to:

- ☐ exterior walls or roof?
- ☐ driveway?
- ☐ landscaping?
- ☐ other structures on the property?

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# Do-It-Yourself Home Energy Survey Checklist



When a home has particular energy-related problems, homeowners (or potential buyers) can begin the diagnostic process. Although it is not a replacement for professional evaluation, the DIY approach can uncover problems for quick fixes or further investigation. Inspect the items on the list and make notes about problems. The list and notes will serve as a to-do list for tackling problem areas and prioritizing repairs and upgrades.



- ☐ Gaps along baseboards, flooring edges, junctures of walls and ceilings, anywhere that two different building materials meet can be sources of energy loss
- ☐ Insulation around electrical outlets and switch plates. Turn off power to an electrical outlet or switch, use a power tester to double-check to ensure that no current is flowing to the outlet, remove the cover plate and probe around the opened outlet with a stick or screwdriver; resistance indicates presence of insulation.
- ☐ Windows and doors—rattling indicates an air leak source
- ☐ Fireplace flue—if you can feel a draft, the fireplace flue may be open, or there may be gaps in the closed position
- ☐ Cellar door and attic hatch—the hatch should have the same amount and type of insulation as the attic floor
- ☐ Hot or cold spots on floors or in rooms—indicates possible insulation issues
- ☐ Drafts through mail slots and pet doors—to reduce energy loss, seal these openings
- ☐ Exhaust fans and hoods, dryer-vents—ensure appropriate airflow in moisture-heavy spaces
- ☐ Foundation seals, siding, mortar between bricks (especially building corners)—these are all areas that require periodic maintenance and are prime sources of air leaks
- ☐ Worn or improperly installed caulking and weather stripping—remove and replace
- ☐ Storm windows installed—creates extra layer of insulation
- ☐ Vapor barrier underneath insulation tightens the seal on the building envelope and improves insulation's performance
- ☐ Attic vents should not be blocked by insulation
- ☐ Wrapping on water heater, hot water pipes, and furnace ducts is good, providing an extra layer of insulation
- ☐ Replacement of furnace air filters—most homeowners don't replace them regularly, but doing so improves indoor air quality and extends the life of your furnace
- ☐ Ducts and seams—dirt streaks indicate leakages that should be sealed
- ☐ Lighting—to improve energy efficiency replace incandescent bulbs with CFL or LED bulbs
- ☐ Schedule annual HVAC inspections to maintain the best performance from your furnace and air conditioner
- ☐ Gaps or settling in wall insulation should be filled, most easily with blown-in insulation

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# Home Maintenance Checklist



**Congratulations! Most buyers feel considerable pride in becoming a home owner—but also recognize ownership includes many new responsibilities. To keep your home looking and performing its best, here are several of the most important jobs to remember.**

## SAFETY FIRST

Prevent accidents or injury by regularly checking these systems:

- ☐ Test fire extinguisher
- ☐ Replace batteries in smoke and carbon monoxide detectors each spring and fall
- ☐ Check the auto-reverse safety feature on your garage door
- ☐ Make sure your dryer vent is exhausting properly

## AVOID SERIOUS WATER DAMAGE

You'll prevent substantial problems if you heed these warnings:

- ☐ Make sure your sump pump is working and seriously consider installing a battery back-up system
- ☐ Keep gutters and downspouts clean
- ☐ Make sure rain water flows away from the house
- ☐ Clean out any debris in window wells (and consider adding covers)
- ☐ Check for any small leaks by toilets, dishwashers, under sinks, etc.
- ☐ Ensure your roof is leak-proof by checking the attic for signs of water damage



## KEEP IT CLEAN

Occasional "deep cleaning" prevents dirt and grime from accumulating, keeping your home in tip-top shape. In addition to ongoing cleaning chores, don't forget to periodically:

- ☐ Clean (degrease) your range-hood filter
- ☐ Clean and brighten tile and grout
- ☐ Wash walls and windows
- ☐ Wipe down baseboard molding, as well as trim surrounding doors and windows
- ☐ Deep-clean basements and garages at least annually

## ENERGY EFFICIENCY

You'll reduce your power bill and keep appliances running longer if you:

- ☐ Change (or clean) furnace filters each month
- ☐ Vacuum the coils on your refrigerator twice a year
- ☐ Seal any drafty windows or doors

## OUTDOORS

While the weather is nice:

- ☐ Check for damage (cracks in the foundation, peeling paint, etc.) and make necessary repairs
- ☐ Winterize air conditioning systems (in cold climates) and cover outdoor units
- ☐ Fill any cracks in a blacktop driveway and reseal each fall

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# Frequently-Asked-Questions About Closing



## WHAT IS CLOSING?

Closing (also called settlement) is the legal transfer of property ownership. Usually, but not always, possession is transferred at closing. Sometimes the seller may ask to close the sale but retain possession, and pay rent to the buyer until vacating the property at a later date.

## WHO ATTENDS CLOSINGS?

Face-to-face closings are common in most states, although a few states do not require them. Your ABR® can provide details for your situation. The participants usually include:

- You, the buyer.
- The seller.
- The real estate agents representing the buyer(s) and seller(s).
- Attorneys for the buyer(s) and seller(s).
- The closing agent, the title insurance representative, and the escrow agent. Often one person fulfills all three roles, coordinating and recording the exchange of the documents and money, disbursing funds, and handling various closing details.

## WHERE IS CLOSING HELD?

Closings are usually held at a title company's office. Their job is to confirm the current legal owner of the property, reveal any mortgages, liens, judgments or unpaid taxes on the property, and identify any restrictions that may affect the sale of the property. Any problems need to be corrected before a buyer can receive "good title."

## WHAT DO I NEED TO BRING?

Your ABR® can advise you on what you'll need to bring to closing, but typically buyers must provide:

- Payment of closing costs
- Proof of insurance
- Approval of inspections of the property

## WHAT HAPPENS AT CLOSING?

You'll sign many documents. Rely on your buyer's rep and your attorney to review these documents and answer any questions you may have. Frequently-used documents include:

**Closing statement (HUD-1)** – details all funds changing hands between the buyer and seller

**Truth in Lending statement** – a final summary of the terms of your loan

**Mortgage note** – a legal obligation to repay the lender according to stated terms

**Deed of trust** – the legal transfer of ownership; gives the lender a claim against your home if you fail to meet the terms of the mortgage note

**Affidavits** – any binding statements by the buyer or seller

**Riders** – any contract amendments that impact your rights

**Any additional documents required in your state.**

Once all documents are signed and all monies have been paid, possession is transferred and you receive the keys to your new home. Be sure to keep your closing documents in a safe place for future reference. Some of the expenses associated with your home purchase are tax-deductible.



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## *Buyer's Remorse:* **Negotiating Mistakes that Buyers Most Often Regret**

When two parties enter into negotiations on a home, there are far too many opportunities for bumps and obstacles to get in the way. What are the most common traps, and how can you avoid them? Consider these common stumbling blocks for successful negotiating, and ways to find a better path:

### **1. INADEQUATE PLANNING**

Before writing your first offer, clarify your priorities, strengths, and weaknesses—AND the seller's. A true negotiating strategy is about much more than price. Think beyond step one, anticipating possible responses and counter offers. With careful forethought and a little creativity, you'll feel much more confident about your negotiating plan and improve your odds of success.

### **2. GETTING EMOTIONAL**

Stick to the facts and remain as objective as possible. Feelings of personal insult or anger don't contribute anything of value to a negotiation. (In fact, it's more likely to cloud your ability to think clearly.) If a seller rejects some aspects of your offer, try to calmly and rationally understand their perspectives.

### **3. IMPATIENCE**

Sometimes the negotiating process takes time to unfold. Stay relaxed and focused on your purchasing objectives. You may need to be flexible and open to alternative ways to reach them.

### **4. FEAR**

While patience is a virtue, don't let fear paralyze your ability to make decisions. If you find a house that's a good fit, don't be afraid to submit an offer. Too often, buyers delay action and the house goes under contract with someone else. (Buyers rarely make this mistake twice.)

### **5. BLIND SPOTS**

Your objective is to own a home. Don't lose sight of that goal by putting too much emphasis on smaller obstacles and distractions that may present themselves during the negotiation process. Stay focused on the big picture.

### **6. LACK OF KNOWLEDGE**

Learn as much as you can from your buyer's rep about current market conditions. Knowledge is power, which can be used to your advantage in shaping your negotiating strategy.

### **7. STUBBORNNESS**

Negotiations are ultimately about two parties reaching a win-win agreement. Don't be completely unwilling to compromise. Instead, focus on joint problem solving.

Your Accredited Buyer's Representative can coach you further on these and other points specific to your buying situation, helping you approach your negotiations smoothly and successfully.

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BE IT KNOWN TO ALL HERE PRESENT THAT

*Susan Creeden*

having successfully completed the designated curriculum, and having  
satisfied the practical experience requirements, is hereby awarded the

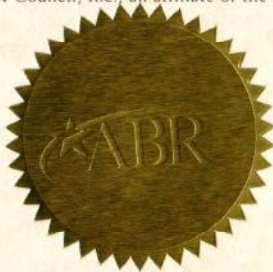


## Accredited Buyer's Representative Designation

by the Real Estate Buyer's Agent Council, Inc., an affiliate of the National Association of REALTORS®

A handwritten signature in dark ink, appearing to read 'Dale A. Stinton'.

Dale A. Stinton, President and CEO  
Real Estate Buyer's Agent Council, Inc.



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The logo for the Real Estate Buyer's Agent Council (REBAC), featuring the letters 'REBAC' in a bold, stylized, italicized font.