10 Easy Steps To Buying A Home

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RENTING VS BUYING

RENTING.....

When the lease is up you can choose to move.

You do not gain or build any equity.

Less work in maintaining a rental home or apartment.

In most cases, smaller amount of initial "up front" cash.

You will never gain or build equity in an apartment.

Limited ability to personalize your living space.

No tax advantage to renting. Your landlord gets all the allowable tax breaks.

BUYING.....

If you want to move, the house must be sold.

Equity may go up, down or remain stagnant.

Work needs to be done by you or paid for by you.

May be a large initial investment.

Over time, the mortgage balance decreases and equity increases, even if the value of the home doesn't increase.

Freedom to remodel and redecorate your home to match your needs and desires.

The interest and taxes portion of your mortgage are 100% tax deductible.

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10 Easy Steps to Buying A Home

Step 1: Prepare to Buy

Step 2: Gather Information

Step 3: Select a Realtor®

Step 4: Select a Property

Step 5: Draft the Purchase Agreement

Step 6: Your Agent Presents Your Offer

Step 7: Have the Property Inspected

Step 8: Obtain Financing

Step 9: Prepare for Closing

Step 10: Title Transfer & Possession

STEPS TO HOME OWNERSHIP

Prequalification for financing: Can be done by either Lender or Realtor. Answers the question: “How much can I qualify to buy?”

Choose a Realtor. Communicate your home needs, geographic preferences, price range, and timetable. Sign an “Agency Disclosure Statement”

Look for homes:
This stage of the process can take one day or weeks depending on your specific needs and desires.

You find the perfect house! Your Realtor assists you in making an offer and negotiating a contract. You pay your “Earnest Money” at this time.

Home Inspection is performed and requests for repairs (if any) made.

Homeowners Insurance (1 year) is purchased.

Meet with your Loan Officer to provide documentation of income and debts, authorize a credit report and sign loan application.

Loan Officer and staff begin processing your loan. They may need your assistance to answer questions or provide additional information.

Your Realtor provides your loan officer with a copy of your purchase contract and an appraisal of the home is ordered.

Loan is sent to Underwriting for approval.

CLOSING!
You meet at a title company to sign paperwork and take home the keys to your new *home!*

Step 1: PREPARE TO BUY

Wants vs. Needs Checklist

	Want	Need	Importance
Location			
Price Range			
Style			
Age of Home			
No. of Bedrooms			
No. of Bathrooms			
Formal Living Room			
Formal Dining Room			
Great Room			
Basement			
Fireplace			
Central Air			
Lot Size			
Garage - # of Cars			
Special Features:			

SELECT A NEIGHBORHOOD

The location of your home is important from both a buying and a future resale perspective. The convenience and amenities available in a neighborhood are critical in evaluating a neighborhood. Some people prefer to be close to their place of employment, their place of worship or shopping. Schools, parks and recreational facilities may be more important to others. For others, the need to be near public transportation or to have easy access to highways or interstates may be a top priority.

There are several factors that affect a buyer's selection of a neighborhood.   Ue the scale below to prioritize what you are looking for in a neighborhood:

	Not Very Important	Somewhat Important	Extremely Important
• Price	1	2	3
• Distance to work	1	2	3
• Quality of schools	1	2	3
• Close to friends/family	1	2	3
• Parks/recreation facilities	1	2	3
• Shopping	1	2	3
• Daycare	1	2	3
• Church/synagogue	1	2	3
• Public transportation	1	2	3

Where would you like to live?

1. On a map, locate where you work. If more than one family member commutes each day, you may wish to consider all workplaces.

2. Decide how far you are willing to commute each day.

3. Locate areas on the map that fall within what you consider a "reasonable commute".

4. If you plan to use public transportation, obtain routes and schedules. Identify neighborhoods that are accessible to public transportation.

Always keep in mind that the Fair Housing Laws guarantee equal access to housing for all home seekers without regard to race, color, religion, national origin, sex, family status, or disability. Don't put limitations on yourself. Seek housing in any area you can afford

Step 2: GATHER INFORMATION

In addition to finding a neighborhood that is right for you, there are some things you might want to check into more thoroughly, such as:

Schools

- Call the local school(s) and request a personal tour
- Contact the local Board of Education for standardized test score information
- Find out the results of the most recent school levy, and the impact on property taxes
- Talk to friends, relatives or coworkers whose children are currently attending the local schools
- Request information about special programs that your child may need (e.g., *special education or gifted/talented programs)*
- Request information about extra-curricular activities such as sports, music programs, etc.
- Request information about before and/or after school programs, if applicable

Amenities

- Locate frequently used destinations, such as grocery store, gas station, bank, dry cleaner, etc.
- Inquire about recreational facilities, if applicable

Safety

- Locate the nearest police, fire and EMS facilities
- Locate the nearest hospital and/or urgent care facility
- Contact the local police department and request crime statistics for the area

Taxes and Insurance

- Call the local tax assessor’s office or ask a local real estate agent for the current tax rate for the area
- Contact your insurance agent and find out the average cost of hazard and auto insurance for the area

<u>What are the 10 most common buying mistakes Buyers make?</u>

1. Not using a Realtor
2. Not using the <u>right</u> Realtor for you
3. Not being clear with your agent regarding your wants and needs
4. Not getting pre-approved with a Lender
5. Not being clear and up-front with you Lender
6. Not being in escrow with your current home before shopping for a new one
7. Judging a home only from the curb
8. Making an offer lower than the current price differential
9. Not purchasing a Home Inspection
10. Not purchasing a Home Warranty Program

INFORMATION SOURCES

Perhaps the most exciting phase of the home buying process is shopping for the right house. There are many ways to obtain information about homes for sale:

Open houses – most real estate companies hold open houses on Saturday or Sunday. Look for a schedule of open houses in your local paper.

