`

The Guidebook

For Home Buyers

A collection of how-tos, checklists, and worksheets to help buyers understand what to expect during the real estate purchasing experience.

Provided by

Larry Newcomer

Robert Slack Realty

Florida's #1 Real Estate Team

561-336-0622

Larry.Newcomer@RobertSlack.com

BeachHomePros.com

I take my responsibility as your REALTOR very seriously. This is one of the largest decisions of your life, and I'm here as a resource to guide you throughout the process.

It is important to start the buying process from a position of knowledge. Nearly all first-time home buyers, and most repeat buyers have a lot of questions…especially since the market may be very different from the last time they bought a home

So this reference is a collection of how-tos, checklists, and worksheets to help you understand what to expect during the real estate purchasing experience.

Of course, I am available at any time to address any questions you may have. Don't hesitate to reach out!

Larry Newcomer
Realtor, Robert Slack Realty
Florida's #1 Real Estate Team
Call or Text: 561-336-0622
Larry.Newcomer@RobertSlack.com
BeachHomePros.com

WHAT TO KNOW

7 Reasons to Own A Home

1. **Tax benefits.**

   The U.S. Tax Code lets you deduct the interest you pay on your mortgage, your property taxes, and some of the costs involved in buying a home. Of course, consult with your tax adviser.

2. **Appreciation.**

   Historically, real estate has had a long-term, stable growth in value. Ask Nadia Evangelou, senior economist with the National Association of Realtors in Washington DC, and she'll tell you purchasing a home is a smart investment. That's because your home's value is likely to increase over time, which in turn increases your wealth.

   "Especially for risk–averse people, purchasing a home is often a safe investment that has traditionally been a great inflation hedge to protect against a loss in purchasing power of the dollar", said Evangelou. Put more simply, while homes and real estate can lose value (as they did during and after the Great Recession), home values have been on an overall upward trend throughout recent history.

   "While home values can go up or down, they are generally much less volatile than the stock market," explains Brian Koss, executive vice president of Mortgage Network in Danvers, Massachusetts.

3. **Equity.**

   Money paid for rent is money that you'll never see again, but mortgage payments let you build equity ownership interest in your home.

4. **Savings.**

   Building equity in your home is a ready-made savings plan. And when you sell, you can generally take up to $250,000 ($500,000 for a married couple) as gain without owing any federal income tax. Again, consult with your tax adviser on current rules.

5. **Predictability.**

   Unlike rent, your fixed-rate mortgage payments don't rise over the years so your housing costs may actually decline as you own the home longer. However, keep in mind that property taxes and insurance costs will likely increase.

6. **Freedom.**

   The home is yours. You can decorate any way you want and choose the types of upgrades and new amenities that appeal to your lifestyle. Keep in mind if buying a condo, or a house in and HOA, the condo or home owners association will have rules and regulations that may restrict what you can do with your home…especially the exterior.

7. **Stability.**

   Remaining in one neighborhood for several years allows you and your family time to build long-lasting relationships within the community. It also offers children the benefit of educational and social continuity.

Larry Newcomer.
Robert Slack Realty
561-336-0622
Larry.Newcomer@RobertSlack.com
BeachHomePros.com

WHAT TO KNOW

7 Reasons to Work With a REALTOR®

REALTORS® aren't just agents. They're professional members of the National Association of REALTORS® and subscribe to its strict code of ethics. This is the REALTOR® difference for home buyers:

1. **Ethical treatment.**
   Every REALTOR® must adhere to a strict code of ethics, which is based on professionalism and protection of the public. As a REALTOR®'s client, you can expect honest and ethical treatment in all transaction-related matters. The first obligation is to you, the client.

2. **An expert guide.**
   Buying a home usually requires dozens of forms, reports, disclosures, and other technical documents. A knowledgeable expert will help you prepare the best offer/deal and avoid delays or costly mistakes. Also, there's a lot of jargon involved, so you want to work with a professional who can speak the language.

3. **Objective information and opinions.**
   REALTORS® can provide local information on utilities, zoning, schools, and more. They also have objective information about each property. REALTORS® can use that data to help you determine if the property has what you need. By understanding both your needs and search area, they can also point out neighborhoods you don't know much about but that might suit your needs better than you'd thought.

4. **Expanded search power.**
   Sometimes properties are available but not actively advertised. A REALTOR® can help you find opportunities not listed on home search sites and can help you avoid out-of-date listings that might be showing up as available online but are no longer on the market.

5. **Negotiation knowledge.**
   There are many factors up for discussion in a deal. A REALTOR® will look at every angle from your perspective, including crafting a purchase agreement that allows enough time for you to complete inspections and investigations of the property before you are bound to complete the purchase.

6. **Up-to-date experience.**
   Most people buy only a few homes in their lifetime, usually with quite a few years in between each purchase. Even if you've done it before, laws and regulations change. REALTORS® handle hundreds of transactions over the course of their career.

7. **Your rock during emotional moments.**
   A home is so much more than four walls and a roof. And for most people, property represents the biggest purchase they'll ever make. Having a concerned, but objective, third party helps you stay focused on the issues most important to you.

VOCABULARY

Agency & Agency Relationships

The term "agency" is used in real estate to help determine what legal responsibilities your real estate professional owes to you and other parties in the transaction.

The **buyer's representative** (also known as a buyer's agent) is hired by prospective buyers and works in the buyer's best interest throughout the transaction. The buyer can pay the agent directly through a negotiated fee, or the buyer's rep may be paid by the seller or through a commission split with the seller's agent.

The **seller's representative** (also known as a listing agent or seller's agent) is hired by and represents the seller. All fiduciary duties are owed to the seller, meaning this person's job is to get the best price and terms for the seller. The agency relationship usually is created by a signed listing contract.

A **subagent** owes the same fiduciary duties to the agent's customer as the agent does. Subagency usually arises when a cooperating sales associate from another brokerage, who is not the buyer's agent, shows property to a buyer. The subagent works with the buyer to show the property but owes fiduciary duties to the listing broker and the seller. Although a subagent cannot assist the buyer in any way that would be detrimental to the seller, a buyer customer can expect to be treated honestly by the subagent.

A **disclosed dual agent** represents both the buyer and the seller in the same real estate transaction. In such relationships, dual agents owe limited fiduciary duties to both buyer and seller clients. Because of the potential for conflicts of interest in a dual-agency relationship, all parties must give their informed consent. Disclosed dual agency is legal in most states, but often requires written consent from all parties.

Designated agents (also called appointed agents) are chosen by a managing broker to act as an exclusive agent of the seller or buyer. This allows the brokerage to avoid problems arising from dual-agency relationships for licensees at the brokerage. The designated agents give their clients full representation, with all of the attendant fiduciary duties.

A **transaction broker** (sometimes referred to as a facilitator) is permitted in states where nonagency relationships are allowed. These relationships vary considerably from state to state. Generally, the duties owed to the consumer in a nonagency relationship are less than the complete, traditional fiduciary duties of an agency relationship.

HOW TO

Prepare for House-Hunting

Know that there's no "right" time to buy.

If you find the perfect home now, don't risk losing it because you're trying to guess where the housing market and interest rates are going. Those factors usually don't change fast enough to make a difference in an individual home's price.

Don't ask for too many opinions.

It's natural to want reassurance for such a big decision, but too many ideas from too many people will make it much harder to make a decision. Focus on the wants and needs of the people who will actually be living in the home.

Accept that no house is ever perfect.

If it's in the right location, the yard may be a bit smaller than you had hoped. The kitchen may be perfect, but the roof needs repair. Make a list of your top priorities and focus in on things that are most important to you. Let the minor ones go. Also, accept that a little buyer's remorse is inevitable and will most likely pass.

Don't try to be a killer negotiator.

Negotiation is definitely a part of the real estate process, but trying to "win" by getting an extra-low price or refusing to budge may cost you the home you love.

Remember your home doesn't exist in a vacuum.

Don't get so caught up in the physical aspects of the house itself that you forget about important issues such as noise level, access to amenities, and other aspects that also have a big impact on your quality of life.

Plan ahead.

Don't wait until you've found a home to get approved for a mortgage, investigate insurance, or consider a moving schedule. Being prepared will make your bid more attractive to sellers.

Choose a home first because you love it; then think about appreciation.

A home is still considered a great investment, but its most important role is as a comfortable, safe place to live.

Larry Newcomer.
Robert Slack Realty
561-336-0622
Larry.Newcomer@RobertSlack.com
BeachHomePros.com

HOW TO

Prepare to Buy a Home

Talk to mortgage brokers.
Many first-time home buyers don't take the time to get prequalified. They also often don't take the time to shop around to find the best mortgage for their particular situation. It's important to ask plenty of questions and make sure you understand the home loan process completely.

Be ready to move.
This is especially true in markets with a low inventory of homes for sale. It's very common for home buyers to miss out on the first home they wish to purchase because they don't act quickly enough. By the time they've made their decision, they may find that someone else has already purchased the house.

Find a trusted partner.
It's absolutely vital that you find a real estate professional who understands your goals and who is ready and able to guide you through the home buying process.

Make a good offer.
Remember that your offer is very unlikely to be the only one on the table. Do what you can to ensure it's appealing to a seller.

Factor maintenance and repair costs into your buying budget.
Even brand-new homes will require some work. Don't leave yourself short and let your home deteriorate.

Think ahead.
It's easy to get wrapped up in your present needs, but you should also think about reselling the home before you buy. The average first-time buyer expects to stay in a home for around 10 years, according to the National Association of REALTORS®' 2013 Profile of Home Buyers and Sellers.

Develop your home/neighborhood wish list.
Prioritize these items from most important to least.

Select where you want to live. Compile a list of three or four neighborhoods you'd like to live in, taking into account nearby schools, recreational facilities, area expansion plans, and safety.

Plan for closing costs on your new home. As your Realtor, I can give you an estimate of costs you may incur when you close on the purchase of your home. If you are using a mortgage to buy your home, your lender is best equipped to…and legally required to…provide you a good-faith estimate of their loan related closing costs.

Larry Newcomer.
Robert Slack Realty
561-336-0622
Larry.Newcomer@RobertSlack.com
BeachHomePros.com

WORKSHEET

Track Your Budget

The first step in getting yourself in financial shape to buy a home is to know exactly how much money comes in and how much goes out. Use this worksheet to list your income and expenses below.

Income		Expenses	
Total Take-Home		Total Rent/Mortgage	
Child		Child Support/Alimony	
Pension/Social		Health Insurance	
Disability/Other		Life Insurance	
Interest/Dividends		Other Insurance	
Other		Vehicle Insurance	
		Vehicle Payments	
		Vehicle Upkeep	
		Other Loans	
		Utilities	
		Credit Card Payments	
		Savings/Pension Payment	
		Groceries	
		Clothes/Personal Care	
		Medical/Dental/Prescriptions	
		Household Goods	
		Child Care	
		Education	
		Charitable Donations	
		Eating Out	
		Entertainment	
Total Income:		Total Expenses:	

Remaining Income After Expenses (subtract total income from total expenses): ________________________

Larry Newcomer.
Robert Slack Realty
561-336-0622
Larry.Newcomer@RobertSlack.com
BeachHomePros.com

WHAT TO KNOW

About Credit Scores

Credit scores range between 200 and 850, with scores above 620 considered desirable for obtaining a mortgage. The following factors affect your score:

Your payment history.

Did you pay your credit card bills on time? Bankruptcy filing, liens, and collection activity also affect your history.

How much you owe and where.

If you owe a great deal of money on numerous accounts, it can indicate that you are overextended. However, spreading debt among several accounts can help you avoid approaching the maximum on any individual credit line.

The length of your credit history.

In general, the longer an account has been open, the better.

How much new credit you have.

New credit—whether in the form of installment plans or new credit cards—is considered more risky, even if you pay down the debt promptly.

The types of credit you use.

Generally, it's desirable to have more than one type of credit—such as installment loans, credit cards, and a mortgage.

Larry Newcomer.
Robert Slack Realty
561-336-0622
Larry.Newcomer@RobertSlack.com
BeachHomePros.com

HOW TO

Improve Your Credit

Credit scores play a big role in determining whether you'll qualify for a loan and what your loan terms will be. So, keep your credit score high by doing the following:

Check for errors in your credit report.

Thanks to an act of Congress, you can download one free credit report each year at annualcreditreport.com. If you find any errors, correct them immediately.

Pay down credit card bills.

If possible, pay off the entire balance every month. Transferring credit card debt from one card to another could lower your score.

Don't charge your credit cards to the max.

Pay down as much as you can every month.

Wait 12 months after credit difficulties to apply for a mortgage.

You're penalized less severely for problems after a year.

Don't order items for your new home on credit.

Wait until after your home loan is approved to charge appliances and furniture, as that will add to your debt.

Don't open new credit card accounts.

If you're applying for a mortgage, having too much available credit can lower your score.

Shop for mortgage rates all at once.

Having too many credit applications can lower your score. However, multiple inquiries about your credit score from the same type of lender are counted as one if submitted over a short period of time.

Avoid finance companies.

Even if you pay off their loan on time, the interest is high and it may be considered a sign of poor credit management.

HOW TO

Prepare to Finance a Home

Develop a budget: Use receipts and your banking transaction history to create a budget that reflects your actual habits over the last several months. This approach will better factor in unexpected expenses alongside more predictable costs such as utility bills and groceries. You'll probably spot ways to save, whether it's cutting out a Starbucks run or eating dinner at home more often.

Reduce debt: Lenders generally look for a debt load of no more than 36 percent of income. This figure includes your mortgage, which typically ranges between 25 and 28 percent of your net household income. So you need to get monthly payments on the rest of your installment debt—car loans, student loans, and revolving balances on credit cards — down to between 8 and 10 percent of your net monthly income.

Increase your income: Now's the time to ask for a raise! If that's not an option, you may want to consider taking on a second job to get your income at a level high enough to qualify for the home you want.

Save for a down payment: Designate a certain amount of money to put away in your savings account each month. Although it's possible to get a mortgage with less than 5 percent down, you can usually get a better rate if you put down more. Aim for 20 percent of the purchase price.

Keep your job: While you don't need to be in the same job forever to qualify for a home loan, having a job for less than two years may mean you have to pay a higher interest rate.

Establish a good credit history: Get a credit card and make all your bill payments on time. Pay off entire balances as promptly as possible. Also, obtain a copy of your credit report, which includes a history of your credit, bad debts, and late payments. Ensure that it's accurate and correct any errors immediately.

Keep saving: Even if you have enough money to qualify for a mortgage and cover your down payment, you will also need to factor in closing costs, which can average between 2 and 7 percent of the home price, and incidentals such as the cost of hiring a home inspector.

Decide what kind of mortgage you can afford: Generally, you want to look for homes valued between two and three times your gross income, but a financing professional can help determine the size of loan for which you'll qualify. Find out what kind of mortgage (30-year or 15-year? Fixed or adjustable rate?) is best for you. Also, gather the documentation a lender will need to preapprove you for a loan, such as W-2s, pay stub copies, account numbers, and copies of two to four months of bank or credit union statements. Don't forget property taxes, insurance, maintenance, utilities, and association fees, if applicable.

Seek down payment help: Check with your state and local government to find out whether you qualify for special mortgage or down payment assistance programs. If you have an IRA account, you can use the money you've saved to buy your first home without paying a penalty for early withdrawal.

Larry Newcomer.
Robert Slack Realty
561-336-0622
Larry.Newcomer@RobertSlack.com
BeachHomePros.com

VOCABULARY

Loans & Lending Terms

Term.

Mortgages are generally available at 15-, 20-, or 30-year terms. In general, the longer the term, the lower the monthly payment. However, shorter terms mean you pay less interest over the life of the loan.

Fixed vs. adjustable interest rates.

A fixed rate allows you to lock in a low interest rate as long as you hold the mortgage and, in general, is a good choice if interest rates are low. An adjustable-rate mortgage (ARM) usually offers a lower rate that will rise as market rates increase. ARMs usually have a limit as to how much and how frequently the interest rate can be increased. These types of mortgages are a good choice when fixed interest rates are high or if you expect your income to grow significantly in the coming years.

Non-traditional mortgages.

Also sometimes called "exotic," these mortgage types were common in the run-up to the housing crisis, and often featured loans with low initial payments that increase over time.

Balloon mortgage.

This is a form of non-traditional financing where your interest rate will be very low for a short period of time—often three to seven years. Payments usually only cover interest so the principal owed is not reduced. This type of loan may be a good choice if you think you will sell your home at a large profit in a few years.

Government-backed loans.

These loans are sponsored by agencies such as the Federal Housing Administration or the Department of Veterans Affairs. They offer special terms, including reduced interest rates to qualified buyers. VA Loans are open to veterans, reservists, active-duty personnel, and surviving spouses and are one of the only options available for zero down payment loans. FHA loans are open to anyone, and while they do require a down payment, it can be as low as 3.5 percent. Drawbacks include a slower loan process and—for FHA loans—the need to pay mortgage insurance.

However…

As the housing market shifts, so do lending practices. A mortgage broker—an independent professional who acts as an intermediary between you and lending institutions—may be able to help you find a better rate than you can on your own. Also, be sure to shop around; slight variations in interest rates, loan amounts, and terms can significantly affect your monthly payment.

QUESTIONS TO ASK

When Choosing a Lender

Loan terms, rates, and products can vary significantly from one company to the next. When shopping around, these are a few things you should ask about.

General questions:

What are the most popular mortgages you offer? Why are they so popular?

Are your rates, terms, fees, and closing costs negotiable?

What down payment options do you offer?

Do you offer discounts for inspections, home ownership classes, or automatic payment set-up?

Will I have to buy private mortgage insurance? If so, how much will it cost, and how long will it be required?

What escrow requirements do you have?

What kind of bill-pay options do you offer?

Do you offer loans with down payment assistance for first time homebuyers?

Loan-specific questions:

What would be included in my mortgage payment (homeowners insurance, property taxes, etc.)?

Which type of mortgage plan would you recommend for my situation?

Who will service this loan—your bank or another company?

How long will the rate on this loan be in a lock-in period? Will I be able to obtain a lower rate if the market rate drops during this period?

How long will the loan approval process take?

How long will it take to close the loan?

Are there any charges or penalties for prepaying this loan?

How much will I be paying total over the life of this loan?

If you are unsure which lender to use, I recommend that you 'interview' several, and also consider our affiliated Partner, Florida Funding*, **Florida-Funding.com**

* Robert Slack Realty has an ownership interest in Florida Funding. Because of this relationship, Florida Funding may provide Robert Slack Realty a financial benefit. However, Robert Slack Realty, and it's agents, do not receive a referral fee from Florida Funding.

Larry Newcomer.
Robert Slack Realty
561-336-0622
Larry.Newcomer@RobertSlack.com
BeachHomePros.com

HOW TO

Finance a Home, Creatively

Investigate local, state, and national down payment assistance programs.
These programs give qualified applicants loans or grants to cover all or part of your required down payment. National programs include the Neighborhood Assistance Corporation of America (NACA), Florida Housing Finance Corporation, Chenoa Fund, Nehemiah program, Getdownpayment.com, and the American Dream Down Payment Fund from the Department of Housing and Urban Development.

Explore seller financing.
In some cases, sellers may be willing to finance all or part of the purchase price of the home and let you repay them gradually, just as you would do with a mortgage. A similar option is the assumable mortgage, where a home buyer takes over the seller's existing loan (with bank approval). This can be especially helpful when interest rates are on the rise.

Ask your family for help.
Perhaps a family member will loan you money for the down payment or act as a cosigner for the mortgage. Lenders often like to have a cosigner if you have minimal credit history.

Consider a shared-appreciation or shared-equity arrangement.
Under this agreement, your family, friends, or even a third party may buy a portion of the home and share in any appreciation when the home is sold. The owner-occupant usually pays the mortgage, property taxes, and maintenance costs, but all the investors' names are usually on the mortgage.

Lease with the option to buy.
Renting the home for a year or more will give you the chance to save more toward your down payment. And in many cases, owners will apply some of the rental amount toward the purchase price.

Consider a short-term second mortgage.
If you can qualify for a short-term second mortgage, this would give you money to make a larger down payment. This may be possible if you're in good financial standing, with a strong income and little debt. Such arrangements may also help you avoid jumbo loan restrictions and/or minimize the amount of private mortgage insurance you have to pay.

Larry Newcomer.
Robert Slack Realty
561-336-0622
Larry.Newcomer@RobertSlack.com
BeachHomePros.com

WORKSHEET

Define Your Dream Home

Write in your preferences and rate them: 3 = Vital, 2 = Very Important, 1 = Neutral, 0 = Not important

LOCATION	PREFERENCES	RATE
Neighborhood		
School district		
Near public transportation		
Near airport		
Near expressway		
Near shopping		
Great views		
TYPE		
Single-family / condo / townhome		
Minimum / maximum property age		
Willingness to renovate		
Architectural style		
Open floor plan		
SIZE & MAKEUP		
Minimum # of bedrooms		
Minimum # of bathrooms		
Eat-in kitchen		
Family room		
Formal dining room		
Formal living room		
Garage (number of cars)		
Outdoor space (size/use)		
Laundry room		
AMENITIES		
Wood floors / carpeting		
Heating / cooling system types		
Fireplace		
Pool		
Other special needs/preferences:		

Larry Newcomer.
Robert Slack Realty
561-336-0622
Larry.Newcomer@RobertSlack.com
BeachHomePros.com

QUESTIONS TO ASK

About the Neighborhood

Where you live should reflect your lifestyle. These questions will help you find the best community for you.

Is it close to my favorite spots?

Make a list of activities you engage in and stores you visit frequently. See how far you would have to travel from each neighborhood you're considering to engage in your most common activities.

Is it safe?

Contact the police department to obtain neighborhood crime statistics. Consider not only the number of crimes but also the type and trend. (Is crime going up or down?). Pay attention to see where in the neighborhood the crime is happening.

Is it economically stable?

Check with your local economic development office to see if household income and property values in the neighborhood are stable or rising. What is the ratio of owner-occupied homes to rentals? Apartments don't necessarily diminish value, but they indicate a more transient population. Are there vacant businesses or homes that have been on the market for months? Check news sources to find out if new development is planned.

Is it a good investment?

Ask a local REALTOR® about price appreciation in the neighborhood. Although past performance is no guarantee of future results, this information may give you a sense of how a home's value might grow. A REALTOR® also may be able to tell you about planned developments or other changes coming to the neighborhood — such as a new school or highway — that might affect its value.

Do I like what I see?

Once you've narrowed your focus to two or three neighborhoods, go and get a feel for what it might be like to live there. Take notes: Are homes tidy and well maintained? Are streets bustling or quiet? How does it feel? Pick a pleasant day if you can, and chat with people working or playing outside.

What's the school district like?

This is especially important if you have children, but it also can affect resale value. The local school district can probably provide information on test scores, class size, the percentage of students who attend college, and special enrichment programs. If you have school-age children, visit schools in neighborhoods you're considering.

Larry Newcomer.
Robert Slack Realty
561-336-0622
Larry.Newcomer@RobertSlack.com
BeachHomePros.com

QUESTIONS TO ASK

When Considering a Condo or HOA

Condominiums, townhomes, and properties located within a homeowner association offer certain perks, but it's important to consider them in your decision process.

How much storage is available?

Some properties include storage lockers, but there may not be attics or basements to hold extra belongings.

How's the outdoor space?

Your yard may be smaller than you'd find in a traditional single-family home, so if you like to garden or entertain outdoors, this may not be a good fit. But if you dread yard work, it may be the perfect option.

Are amenities important?

Many properties offer swimming pools, fitness centers, and other facilities that would cost much more in a single-family setting.

Who handles maintenance and security?

Property managers often hire professionals to care for common areas and perform in-unit repairs. Keyed entries and doormen may regulate access to your home when you're not there (good news if you travel).

Are there required reserve funds and association fees? How much are they?

Although fees generally help pay for amenities and provide savings for future repairs, the HOA or condo board determines these fees, and you'll have to pay them even if you're not in favor of the improvements.

What are the association rules?

Although you have a vote on future changes, association rules can dictate how you use your property. Some condos prohibit home-based businesses; others prohibit pets or don't allow owners to rent out their units. Read the covenants, restrictions, and bylaws carefully before you make an offer.

What's the average vacancy rate?

It's never too early to be thinking about resale. The ease of selling your unit may depend on what else is for sale in your building, since units are similar.

How many units are owned by investors?

Some lenders require a certain percentage of the building to be owner-occupied and may not be able to offer you financing if the ratio is too low.

Can I meet other residents before making an offer?

You will share space and decision-making duties with your neighbors when part of a homeowner association, so it's important to make sure you can work together. If possible, try to meet your closest prospective neighbors before you decide on a place.

Larry Newcomer.
Robert Slack Realty
561-336-0622
Larry.Newcomer@RobertSlack.com
BeachHomePros.com

QUESTIONS TO ASK

The Condo Board

Before you purchase a condo, you should have an attorney review property documents for you. However, you should contact the board yourself ahead of time. You'll learn how responsive and organized its members are and be alerted to potential problems.

How many units are owner-occupied?
Generally, the higher the percentage of owner-occupied units, the easier the condo will be to resell.

What covenants, bylaws, and restrictions govern the property?
Carefully read the bylaws to determine if you can abide by them. Also, find out if there are grandfather provisions that allow current owners more rights than you would have as a new owner, such as the ability to rent out your unit.

How much does the association keep in reserve?
Ask how the money is being invested.

Are association assessments keeping pace with the annual rate of inflation?
Smart boards raise assessments a reasonable percentage each year to build reserves for funding future repairs.

What does the assessment cover?
Ask specifically about common-area maintenance, recreational facilities, trash collection, and snow removal (if applicable).

What special assessments have been mandated in the past five years, and how much of that was the responsibility of individual owners?
Some special assessments are unavoidable. But repeated, expensive assessments could be a red flag about building conditions or fiscal policy.

What's the turnover rate?
This will tell you if residents are generally happy with the building.

Is the condo building in litigation?
Obviously, this is never a good sign. If the builders or owners are involved in a lawsuit, reserves can be depleted quickly to pay legal fees.

What other projects has the developer built?
Try to visit one, and ask residents about their perceptions. Also, request an engineer's report if the building has been converted from another use.

Are multiple associations involved in the property?
In very large developments, umbrella associations also may require separate assessments.

QUESTIONS TO ASK

When Choosing a Home Inspector

Do you belong to a professional association?

There are many associations for home inspectors, but some groups confer questionable credentials or certifications in return for nothing more than a fee. Make sure the association your home inspector names is a reputable, nonprofit trade organization.

Will your report meet all state requirements?

Also, make sure the organization complies with a well-recognized standard of practice and code of ethics, such as those adopted by the American Society of Home Inspectors or the National Association of Home Inspectors.

How experienced are you?

Ask inspectors how long they've been working in the field and how many inspections they've completed. Also ask for customer referrals. New inspectors may be highly qualified, but they should describe their training and indicate whether they work with a more experienced partner.

How do you keep your expertise up to date?

Inspectors' commitment to continuing training is a good measure of their professionalism and service. Advanced knowledge is especially important with older homes or those with unique elements requiring additional or updated training.

Do you focus on residential inspection?

Home inspection is very different from inspecting commercial buildings or a construction site. Ask whether the inspector has experience with your type of property or feature. The inspector should be able to provide sample inspection reports for a similar property. If they recommend further evaluation from outside contractors on multiple issues, it may indicate they're not comfortable with their own knowledge level.

Do you offer to do repairs or improvements?

Some state laws and trade associations allow the inspector to provide repair work on problems uncovered during the inspection. However, other states and associations forbid it as a conflict of interest.

How long will the inspection take?

On average, an inspector working alone inspects a typical single-family house in two to three hours; anything less may not be thorough.

How much?

Costs range from $300 to $500 but can vary dramatically depending on your region, the size and age of the house, and the scope of services. Be wary of deals that seem too good to be true.

Will I be able to attend the inspection?

The answer should be yes. A home inspection is a valuable educational opportunity for the buyer and a refusal should raise a red flag.

I will be happy to recommend a home inspector for you to consider. The decision on who to use is yours.

Larry Newcomer.
Robert Slack Realty
561-336-0622
Larry.Newcomer@RobertSlack.com
BeachHomePros.com

WHAT TO KNOW

About the Home Inspection

Some items should always be examined.

Structure

The home's "skeleton" should be able to stand up to weather, gravity, and the earth that surrounds it. Structural components include items such as the foundation and the framing.

Exterior

The inspector should look at sidewalks, driveways, steps, windows, doors, siding, trim, and surface drainage. They should also examine any attached porches, decks, and balconies.

Roofing

A good inspector will provide very important information about your roof, including its age, roof draining systems, buckled shingles, and loose gutters and downspouts. They should also inform you of the condition of any skylights and chimneys as well as the potential for pooling water.

Plumbing

They should thoroughly examine the water supply and drainage systems, water heating equipment, and fuel storage systems. Drainage pumps and sump pumps also fall under this category. Poor water pressure, banging pipes, rust spots, or corrosion can indicate larger problems.

Electrical

You should be informed of the condition of service entrance wires, service panels, breakers and fuses, and disconnects. Also take note of the number of outlets in each room.

Heating and air conditioning

The home's vents, flues, and chimneys should be inspected. The inspector should be able to tell you the water heater's age, its energy rating, and whether the size is adequate for the house. They should also describe and inspect all the central air and through-wall cooling equipment.

Interiors

Your inspector should take a close look at walls, ceilings and floors; steps, stairways, and railings; countertops and cabinets; and garage systems. These areas can reveal leaks, insect damage, rot, construction defects, and more.

Ventilation/insulation

Inspectors should check for adequate insulation and ventilation in the attic and in unfinished areas such as crawl spaces. Insulation should be appropriate for the climate. Without proper ventilation, excess moisture can lead to mold and water damage.

Fireplaces

They're charming, but fireplaces can be dangerous if they're not properly installed. Inspectors should examine the vent and flue, and describe solid fuel-burning appliances.

Larry Newcomer.
Robert Slack Realty
561-336-0622
Larry.Newcomer@RobertSlack.com
BeachHomePros.com

WHAT TO KNOW

About Home Hazards

Radon

A colorless, odorless gas that can seep into your home from the ground, radon is often referred to as the second most common cause of lung cancer behind smoking.
What to look for: Basements or any area with protrusions into the ground offer entry points for radon. The Environmental Protection Agency publishes a map of high-prevalence areas. A radon test can determine if high levels are present.

Asbestos

A fibrous material once popular as fire-resistant insulation, asbestos was banned in 1985. However, it's often found in the building materials, floor tiles, roof coverings, and siding of older. If disturbed or damaged, it can enter the air and cause severe illness.
What to look for: Homes built prior to 1985 are at risk of having asbestos in their construction materials. Home owners should be careful when remodeling because disturbing insulation and other materials may cause the asbestos to become airborne.

Lead

This toxic metal used in home products for decades can contribute to several health problems, especially among children. Exposure can occur from deteriorating lead-based paint, pipes, or lead-contaminated dust or soil.
What to look for: Homes built prior to 1978 may have lead present. Look for peeling paint and check old pipes. To get a HUD-insured loan, buyers must show a certificate that their older home is lead-safe.

Mold

Florida homes can be particularly vulnerable to mold growth if the home is prone to water or humidity intrusion. Mold can cause minor symptoms such as nasal and sinus irritation or congestion, dry hacking cough, wheezing, skin rashes or burning, watery or reddened eyes…or people with severe allergies to molds may have more serious reactions, such as hay-fever-like symptoms or shortness of breath. Long-term exposure to mold can be particularly harmful.
What to look for: Look for visible mold growth (it may look cottony, velvety, rough, or leathery and have different colors like white, gray, brown, black, yellow, or green). Mold often appears as a staining or fuzzy growth on furniture or building materials (walls, ceilings, or anything made of wood or paper). Look for signs of moisture or water damage (water leaks, standing water, water stains, condensation, etc.). Also search areas where you notice mold or mildew odors.

Other hazardous products

Stockpiles of hazardous household items — such as paint solvents, pesticides, fertilizers, or motor oils — can create a dangerous situation if not properly stored. They can easily spark fires and can cause illness or even death if ingested, even in small amounts.
What to look for: Check all the corners, crawl spaces, garages, or garden sheds in the home. If these products are found, make sure you ask for their removal and get a disposal certificate prior to closing.

Groundwater contamination

When hazardous chemicals are disposed of improperly, they can seep through the soil and enter water supplies. A leaking underground oil tank or septic system can contribute to this.
What to look for: Homes near light industrial areas or facilities may be at risk, as are areas once used for industry that are now residential.

Larry Newcomer.
Robert Slack Realty
561-336-0622
Larry.Newcomer@RobertSlack.com
BeachHomePros.com

VOCABULARY

Green Home Terms

Whether you're building the home of your dreams or looking for an existing unit, there's a lot of data involved in finding the right environmentally friendly dwelling. Here's a breakdown of the different certification systems for energy-efficient homes.

RESNET

The **Residential Energy Services Network** is a not-for-profit corporation that develops industry-wide standards and rules for energy efficiency ratings and certification systems for buildings. In addition to overseeing the HERS index (see below), RESNET certifies contractors of all types, including builders, roofing and siding professionals, and remodeling contractors.

HERS index

The **Home Energy Rating System** is an index measuring a home's energy efficiency. An average home built to current industry standards for energy efficiency will have an index of 100. A lower score indicates higher levels of efficiency (for example, a home with a score of 70 is using 30 percent less energy than the average home). The opposite is true with homes that score higher than 100. This index is overseen by RESNET.

LEED

The United States Green Building Council is the agency that bestows **Leadership in Energy and Environmental Design** certifications on environmentally friendly buildings and projects. The highest certification a building can earn is "LEED platinum." Projects earn points based on numerous categories such as indoor air quality and water efficiency. More points add up to a higher certification level.

Energy Star

The Energy Star program is overseen by the U.S. Environmental Protection Agency. Products such as refrigerators, light bulbs, and furnaces can earn Energy Star certifications. Separately, homes can be Energy Star–certified through an independent inspection.

Indoor airPLUS:

This program is also administered by the EPA. Homes that go above and beyond the Energy Star requirements by incorporating additional features to combat moisture, mold, pests, and pollutants can earn this label.

National Green Building Certification

Overseen by the National Association of Home Builders, this program helps residential building professionals develop and build sustainable projects. Buildings can earn bronze, silver, gold, or emerald certifications. At the Emerald level — which is the highest certification a project can earn — a building "must incorporate energy savings of 60 percent or more."

Larry Newcomer.
Robert Slack Realty
561-336-0622
Larry.Newcomer@RobertSlack.com
BeachHomePros.com

WHAT TO KNOW

About the Appraisal Process

Once you are under contract, your lender will send out an appraiser to make sure the purchase price is in line with the property's value.

Appraisals help guide mortgage terms.

The appraised value of a home is an important factor in the loan underwriting process. Although lenders may use the sale price to determine the amount of the mortgage they will offer, they generally only do so when the property is sold for less than the appraisal amount. Also, the loan-to-value ratio is based on the appraised value and helps lenders figure out how much money may be borrowed to purchase the property and under what terms. If the LTV is high, the lender is more likely to require the borrower to purchase private mortgage insurance.

Appraised value is not a concrete number.

Appraisals provide a professional opinion of value, but they aren't an exact science. Appraisals may differ quite a bit depending on when they're done and who's doing them. Also, changes in market conditions can dramatically alter appraised value.

Appraised value doesn't represent the whole picture of home prices.

There are special considerations that appraised value doesn't take into account, such as the need to sell rapidly.

Appraisers use data from the recent past.

Appraisals are often considered somewhat backward looking, because they use sold data from comparable properties (often nicknamed "comps") to help come up with a reasonable price.

There are uses for appraised value outside of the purchase process.

For buying purposes, appraisals are usually used to determine market value or factor into the pricing equation. But other appraisals are used to determine insurance value, replacement value, and assessed value for property tax purposes.

Larry Newcomer.
Robert Slack Realty
561-336-0622
Larry.Newcomer@RobertSlack.com
BeachHomePros.com

QUESTIONS TO ASK

About Property Tax

It's natural for the sale price of a home to loom large in your mind. But don't forget to look at what your property tax bill might be.

What is the assessed value of the property?

Assessed value is generally less than market value. A recent copy of the seller's tax bill will help you determine this information.

How often are properties reassessed in this area?

In general, this will happen annually, but properties in areas of slower growth may be reassessed less often.

When was the last reassessment done on this property?

Most significant tax increases on an individual property can be linked to when that property was last reassessed.

Will the sale of the property trigger a tax increase?

Depending upon where you live, the assessed value of a property may increase based on the amount you pay for it. With the significant home value of appreciation we've seen in recent months you can expect that taxes will increase considerably. In Palm Beach County, you can use a tool on the County Tax Appraiser site to predict what taxes will change to after you buy the home. To do this:

- Go to https://www.pbcgov.org/papa/
- Enter the exact address of the property and click search. You may need to use the advanced search tool.
- When you find the tax page for the correct property, scroll to the bottom and click the Property Tax Calculator button.
- Enter the expected purchase price, AND…
- Select YES or NO as to whether you plan to apply for Homestead Exemption.
- Click Calculate Taxes
- You should then see the new estimated tax rate with the Homestead Exemption and without.

Is the tax bill comparable to other properties in the area?

If not, it might be possible to appeal the assessment and lower the rate.

Does the current tax bill reflect any special exemptions for which I might not qualify?

For example, many tax districts offer reductions to those individuals 65 and older.

Larry Newcomer.
Robert Slack Realty
561-336-0622
Larry.Newcomer@RobertSlack.com
BeachHomePros.com

CHECKLIST

Your Mortgage Application

Every lender requires documents as part of the process of approving a mortgage loan. Here are documents you're generally required to provide..

- ☐ **W-2 Tax returns** — or business tax returns if you're self-employed — for the last two or three years for every person signing the loan.
- ☐ **At least one pay stub** for each person signing the loan.
- ☐ **Account numbers** of all your credit cards and the amounts for any outstanding balances.
- ☐ **Two to four months of bank or credit union statements** for both checking and savings accounts.
- ☐ **Lender, loan number, and amount owed** on installment loans, such as student loans and car loans.
- ☐ **Addresses** where you've lived for the last five to seven years, with names of landlords if appropriate.
- ☐ **Brokerage account statements** for two to four months, as well as a list of any other major assets of value, such as a boat, RV, or stocks or bonds not held in a brokerage account.
- ☐ **Your most recent 401(k)** or other retirement account statement.
- ☐ **Documentation to verify additional income,** such as child support or a pension.

Larry Newcomer.
Robert Slack Realty
561-336-0622
Larry.Newcomer@RobertSlack.com
BeachHomePros.com

HOW TO

Buy in a Tight Market

Increase your chances of getting your dream house in a competitive housing market.

Get prequalified for a mortgage.

You'll be able to make a firm commitment to buy and your offer will be more desirable to the seller.

Stay in close contact with your real estate agent.

Your agent will be on the lookout for the newest listings that meet your criteria. Be ready to see a house as soon as it goes on the market — if it's a great home, it will go fast.

Scout out new listings yourself.

Browse sources such as realtor.com and local real estate listing sites. Set up alerts for the neighborhoods and characteristics you're looking for. Drive through your target neighborhoods, and if you see a home you like for-sale, send the address and listing agent's name to your agent, who can schedule a showing for you. Do not submit an inquiry online for a listing you like as that will trigger a flood of eager agents contacting you.

Be ready to make a decision.

Spend plenty of time in advance deciding what you can afford and must have in a home so you won't hesitate when you have the chance to make an offer. In an extremely hot market, you should consider making an offer if you really like a home you see online…otherwise it may be snapped up before you see it. