

HOME BUYERS' *Guide*

EVERYTHING YOU
NEED TO KNOW WHEN

Buying a Home

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Connect
ComeOwners



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Say Yes To a New Address

This Guide is presented by

Your Local Real Estate Agent



Tamela Staubs, Real Estate Broker for Connect Homeowners located on The Treasure Coast in Florida, is a 20-year residential real estate professional and has guided thousands of sellers and buyers through the real estate process. She has created a systematic approach to selling property that also keeps the seller updated throughout the selling process. She takes buyers through a step-by-step process including a needs & wants analysis to determine what is truly important to the buyer so that she can get them to their ultimate desire of homeownership. She loves real estate so much that she created a Youtube channel to help Buyers and Sellers "Tamela Talks Real Estate". She shares tips for Buyers and Sellers as well as driving tours through communities.


Tamela moved to Boynton Beach, Florida from Loudoun County, Virginia in 2002. She immediately became a Realtor® and fell in love with helping Sellers and Buyers with one of their largest financial investments. Her motto from the first day was "Help one person/family have the best professional real estate experience possible". Over the years her clients have given her beautifully written as well as video testimonials sharing their appreciation for her outstanding service. Even though Tamela did not know anyone in the area when she moved to Boynton Beach - she listened to her mentors and coaches and listed 6 properties in her first 5 weeks in the business. She has continued to learn and grow so that she can provide her clients with the most up-to-date information and guidance. She has always loved South Florida's year-round warm climate and the beautiful aqua blue ocean. She values sunrise beach walks and has been lucky enough to see hatchlings make their way into the ocean.

Tamela is also a yoga instructor which she believes is helpful when guiding sellers and buyers through the sometimes challenging real estate process by staying calm and grounded. She also uses her natural teaching ability to educate her clients through the entire buying and selling process. You might find her volunteering as a Mermaid for local events as well.



Schedule a Buyer Consultation Today

If you have any questions, please don't hesitate to reach out.

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START

1. MEET WITH YOUR AGENT

Buyer Consultation
 • Set wants & needs
 Refers to Approved Lender
 or you Select Your Own
 Agent sets up House Search

YOU'RE
PRE-APPROVED

2. GET PRE-APPROVED

• Meet with your Lender
 • Prepare your Loan Application
 Get Approval Letter to shop for
 a home. Share with Agent

3. FIND YOUR HOME

• Research area neighborhoods
 • Agent will Provide House List
 from your wish list. Use the
 House Hunting Checklist

4. MAKE AN OFFER

• Agent will research comps in
 the area and advise.
 • Agent will write offer and
 • Negotiate on your behalf.

5. OFFER BEING
REVIEWED BY SELLER

MULTIPLE OFFERS
 COUNTER
 ACCEPTED

HOME

Buying Process

HELPFUL
STRATEGY

- Keep track of and submit all your paystubs
- Save and submit all future bank statements (complete with all pages).
- Submit all documents in a timely fashion to processor
- Continue to pay all your debts and loans on time.

COMMON
MISTAKES

- **DO NOT** make any cash deposits.
- **DO NOT** make any large purchases on your credit cards.
- **DO NOT** co-sign a loan for anyone.
- **DO NOT** change bank accounts.
- **DO NOT** apply for new credit cards.
- **DO NOT** Change Jobs or Buy a Car
- **DO NOT** have ANY Late Payments

6. CONTRACT ACCEPTED

Agent present and finalize with
 all signatures returned back to
 Sellers Agent
 CLEAR CONTRACT CONTINGENCIES

7. INSPECTIONS

Buy with a Peace of Mind
 Licensed Home Inspector inspects
 the property (top/bottom)
 • Discovers any issues that may
 need to be addressed
 • Negotiate repairs if needed

8. APPRAISAL ORDER

• Typically the appraisal
 is not ordered until
 the inspection is completed.
 Lender request appraisal to
 ensure property value

9. PROCESSING

Your Loan is with the Loan
 Processor who will verify
 credit, employment and
 assets. Make sure they have
 all your docs.
 Time is of the essence.

10. APPRAISAL REPORT

If the property meets Value,
 the lender proceeds. If not,
 you will be notified. Seller can
 reduce price or you can pay
 the difference. Any lender
 required repairs will be noted,
 and must be satisfied prior
 to closing.

11. UNDERWRITING

Processor submits file to
 underwriting for review. A
 commitment letter will be
 issued. You may have
 conditions that need to be
 met prior to receiving a
 Clear to Close

12. COMMITMENT

If you had any conditions to
 clear, the Loan Process
 will verify for final
 commitment letter

13. TITLE REPORT

Title Attorney submits the
 title report to the lender for
 review and clearance.

14. HOMEOWNERS
INSURANCE POLICY

Copy of appraisal and
 mortgage clause provided to
 you to secure a Homeowners
 Insurance Policy. You can
 select Insurance Companies.

15. CLEAR TO CLOSE

One Step Closer
 "YAY"
 You are on Your Way to
 Becoming a Home Owner

19. POST-CLOSING

House Warming Party

Enjoy the Tax Advantages of
 OWNING a HOME

Time to Party

CONGRATULATIONS
 You are NOW a
 HOMEOWNER!

17. CLOSING

It's ON!!!

You sign the papers to your
 New Home to make it official.

16. FINAL WALK-THROUGH

You will do a final walk-
 through of the property to
 approve the home's condition
 before settlement. Call the
 Utility Companies to get
 utilities turned over to you.
 Gas, Elec, Water,
 Cable Security

with

Tamela STAUBS
 REALTOR®

Introduction



You're at the point in your life where you're seriously considering purchasing your first home. You're sick of paying high rental costs when you know you'll never own property, and it simply makes sense to start investing in your future.

Buying a home is an exciting adventure, and whether this is your first home or your second, it's important you take your time when evaluating potential properties, so you end up with a property truly reflecting your style, your preferences, your lifestyle, and of course, the size of your family.

You also need to think outside of just the property itself when considering properties. While that Cape Cod on the corner may look like your dream home, what about the neighborhood?

The property costs in certain divisions? Are land taxes reasonable? Are you responsible for water charges? Sewer charges? Recycling costs?

Are there any zoning regulations or restrictions you should be aware of?

You should also consider your lifestyle and make sure that the neighborhood reflects where you are in your life and what you are comfortable with.

For instance, perhaps you're retired and looking to settle down in a quiet, mature neighborhood only to discover the majority of families around you are all younger couples with small children. It's important to look at the big picture when choosing a property that truly offers you the setting and atmosphere you are most comfortable with. After all, this is your home, and you are going to spend many years building a life there!

Driving by a property isn't enough, and even if you love the layout, structure, and design of a home, there are outside factors that influence your decision to buy.

Some of these things may include:

- Choosing a neighborhood reflective of your own lifestyle.
- Considering the layout of a home (open concept, 3 stories, etc)
- Considering the size of the property and whether there is room to expand.
- Choosing a property with adequate privacy.
- Choosing a property with a backyard, trees, or fencing.
- Choosing a property with features most important to you.
- Whether the property needs improvements and associated costs
- Understanding zoning regulations, the housing market, additional costs.

There are other factors to consider outside of the property itself as well, so that you can purchase a home with limited risks involved, including:

- Evaluate the different real estate companies available to you.
- Home inspection company.
- Financing opportunities, mortgages, and loans.
- How to put in your first offer.
- Setting a closing date that works for you and the seller.
- Understanding contracts, hiring a real estate attorney.
- Moving expenses, hiring a moving company.
- Closing the deal and moving in!



There are many things to keep in mind when buying a home, and if it's your first time purchasing a property, it can become overwhelming. Rest assured your real estate broker and an attorney will take care of many of these things, but you want to take a hands-on approach when evaluating properties and considering your options so you can get the best deal possible.

One of the biggest mistakes new home buyers make is rushing into a deal. They see a property they absolutely love. It's perfect! The size, privacy, layout – it's everything they could hope for only to find out the property needs repairs or the land taxes are higher than in a neighboring town.

So, it's important you keep an open mind when evaluating potential houses and take your time! There are always other homes that could fit your lifestyle and personal preferences. So, if you find one that has potential problems, move on!



Careful planning and thorough research will help you make the transition into your new home easier and more affordable than if you rush into an offer, or make a last minute decision.

So, give yourself adequate time to visit properties before you even begin your search. If you are currently renting and are considering giving notice to your landlord, make sure you feel comfortable with the allocated time in finding a new home.



Depending on your area, you may be required to give your landlord 60-90 days' notice, so keep that in mind, so you don't accrue additional expenses by having to pay for rent when you are no longer there.

When beginning your search for a home, you want to consider all options so you can get the best deal possible. This includes:

New Homes vs. Older Homes

Older homes can be more affordable; however, you may also be faced with costly repairs, such as replacing old equipment to ensure code requirements are met.

On the other hand, older homes can make for great starter houses if you have the ability to do a lot of the repairs yourself. And in many cases, you can end up buying a larger house at a fraction of the cost in comparison to a newer home.

In addition, many people prefer mature properties because of the history surrounding the property, as well as the existing vegetation, trees, and greenery that provides privacy. With older homes, buyers are often given the opportunity to purchase additional land for future development.

There are many pros and cons to both a new and older home, and it's important that you fully understand everything about the properties you are considering. Get as much history on the property as possible.

Ask the REALTOR® for information about the home, talk to neighbors, check out sale history by searching online.

Reviewing the history of sale transactions on a home can often give you a good idea as to whether there were problems with the property, especially if it's been sold multiple times over a short period of time.

Also, keep in mind new construction homes include a warranty, protecting you from unforeseen costs in repairs (such as roofing or flooring), while older homes will typically be sold "as is"; however, a home warranty can be purchased by you, or you can ask the seller to purchase it.

When purchasing an older home, make sure that you pay an inspection company to thoroughly inspect the property, including the roof, the heating, the electrical outlets, coding standard, and the type of wiring found throughout the property.

While it's important to have a home inspection on both new and older homes, if the property is aged, you will want to make sure the inspection includes elements that may not be typically included in an inspection process for a newer home.

Moving into your new home should be an exciting and memorable time in your life, your life. If you give yourself enough time to evaluate different properties and keep an open mind, you'll be in a better position to get the most bang for your buck, while ending up with a home you are happy with for years to come.



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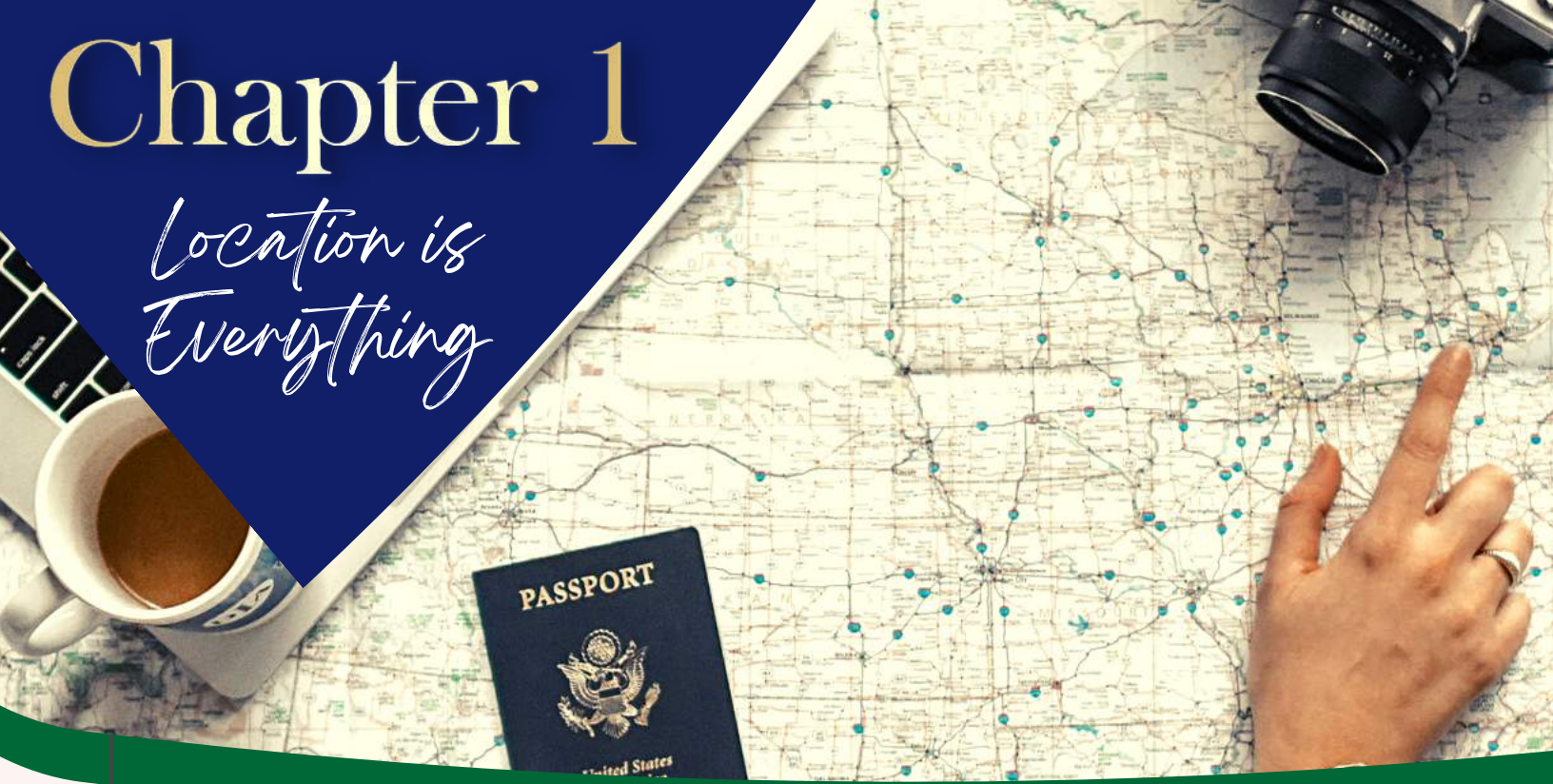


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Chapter 1

Location is Everything



One of the greatest factors in regards to overall costs of property is in the neighborhood or area itself.

In real estate, location is everything, and depending on what your personal preferences are, you should expect the costs of properties to change based on location, even when all other features and factors are similar.

For example, if you choose to live just outside of a city zone, a property of the same age and size could be as much as \$50,000 cheaper than a property inside of a city zone.

You will also want to consider what is available in different areas, based on what is most important to you. For example, are there grocery stores local to the neighborhoods you are evaluating? Are there late-night conveniences? Entertainment? Doctors? Schools?

All of these factors will influence your decision to buy within certain areas. If you have small children, you'll also want to consider the quality of the schools. In the same manner, if you require regular medical treatment, you'll want to make sure there are medical facilities near your home.

For many homebuyers, location is the most important component when choosing a property, and it's also the key factor in which they spend the most time evaluating. You want the conveniences that are of greatest importance to you!

If you are considering purchasing a property outside of a city zone based on the savings, you'll also want to make sure the lower property rate is justified based on the costs to commute.

On the other hand, if you are interested in living within city limits, you will want to pay attention to additional costs and factors such as metered water, sewage costs, pet restrictions, and any by-laws you may be affected by.

For example, in many cities, there are by-laws preventing residents from having too many pets. And, believe it or not, there are even by-laws indicating what color you can paint your home!

So be careful in choosing a neighborhood just based on cost alone. You will want to discuss any by-laws or restrictions applied to an area with your realtor before making an offer on a property.

When considering different locations, you will want to try to spend some time in each area so you are able to get a personal feel for the neighborhood.

Consider staying in a nearby bed & breakfast or a hotel for a weekend, so you can explore the area. Walk through the neighborhoods, visit nearby attractions, restaurants, parks, and even speak with the locals.

While many people overlook this simple step, it can really make a difference in helping you choose an area where you feel safe, relaxed, and truly connected.

If you have children, you will also want to include them in making your decision. Spend some family time around the different areas you are considering, so there are few surprises when you move in.

Pay attention to the proximity of nearby schools, whether there are local events for your children based on their interests, whether you will be close to amenities or areas you'll visit frequently, and whether you can really see yourself living in an area for a long period of time.



When considering whether to purchase a home in the country, city, or suburbs, weigh the pros and cons of all three areas to gain a better idea as to what is suitable for your family.

City living carries many different benefits, including:

- Quick & easy access to local events.
- Extended business hours for many different amenities.
- More options for stores, restaurants, and schools.
- Public transportation.
- Typically offers more cultural events, concerts, attractions.

Just the same, there are also cons to living in the city as well, including:

- Higher population.
- Less property.
- Higher housing costs.
- Higher taxes.
- Higher crime rate.
- Higher pollution rate.
- Limited housing available.

If considering buying a house in the country, you will also want to weigh the pros and cons. The pros of buying a house in the country include:

Pros:

More land available.

Lower tax costs.

Less population.

Not as many zoning issues or bylaws.

Overall cost of living is lower.





Potential cons of buying a house in the country include:

Fewer amenities are available
Further commute to work and shopping
Fewer schools & businesses to choose from
Issues dealing with wells, septic systems, etc
Less entertainment and fewer cultural events

Other location considerations to keep in mind include:

- Weather & Climate
- Road conditions
- Location of property in the neighborhood, and
- Room to expand



You should be thinking ahead in terms of the weather. If you are planning on living in the country, for example, you should pay attention to possible flooding, snow, and other weather that could affect your commute to work.

If the road is a dirt road, you should ask if the county will clear the road and how often they will do so. This is another advantage of living in the city because you can always use public transportation if you do not want to drive.

The location of the property within the neighborhood is also important. If the property is located at the bottom of a slope, you may have flooding issues after a rainstorm. Also, as your family grows, you may need more room.

You should find a property that can hold a home addition if necessary. Investing in a home requires a great deal of thought and planning. Even if you do not have a family, you should find a home allowing you to grow as your interests change.

If you are planning on taking out a mortgage, you will find it difficult to move abruptly in the event you discover an area isn't quite what you expected. The more time you spend personally evaluating the neighborhoods and areas you are interested in, the more prepared you will be to make an informed decision.

Another important thing to keep in mind is the crime rate in specific areas. You can identify potential problems or higher crime rates by researching areas online. You can also talk to your REALTORS® about any concerns you have over crime rates. Be sure to compare crime rates to other neighborhoods.

You also want to pay attention to your 'gut instinct' and how you personally feel about an area when it comes to choosing a property:

Does a certain neighborhood give you a sense of calm? Does it provoke a positive feeling? Good memories? Does it seem clean and friendly?



Depending on your lifestyle, you will also want to pay attention to other contributing factors, including:

- Is there high-speed Internet available?
- Is there cable television available?
- Are there ponds, rivers, lakes, or oceans nearby?
- Are there 24-hour conveniences? (drug stores, grocery stores, etc.)
- Is the neighborhood aesthetically pleasing?
- Is there a garbage pickup?
- What is the average value of a home in that neighborhood?



All of these things will play a part in helping you to decide whether a specific property is suitable for your family. Take the time to research the different locations and take notes regarding your findings.

Having this information readily available will provide you with a snapshot of the different properties and locations you are considering, making it easier to come to a decision later on.

Chapter 2

Finding a

REALTOR®



If you are like many people, chances are you've looked around different neighborhoods, saw a few homes for sale, maybe visited an open house or two, and then felt stuck.

What is the next step? Approach the homeowner with a potential offer? Visit a REALTOR® for more information and help with the purchase?

Finding the right REALTOR® when buying a home depends on what you are looking for in a home. You may have to visit several REALTORS® before finding one who listens to your wants and needs.

After all, you will probably be paying them a commission once you have found a home, so you should be comfortable working with them during the house-hunting process.

Choosing a REALTOR®

There are a few ways to find a reliable REALTOR®. For example, you can:

- Ask friends and family for referrals.
- Search online for an approved REALTOR®.
- Attend a few open houses and meet a REALTOR® personally.
- Visit a local real estate office, or
- Look for local REALTOR® in your neighborhood by paying attention to for-sale signs in the neighborhood.

Asking plenty of questions before looking at houses may seem like a lot of work. When you visit a REALTOR® for the first time, ask questions that will help you to get to know this person who is going to help you find your dream home.

The five best questions to ask are:

1. Are you a Certified REALTOR®?
2. How long have you been in the real estate business?
3. Which neighborhoods are you the most familiar with?
4. How many homes do you have that will fit my needs?
5. What is your typical commission on a home in my price range?

Once you have asked these questions, you should be looking for honest and complete answers, good communication, and honesty. These are questions that the REALTOR® should have practice in answering and should not have to give you a standard 'salesperson' answer.

If you feel uncomfortable, remember you are under no obligation to continue with this REALTOR®.

You should also pay attention to:

- How well your REALTOR® listens to what you are looking for.
- How well they understand current real estate law.
- How many other clients do they seem to have?
- How they speak to their co-workers.
- How often do they communicate with you on the phone or email.



In the end, you will have to be the judge of the REALTOR®. If they know what they are talking about, can find out the information you need quickly, and are willing to take the time to listen to what you need, then you should work very well with them.

In some cases, you may be asked to sign an agreement stating that you will only be working with a specific real estate agency or REALTOR® when looking for a home. You are under no obligation to sign this paperwork; however, it is recommended you work with someone who will have your best interest and will represent you through the entire process to ensure you are protected. As the Seller has hired and signed an agreement, their agent represents them, not you as the Buyer.

However, make sure you fully understand any agreement/or contracts you sign. The Buyer Agency agreement does have an expiration date and a right to terminate clause written in it. Only sign agreements if you feel comfortable.

During your search for a REALTOR®, you will find a variety of agents that will want to work with you. These include:

- Experienced agents
- New agents
- Pushy agents
- Absentee agents, and
- Hard-working agents



While all REALTORS® have different personalities, you will have to decide which ones you will want to work with when looking for your new home.

Experienced Agents vs. New Agents

This is an age-old debate and should be addressed. While an experienced agent may have sold more homes and earned more commissions, new agents can be just as helpful and will work just as hard for you.



While you should ask about their experience, you should take into consideration other traits such as the ability to listen and the ability to only show you homes in your price range.

Experienced agents and new agents have been trained in a similar fashion and only have their personalities to bring to the table.

There are experienced agents out there who will drag their feet because they are overconfident or they are not as interested in their jobs as they once were. Experienced agents may know more about different neighborhoods, but some of them are not as proactive as they used to be.

You should not let inexperience deter you when looking for an agent. Many times new agents will work harder because they want to gain a reputation they can use to build confidence in their future clients.

Pushy Agents

Unfortunately, you will meet real estate agents wanting to sell you more homes than you need. In an effort to earn larger commissions or to sell those properties that are more difficult, many agents will try this tactic.

This is where you will need to stand firm. You do not want to waste your time looking at homes that are beyond your price range unless you can find a way to lower the price.

While looking at possible homes is exciting, this will not last long as you will grow weary of spending all of your available time looking for a home. If an agent keeps showing you homes out of your price range, then you should consider finding another agent.

Absentee Agents

Absentee real estate agents are those agents who show you a few homes and then disappear for a few weeks. These agents may be overworked, may not be able to find a home in your price range or neighborhood, or have higher-priced commissions to find. Whatever the reasons, this is unprofessional behavior and should be rectified immediately, especially if you need to find a home quickly.

If an agent does not have homes in your price range or neighborhood, they should recommend additional properties that may be from another brokerage. Agencies never want to lose customers. If your agent does not do this, find a new one.

Even agents that are overworked have time to make a quick phone call. If you do not hear from your agent in a week after your last meeting, find another agent.

Hard Working Agents

These are the best agents to find when you are buying your first home. If you find an agent like this one, do not lose them. These are the agents that will follow every lead, pass your wants and needs to another agent, and try their best to find you a home. You should expect to see a handful of homes when working with an agent like this one.

Now that you know more about what to look for in a real estate agent, you should feel a little more comfortable about working with one. They can be an invaluable source of information when you want to know more about homes, neighborhoods, and other questions about the communities you are looking at.



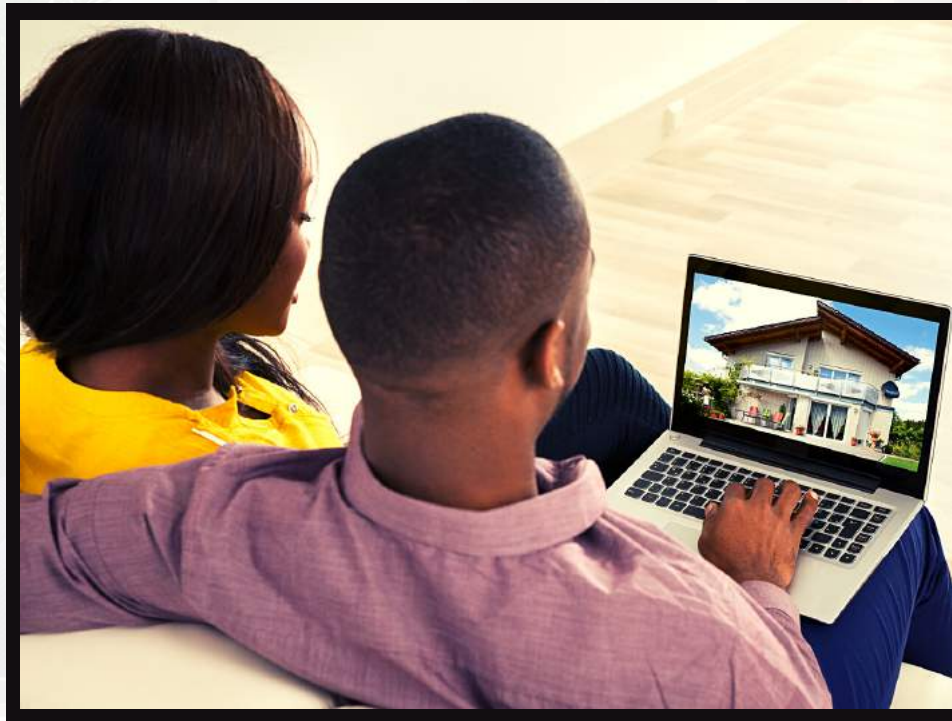
Preparing To See Homes With Your REALTOR®

Create A-List

Once you have found a REALTOR® you are comfortable with, you will want to make the most of your time when house hunting. Giving your REALTOR® a list of what you are looking for will help narrow the search and save everyone some time. Your list should include:

- Your price range
- Number of bedrooms you want
- Number of bathrooms
- Size of property
- Basement (finished or unfinished)
- If you want a porch, patio, or balcony
- Central heat and air conditioning
- Garage
- Neighborhood, and
- Any other amenities you would like

Giving your real estate agent a list of your preferences will allow them to spend more time researching homes which fitting the criteria. You should list these amenities from most important to least important because no home is perfect and you will not get everything you want or need. Let your agent know that you are flexible, but that you really want to concentrate on certain items when looking for a home.