Classified ads – most local newspapers have classified ad sections featuring homes for sale. Usually, weekend editions have expanded sections highlighting Open Houses and New Listings.

Yard signs – you can usually drive through a neighborhood and see “for sale” signs in front of houses that are available.

Home books – typically feature selected homes for sale in an area. Home books are usually printed biweekly and are generally available at grocery stores, convenience stores and real estate offices.

Internet – the Internet provides a wealth of information about the home buying process, and is a convenient way to shop for a house without leaving the privacy of your own home. Many listings now feature 360-degree “virtual tours” which even allow you to see the inside of the home. Several helpful sites include:

Realtors® - your best source is a local Realtor® who can provide you with the most up-to-date information about homes that are for sale in your market. Your Realtor® has access to the Multiple Listing Service (MLS), as well as information about homes that may be available soon; and your realtor can sign you up for automatic emails from the MLS for the newest listings on the market.

Step 3: SELECT A REALTOR®

More than 4 out of 5 home purchases are completed with the assistance of a real estate agent. Working with a **Realtor®** can make the home buying process much easier. A **Realtor®** is able to help you with many aspects, some of which include:

- Help you establish your price range and prioritize your needs & wants
- Provide you with objective data about communities you may be considering, including a Buyer Market Analysis and/or School Match Report
- Show you any home listed in the MLS, including homes listed by other agents/brokers
- Provide market data to assist you in determining the fair market value of a home
- Assist in completing the **Offer to Purchase**
- Negotiate on your behalf
- Coordinate many closing details

A Realtor® cannot give an estimate of future value, provide racial and ethnic data about a neighborhood, reveal information deemed confidential by seller or act as an attorney, home inspector or appraiser.

ADVANTAGES OF USING A REALTOR TO BUY A HOME

Buying a home is certainly one of the most rewarding experiences most of us ever have; it's also one of the most challenging.

If you’re buying for the first time, the process may seem overwhelming. And even if you’ve been through it several times, every move is different and presents new challenges.

One clear advantage of enlisting the help of an agent is simply that you don’t have to “go it alone.”

A good agent has the training, the know-how, and the experience to help you through each step of the process and to make the process of finding, buying, and moving into your new home as smooth, quick, and enjoyable as it can be.

Another advantage is that real estate agents are a valuable source of information about market trends, neighborhoods and especially information about homes for sale throughout the areas in which you're interested.

Another advantage is that, in general, all of these services come to you free of any charge or obligation.

It used to be thought that, legally, all real estate agents involved in a given transaction work for the seller and they were paid by the seller (the vast majority of agents today are still paid by the seller); however, the law has become clearer in this area.

Now, with proper disclosure, the agent, salesperson or broker works for the buyer that they choose to represent. There is usually no cost to the buyer. It puts you in a “win-win” situation.

In order to get the process moving you have a Buyer Consultation Interview with us. Why? Simple – because no one likes to waste time but that's what many purchasers do.

They don’t take the time to sit down with their realtor to learn about the home buying process and let the realtor know, in great detail, what their housing needs are. That's what a Buyer Consultation is all about.

Through the experience of working with many buyers over several years, we have become skilled in (and enjoy) teaching you about the whole process and listening to your needs.

ADVANTAGES TO WORKING WITH ONE REALTOR

Most people wouldn't even consider having two or three attorneys, working independently of one another, to represent them in a lawsuit. Nor would they want the same attorney who represents the prosecution representing them as the defendant.

In the same manner, it is much better to secure the assistance of one knowledgeable and dedicated Realtor® than to receive the disinterest of two, three or a dozen. By working with one Realtor, you can expect proper attention in finding what you are looking for. Why not get the service that is most likely to result in a satisfactory home purchase?

A Realtor, with whom you have established a mutually dedicated client relationship, will give their time, attention and expertise to help you to secure the property you want, where you want it and in a price range that you have selected and can afford. A thorough review of your requirements and proper screening of available properties will save time and reduce the number of showings for you.

Some buyers feel that committing to work with one Realtor may keep them from seeing property from another real estate company, or other sources. Not true! A conscientious Realtor, who is truly serving their client's needs, will allow other Realtors to show properties listed with their firm, in the true spirit of cooperation. As a result, about half of all Multiple Listing Service sales involve two brokerage firms. As you can see, this means virtually anything on the market is available to you through the Realtor you have selected.

The Realtor you select wants to help you. To achieve your home purchase in the most effective and satisfactory manner, you should be willing to work with the Realtor you have selected and give maximum cooperation in your efforts to find a home of your choice.

Won't you let us do just that? Let us start your home search efforts with one of the most dynamic, aggressive and eager Realtors that will pledge to work hard to service your purchase needs.

Mark Farnsley's team at American Network Realty wants to assist you in your efforts. Please allow us to provide you with the most comprehensive, professional service available.

HOW DOES A BUYER’S AGENT GET PAID?

Seller agrees to pay the Listing Agent an agreed-upon commission
(Usually 5-6% of the sale price of the home)

Seller’s Broker agrees to Pay Buyer’s Broker 2.5-3% of the Commission

Home Is Sold

Listing Broker is Paid
2.5-3% Commission

Buyer’s Broker is Paid

Buyer’s Agent is Paid

Buyer’s Broker is Paid
2.5-3% Commission

Seller’s Broker is Paid

Seller’s Agent is Paid

WHAT SHOULD I EXPECT FROM MY REALTOR?

***Availability*:**

Choose a Full-Time Realtor!

***Knowledge of the Community*:**

Jobs, Schools, Shopping, Traffic, Sports, Politics

***Knowledge of the Market*:**

Marketability, Appreciation, Resale

***Knowledge of and Always Mindful of Your Best Interests*:**

WHEN BUYING A HOME, A REALTOR:

- **Is a Free Service to You – The Buyer**
- **Has the tools (license, access, MLS system) to find a home which saves you time, frustration, money and stress**
- **Will make sure that the homes you look at fit the specifications you are desiring – saving time.**
- **Knows how to use the tools available only to licensed Realtors to make sure you are not paying too much for your home.**
- **Will advise you as to the resale value and marketability of your home.**
- **Represents your interests in regards to the value and condition of the home.**
- **Will educate you on the process from contract to closing, assuring a smooth transition into your home.**

REPRESENTING YOUR INTERESTS

It's important to understand your legal relationship with the agent. Traditionally, most real estate professionals represented sellers. Today, the State of Ohio allows real estate companies to represent buyers, sellers, or both.

- A **seller's agent** has a legal and ethical responsibility to protect the best interests of the seller.
- A **buyer's agent** has a legal and ethical responsibility to protect the best interests of the buyer.
- A **dual agent** can represent sellers and buyers simultaneously – but only with the knowledge and written consent of both parties. A dual agent may not disclose confidential information that could jeopardize either party's negotiating position.

In most transactions, a **listing agent** represents the seller and a **buyer's agent** represents the buyer.

Ohio law requires that a real estate agent must explain his/her company's agency policy before showing you homes. The law also requires that you consent to the agency relationship in writing and receive a copy of the agency disclosure.

Step 4: SELECT A PROPERTY

First-time buyers are often eager to buy a house and frequently fail to take the time to do a thorough job of evaluating each house. The average first-time buyer looks at 10 – 15 homes before selecting one to buy.

You should be well prepared for viewing appointments to save time and aggravation. The following are a few *"things to remember"* when house hunting:

- Measure large furniture or appliances that you plan to move.
- Take a tape measure, flashlight and notebook.
- Ask your agent for a copy of the MLS information for each house.
- Make notes about each house – your overall impression of the neighborhood, house, etc.
- Find out what is included in the purchase price and what is not. Some sellers leave major appliances, some do not.
- Ask for information about utility costs (e.g., *gas, water, electric).*
- Ask the seller or his/her agent about the age and condition of the roof, appliances, heating and cooling systems, electrical and plumbing to determine if the house and property have been properly maintained.
- Ask about local ordinances that may affect you. For example, some neighborhoods prohibit installing fences.
- Drive around the neighborhood, noting things like grocery stores and gas stations.
- Consider driving to your place of employment from the house during rush hour, noting traffic patterns.

Step 5: DRAFT THE PURCHASE AGREEMENT

The amount of the offer should be determined after considering the factors listed below:

- The price of homes in the area that have approximately the same features as the home selected. You can obtain this information by reviewing recent sale transactions with your real estate agent.
- The availability of similar homes in the area in the same price range (supply).
- The number of buyers looking for homes in the area in the same price range (demand).
- The condition of the house and any repairs or improvements needed. The offer can acknowledge these items and be adjusted depending on whether the buyer or the seller will correct them.
- How long the house has been on the market. If a home has been listed for sale for an extended period of time (4 – 6 months), the seller may be willing to entertain offers that are less than his/her original expectations.
- Has the price already been reduced? If so, this may be an indication that the seller has already acknowledged that the original asking price was unreasonable, and has adjusted his/her expectations.
- Is the seller considering other offers? If you find yourself in competition with other buyers, you will need to make your offer as attractive as possible. This might require you to offer a higher price, make a larger down payment, or be more flexible with closing and possession dates. Keep in mind that you may not be aware that you are in a multiple offer situation.

THE PURCHASE AGREEMENT

Real estate purchase agreements may vary from company to company, but most Realtors® in northern California use the standard contract that was developed by the California Association of Realtors® . This purchase agreement is designed to provide both buyer and seller protection.

An Offer to Purchase typically includes:

Legal Description – The address of the property and permanent parcel number.

Personal Property – Items attached to the property are considered fixtures and stay with the home unless otherwise specified. Items that are not attached are considered personal property. If an item is not specified in the purchase agreement, do not expect it to be there when you move in.

Price – The amount offered for a home is at the buyer's discretion, but should be based on the market value of the home. If the seller considers a buyer's offer unreasonable, the offer may not even be considered.

Earnest Money – Earnest money represents the buyer's good faith intention to purchase the home, and is usually $1,000 - 5,000. Earnest money does not go directly to the seller – it is held in a trust or escrow account and applied to the buyer's down payment at the time of closing. Earnest money cannot be released without written consent from both parties.

Financing Terms – The type of financing (i.e., Conventional, FHA or VA) you plan to obtain must be specified on the purchase agreement. Any additional seller-paid closing costs must be disclosed to the seller (and accepted) at this time.

Closing and Possession Dates – In some real estate transactions, closing and possession dates are more important than price.

Home Warranty – Many sellers offer a one-year limited home warranty. The home warranty protects the buyer from unexpected costs due to mechanical breakdown or normal wear and tear.

Conditions & Contingencies – Special provisions or conditions required by the buyer or the seller in order to complete the transaction.

Step 6: YOUR AGENT PRESENTS YOUR OFFER

Your real estate agent will make arrangements to present the purchase agreement to the seller(s). You want your offer presented to the seller(s) as soon as possible. It's perfectly normal for buyers to feel anxious while waiting for the purchase agreement to be presented; but remember, the stronger your offer, the more likely the seller(s) will accept it.

The ball is now in the sellers' court, and the sellers have three options:

- They may accept your offer, as is.
- They may reject your offer. In this case, you need to start over with a new purchase agreement.
- Sellers may ask for changes, resulting in a **counter offer.**

If the sellers counter your offer, you can:

- Accept the new terms, and you have a "contract" -- the home is yours.
- Reject the new terms and find another home.
- Re-counter and ask for additional changes, while accepting other changes.

Remember, this is not a competition. Negotiate only those items that are most important to you, and accept the minor changes that are of little significance.

5 KEYS TO SUCCESSFUL NEGOTIATION

Negotiating the purchase agreement is perhaps the most stressful aspect of any real estate transaction. Most buyers and sellers want to arrive at a win-win agreement, but no one wants to feel that they compromised their position.

Here are a few tips and suggestions to turn negotiation into agreement:

1. **Start with a fair offer.** There's no question that making an offer that is significantly below the current asking price is practically guaranteed to alienate the sellers. Your offer should be based on the market value of the home.

2. **Identify the other side's priorities.** Not all negotiations revolve around price – for example, some sellers need extra time to move out of their home. Knowing what's most important to the party on the other side of the negotiation may help you get what's most important to you.

3. **Leave it aside.** If you have a major sticking point that won't affect the overall outcome of the transaction (i.e., *the purchase of appliances or cost of minor repairs),* set the issue aside; resolve the major issues, then deal with the smaller point.

4. **Meet in the middle.** Splitting the difference is a time-honored and often effective negotiating strategy.

5. **Ask for advice.** Most Realtors® are experienced negotiators. They've seen what works and what doesn't work in countless real estate transactions, and they have an established track record of bringing buyers and sellers together. Your Realtor® can advise you on negotiating strategies, win-win compromises and creative alternatives.

As soon as both of the parties agree to the terms and conditions of the agreement, you'll be ready for the final step in buying the home, closing the sale.

Step 7: HAVE THE PROPERTY INSPECTED

A good home inspector can help you objectively evaluate the condition of a property and provide you with maintenance tips for your house. Keep in mind, no house is perfect, and the home inspector's job is to identify major hidden defects, not minor flaws.

How to choose a home inspector

The key qualifications of a professional home inspector are experience, standards, and ethics.

Here are some questions to ask:

- Are you a member of the American Society of Home Inspectors (ASHI)?
- Are you a member of the National Assn. of Home Inspectors (NAHI)?
- How long have you been in business as a home inspector?
- Does your company do any repairs or improvements or make referrals to those who do? (Such offers/referrals may reflect a conflict of interest)
- How long will the inspection take? (Most residential home inspections take 2 to 2-1/2 hours)
- What will the inspection cost? (The typical range is $250-$400, depending on the size of the home)
- What will the inspection include? Will I receive a written report of the inspection?

Step 8: OBTAIN FINANCING

When you begin the home shopping process, it helps to know your purchasing power. Otherwise you can easily wind up spending time looking at homes priced above or below your means---resulting in wasted time and disappointment. You can avoid the situation bygetting pre-qualified or pre-approved; however, the two do not mean the same thing.

Pre-Qualified:

- Based on preliminary information regarding your income, debts and assets
- Information is usually provided verbally by the buyer(s)
- In-file credit report may or may not be reviewed
- Once a purchase agreement is executed, the next step is to complete a loan application

Pre-Approval:

- Buyer provides documentation of income, debts and assets
- Loan application is completed
- Information is verified and loan is approved by underwriter
- Buyer may be required to make a deposit on closing cost
- Loan is approved, subject to the home appraisal, a signed purchase agreement and terms addressed in the pre-approval commitment

Questions to consider when choosing a lender:

- Are the lender's rates and fees competitive?
- Does the lender have in-house loan representatives?
- Does the lender offer a wide variety of loan programs?
- Is the lender able to provide on-the-spot loan approvals?
- Does the lender have local underwriters?
- Does the lender provide a free home inspection?
- Does the lender have any special programs or discounts for first-time buyers?

CHOOSING A LOAN PROGRAM

Today's buyers have almost an unlimited number of financing options to choose from. If you're wondering which loan program is right for you, you're not alone. The right loan for you depends on your individual financial situation, your risk preferences, and how long you plan to own the home. **Take a few minutes to answer the following questions:**

1. Realistically, what do you expect your income to do in the next five years?
   A. Stay the same or Possibly decrease
   B. Increase

2. How long do you plan to live in this house?
   A. Five years or longer
   B. Less than five years
   C. Uncertain

3. Please select the following statement that most closely fits your financial attitudes:
   A. I am willing to pay a little more for a steady, predictable monthly payment
   B. I am willing to risk having my payments change periodically in return for a lower rate over time

4. Roughly how much money have you saved for your initial investment - *(down payment, closing costs, etc.)?*
   A. Less than 10% of anticipated purchase price
   B. 10-20% of anticipated purchase price
   C. More than 20% of anticipated purchase price

Which loan program is right for you?

- If you answer mostly "A" to questions 1-3, you would likely prefer a fixed loan rate.

- If you answered mostly "B" to 1-3, you may want to consider an adjustable rate loan, or ARM.

- On #4, if you choose "A" there are many loan programs that allow little to no down payment, including FHA, VA and Down Payment Assistance Programs (DAP). These programs allow you to obtain a gift for the down payment and closing costs. If you selected "B" you may want to consider a no PMI loan, some are available with as little as 5% down plus closing costs. And, if you choose "C" a conventional loan will probably be the least expensive option for you.

HOME LOANS AT A GLANCE

Type	Definition	Advantages	Disadvantages	Comments
Fixed-rate loans	Loans where interest and payments are fixed over the life of the loan.	Rate and payment never change, regardless of inflation.	Slow equity build-up in early years; higher initial rate than ARMs.	The most popular program; a good choice when rates are low.
Adjustable Rate Mortgage (ARM)	Loans with interest rates that are subject to change on a periodic basis.	Low initial interest rate; payments may decrease over time.	Payments may increase over time; may be risky if interest rates rise significantly.	Popular with first-time buyers and buyers who plan to move or refinance within 3-5 years.
FHA loans	Loans insured by the Federal Housing Administration (FHA).	Low down payment (100% may be a gift); more flexible underwriting guidelines than conventional loans.	Limits on the amount of the loan; equity is built slowly; sellers may object to FHA financing.	Popular with first-time buyers who cannot afford the down payment on their own.
VA loans	Loans guaranteed by the Veteran's Administration (VA) for eligible veterans.	No down payment required; closing costs may be a gift; flexible underwriting guidelines.	Higher closing costs than conventional loans; equity is built slowly; sellers may object to VA financing.	Only veterans and those in active military service, Reserves or National Guard may participate.
No-PMI loans	Conventional loans available with as little as 5% down payment and no private mortgage insurance (PMI).	Monthly payment is almost identical to loans with PMI; additional interest may be tax deductible.	Interest rate is typically increased to offset lender risk; the only way to reduce the payment once you've achieved 20% equity is to refinance.	Good choice for those who don't plan to own the home long enough to achieve 20% equity.

BREAKDOWN OF A MORTGAGE PAYMENT

Your monthly mortgage payment consists of the following:

- **Principal –** The amount of money you borrowed. Each month when you make your payment, you are paying back a small portion of principal. As you continue to make payments, a greater portion of your payment goes to reduce the principal you owe and interest becomes a smaller portion of your payment.

- **Interest –** The cost of borrowing money, expressed as an annual percentage.

- **Property taxes –** Taxes paid to local governments, usually charged as a percentage of property value. In most areas, property taxes are paid twice a year. Most lenders collect 1/6 of the half-year taxes along with your monthly mortgage payment and deposit the money into an escrow account. Taxes are then paid by the lender when due.

- **Hazard insurance –** Known as “homeowners’ insurance,” hazard insurance protects you from financial losses that might occur due to fire, wind, or other “hazards”. Most lenders collect 1/12 of your annual premium and pay your insurance company directly from your escrow account.

- **Mortgage insurance –** If your down payment is less than 15-20% of the purchase price of your home, your lender will probably require mortgage insurance. Mortgage insurance protects your lender from financial loss if you are unable to repay your loan.

How much can you afford?

Most lenders allow buyers to spend about 28-33% of their pretax income on their house payment, and between 36% and 41% of their monthly pretax income on their house payment and monthly debts combined.

These are only guidelines. These percentages may be adjusted up or down depending on down payment and credit history. If you have excellent credit and have shown the ability to make larger payments, many lenders are willing to extend these ratios

HOW MUCH MONEY DO I NEED TO BUY A HOME?

There are three different categories of home buying expenses (not including the mortgage)

1. **Pre-Closing Expenses** (Paid prior to the closing on your home)

   - $50 - $150 - Credit Report Fee (non refundable). Paid to your lender at the time of loan application to run a credit report.

   - $200 - $400 – Home Inspection Fee. Optional but highly recommended. Pays for a professional inspection of the home you are purchasing. Paid within 10 days of going into contract.

   - $500 - $5000 – Earnest Money or Good Faith Money (varies according to the price of the home). This money is held (deposited in an escrow account) by the title or escrow company and then put towards closing costs at closing.

2. **Closing Costs** (Paid at closing)

   - Lender and closing fees. Depending on the real estate market these fees can be paid by the seller on your behalf. These are the up-front fees charged by your mortgage lender, title company and other service providers and typical come to about 1-2% of the purchase price
   - **Prepaid items –** costs you are required to pay at the time of settlement (i.e., accrued interest, mortgage insurance premiums, taxes and hazard insurance escrows).
   - **Reserves –** most conventional loan programs require buyers to have at least two months' PITI in savings after the down payment and closing costs are paid. Government loans such as FHA and VA loans do not typically require reserves

3. **Down Payment** (Paid at closing)

   - 0% to 20% of the purchase price of the home, depending on the type of loan chosen. There are many $0 down payment options available to home buyers. The greater the down payment, the lower the monthly payment.

ITEMS NEEDED AT THE TIME OF APPLICATION

PERSONAL

- Name, Age and Social Security Number of each applicant for the loan
- Driver's license

INCOME

- Name and address of all employers for the past two years
- Copy of most current pay stubs for the last month
- W-2s for the last two years
- If self-employed: YTD Profit & Loss Statement, 2 Years Tax Returns, Balance Sheet
- Additional Income: VA Benefits, Disability, Social Security, Alimony or Child Support

ASSETS

- Last three months of Checking and Savings Accounts, plus current balance
- Current Value of Stock Owned
- Year, Make and Current Value of Automobile
- Value of Personal Property
- Sources of Down Payment and Settlement Charges, including gifts

LIABILITIES

- Open Credit Accounts/Loan Account Numbers/Monthly Payments/Current Balances
- Alimony, Child Support and Separate Maintenance Owed

MISCELLANEOUS

- Monthly House or Rent Payments and Average Utility Bills
- Name and Address of Mortgage Company or Landlord
- Copy of Purchase Contract Signed
- Divorce Decree (if applicable)
- DD-214 or Certificate of Eligibility for VA Loans
- Bankruptcy Schedule and Discharge
- Check for Credit Report

UNDERSTANDING YOUR CREDIT REPORT

Before a lender will give you a loan to buy a home, they will look at how you have paid your financial obligations in the past. Negative information on your credit report may lead lenders to deny you credit.

The following are all considered negative information in terms of your credit history and may affect your ability to obtain a loan:

- Late payments
- Repossessions
- Accounts turned over to collectors
- Charged-off accounts
- Judgments
- Liens
- Bankruptcy

Negative credit information does not necessarily mean that you will not be able to obtain a loan. Each lending institution sets its own credit granting standards, so every one will look at your credit a little differently. Most lenders look primarily at the past two years to evaluate your credit. If your credit history has improved, you will be more likely to get a loan.

There are a number of loan programs available with flexible credit guidelines. Depending on your individual circumstances, the interest rate, down payment and/or closing costs may be substantially higher for these programs.

Because your credit history is a large part of the decision to approve or deny your loan, it is important that you review your credit report early in the home buying process. You may find that there are items on your report that are not accurate. If this happens, you will need to contact each credit bureau to correct your report.

Information about your credit score may be obtained by visiting *www.knowyourscore.com,* or by contacting one of the major credit bureaus:

Equifax - **800-685-1111** *(www.equifax.com)*
Experian - **888-397-3742** *(www.experian.com)*
Trans Union Corporation - **800-916-8800** *(www.tuc.com)*

Analyzing Your Debt to Income Ratio

The ratio affects your buying power...

Your debt to income ratio is a simple way of showing what percentage of your income is available for a mortgage payment after all other continuing obligations are met. The ratio is one of the many things a lender considers before approving your home loan.

You may see conventional loan debt limits referred to as the *28/36 qualifying ratio*. Those numbers refer to two percentages that are used to examine two aspects of your debt load.

The First Number, 28%

This number indicates the maximum percentage of your monthly gross income that the lender allows for housing expenses. The total includes payments on the loan principal and interest, private mortgage insurance, hazard insurance, property taxes, and homeowner's association dues. (Often referred to by the acronym PITI.)

The Second Number, 36%

This number refers to the maximum percentage of your monthly gross income that the lender allows for housing expenses plus recurring debt.

Recurring debt includes credit card payments, child support, car loans, and other obligations that will not be paid off within a relatively short period of time (6-10 months).

Debt to Income Example

Yearly Gross Income = $45,000 / Divided by 12 = $3,750 per month income

$3,750 Monthly Income x .28 = $1,050 allowed for housing expense

$3,750 Monthly Income x .36 = $1,350 allowed for housing expense plus recurring debt.

Not All Loans Are the Same

FHA loan ratios are typically 29/41, allowing a higher debt load for both housing expenses and recurring debt.

- For the above example, FHA would allow $1087 for housing and $1538 for housing plus recurring debt.
- For a VA loan, the debt to income ratio should not exceed 41% of your monthly gross income.

Step 9: PREPARE FOR CLOSING

Your home purchase will involve countless details – items to discuss with your Realtor®, provide to your lender, and arrange as you progress toward your new home.

This checklist will help you keep track of the "must do" items before the move:

	Phone #s
✓ Loan Application	
✓ General Home Inspection	
✓ Well – Septic Inspection	
✓ Pest Inspection	
✓ Municipal Inspection	
✓ Radon Inspection	
✓ Contact Movers	
✓ Transfer Utilities:	
• Gas	
• Electric	
• Water	
• Cable	
• Phone	
• Trash/Sewer	
✓ Obtain Hazard Insurance	
✓ Change of Address – Post Office	

Step 10: CLOSING: TITLE TRANSFER & POSSESSION

How soon you take possession of your new home will depend on what you have agreed to with the seller – specified in your contract.

Following are some terms associated with Title Transfer and Possession

Closing: The point (in time) of a real estate transaction when the seller transfers title to the purchaser in exchange for the purchase price.

Closing Date: The date specified in the Purchase Contract and Sale when the purchaser delivers the balance of money due and the seller delivers a deed and vacant possession of the property (unless otherwise agreed).

Closing Statement: A listing of the debits and credits of the purchaser and the vendor to a real estate transaction for the financial settlement of the transaction.

Deed: An instrument in writing which, when executed and delivered conveys an estate in real property, signed by the vendor and purchaser, transferring ownership. This document is then registered against the property as evidence of ownership.

Building Equity

If you are like most homeowners today, you will not be staying in your first home for the rest of your life. On average, American families move within 5 to 7 years after purchase of their first home. For this reason, you may want to consider improvements that allow your home to hold its value or increase its value so it's worth more when you sell it.

Give careful consideration to the type of improvements that you plan to make. All improvements do not add value to a home. Some additions may actually make a home more difficult to sell. For example, a large in-ground swimming pool may add to your personal enjoyment of your home, however, such an addition would not increase the value of a home in northern Ohio

Generally speaking, improvements to the kitchen or the bath are those that are most likely to add value to a home. Carefully considered and executed decorating may also help build equity in a home.

THINKING OF BUILDING?....

If owning a home is the American Dream, then building your own home is the epitome of that dream. If you are seriously considering building in the near future, you have a lot of homework to do.

Fortunately, we are here to help you. All of us have incredibly busy schedules, but you need to plan time to research builders, neighborhoods, schools, and any other factors that may affect your personal situation.

Once you have decided that you will probably build, and before you go wandering around model homes, take the time to select a competent Realtor who is familiar with new construction! The majority of people we meet are surprised that you NEED a Realtor to help you if you are going to build. Most people assume because there is a sales person at the model to answer your questions and complete the paperwork that they do not need a Realtor working on their behalf.

The FACT that most people DO NOT KNOW or DO NOT UNDERSTAND is that the nice agent in the model is representing the seller. Most people also assume they can get a better deal if they do not use a Realtor since they understand that the builders would be paying their Realtor and they ASSUME the builder will reduce the price of the house or cut them a deal if they don't use a Realtor.

Two important facts you need to be aware of:

(1) The builder pays the commission no matter what. If you have a Realtor, the commission gets split between your Realtor and the builder's sales agent. If you walk into their model with no Realtor, when you sign the contract, the builder's sales agent will get the entire commission. Any compensation given to the Realtor is built into the seller/builder's marketing budget.

(2) No matter what field you are in or how competent you are, you may not have the knowledge and background you need to protect yourself when writing the contract and the other millions of details which go with building a house, unless you have real estate and legal background and know the real estate laws, building codes, building trends, etc.

Many builders' agents will say "You don't have to have a Realtor." That is true; you do not have to have a Realtor. YOU NEED TO HAVE A REALTOR. The law allows you to have a buyer's agent. Your Realtor can help you with the building of a home, just as though you were buying an existing home. The law allows for your Realtor to be paid from the commission the seller/builder MUST pay when the home sells. Using a competent Realtor is more likely to save you money. It will certainly save you headaches.

REALTORS CAN HELP YOU WITH THE FOLLOWING WHEN BUILDING A NEW HOME:

1. Select a builder who meets your needs.
2. Select a location and lot that you can be happy with.
3. Thoroughly understand the contract.
4. Explain the need for an independent home inspector.
5. Be with you during the actual writing of a purchase contract.
6. Carefully cover important details about the selection process.
7. Attend the meeting when you review and sign the blueprint for your house.
8. Coordinate the independent inspection and builder walk through so you can respond to repairs that are needed.
9. Be involved in handling the closing and needed follow-up.
10. Act as your representative should any problems arise before, during or after the closing.

Roberta and her team can work with most builders and can get all the information you need to help you make any decisions.

One important note, in order for your Realtor to get paid by the builder, he/she will need to accompany you to the property or model on the initial visit.

By allowing your Realtor to help you with building, you get all of the services offered in this presentation and those offered by the builder as well.

YOU WILL GET MORE, BUT YOU WON'T PAY MORE FOR IT!

Building a home is a timely process, but with a Realtor's help, they can provide you with the knowledge that can make the difference between a successful building experience and the TRAUMA OF YOUR LIFE!

MARK FARNSLEY'S TEAM & SERVICES

If you're purchasing a new home, Mark will help you find one that meets your needs and complements your lifestyle. Once you've made your selection, he can assist you in acquiring financing, negotiating with the seller and completing the transaction.

First Time Buyers

Mark loves helping first time buyers find their new home! He will provide personal attention and will work with you to help you understand the process from start to finish.

Buying your first home is a big step – exciting and a little bit scary. If you are thinking about buying your first home, Mark would like to help make the process easier for you!

Ask about Mark's List of 89 Items he performs to help buyers.

Homebuyers Seminars

As a community service, Mark teams up with a lender, a builder, an inspection company, an insurance company and other professionals to provide a monthly Homebuyers Seminar to help first time homebuyers learn more about the steps to buying a home.

Specialist on Condominiums in Sacramento

Tired of renting and paying your landlord's mortgage? Do you enjoy the carefree lifestyle of apartments but want to build equity in your own home?

If the many benefits of home ownership, such as building equity in an investment, deducting interest from income taxes and decorating a property according to individual tastes appeals to you, I can be of service.

A condominium may be the right investment for you. I can show you any condominium in Sacramento and can help you find what you are looking for.

LEGAL & ETHICAL RESPONSIBILITIES

All Realtors subscribe to the Code of Ethics established by the National Association of Realtors.

We also embrace the specific fiduciary duties required by Ohio law including:

Loyalty
We will act in your best interests at all times.

Obedience
We will promptly and efficiently obey all lawful instructions given by you.

Disclosure
We will disclose to you all known relevant and material information.

Confidentiality
We will keep confidential lawful information that might weaken your bargaining position.

Reasonable Care and Diligence
We will use reasonable care and diligence when pursuing your goals.

Accounting
We will account for all money and property belonging to you and entrusted to Re/Max.

IMPORTANT REAL ESTATE TERMS YOU NEED TO KNOW

Before you buy a piece of property, you should familiarize yourself with the terms of the business so that you will be speaking the same "language" as the professionals in the field!

While these definitions may be somewhat different than could be found in a dictionary (to a text book type definition of each term), what is presented here are the general meaning understandings for the terms set out.

Adjustments: Adjustments may be property taxes (either unpaid or paid in advance), electricity, gas or other fuel, condo fees, or mortgage interest already paid out for future service. These must be pro-rated and be credited on closing to the appropriate side of the transaction. This can involve an expenditure of several hundred dollars payable on the closing date when the sale is completed.

Purchase Contract: A contract by which one party agrees to sell and another agrees to purchase. The contract may be firm (no conditions attached) or conditional (certain conditions must be fulfilled).

Amortization Schedule: A schedule, which, if met, will lead to the extinguishing of debt, with equal payments at regular intervals over a period of time. (For example – an amortization schedule may separate out the monthly portions for both principal and interest and how much of the allocated to each. It also shows the unpaid principal balance). The amortization is the number of years that it will take to pay off the loan, were the interest rate to remain constant.

Appraisal: An estimate of quantity, quality, or value. The process through which conclusions of property value or property facts are obtained; also commonly the report setting forth such estimate and conclusion. Many appraisals are done for mortgage lending purposes and may not match the sale price of the property.

Assessed value: A valuation placed upon property by the state, as a basis for municipal taxation. In the recent past and in some areas currently, a local/municipal assessor may assess the value.

Assumption of Mortgage: When a purchaser takes ownership encumbered with a mortgage he may assume the responsibility as the guarantor for the unpaid balance of the mortgage. Such a purchaser is liable for the mortgage repayment.

Buy down: Used in conjunction with the lowering of the rate of interest to be paid during the term of the mortgage by the advanced payment of a portion of the interest rate. Often the vendor effectively lowers the interest rate of a mortgage by prepaying a portion of the interest to be paid during the term of the mortgage.

Chain of Title: The succession of conveyances from some accepted starting point whereby the present holder of the real property derives his title.

Closing: The point (in time) of a real estate transaction when the seller transfers title to the purchaser in exchange for the purchase price.

Closing Date: The date specified in the Purchase Contract and Sale when the purchaser delivers the balance of money due and the seller delivers a deed and vacant possession of the property (unless otherwise agreed).

Closing Statement: A listing of the debits and credits of the purchaser and the vendor to a real estate transaction for the financial settlement of the transaction.

Commission: Payment for the performance of specific duties; in real estate, usually payment measured by a percentage of another sum – as a percentage of the sale price paid for selling a property.

Condition: A condition in a contract calling for the happening of some event or performance of some act before the agreement becomes firm and binding on all the parties.

Conditional Offer: An Purchase Contract and Sale may be subject to specific conditions. These conditions could be the arranging of a mortgage, home inspection or the selling of an existing home. There is always a time limit stipulated within which the specified conditions must be met.

Condominium: A form of property ownership providing for individual ownership of a specific apartment or other space not necessarily on the ground level together with an undivided interest in the land or other parts of the structure in common with other owners.

Contract: An agreement entered into by two or more parties by the terms of which one or more of the parties, for a consideration, undertakes to do or refrain from doing some act or acts in accordance with the wishes of the other party or parties. A contract to be valid and binding must (1) be entered into by competent parties (2) be bound by a consideration (3) possess mutuality (4) represent an actual meeting of the minds and (5) cover a legal and moral act.

Covenant: An agreement written into deeds and other instruments promising performance or non-performance of certain acts or stipulating certain uses or non uses of the property.

Deed: An instrument in writing which, when executed and delivered conveys an estate in real property, signed by the vendor and purchaser, transferring ownership. This document is then registered against the property as evidence of ownership.

Deposit: Payment of money or other valuable consideration as pledge for fulfillment of contract; may be given as a “piece of paper” when the offer is signed and converted to a bank draft or other form of payment once the offer has been accepted.

Easement: The unauthorized extension of boundaries of land (for example, when a homeowner puts up a fence over the lot line and “takes over” some of the neighbor’s property). The act of trespassing upon the domain of another and may be a partial or gradual invasion or intrusion.

Encumbrances: Outstanding claim or lien recorded against property or any legal right to the use of the property by another person who is not the owner. Restrictions, easements and reservations are encumbrances, although not liens.

Estate: A right in property. An estate in land is the degree, nature or extent of interest which a person has in it.

Fair Market Value: The highest price, in terms of money, that the property will bring to a willing seller, if exposed for sale on the open market while allowing a reasonable time to find a willing purchaser, buying with the knowledge of all the uses, and with neither party acting under necessity, compulsion or peculiar and special circumstances. Fair Value: Value that is reasonable and consistent with all the known facts.

First Mortgage: A mortgage, which has priority as a lien over all other mortgages.

Home Inspection: Examination of the house by an expert selected by the purchaser.

Insurance: Before the transaction can be closed, the purchaser must have home insurance arranged and in effect.

Lien: A charge against property whereby the property is made security for the payment of a debt.

Mortgage Discharge: The removal of a mortgage as a lien against the property and is normally accomplished by repaying the debt (and any interest including any penalty, if any). A document should be obtained from the entity to whom the debt was owed. The document should be recorded on the property’s title.

Multiple Listing Service (MLS): The system in which participating brokers agree that they will offer others (agents) the opportunity to market to varying degrees properties listed with them for sale, lease, or exchange and to pay a stipulated commission to the cooperating broker.

Option Agreement: A document stipulating that, in exchange for the payment of a sum of money or other consideration, a specified individual is to be given first chance of buying a property within a specified period of time. If the option-holder does not buy within the specified time, he loses his right and the sum so paid.

Permanent Fixtures: Permanent improvements to property that may not be removed upon the sale of the property (furnace, central air conditioning, pool, windows, etc.), unless specifically set out in the Purchase Contract and Sale. Usually affixed to structures or land in such as manner that they cannot be independently moved without damage to themselves or the property housing supporting or pertinent to them.

Power of Attorney: Written instrument authorizing a person to act for another.

Real Estate: Includes real Property, leaseholds or a business whether with or without the building, fixtures, stock-in-trade, goods or chattels in connection with the operation of the business.

Real Estate Broker or Agent: An intermediary between the buyer and the seller who is licensed in the state to carry out such activities.

Real Property: (1) The combination of the tangible and intangible attributes of land and improvements. Value-wise, it is the sum of the value of the real estate, considered as land and structure and, for example, the tangible value arising by reason of a favorable lease; (2) The real estate plus the rights that go with it; (3) Property and what is on it (immovable).

Survey: (1) The accurate mathematical measurement of land and buildings thereon, made with the aid of instruments. (2) The process of ascertaining the quantity and/or location and boundaries of a piece of land. It may include physical features affecting it, such as grades, contours, structures, etc., a statement of the course, distance and quantity of the land.

Title: The means of evidence by which the owner of land has lawful ownership thereof; the union of all the elements, which constitute proof of ownership.

Title Insurance: An agreement binding the insurer to indemnify the insured for losses sustained by reason of defects in the title to the real estate.

Trust Account: Bank account set up by a broker to deposit funds entrusted to him by his buyer.

Zoning: Government regulation of land use; regulation by local government under police power of such matters as height, bulk, and use of buildings and use of land intended to accomplish desirable social and economic ends.

QUESTIONS

Buying a home is a complex process, and it's only natural for you to have some questions and concerns. Please don't hesitate to ask any question that you may have. When it comes to buying a home, there is no such thing as a dumb question!

Please note any questions you have, so that we can address them

1. ____________________

2. ____________________

3. ____________________

4. ____________________

5. ____________________

6. ____________________

7. ____________________

8. ____________________

9. ____________________

10. ____________________