Viewing Homes

When looking at homes with your agent, be sure to ask any questions you may have. While these questions may seem small, they may be important to your happiness. Common questions people ask their agents are:

- How old is the home?
- How many owners has the home had?
- What kinds of renovations have been done to the home?
- How old is the plumbing?
- How low are the sellers willing to go?
- How old are the carpeting and flooring?
- How old are the windows?



While your agent may answer some of these questions before you ask them, you should ask any questions that may influence your decision to buy a home. If you do not want to put too much work into fixing up the home, you may want to buy a home ten years old or less.

If your agent does not know all of the answers to your questions, they should be able to find out and give you an answer within a day or two.

Taking Pictures

One of the best ways to remember the homes you have seen is to bring your camera and take pictures. Get permission from the agent first before taking pictures of another person's home.

Many times, after looking at a few houses, you will forget how big the kitchen in home number two was in comparison to home number five. Having pictures will give you a better idea of the square footage and how much room you will have to work with.

Narrowing Down Your Choices

After a few weeks of viewing homes fitting what you are looking for, you should be close to finding a home you will want to make a bid on. If you have other homes you would like to see, or you have changed your mind as to what you are looking for, you should tell your agent so they can look for other homes.

Many times, if a person likes the neighborhood but not the home they were shown, they will want to see other homes in the neighborhood that are for sale. You have to check all of the homes available in a neighborhood that you like.

Your agent should be there to guide you along. Ask all the questions you have to before making an offer on a home.

Information the REALTOR® Should Tell You

There is plenty of information the REALTOR® can tell you about the homes you will be viewing. Things they should tell you include:

- The price of the home
- The age of the home
- Any renovations that have been done
- Any other issues with the home
- Property taxes
- Community dues
- Schools
- Neighborhood crime rates, and
- The median age of those who live in the neighborhood

Usually, if a REALTOR® does not have the information you request on hand, they will be able to look it up once they are back at their office.

You should be able to find out all the information you need to know in order to make an informed decision about buying a home. REALTORS® are required by law to give you information concerning repairs, damage, and the history of a home.

You can also do a little research of your own by using the Internet, which has become a wonderful tool to use when searching for a home.

You can research past events that have taken place in the neighborhood, the home itself, or the town where you want to live. Knowing a little history may prompt you to look elsewhere or make an offer.



Other information REALTORS® can tell you include:

- Homeowner price reduction; your REALTOR® will talk with the seller's REALTOR® once you have made an offer or want to make an offer.
- Prices of other homes in the area that are comparable to the one you are looking into buying
- How much you will have to pay in property taxes each year, on average
- Other taxes in the area

Your REALTOR® is the person that should be well acquainted with the neighborhoods you are looking at when buying your first home. Don't be afraid to ask many questions.



Working With Seller's And Buyer's Agents

As a home buyer, your real estate agent is considered the buyer's agent. While some people will forego hiring an agent at first when looking for a home in order to save money on commission costs, they will usually end up hiring an agent to:

- Handle negotiations with sellers
- Do paperwork, and
- Survey neighborhoods

It is in your best interest to hire an agent in order to make buying a home a much easier, and faster process.



Negotiations With Sellers

Most people who sell their homes are also working with an agent. This agent is known as a seller's agent. If you choose not to hire an agent, you will be dealing with a seller's agent who is looking out for the sellers' interests and not yours.

Sometimes, though, the seller's agent and the buyer's agent can be the same agent. This means your agent is looking after the interests of everyone involved. This is a rare occurrence, and it is best to hire a real estate agent who can negotiate with other agents in order to get you the best deal on a home.

Negotiating with agents can take a week or more, depending on how high you are willing to go and how low the seller is willing to go. This can become a complicated game once you introduce home inspectors.

After an initial home inspection, if you feel repairs should be made prior to the sale of the home, or if you want a price reduction because of needed repairs, you will have to negotiate with the sellers to settle on a fair price. Without an agent, you will have to do all of this work yourself.

Paperwork

When buying a home, there is a lot of paperwork that must be completed before the closing. This paperwork can include:

- Offers
- Counteroffers
- Home inspection reports
- Home appraisal reports, and
- Fixture lists (Items that come with the home and items you would like removed)

Survey Neighborhoods

Another advantage to hiring an agent is you will not have to do as much legwork in the beginning. You may have a few neighborhoods in mind, but you will be able to leave it to your agent to find homes for sale and set up appointments to see them.

This is another time-saver, especially if you have to work during the week. Taking time from your busy day to call other agents and homeowners to set up appointments will distract you from your other daily duties.

More Reasons To Hire A Real Estate Agent

There are several other reasons to hire a real estate agent. These include:

Peace Of Mind

The bottom line is that as a buyer, a buyer's agent is the best resource when it comes to finding and making an offer on a home. While a seller's agent will be able to tell you the basics about a home, they are working for the seller.

They will not try to get you the lowest price for the home.

If you enjoy negotiating, then working with seller's agents might be for you. But if you are like most people, hiring an agent to work on your side will make the entire process more enjoyable and worthwhile in the end.





Wealth Of Knowledge

Your agent will be very knowledgeable about negotiating the right price for your new home. They will be able to help you decide where you want to live, and they will be able to guide you in buying or walking away from any property you are not sure about. Therefore, it is so important to talk with your agent and ask as many questions as you can before buying a home.

Confidence

If you are having doubts about purchasing the home you have made an offer on, then you should tell your agent right away so that they can postpone the offer made and help you reexamine what it is you are looking for in a home. Many times the initial shock of being a homeowner can be overwhelming.

Sometimes talking with your agent is enough to resolve your feelings. Other times, you may need to see a few more homes before making a decision. Your agent will be able to give you practical advice during this time.



Schedule a Buyer Consultation Today

561-859-2757



Chapter 3

Financing your Options



Financing your first home can be the most frustrating part of the home buying process. This is the time when you will figure out how to pay for the home. Most people have to take out a mortgage loan in order to afford the price. Which mortgage loans are right for you? How much of a down payment will be necessary? What is escrow?

You will have many questions about financing your first home. By knowing the facts, paying attention to interest rates, and looking into all of your mortgage options, you will be able to choose repayment terms that will fit your current income and allow you to safely make those monthly payments.

Types Of Home Loans

Deciding which home loan is the right one for you will depend on what you qualify for and what your lender is willing to give you. There are a few types of mortgage loans, including:

- Fixed-rate mortgage loans
- Adjustable-rate mortgage loans
- Balloon mortgages, and
- Jumbo loans

You should be familiar with these loans so that you will be able to make an informed decision when it comes to financing your new home.

Fixed-Rate Mortgage Loans

For first-time homebuyers who are on a strict budget, choosing a fixed-rate mortgage may be the loan for you. Your monthly payment will never change for the life of the loan because you will lock into the interest rate given at the time the loan was processed. You can take out loans that range from ten to thirty years.

There are many advantages to taking out mortgage loans having fixed rates. You will be able to create a monthly budget for yourself, you will never be surprised by the amount you will have to pay each month, and you will be able to lock into a low-interest rate.

The disadvantages may not mean much to you now. But, as your family or your income grows, you may want to refinance and pay less each month so you will be able to afford renovations, vacations, and other luxuries.

Since your mortgage is fixed, if interest rates drop, you will be trapped paying a higher rate. While you can refinance your mortgage, you will have to wait a certain amount of time, and even then, there may be complications.

For those who have limited income, who have lower credit scores, or those who want the security of paying the same amount each month, then a fixed-rate mortgage is the loan for you.

Adjustable-Rate Mortgage Loans

If you expect to make more money in the next few years and want to buy a bigger home, you may be interested in an adjustable-rate mortgage. The major difference between an adjustable-rate mortgage and a fixed-rate mortgage is the interest rate will vary year to year in an adjustable-rate mortgage.

While the interest will be capped, you will still be paying more for each year you own the home unless interest rates drop over an extended period of time.



Most adjustable-rate mortgages cannot be raised more than two interest points per year and up to 7 points for the life of the loan.

These loans are good for those who want a larger home and who expect to increase their earnings each year to afford the increase. If you are in a position to take out an adjustable-rate mortgage, you will be able to lock into a fixed rate that may be lower than your original rate.

This is the main advantage of these loans. Most lenders will only give you two years to lock into a rate, or the loan will remain adjustable for the life of the loan.

Balloons Mortgages

If you are only planning on living in your first home for a few years (usually five to seven), you should look into a balloon mortgage. These mortgages require that you pay them off in five to seven years. They have a lower interest rate that is fixed.



If after the term of the mortgage has passed and you want to remain in the home, you will have to refinance and choose a fixed rate or adjustable mortgage to pay off the existing mortgage, as balloon mortgages cannot be renewed.

Only consider this mortgage if you are planning on moving after a certain amount of time or if you think you can pay the mortgage off in that amount of time.

Jumbo Loans

Most first-time homebuyers will not need to take out a jumbo loan unless they are buying a very large home. These loans are valued at over \$275,000 and are used to purchase land and a home. More collateral will be needed in order to qualify for one of these loans.

The interest rates are comparable to fixed and adjustable-rate mortgages and have the same payment terms.

Now that you know about the types of mortgages available, you should be thinking about which lender to use. With so many lenders out there, it may be difficult to sort through all of them and find the right one. Doing a little homework will help you get the lowest interest rate possible.

Where To Find A Lender

These days there are many places to find a mortgage lender, such as:

- Newspaper advertisements
- Television advertisements
- Family or friends
- Your Current lender
- Your Current bank, or
- Your REALTOR®

As you can see, finding a lender should not be too difficult. You may have to contact several lenders before you find a lender that will give you a loan that meets your needs. When you apply for a home mortgage loan, the lender will check the following:

- Your credit score
- Your credit history
- Your current income
- Income of co-signer
- References (professional and personal)



- Current interest rates based on the amount you are asking for
- Status of other loans you may have
- Number of years you have been eligible to work, and
- Number of years you have had credit

There are many factors that will go into your approval or denial of a home loan. You will have to be patient. You should contact a few lenders to see which ones will give you the best deal. Once the offers have been received, you will have to make some important decisions.

You should feel free to contact your lender at any time during the home buying process with questions and concerns you may have. Other important information the lender will need before granting you a loan include:



- The home inspection report
- The termite inspection report, and
- The home appraisal

These reports are very important to a lender because they will tell the lender how much the home is actually worth and the types of damage that have lowered the overall value of the property.

Lenders expect homeowners to remain in the home for at least five years, since this will allow them to make a profit on the money loaned to you. For the lender, financing a damaged home is not beneficial because you might decide to sell the home shortly after buying it because of the damage.



Applying For A Home Loan

When applying for a home loan, you will have to bring the information listed above to the lender's office, or if applying online, supply copies that are faxed to the lender. You will be asked additional questions that will help lenders determine if you are able to pay the loan back on time. These questions include:

- Number of years renting a home or apartment
- Late payments on credit cards and other loans
- Active loans (such as student loans or car loans)
- Number of years at your current job
- Additional income
- Amount of the loan and number of years to pay it back
- Number of years living in an area
- Dependants that are living at your home
- Tax returns and bank statements



Applying for a loan can take a week or more. This is because background checks, credit checks, and references must be checked first before the loan will be processed.

In the meantime, you should be concentrating on gathering your paperwork, calling friends and family you want to use as references, and sorting through your papers in case you cannot find everything the lender requests.

If you do not have your back tax returns, you can contact the IRS and request them by year. Many times, lenders will need to see returns from at least three years ago. Bank statements and bill statements from the past year should be enough to secure a loan.

If you are turned down for a home loan, you will be notified as to the reasons why. This can be devastating, but you should find other lenders and try to apply again. If you have poor credit, you may need to go through a lender specializing in granting loans to those with poor credit. You may have to pay a higher interest rate, but at least you will be granted a loan.

Reasons for possible denial include:

- Poor credit or not enough credit
- Length of time at your job is too short
- Income level for the amount of loan requested
- Loan default
- Failure to pay rent or other bills, or
- Too much credit

Applying for a home loan can be stressful, but if you have good credit, steady employment, and enough income, you should have little trouble qualifying for a loan.

What Not To Do When Applying For A Home Loan

There are a few things you should not do after applying for a home loan:

- Buy a new car
- Begin a new job
- Buy new furniture and other large items using your credit cards
- Apply for a credit card, or
- Default on student loans or other loans

All of these actions will cause your credit score to change, which will give lenders an inaccurate view of your spending habits and your overall credit score. If you take a job that pays less than you noted on your home loan application, your lender may not agree to grant you the loan.

If possible, do not begin a new job until you have moved into your home. Try not to spend money on credit cards. Buy furniture and other items using cash, or wait until you have signed the final contract and are a homeowner.



Increase Your Chances For Approval

There are a few ways to increase your chances for loan approval that will also help you determine what you will be able to afford each month:

- Pre-approval

Many experts agree applying for a loan before you find a home and being pre-approved will help you create a budget, buy a home in your price range, and help lenders make their decisions faster.

- Ask for only the amount you will need

One way to increase your chances for a home loan is to not ask for more than you will qualify for. This means you will have to look at your income level, the amount of debt you have, and the expected monthly mortgage payment. You should also factor in the cost of living expenses because your lender will. Apply for the amount you will need and nothing more.



- Pay off credit cards

If you are thinking about buying a home in the next few years, you should prepare by paying off those credit cards and only using them for emergencies. Do not cancel your existing cards since this may actually lower your credit score. By showing you have a zero balance on your credit cards, you will be showing lenders you know how to use credit wisely, and you have been paying your cards off on time.

- Always pay bills on time

This includes your electric bill, rent, student loans, and other bills you may have to pay each month. By creating a track record that can be traced, you will be showing lenders you are a responsible person who deserves to have a home loan.



The Homeowner Reduces The Selling Price

Depending on the appraised value in comparison to the offer price, some homeowners will be willing to lower the price of the home if they need to sell quickly.

You should not count on this happening since many homeowners want to receive the price they are asking for. You may have no choice but to find another home.

A Higher Down Payment

Some lenders will grant you the loan if you agree to pay a larger down payment on the home and assume the financial risk. This is only an option if you can afford to pay a larger down payment. Do not risk your financial security in these cases; it is just not worth it.

Dispute The Appraisal

You can send a letter to your lender disputing the appraisal or have another appraiser determine the value of the home. You will have to pay for this second appraisal, which may or may not yield the same results. There is no guarantee your lender will accept the second appraisal.

Find Another Lender

This is a last resort move because it will postpone the closing for another month or so, and there is no guarantee lender will accept the appraisal.

Since home appraisals are required by most lenders, you should find out during the loan application process the policies the lender has when dealing with appraisals. If your lender does not accept a lower selling price, you put a larger down payment, or other solutions to a low appraisal, you should consider finding another lender just in case there are any problems down the road.

Home appraisals are based on the current value of homes in the neighborhood, homes that are comparable in size, the housing market, and the age of the home. While you can expect to hear different numbers from different appraisers, you will see these numbers will usually not be too far off.

The only real benefit of a low home appraisal is it will tell the homeowners to list the home for less money so they will be able to sell it. As a buyer, you may have to find another home.

How Home Inspections Can Affect Your Home Loan

While a poor home inspection will usually not deter a lender from granting a home loan, you should be aware some lenders will not grant a loan if there is termite damage or structural damage to the home due to water or age.

This will also lower the overall appraisal of the home, which could be another issue lenders may have when deciding to approve a home loan.

If the home inspection is not favorable, ask your lender what will need to be done in order to rectify the problem. Many times removing the termites and correcting the water damage is all that will be needed. Many times homeowners will foot the bill for these types of repairs.

Additional Fees For Home Loans

You may notice you will have to pay small fees throughout your home buying experience. It seems every piece of paper you sign, file, or request will cost you some money. Here is a list of fees you may be charged:

- Credit report fee
- Loan discount fee
- Lender's inspection fee
- Appraisal fee
- Loan origination fee
- Mortgage insurance application fee
- Assumption fee
- Hazard insurance
- Title search, and
- Title insurance



These fees can add up, so you will want to be prepared and have a little extra in savings for when these fees come up. Some of these fees can be put off until the closing, but you should be planning for them in advance.



Escrow And Other Loan Terms

As you are going through the home loan process, you will run across a few terms you will not understand. You should ask your lender to explain these terms so you fully understand the type of loan you are applying for, the lenders' policies, and other information will be important throughout the life of the loan. Here are some common terms you may encounter:

- **Escrow**

While this term can mean different things in different situations, you will see it often when closing on a home. If you place a down payment on a home, it will be in escrow until all the paperwork has been signed. The money is held by a neutral third party, such as another bank or escrow service, and will be distributed once the deal is over. You can ask your real estate agent about escrow services in your area.





- **Mortgage**

Even though you have heard of a mortgage before, you probably thought of it as the home loan you will be paying once you move into your new home. Technically, a mortgage is a lien on your home created by your lender. If you cannot make payments on your home, the lender will have the right to sell the property in order to gain the money they have lost.

- **Foreclosure**

This is a term referring to homes whose owners could not make payments each month. Once a lender has decided to sell the home, it will be in foreclosure. You should find out ways to work with your lender in case you miss a mortgage payment at any time. Having this knowledge in advance will make financial emergencies easier to deal with.

- **Mortgage Broker**

A mortgage broker is a person who does not work for a bank but rather works on commission to match homebuyers with many lenders that may not be in your area. If you have poor credit, you may want to secure a home loan through a mortgage broker because you will have a better chance than going through a bank that only has one lender to choose from – themselves.

- **Points**

This refers to the interest rate on your loan. If you choose an adjustable-rate loan, for example, your points may be capped each year so they cannot exceed a certain number.



You do not want to overextend yourself by putting a huge down payment on a home because you may not have enough money to pay your mortgage, afford new furniture, or make home repairs.

Debt to Income Ratio



This is one way lenders will use to determine if you can afford your monthly mortgage payments on your current income. The lender will subtract all your reoccurring debt to determine how much is left for a mortgage payment.

This is why not buying a car or spending money on your credit cards is so important when buying a home. The less debt you have will mean more available money for your mortgage payment.

• Private Mortgage Insurance

If you cannot afford to put down more than 5% on a home, you may not be approved for a loan. But if you purchase private mortgage insurance, your lender may agree to give you the loan. This extra insurance will protect the lender in case you default on the loan by paying them at least 15% of the total loan value. This will cost you a little extra each month, but it may be worth it.

• Credit Report

Before you apply for a home loan, you should obtain copies of your credit report so you can check for errors. See how much money you owe on credit cards and loans and see what your credit score is. Credit reports are another way lenders determine if you will receive a loan. There are three credit bureau reports you should obtain because you will not know which one the lender will base their decisions on.

Almost every weekend in most neighborhoods, there will be an open house. Stop by and see for yourself what the homes in the area look like and what you can get for your budget.

Find Out More About A Property

If you find a home that you might want to buy, you should find out everything you can about the property first before making an offer. Visit the county clerk's office or land records office to see how much the current homeowners paid for their land and the value of their property.

This will give you an idea of how much you should offer for the home. If the home is in an area that has seen better days, then you can make an offer that is less because when you sell the property someday, you may have to lower your price as well.

Find Out More About Taxes In The Area

As a homeowner, you will be paying yearly property taxes, local taxes, school taxes, community dues, and other taxes that could drive your household spending through the roof. Before you commit to living in a certain area, make sure you understand everything you will be paying each year.

Your real estate agent should have the neighborhood information that will help you decide where you want to move. You can also visit your local tax office and see how much the current homeowners paid in taxes last year.



Chapter 4

Watching the Market



Now that you know more about finding a REALTOR®, you should begin watching the housing market carefully in the weeks or months before buying your first home in order to get a feel for whether it is in your favor.

Watching The Housing Market

For the past year, the housing market values have increased. The housing market can be very fickle. Depending on where you want to live, you may end up having to pay a little more for the home of your dreams.

This is why watching the market, surveying neighborhoods, and finding a good REALTOR® will help you in your search.

Keep the following in mind before buying your first home:

- The past market value of the home you are interested in buying
- How much house your budget can get you in different neighborhoods and towns
- Neighborhood value
- How much the home should increase over time, and
- Price reductions that may be available

Just because you buy a home for a great deal does not mean you will make a huge profit when it is time to sell it. The housing market will continue to change, and since this is your first home, you may want to choose something you can pay off quickly and make a larger profit in the future.

Also, remember any improvements you make to the home will increase its overall value. Just don't spend too much money on improvements. Creating a home improvement budget and sticking with it will help you make those monthly mortgage payments and other payments that will be due.

One of the biggest mistakes first-time homeowners can make is buying a home for a lot less than they budgeted and then making improvements that will end up costing more money in the end. If you can find a great deal on a home, use that extra money as a cushion in case you lose your job or are too ill to work.

Owning a home is a big responsibility. Knowing how the market is moving and spending your money wisely will help when you are creating a budget, applying for a mortgage, and deciding how much to put down on a home.

Making The Most Of The Housing Market

While you should be watching the housing market, there are other areas of interest you should also be watching, such as:

- National interest rates for mortgages
- Building rates in your area
- Number of foreclosures in your area
- Stock market and gasoline prices



National Interest Rates For Mortgages

Even though the housing market may be going your way does not mean that the interest rates you could be paying are. In times when the housing market has taken a slump, interest rates tend to rise in order to retain the natural balance within the economy.

The interest rate you receive will depend on many factors, including:

- Other loans
- Current credit score
- Credit history
- Number of credit cards
- Yearly income
- Owed debts
- Current interest rates
- Type of lender
- Time of year, and
- Adjustable and fixed-rate mortgage



If you see housing prices dropping, you may opt to buy a larger home than you would have if the prices had been higher a year ago. While you will be saving money on that end, you may be paying more each month because of the interest rate you received.



Building Rates In Your Area

If you notice the housing market has also caused the building of new homes in your area to decrease, then you may have to enter into a bidding war in order to buy your first home. When new home construction goes down, this can mean one of several things:

- The area is no longer popular
- The interest in buying a new home has diminished
- People can no longer afford to purchase new homes
- People are opting for older homes that are less expensive to heat and keep cool during the year

While that housing slump may bring a reduction in housing prices, you should consider making a bid soon after finding the home of your dreams because bidding wars will only end up costing you more money.

Number Of Foreclosures In Your Area

When looking for a home, you should consider looking at homes that are under foreclosure. This can be for many reasons, but usually, banks that hold the titles want to unload these homes quickly so that they do not lose more money than necessary. Many times auctions will be held, or the home will be advertised as a foreclosure in the newspaper or online.

You should check out these homes because you may find exactly what you are looking for in a home.

Stock Market And Gasoline Prices

Even if you do not play the stock market game or own a car, you should still pay attention to these areas because they are usually what will dictate housing prices and the cost to heat and cool the home.



When the stock market is doing well, many people will spend their money more freely, which will give way to higher housing prices. But when gasoline prices go up, so will the price to heat and cool a home, which may make homebuyers reconsider buying until the prices fall again.

This could be a good time to buy a home if you are willing to pay a little more each month in utility costs.

The impact society can have on the housing market can be huge, and it can also have lasting effects. Buyer's markets are created when there are more homes available than buyers, while seller's market occurs when there are more people who want to purchase homes than there are for sale. These housing markets go back and forth due to the issues mentioned above.

In The End

Buy a home when you are ready. Many times, people will buy a home because it is cheaper in the long run than paying rent each month.

The downside to homeownership is you have to make your mortgage payments on time each month. Very few lenders will give you more time to come up with the money.

If you miss even one payment, your home could be foreclosed upon. You will have no place to live, and your credit score will suffer severely.

If you can afford to make a move into your new home now, you should not wait too long before making an offer. The housing market can change quickly, and with the competition out there, you may end up losing more money if you don't make an offer after seeing a home you like.



Rent To Own

Another option you may have is to buy the property you are currently renting or rent a property offering you the option to buy after a certain amount of time. This will give you a chance to see if you like living in the home and will give you time to get your finances in order.

Rent-to-own properties are usually older than other homes and have been rental properties for some time. This means they may not be in great shape. If you are looking for a property you don't mind repairing, then this option may be for you.

When looking at a rent to own property, you should ask the following questions:

- How old is the home?
- How many times has it been rented out?
- What is the mortgage payment on the home?
- What is the rent per month for the home?
- How long will I have to make my decision?
- What happens if I change my mind?
- What happens if the homeowner changes their mind?



You should still sign the proper contracts stating you are interested in buying the home after the given time period. This will protect your rights and the rights of the current homeowner.



New Homes

When you think of your first home, you should also consider a brand new home. If the housing market is favoring buyers, you may get a great deal from a builder in a new housing community. Or you might be able to find a plot of land in an existing community. This can be a great alternative to buying an older home for many reasons:

- You will have a part in designing the home
- You will have new appliances and lighting fixtures
- You will have new carpeting and flooring
- You will be able to choose all of the fixtures, carpeting, and flooring
- You will be able to add a porch or a patio, and
- You will be able to place the home where you want it on your property

A new home can be very exciting, but it can also be a lot of extra work. The first step in buying a new home is to find a property. You should visit builders and real estate agents who will file all of the necessary paperwork, permits, and other items needed to build on the property. This can take a few weeks, so be sure to plan accordingly.

The next step is to design the home. This is the fun part where you will get to personalize your home to suit your needs.

Once you have been approved for a mortgage and the property has passed the land inspections, the home design and construction can begin. Depending on the time of year, you will have to wait about three - six months before you can move into your new home.

After construction is complete, you should complete a walk-through of the home, check all of the fixtures, and have the home inspected before signing the final paperwork. Then the home is yours.

Remember, the Builder has a Sales Representative working on their behalf. Always have a REALTOR® with you when visiting a Builder. So, many things can go wrong, and you want to make sure you have your own representation.

Buying a new home is just one more option you should consider when looking for your first home. Home construction can vary, as there are a few ways to build a home, including pre-fab homes that will be built elsewhere and delivered to your property, where they will be assembled. Look into all of your options before deciding on a home that is right for you and your budget.

Using The Housing Market To Your Advantage

By paying attention to current housing trends and keeping a watchful eye on the homes in your area, you will be able to make an offer on a home that will be accepted.

While the market is continually changing, it is a useful tool for those who are on a budget, who want to find a home large enough to suit their needs and will be worth more when it is time to sell it.

When watching the housing market, consider the following:

- The number of homes in your area
- The number of days homes have been on the market
- The price of new construction compared to those being sold by homeowners
- The price of renting vs. buying
- The number of homes in your price range
- The highest price you can pay when buying a home
- Interest rates in comparison to housing prices, and
- The time of year





Springtime is a good time to buy a home for several reasons:

- More people want to sell
- It is easier to make appointments to view homes
- Income tax returns can help with a buyer's budget

There will be plenty of homes on the marketplace in the Spring, since most people prefer to NOT sell during the winter months and the holiday season. Many people like to sell before summer comes to an end, and prior to the start of a new school year. Homeowners that need to sell their homes before a certain time are more willing to reduce the price of their homes.

While you should consider looking at homes during any time of the year, you will find that Spring provides far more homes to choose from.

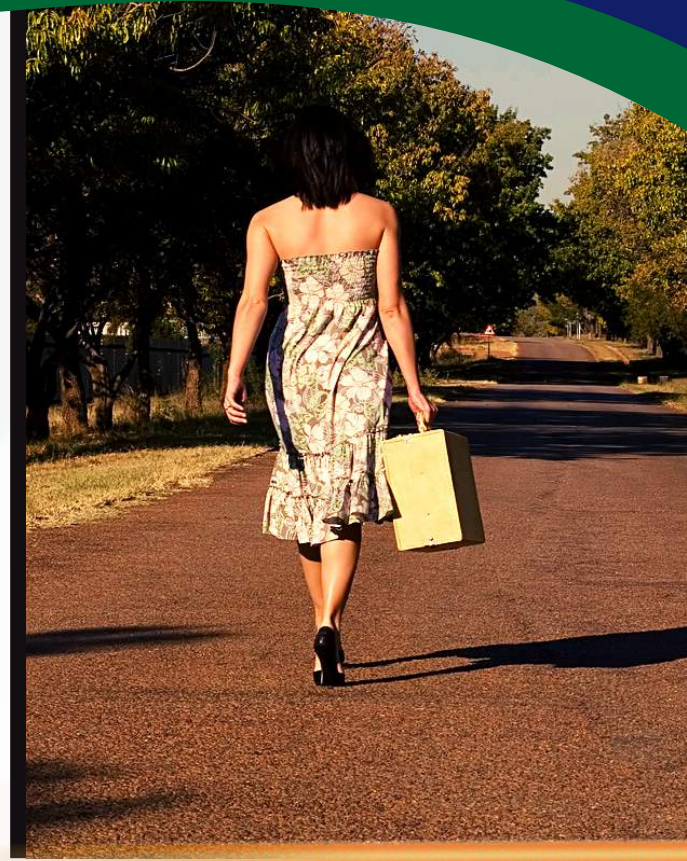
This is also the time when interest rates are re-evaluated, and many lenders are willing to give loans to those whose credit is not the best. Take advantage of when interest rates are at their low rate, even if it means accepting an adjustable-rate mortgage. You will have the option of locking into a fixed rate at a later time.

While the housing market can change, the idea of selling one's home will not. Sellers may choose to wait out the current housing market, but if they are eager to buy another home or move to a new place, their wait will be short-lived.



Negotiate with sellers until a fair price can be reached. This is the same practice during a seller's market as in a buyer's market. You may have to play the bidding game for a week or two, but in the end, it is the person who needs to make the transaction happen the most that will end up compromising the most.

Walking away from a home is not giving up on your dream of homeownership. Unfortunately, there are times in life when buying a home is not possible. If the financial strain is going to be too much, for example, then you should seriously consider finding a lower-priced home or a smaller home.



If you decide to walk away from a home, you should give yourself a few weeks to recuperate before going out there and finding another home. You should contact:

- The REALTOR®
- The lender, or
- The builder

Let them know of your decision and that you will be in touch when the time is right. Many times after a bad report from a home inspector, it is just not worth spending the money on a home that requires a lot of repairs down the road. While all older homes will have some repairs, you should know the limits of what is acceptable and what will cost you too much money.

If you can get enough financing and you want to pursue the home regardless of the repairs that will have to be made, then go for it.

Sometimes buying an older home and fixing it up can be a fun activity for everyone involved. Only you can make these crucial decisions. A home inspection will help you realize how much work and money may be involved if you decide to purchase the home. Be aware some legal issues may arise if you breach the contract. So it is best to seek legal advice.

Chapter 5

Making an Offer

By this point, you should have found a REALTOR®, contacted a few lenders, and seen a few homes. If you have not made up your mind about a home yet, you should take your time and keep looking. But keep in mind, if you wait too long, you may end up in a bidding war with another buyer.

Making an offer on a home is a huge step. You will be taking on the responsibility of a mortgage, repairs, lawn care, and other chores that homeowners sometimes gripe too much about.

While you should be cautious, you should also make a bid on a home you really like as soon as possible.

What To Do Before Making An Offer

Before you make an offer on a home, you should do the following:

- Attend open houses
- Find out more about a property
- Find out about taxes in the area, and
- Have an appraisal done before making an offer

These suggestions will help you make the most informed decision possible when it comes to buying your first home.

Attend Open Houses

Attend as many open houses as you can in homes in the area where you want to live. This will give you the opportunity to see what is out there, the going price of homes in the area, and also give you a basis of comparison when looking at other homes.

How To Write A Purchase Offer

This is the most important step when making an offer to buy your first home. The purchase offer should outline everything you expect from the homeowner and what they can expect from you. You should include the following in your offer:

- Price being offered
- Mortgage terms
- Specify who will pay which fees
- Down payment amount
- Contingencies (such as appliances that will stay, repairs that will need to be made, removal of items in the yard, etc.)
- Any reports that will be needed
- Amount of deposit on the home
- Mortgage terms When the closing will take place

Be as specific as possible when writing up a purchasing offer. Enlist the assistance of your real estate agent to properly document the offer using the standardized forms for your state.

Each state has its own laws concerning contingency, the amount of time a buyer has to respond to the offer, and fees to be paid. Be aware of these laws before sending your offer, or you may end up with a counter-offer or a rejection.

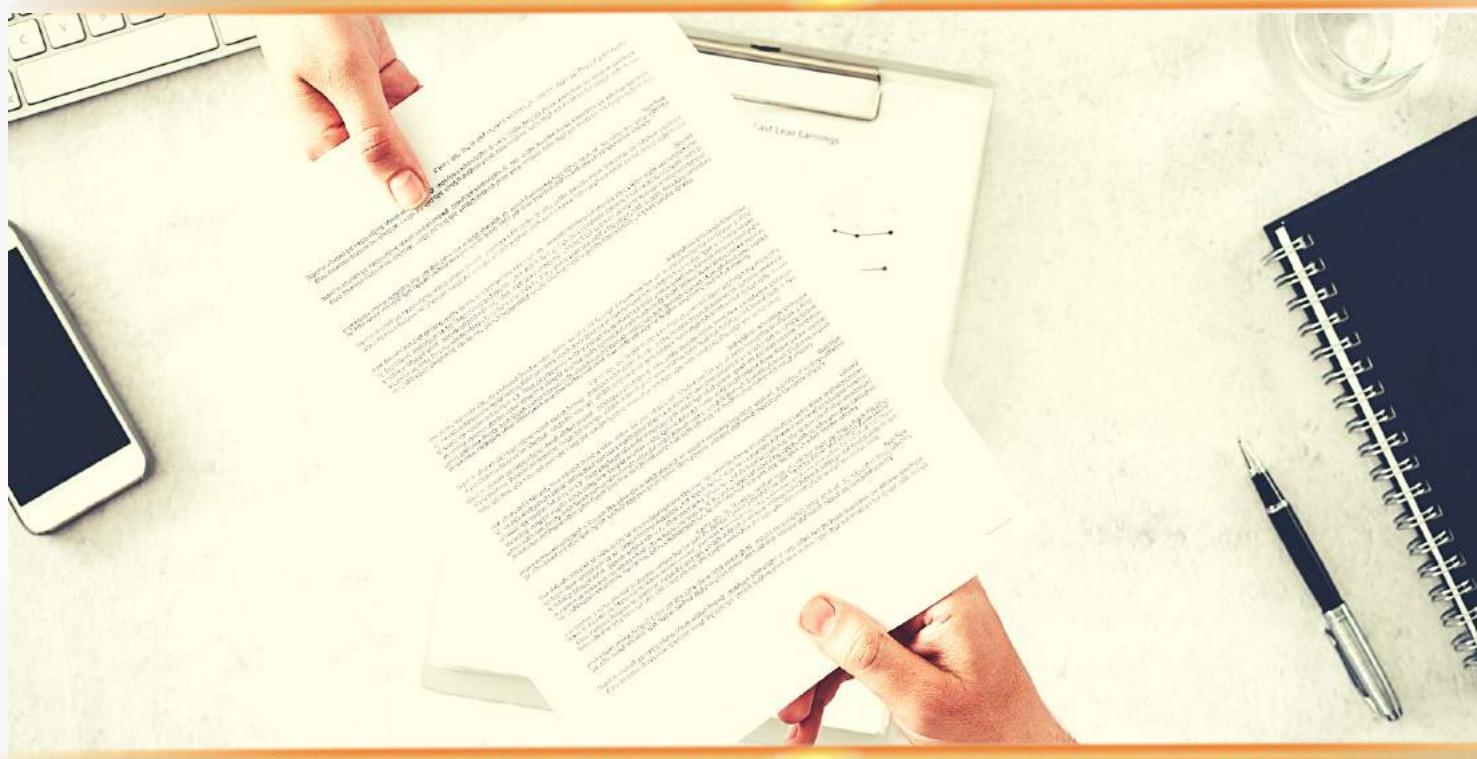


Making An Offer

After completing your research, you will be ready to make an offer on your first home. You will have to visit your real estate agent to sign a formal agreement that outlines your offer and for how long you will be making this offer. Most agreements will give sellers 24 hours to a week to consider the offer.

At this time, the offer may be accepted, rejected, or a counteroffer will be made. You will have to decide what you will want to do next if the offer is rejected or another offer is made. If the offer is accepted, then you will have to contact your lender, a home inspector, and make arrangements for your move.

Most homes will go to closing within a month after an offer has been accepted. This may seem like a long time, but it is not. You will have plenty to do in the meantime.



Low Or High Offers

Hopefully, by researching the neighborhood, the property, and the value of the home, you will be able to come as close to the seller's price as possible. Sometimes, though, this is not possible. There may be circumstances prohibiting you from making an offer to the selling price.



Making The Right Offer

The closer you can come to the asking price, the better off you will be. If it's a Sellers's Market, you may experience a Multiple Offer situation where the Seller is looking for the highest and best offer. Your offer may exceed the asking price.

Once the home inspection is complete, the sellers may have to come down in price anyway because of the repairs they will have to make.

Making the right decisions when buying a home is not always made quickly. You should play by the rules and just see what happens. If you get into a bidding war and cannot bid any higher, then it is best to let the home go and find another. You should not feel trapped in your first home by buying one that is over your budget. There are many homes available if you keep looking in most cases.

How To Handle A Counter Offer And Offer Rejection

Sometimes, if you give homeowners an offer lower than their asking price, they may offer a counter offer. This is usually an offer that is more than your offer, but a little less than the asking price.

Counter Offer

Depending on where you live, the laws pertaining to counteroffers will vary. Typically, the number of counter offers is limitless, but no counteroffer can be the same. While counter offers are usually concerning money, these offers may also contain the following:

- Ownership of appliances
- Repairs
- Time frames for closing, and
- Time frames for counter offers



Buyers and sellers may only have hours to accept, reject, or offer another counteroffer after receiving one. This can be a very stressful process, especially if you are dealing with a seller that has other offers on the table. While most homeowners will reject an offer if it is too low or they have received another, some will try to get the most they can from the sale, which can include the smallest items in the home.

If you are determined to buy a home and still want a lower price after the seller has reacted with a counteroffer, you should try to find a price suitable for everyone's needs. If you are making a counteroffer that does not make that much of a difference, you should weigh the odds that another offer has been made, and the possibility that the homeowner will reject your offer, and that time is ticking for everyone.

Try your best to accept the counteroffer before making one of your own.

Is it really worth losing your dream home over one or two thousand dollars?



Dealing With Rejection

The hardest part about an offer rejection is the seller does not have to answer your offer. If you do not hear from the seller within a week, it is safe to assume they are not interested in your bid. While this can be frustrating, you will have to move on. Begin your house hunting again and try to stay positive.

If the seller gives you a response in the form of rejection, they may cite the reason why in the paperwork. It may be that your offer was too low, or they had another offer, decided not to sell, or want to wait for a higher offer. In either case, you can move on without wondering why your bid was rejected.



Considering Items In The Home

When you are writing your purchase offer, you should consider the items you would like to keep and items you would like to have removed from the home. These items can include:

- Certain appliances (such as the washer and dryer)
- Lighting fixtures
- Storage fixtures
- Single air conditioning units that fit into windows
- Hardware from windows and doors, or
- Pools

You should put these items in writing so you will get them with the home. Some sellers may try taking certain items with them either because they didn't know you wanted them, or because they were not supposed to be sold with the home to begin with. Be sure to obtain a list of items the seller is selling with the home so you can compare it to your list.

This can also work in reverse. If there are items you would like removed from the home or the property before you move in, you should specify these in the offer.

Understanding The Seller

One of the key elements of making a solid offer is having an understanding of the seller. Your REALTOR® may be able to tell you a little about the seller that may help when trying to come up with a fair offer.



When deciding on an offer for the home, you may want to know the answers to all of the below questions. However, in most states, the seller is not required to answer these questions, and your REALTOR® is not privileged to them either.

- How eager are they to sell their home?
- How long have they lived in the home?
- How many offers have they received?
- How many have they turned down?
- Have they lowered their asking price?
- Are they relocating to another area?
- Do they need to sell their home quickly?
- Are they waiting for their asking price?

These questions, although you may not know the answer to some of them, will help you make an offer that will be looked at by sellers and taken seriously.



Sometimes when a seller needs to leave the area in a certain amount of time, they will lower their asking price. This could be an advantage for you; but if the sellers have already lowered the price, they may not want to lower it any further.

Make a reasonable offer and see what happens. Depending on the circumstances, it may be accepted.

What To Do In A Buyer's Market

In a buyer's market, you will have more choices when it comes to the types of homes you can purchase. Depending on how long the market favors the buyer, you will also have the luxury of taking your time because bidding wars are much less. When buying your first home, you should check out all your options. That home you couldn't afford a few years ago may now be in your price range today.

When looking for a home in a buyer's market, you should do the following:

- Stay current with the listings in your area
- Sign up for free email listings and newsletters
- Check out homes that have recently been reduced
- When making an offer, ask for closing fees to be paid for by the seller
- See if there are other offers, such as appliances coming with the home
- Ask for certain allowances (carpeting, roofing, siding, etc.)
- Do not be afraid to offer a lower price, and
- Ask for a shorter response time

In a buyer's market, homeowners may offer these options to you as an incentive to buy their homes. They may also offer warranties on appliances you should take advantage of.



There are dangers you should consider when buying in a buyer's market, however.

- If you are not planning on living in the home for more than three years, you may want to wait until the market changes or plan to live in the home longer. Many times, market trends can last for a few years. If you need to move after a year or so, you may have difficulty finding a buyer, and you may have to sell the home for less than what you paid for it.
- While most homeowners stay in their homes for at least two years in order to save money in taxes, marketing trends have been known to last longer. You should be prepared for this when buying your first home.

- Make sure a thorough home inspection has been completed before buying the home. If you decide you cannot live there after you have bought the property, you may have difficulty selling it and you may have to spend more money making repairs.

Even though you cannot predict how the market will change, you should consider a home you can afford, that you may want to live in for a long time, and one that can be improved upon while you own it.

What To Do In A Sellers Market

In a seller's market, you will have to play the game slightly different than you would in a buyer's market. In this type of market, there are many buyers who will want to buy homes that are attractive and priced within their budget. Sellers will have their pick of offers to choose from so your offer will have to stand out in more than just price.

When looking for a home in a seller's market, you should:

- Make an offer as close to the asking price or slightly over
- Send a pre-qualification letter from your lender with the offer
- Choose a closing date that is sooner rather than later
- Do not ask for too many contingencies
- Promise more of down payment, and
- Use a REALTOR® that gets things done quickly





In a seller's market, you may also want to think about the dangers of buying a home. If you make an offer too high and you find out later on the mortgage payments will be a struggle, you may have to sell. Depending on changes in the market, this may be more difficult than when you were looking for a home.

Buying your first home during this time may also be difficult because you may not be able to put much down, or your qualified purchase amount is not enough to successfully compete during a bidding war. Others with greater buying power may outbid you.

When you decide to buy a home, you should be looking at your financial situation, the market, and the asking price for the homes you are interested in making an offer on.

If you can wait a few months to see where the market is headed, then use that time to save more money and find a home that is affordable. This is a waiting game no one wants to play. But, it may be necessary, especially if this is your first home purchase.

Seller's markets and buyer's markets have their advantages and disadvantages. But in the end, the offer you make will determine whether your offer will be accepted.



Chapter 6

Your Home Inspection

Home Inspection Report

A home inspection will give you a chance to discover more about the home before you purchase it. If the inspection finds there are serious problems with the foundation, mold issues, or underground leaks, you should be prepared to ask for repairs or a reduced price, or to walk away from the property.

The Importance Of Home Inspections

Finding a home does not mean your investigative duties are over. Although most states do not have required inspections, your lender may require, at the very least, a pest inspection that will need to be conducted before they agree to approve your mortgage loan. If there are termites or other insects, the sellers will have to take care of the problem before they sell the home.

But what about full home inspections? Are they worth it? In most cases, the answer is yes. Although you will have to pay for a home inspection, it may save you a lot of money in the long run.

A thorough home inspection will include checking the following:

- Electrical systems
- Heating and cooling systems
- Foundation
- Siding
- Structural elements
- Roof
- Insulation
- Doors and windows, and
- Plumbing



If you are buying a new or used home, it is best to have a home inspection before signing the final paperwork. Once the inspection report comes back, you will have the opportunity to ask the sellers for a price reduction, go ahead and buy the home anyway, or ask the sellers to make the necessary repairs.

You will receive a varied reaction from the sellers. Many times, they will agree to lower the price a little.

When drawing up an initial offer for the purchase of the home, you should include a statement allowing you to withdraw your bid if any repairs are not taken care of, or the price is not lowered due to the findings by the home inspector.

If the contract does not include this, then you can still withdraw from the bid, but you may owe the agent commission fees.

Having a home inspection will give you peace of mind when you are buying a home. Since you will be taking out a mortgage, it is important to know what you will be buying and the amount of money you will have to invest after purchasing the home.

A home inspection will also help you make your final decision whether to purchase the home or to keep looking for another.



How To Find A Home Inspector

There are a few places to turn to when looking for a home inspector:

- Your REALTOR®
- References from friends and family
- The phone book, and
- Contractors

Ask around and see if you can get references from other homeowners that will give you a good report. Many home inspectors work freelance and only work certain days during the week. They are trained in home inspection, and many are retired contractors, builders, electricians, and plumbers who know what they are looking for.

When you find a few home inspectors, give them a call and ask the following questions:

- How long have you been inspecting homes?
- How much do you charge per hour?
- What do you look for when inspecting a home?
- What types of reports should I expect?
- What days during the week are you available?
- Do you offer septic system inspections?
- What type of licensing do you have?



A thorough home inspection should take an inspector about three hours to complete. This will give you an idea of how much the inspection will cost.

Once you have asked these questions, find out if your lender has specific inspections that the home must pass before you receive a home loan.

If the inspector can complete these inspections along with the home inspection, then it is worth the time and the money to have the inspector complete all inspections on the same day.

The next step after choosing an inspector and finding out which inspections will be needed by your lender is to make sure the homeowners will be home for the inspection. Usually, your agent will arrange a time for the inspector to perform the inspection. It is up to you if you would like to be present for the inspection or not. Many times, the reports will be enough to give you a clear idea of what needs to be done.

After the inspection is complete and the reports have been completed, it is up to the sellers to either make the repairs necessary or lower their asking price.

If the repairs are minor and will not require too much money to repair, they will usually agree to make the repairs. If you would like to absorb the costs of the repairs, then you can offer to do so.


You should receive this decision in writing, so there is no confusion during the final walk-through before the closing. At the closing, you should have all of your paperwork, including the home inspection reports, with you in case there is a discrepancy.



What To Expect From A Home Inspection

A home inspection can unearth many problems you did not notice during your visits to the home. Typical findings include:

- Crumbling foundation
- Structural damage to floors, walls, and ceilings
- Water damage inside and outside the walls
- Termite damage
- Porch railings or posts in poor condition
- Heating and cooling systems need to be cleaned or do not work properly
- Roof needs repair
- Sinkholes
- Broken or leaking pipes
- Electrical wiring not functioning or broken
- Broken water fixtures or light fixtures
- Windows that do not open
- Uneven doorways
- Improper insulation
- Mold
- Water contamination
- Septic tank issues, or
- Hazardous chemicals



Most homes will only experience a few minor issues, but some older homes may have more problems than they are worth.

The damage to the homes could cost you thousands of dollars if you are unaware of the damage prior to purchasing the home.

While disclosure of some problems is mandatory, many homeowners do not even know some of these problems exist until they try to sell their homes.

On the day of the inspection, you should expect to hear about some problems. You should be given a detailed report of the findings which outlines the drastic problems and those that can be fixed easily.

Some lenders will not approve the home loan until the problems are fixed, and another inspection is conducted.

Specific Places That Should Be Inspected

When interviewing home inspectors, make sure to ask whether the following areas are inspected:

- Chimney and fireplace
- Attic and basement
- Crawl space
- Swimming pools, and
- Smoke detectors and appliances

These are important areas that can be very costly to repair once you have purchased the home. Many homeowners are willing to replace a chimney cap or remove mold from the basement. You should make sure these areas are inspected prior to the closing. You should also inspect these areas during the final walkthrough.





Chimney And Fireplace

Inspectors should be looking for:

- Missing, broken, or intact chimney caps
- The mortar between brick chimneys is intact
- Metal chimneys are not bent or contain holes and have all screws in place
- Creosote – this is buildup caused by wood-burning fireplaces and is flammable if not removed

Attic, Basement, And Crawl Spaces

Home inspectors should be on the lookout for the following:

- Mold
- Fire damage
- Rotting beams
- Insulation
- Damage from water, and
- Damage caused by animals and pests



Swimming Pools

When looking at the swimming pool, the inspector should look at the following:

- Swimming pool plumbing,
- Swimming pool shell



Smoke Detectors And Appliances

- Make sure they work
- No leaks
- Check for broken hoses or connections
- Broken door handles
- Inadequate wiring

Termite Inspection

A termite inspection is a separate inspection that will give you an idea of structural damage to the home that has been caused by termites and other pests. This inspection is required by most lenders before they will guarantee you the money to purchase the home.

Termite inspections are not covered under the standard fee of a home inspection, so you may have to pay for the inspection unless the homeowners are willing to do so.

The inspection should take about an hour and will entail the inspector looking underneath the siding, in basements, attics, and on the foundation of the home to see if there are termites present or if there are other insects such as ants or fungus are destroying the wood.

The inspector will also conduct an inspection inside the home as well. Since termites can live in different weather conditions, you should have the inspection done even if you live in an area that has lower temperatures than other regions.

Termites can be removed using an insecticide specially designed to kill termites and their eggs, but the damage left behind can be immense. If the home has been infested for a long time, then it may be beyond repair.

You will then have to discuss a reduction in price, repairs being made to the property, or walking away altogether.



How Homeowners Will React

How the homeowner will react to the results of the home inspection could determine whether you continue pursuing the home or whether you let it go and find another one.

Homeowners have their own agenda when it comes to selling their homes. These include:

- Buying another home
- Moving to another state
- Using the money to pay for family medical emergencies
- Retirement, or
- Making money on an investment property

This means that there are varying degrees as to what they are willing to pay for and what they are not willing to pay for. If the homeowner is not in a rush to sell, then they may contest the findings and refuse to repair certain items. If they need to make as much money as possible, they may agree to lower the price a little or make repairs that cost the least on the list.

Homeowners know they are taking risks when selling older homes. But what about new homes? If your new home does not pass inspection, it is up to the builder to make the necessary repairs. You should make sure this is included in the contract before signing it.

If you are buying a home that homeowners have already moved out of, you may be able to get the repairs paid for without having to be too pushy.

If the homeowners are paying another mortgage, they are eager to sell and may opt to pay for the repairs upfront or give you a price reduction.

This will depend on the circumstances. There is always a certain amount of luck that goes into buying a home.





Ways A Home Inspection Can Lower The Final Price

Even though you will have to spend money upfront for a home inspection, you may save more money than you anticipated once the results come back. This is especially true for older homes or new homes that were not built using the right materials or according to safety codes.

There are a few ways you will be able to negotiate a lower price on the home before signing the final contracts.

- Ask homeowners to make repairs

This is the best way to save money on your new home. While you will not see a reduction in the final price of the home, you will not have to make as many repairs down the road. Also, you will not have to worry about the repairs once you have moved into the home.

While all homeowners are different, you should be aware that many do not want to make repairs unless the home absolutely cannot be sold because of the dangers it presents to the new owners. Even minor repairs may pose a problem for homeowners. You should be firm, but friendly when negotiating this part of the contract. If you do not want to make these repairs and you strongly feel that the repairs should be made by the homeowner, you can still walk away from the home and find another. Just consult with your REALTOR®.

You should give homeowners a week or whatever the deadline to the contract states to think about making the repairs. Most homeowners will make their decision quickly because they want the sale to go through. However, some are firm, if the home is being sold AS-IS.

- Ask homeowners for a price reduction

If the homeowners do not want to spend money on the repairs that you have requested, they may agree to drop the final price of the home. While the price reduction will not be too drastic, any reduction is a good one since you will have to make the repairs yourself down the road.

If the homeowners suggest a reduction in the final price, you should consider the offer and find out how much the repairs will cost you. If it seems like a fair deal, then take it. If not, you can always ask for a larger reduction. Most buyers and sellers eventually agree on a price that suits both parties.

- Ask homeowners to pay for all closing costs

Another way to save money without relying on the homeowners to pay for the repairs is if they agree to pay the closing costs on both sides. This will free up some of your money so that you can make repairs yourself.

You may have to have a separate contract drawn up explaining what the homeowners are responsible for paying and what you are responsible for paying. This will make buying the home much easier.

Any agreements that you make with the homeowners should be made in writing. Verbal agreements do not stand up in court and are not common practice among real estate lawyers and agents when they are closing a deal. Your agent should make this clear to you at the beginning of the home buying process.

Do not be discouraged if there seems to be a lot of paperwork. This is necessary and the usual standard of practice for those who want to protect themselves from wrongdoing and lawsuits later on.



The Final Walkthrough

On the day of the closing, you should have a final walkthrough regardless as to whether you are purchasing a new home or an older home. Final walkthroughs are a way for you to determine if there is anything else you will need to discuss, get in writing, or have changed before you sign the closing paperwork.

The final walkthrough may include you, the homeowners, REALTORS®, and if necessary, your lawyer. Unfortunately, many buyers skip the final walkthrough in anticipation of moving into the home quickly. But you should have one more walkthrough just to be sure. Your REALTOR® will advise doing a proper walkthrough to avoid any issues after settlement.

The benefits of a final walkthrough include:

- Make sure all repairs that were conceded by the homeowners have been made
- Be sure additional repairs are not necessary
- Walls are intact
- Plumbing is intact
- Garage door opener
- Test doors and windows
- All appliances that were remaining are still in the home
- Appliances are in good working condition
- Electrical systems are working by turning on all lights

You will feel much better after the final walkthrough for many reasons. You will get to see firsthand the repairs that have been made and you will begin to see yourself living in the home. You will also be able to plan for the future in terms of what you want to keep in the home and what you want to remove.

In some cases, you will never meet the homeowners. If they have moved before putting the house on the market, you may be dealing directly with the homeowner's lawyer. It is still a good idea to ask questions about the home before signing the final paperwork.



The Closing

The closing is your last chance to ask for changes to the contract, to bring up any concerns, and to ask the homeowners any questions you may have about the home and the property.

At the closing, you should bring: (case-by-case) per state.

- A notepad
- Financial notes and mortgage approval paperwork
- Signed paperwork you have received over the course of the deal
- Identification, and
- The home inspection report



At this meeting, you will be signing the paperwork making the home yours. This is a very exciting time, but you should maintain your composure to make sure you understand what you are signing. If repairs have not been made, then you have the option to wait until they are complete.

When To Walk Away

Any time after the home inspection, if you begin to have doubts about purchasing the home, you should contact your REALTOR® and voice your concerns immediately.

Many first-time homebuyers need reassurance that they are making the right decisions. Your REALTOR® will want the sale to go through. But because there are other properties they can show you, they are not really losing money if you decide not to buy this home.

Chapter 7

Closing the Deal



Drawing up contracts, having the final walkthrough, and going to the closing are the last steps you will have to take when buying your first home. This is the time when having REALTOR® you can trust, and a little knowledge of home buying comes in handy.

But what about all of those other miscellaneous fees that will come up before and during the closing? You should be aware of additional fees when you apply for a loan and when you are closing on your new home.

Contracts

Your purchase offer was the first contract you will be involved in when you want to buy a home. You should refer to this contract during the closing period to make sure that your rights are covered, and you are getting everything you pay for.

By writing a solid purchase offer outlining what you want from the sellers, you will be protected in case of disagreements and other issues before closing. But a purchase offer is just one of many pieces of paper you will have to see and sign before you can move into your home. Other contracts include:

- Contingencies
- Builder contracts
- Mortgage contracts, and
- Closing agreements

These contracts may vary in length depending on the forms being used and the information that will have to be included.

Contingencies

Real estate contingencies can be added to an existing contract or can be created as a separate contract depending on what you would like to include in the purchase offer. Contingencies can include a wide range of items, including:

- Home inspections and pest inspections
- Home appraisals
- Financing
- Septic system tests
- Appliances staying in the home, and
- Property surveys

Contingencies can make or break a sale, so you should be sure to use the correct forms when filing contingencies and to word them correctly.

You will need to include a resolution for repairs that may need to be done before you can move into the home. If it is agreed upon in writing that the homeowners will take care of all or some repairs that may be found during a home inspection, this will save time later on.

You should also include ways to get out of the deal, including loan denial, repairs that cannot be fixed, and lead, mold, or radon found in the home. Having a way out of the contract will save you money and time.

If you are buying a home that is for sale by the owner, you should find an attorney or REALTOR® that is willing to help you create a contingency list and edit it where necessary. Do not rely on the seller's agent because they represent their client's best interests and not yours.



Builder Contracts

If you are buying a new home from a builder, you will have to sign a builder's contract stating you have the financial means to pay for a new home, that you have decided on a location for your new home, and that you are ready to build.

Always be represented, whether you hire a REALTOR® or use an Attorney at this point to go over the contract to see if there are any problems that will have to be ironed out before you begin building the home.

Mortgage Contracts

In order to complete your home buying, you will have to be approved for a mortgage by a lender, and you will have to sign a contract in which you agree to an interest rate, monthly payment schedule, rate plan, down payment, and other fees.

These contracts are standard loan contracts that will explain the consequences of not paying your mortgage. You should read this paperwork carefully before signing anything.

Closing Agreements

These are the final contracts you will have to sign before you get the keys to your new home. You should read this paperwork carefully and be prepared to pay any closing costs at this time.





Home Warranties

If you are buying an older home, you may want to purchase a home warranty that will cover repair during your first year of ownership.

While a home inspection will catch any immediate repairs, no one can foresee an oven falling apart or a dryer burning out. Since you may not have a lot of extra money left over after paying for closing costs, down payments, and mortgage payments, having extra insurance will allow you to make the repairs you will need.

Most policies will cost between three-hundred and five-hundred dollars. Coverage will begin the day of your closing and will last for a year. You will have the option of renewing the policy if you would like at that time. If you need to have an appliance repaired, you may have to pay a small co-pay at the time of the repair.

Not all policies are the same, so you should do your research to find the best deal. Compare the types of repairs covered under the policies and choose the one that fits your home.





Closing

When you finally arrive at the closing, you should expect to:

- Sign contracts
- Do a final walkthrough
- Pay closing costs, and
- Get your keys

The closing can take an hour or two but usually moves quickly because there is little left to do. At the closing, you may meet the sellers. This could be the first time you will meet them. This is a good time to ask if there is anything about the home you will need to know.

Sign Contracts

When you sign the contracts, read them carefully to make sure everything that has been discussed is in the contract. Ask questions that you may have at this time.

Final Walk-Through

The final walkthrough of the home will take place before the closing. This is the final chance for you to see the home before it becomes yours. Make sure the items on your contingency are in place so you can sign the contracts.



Paying Closing Costs

Typically, the buyer will have to pay the closing costs associated with buying a home. But in a buyer's market, you may be able to add a contingency stating the seller will be responsible for all costs. This may appeal to sellers who want to sell their homes quickly.

When deciding who should pay the closing costs, you should research laws that may be in place dictating who pays for what. Many times, buyers and sellers will agree to split all costs, including closing, home inspection, pest inspection, and home appraisal costs. You will have to negotiate with the sellers to see which you will be responsible for.

Get Your Keys

After signing the contracts, you will receive the keys to your new home. This is an exciting feeling and one that will be with you for a long time!



Your **CREDIT MATTERS**



CREDIT SCORE



Chapter 8

Your Credit Matters



Taking Charge Of Your Credit Score

Good credit is critical. Banks will not give you a loan if you have a bad credit score. Credit card companies will reject you, and insurance companies may charge you a higher rate. If you have a low credit score, the utility company may require a security deposit before they'll activate the service.

Unfortunately, it's pretty easy to hurt your credit score. Something as simple as being late on a loan payment can do serious damage to your score. If your actions have lowered your score, you're not alone. Millions of people have experienced the same thing.

The good news is you can repair and improve your credit score. You've probably seen advertisements for credit repair companies, but the truth is these companies can't take any actions you can't take yourself. You don't need to hire a company to fix your credit. You can do it on your own.

In this guide, you'll find a step-by-step process to follow in order to both repair your credit and increase your overall credit score.

This isn't an overnight process. Depending on how low your score is, it can take some time to improve it. But if you follow these steps, your score will improve. Don't get discouraged if things don't turn around right away. Keep at it because, in the end, it will be worth it.

Ready to get started? Let's dive in.

Understanding your Credit Score

Before you can begin to repair your credit score, it's important to understand what factors affect it. Many people don't realize that there are a number of specific things that affect your overall credit score. If you don't pay attention to all of them, you can unknowingly hurt your score.

Your credit score will range between 300 to 850 and represents how likely you are to pay back the money you have borrowed. In the eyes of lenders, the lower your score, the less likely it is that you'll repay the funds you've borrowed.

This is why it's so important to build your credit score. If you have a low score, lenders will be very hesitant to give you money. If your score is under 580, you are considered to have "bad credit."

There are five factors that determine your score. In order of importance, they are:

1. **Payment history:** Paying bills on time is really important for your overall credit score. Late payments, having accounts sent to collections agencies, or defaulting on accounts will significantly hurt you. Bankruptcy is also very damaging to your score.
2. **Credit usage:** Credit usage is how much of your available credit you've used. For example, if you have a credit card with a \$10,000 limit and you have a \$3,500 balance on the card, your credit utilization rate is 35%. A low credit utilization rate is better for your credit score.



3. Credit mix: Typically, it's better to have experience with different types of credit than with just a single category. All things being equal, a person who has managed both a home loan and a credit card will probably have a higher score than someone who has only had a credit card.

4. Age of accounts: Creditors like to see that you've had credit for some time; older accounts generally help raise your score.

5. Credit applications: When someone examines your credit record to determine whether to give you credit, it's called a "hard inquiry." Hard inquiries can lead to a decrease in your credit score.

As you work to increase your score, keep these five factors in mind. Focus on the things having the biggest impact on your score.

It's also important you understand the different types of consumer credit available to you.

Generally speaking, there are four types of credit:

- 1 Revolving credit, such as credit cards, allows you to borrow up to a certain amount every month. You are not required to pay back the full amount by the end of the month, but the longer the balance is unpaid, the more interest is added.
- 2 Charge cards are essentially the same as credit cards, except you are required to pay the balance in full at the end of each month
- 3 Service credit is when a person provides you with a specific service and then bills you after the fact. Everything from your cell phone bill to utilities is considered service credit.



- Usually, service credit doesn't show up on credit reports. However, if you fall behind on paying these bills, they could be reported to credit bureaus or sent to collections, which does affect your credit score.

4 Installment credit comes in the form of loans. You borrow a specified amount of money and then repay it over the life of the loan.

Now that you understand the basics of what goes into your credit report, let's get started with the steps you can take to repair your credit and raise your credit score.

Step #1 - Examine Your Credit Report

The first step in repairing your credit is to know exactly what's on your credit report. Your credit report contains everything that affects your credit score, including all the things pulling your score down.

Yes, it may be painful to take a long, hard look at your credit report. You'll be reminded of the financial mistakes you've made. But you can't fix things if you don't know what the problems are.

You can get a free yearly copy of your credit report from annualcreditreport.com.

In the United States, there are three different credit bureaus: Equifax, Experian, and TransUnion. The credit report from annualcreditreport.com will contain your credit score at each of the credit bureaus. You can also order a three-in-one credit report from any one of the bureaus, although you will have to pay for it.

There can be differences between the three bureaus, so it's important to get reports from all three credit bureaus.





Once you've obtained your credit report, read it closely. The report can be pretty long and detailed, so give yourself plenty of time to go through it.

On the report, you should see:

- Personal information: name, SSN, birthday, addresses, and employers.
- Credit information: open and closed accounts, creditor names, original loan amounts, payment history, credit limits, amounts owed, and more.
- Public record data taken from the courts, specifically including bankruptcy.
- Hard credit inquiries from potential creditors.

As you read your report, look for the following information:

1. **Errors:** Are there any accounts that don't actually belong to you? Are there late payments that weren't actually late? Make a record of any of these errors for later follow-up.
2. **Past due accounts:** Includes payments that are late and accounts that have been charged off or handed over to collection agencies.
3. **Current credit accounts:** In particular, you're looking for any credit accounts that are either over the limit or at the maximum.

You're going to approach each of the above situations differently, so you may want to use different colored highlighters or pens to flag each type of scenario.

Reading your credit report for the first time can be overwhelming. Depending on your financial activity, there can be a lot of information to sort through. It can also be intimidating when you see the amount of work required to repair your credit.

If you're feeling like this, remember you're only going to be taking one step at a time. You don't have to fix everything at once. Step-by-step, you'll progressively improve your credit score as you take the right actions. For now, just focus on highlighting all the important information.

Step #2 - Dispute Errors

The next step in repairing your credit is disputing any errors on your report. If you think any information on the credit report is incorrect or incomplete, you have the right to dispute it.

Credit disputes can be made online, by phone, or through the mail. You should receive instructions about how to file a dispute when you order your credit report.

Errors on your credit report happen for four different reasons:

- A creditor (bank, credit card company, or another lender) made a mistake and reported late payment or default incorrectly.
- A collection agency incorrectly reported collecting on debt that doesn't actually belong to you.
- Your identity was stolen, and new credit accounts were opened with your information.
- One of your existing accounts (like a credit card) was compromised and used by someone not authorized.

How To Dispute An Error

If there are errors on your report (not fraud), there are a number of ways you can dispute them.

What's the best method to file a credit dispute?

Filing online is the quickest and easiest way to do it. The problem, however, is you don't have any evidence or a paper trail regarding your dispute. This is also the case when you file by phone.

Filing by mail has a few distinct advantages:

- You can include concrete proof along with your dispute, like a credit card statement showing that you made a payment on time.
- You have a paper record of your dispute.
- Sending a dispute letter via certified mail ties your claim to a specific date (credit bureaus must respond within 30-45 days).



When you file your credit dispute, be sure to include the following:

- A copy of your report (highlight the disputed item)
- Proof that supports your claim
- A concrete, explicit request that the erroneous information be either corrected or removed

Including supporting proof is important. If you don't include enough, the credit bureau may consider your claim frivolous. If that's the case, they won't investigate the disputed item and won't issue any updates to your credit report.

However, if it's determined your dispute is appropriate, an investigation will happen. In many cases, the bureau will simply contact the creditor in question, determine if anything is incorrect, and then respond to your claim.

Alternatively, you can file disputes directly with the creditor (bank, credit card company, or another lender). They are under the same legal requirement to investigate a dispute you might file.

Writing for Credit.com, Keli Geldis notes:

If you have errors, especially inaccurate negative information, on your credit reports, you can see changes to your credit scores fairly quickly. Credit reporting agencies have to respond to disputes within 30 days, although some can take 45 days. And if the credit reporting agency sides with you, it must remove the mistake immediately. In a 2012 Federal Trade Commission study on credit report accuracy, four out of five people who disputed an error on their credit reports had a modification made to their reports.

After your dispute, one of two things will happen:

1. Successful dispute: Your credit report will be updated, the other credit bureaus will be notified, and you'll be issued an updated version of your credit report.
2. Unsuccessful dispute: No change will occur to your credit score, and your report will note you disputed an item. You can add a statement to your credit report, which will provide a context for the dispute and clarity when future creditors review your report





Taking Things A Step Further

If your dispute is unsuccessful, you do have one further option: file a complaint with the Consumer Financial Protection Bureau (CFPB). If you choose to file a complaint with the CFPB, provide as much information as possible, including all your correspondence with the credit bureaus.

After you file your complaint, the CFPB will work with the credit bureaus to attempt to resolve your complaint.

Filing credit disputes is a tedious process, but it's absolutely necessary if you want to repair your credit. If you don't dispute incorrect information, it will remain on your credit report and drag your score down.

Steps to Take if Your Identity Was Stolen

If you believe your identity was stolen, it's critical you take immediate action. The longer you wait, the more fraudulent activity can take place on your account.

Follow these steps:

1. Contact each of the three credit bureaus (Equifax, Experian, and Transunion) and have them place a fraud alert on your account.
2. Freeze your credit reports, so potential creditors are not able to view your credit reports. This makes it more difficult for new accounts to be opened.
3. Report the theft to the FTC and local police. This creates an "Identity Theft Report," which can then be used to resolve fraudulent transactions on your credit report.

Steps to Take if an Existing Account Was Compromised

If you believe one of your existing accounts, such as a credit card, has been accessed by unauthorized people, you should immediately contact the creditor. Usually, the creditor will immediately cancel the card, issue you a new one, and then correct your credit report with the proper information.

Step #3 - Address Accounts That Are Past Due

The biggest factor in your credit score is your payment history, making up 35%. This means that if you have multiple past-due accounts, your credit score will significantly suffer.

So, after taking care of any errors on your credit report, you'll want to start working on past-due accounts. The objective is to get all your accounts paid and current.

When one of your accounts is more than 180 days past due, it's considered a charge-off. Charge-offs are bad for your credit score, and you want to do whatever you can to keep them from going on your credit report. With this in mind, work on paying off accounts that are past due and in danger of being charged off.

The good news is that your creditor may be willing to negotiate with you. Tell them that you're very eager to avoid having the account charged off. They may be willing to dismiss some of the late fees or let you pay the balance over several payments instead of all at once.

If you have accounts that have been charged off, you're still responsible for paying them. If you don't deal with charged-off accounts, you're going to find it difficult to secure new credit or a loan.

Once your charged-off account is fully paid, your credit report will show a \$0 balance for that account. However, it will still show up on your credit report for seven years. A creditor may be willing to settle a charge-off for less than the full amount. You'll need to negotiate with the creditor to determine if this is possible.

In addition to past due and charged off balances, you must handle accounts that have been sent to collections. With these accounts, you can follow the same steps as with charged-off accounts by paying off the balance or settling with the creditor for a lesser balance.

Similar to charge-offs, your credit report will reflect these balances for seven years.



Step #4 - Bring Down High Balances

After your payment history, your credit utilization is the second highest factor in your overall credit score (about 30% of the total).

Remember, credit utilization is the percentage of available credit you've used. For example, if you have \$5,000 in available credit and you have a total balance of \$2,500, your credit utilization is 50%.

This means that if you have really high balances, your credit score will be brought down. If your credit cards are maxed or close to maxed, start paying balances down. Ideally, your credit utilization should be below 10%, but if you can get it below 30%, that's a good starting place.

Kelli Geldis offers this helpful tip:

Hint: If you pay a credit card off on time regularly, your issuer will likely see you as a good credit risk and increase your credit limit. Don't, however, start charging more. Simply charge the same basic amount. Doing so will keep your utilization lower!



Your loan balances also affect your credit score. The higher your balance, compared to the original, the more it hurts your score. If you can pay down overall balances, it will benefit you. However, credit card debt hurts you more than loan debt, so focus on paying that off first.

Which is more important, credit card balances or past due accounts? Obviously, you don't have unlimited funds to invest in repairing your credit. You still have bills to pay and groceries to buy. So how should you prioritize your efforts?

Because your payment history is a bigger factor in your credit score, you should focus first on getting your accounts current. Once you've dealt with accounts that are past due (or close to it), you can then move on to bringing down your high credit or loan balances. Finally, deal with charged-off accounts and those sent to collections. Your order of actions should be:

1. Past due accounts
2. High credit or loan balances
3. Charged off accounts and collections

Step #5 - Build New Credit

When it comes to repairing your credit, there are two sides to the coin. On the one side, you want to eliminate as much negative information as possible. This is why you tackle things like past due accounts and high credit balances.

On the other side, you also want to add positive credit data to your credit report. If you consistently do things like make on-time payments, your credit score will go up.

So, how do you get new credit? One simple way is to get a new credit card, make purchases, and then make payments on time.

When getting new credit, consider these important points:

1. You absolutely **MUST** make your payments on time. If you don't, you'll only be hurting your credit score even further. If you don't think you can make payments on time, don't get a new credit card.
2. Avoid applying for too many credit cards at one time. When you apply, a "hard" inquiry is made on your credit, which goes on your credit report and can pull your score down slightly.

To build new credit, apply for a credit card from one of the major companies (such as Discover, American Express, Visa, Mastercard).

When searching for a card, look closely at:

- **Recommended credit score:** This will help you know the odds of being approved for a particular card.
- **Annual fee:** This is the amount some credit card companies charge you each year.
- **Annual Percentage Rate (APR):** This determines the amount of interest you pay on purchases

If you don't get approved by a major credit card company, you have a few other options. You can apply for a "secured" credit card. With these cards, you have to put down a security deposit that will be used if you fail to make your payments.





If you faithfully make payments on time for six months or so, you're often given the option to upgrade to an unsecured card.

Other Tips For Building Solid Credit

In addition to getting a new credit card and using it to build up your credit, there are a number of other specific tactics you can use to raise your credit score.

Try these strategies:

1. Team up with someone who has good credit and good payment history. For example, let's say your spouse has a really solid credit history and a credit card with a relatively low balance. They can add you as an authorized user to their credit card.
 - When they do that, their available credit becomes yours, and you begin to benefit when they make payments on time.
2. Consider keeping older credit cards, even if you don't use them much anymore. Why? Because the age of your credit history impacts your credit score. Having an older card on your credit report extends the total age of your credit.
3. You may want to enroll in the Experian Boost program. With this program, you connect the bank account that you use to pay your utility and cell bills to Experian. Then you highlight on-time payments you've made to these companies, and these payments are added to your credit report.
 - Once they're added, your credit score is increased.

4. Get a secured loan, which is similar to a secured credit card. Essentially, you deposit a set amount into a bank account and then can borrow against the deposited amount. When you make on-time payments, they're added to your credit report, and your score increases

5. Finally, you may want to look into non-profit lending organizations. In recent years, a number of organizations have been created that are designed to help people get financing and build their credit.

For example, Mission Asset Fund makes small loans available to certain individuals, which can be used to improve credit scores.

Healthy Financial Behaviors

In addition to knowing how to repair and build your credit, it's also important to implement healthy financial behaviors. If you don't have healthy financial behaviors, you'll end up sabotaging your efforts to repair your credit.



→ Your Credit Report Overview

 NOW

Keep these items in mind as you continue to build your credit score.

Debt-To-Income Ratio

Your debt-to-income (DTI) ratio is your total monthly debt divided by your gross monthly income. For example, if you have \$1,000 in monthly debt and a gross monthly income of \$10,000, your DTI ratio is 10%.

The lower your DTI ratio, the better.

For example, if you're applying for a mortgage, you usually need a DTI ratio of less than 43% (most lenders really want to see below 36%). Additionally, mortgage studies indicate if you have a high DTI, you'll find it more challenging to make your monthly payments.

Budgeting

A budget helps you effectively manage your finances. It helps you calculate the number of expenses you have every month and then balance those expenses against your income.

If you don't have a budget, you may not have enough income to cover monthly credit payments.

Comparison Shopping

When trying to get credit, like an auto loan, it's really important to shop around. Different lenders offer different interest rates and fees, and these can significantly affect your monthly payment.

Compare different lenders against each other and go with the ones that offer you the best deal.

Fraud Protection

Few things can tank your credit score faster than fraud. If someone steals your identity, they can open up new credit accounts in your name, all of which go on your credit report and affect your score. If someone steals your credit card, they can rack up thousands of dollars in fraudulent purchases and then never make the payments.

It's absolutely essential you protect yourself against fraud. Keep a close watch on your credit statements for anything that looks suspicious. If you see anything, immediately contact the credit card issuer.

Also, you may want to use an app like Credit Karma, which allows you to constantly monitor your credit report.

If you see any accounts you don't recognize, get in touch with the credit bureaus as soon as possible.



A photograph of a 'CREDIT REPAIR WORKSHEET' form resting on a wooden desk. A blue pen lies on the form. The form includes fields for 'First', '(Middle initial)', '(Zip)', 'Home Telephone', and 'Other Telephone'.

CREDIT REPAIR WORKSHEET

Be Persistent, Be Patient

Rebuilding your credit is a process requiring persistence and patience.

You must work persistently to dispute incorrect information, catch up on past due accounts, pay down high credit balances, and build new credit. If you're not willing to put in the persistent work, your credit simply won't improve.

Repairing your credit also takes patience. Depending on your credit history, it can take a year or longer. For example, how quickly you can bring past due accounts current, your credit mix, the age of your credit, and other factors will all affect the time it takes to raise your score. Don't be discouraged if things take longer than you expect.

We've talked about five specific steps in this guide:

1. Examine your credit report.
2. Dispute errors.
3. Address accounts that are past due.
4. Bring down high balances.
5. Build new credit.

If you follow these steps, as well as the other suggestions regarding healthy financial behaviors, you'll see your credit score rise.

As your score rises, other opportunities will open up to you.

So, do the work and be patient as you go. You'll be glad you did!



My House Hunting Checklist

Property Address: _____

Price: _____ Total Sq Ft: _____

Number of Bathrooms: _____ Number of Bedrooms: _____

NMLS#: _____

First Impression: **Loved it • Dislike • Not Sure**

Does this house make the short list? NO ☐ MAYBE ☐ YES ☐

Additional Notes: _____



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THE HOME:



EXTERIOR	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
CONDITION	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FLOORPLAN	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
KITCHEN	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FAMILY AREA	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
DINING AREA	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
LAUNDRY ROOM	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
OWNER SUITE	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
OWNER BATHROOM	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
EXTRA BEDROOMS	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
BASEMENT	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
GARAGE SIZE	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
LOT/YARD	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

THE FEATURES:

KITCHEN APPLIANCES	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
LAUNDRY APPLIANCES	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
FIREPLACE	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
PATIO/BALCONY	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
POOL	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
A/C & HEATING SYSTEM	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>
SECURITY	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>

NOTES ABOUT THE NEIGHBORHOOD:

Traffic: _____

Safety/Security : _____

Nearby Schools: _____

Close to: **WORK SCHOOLS TRANSPORTATION SUPERMARKETS RECREATIONS/PARK RESTAURANTS**

FINAL review about the House:

I Give This House



Notes

Schedule a Showing Today

Notes

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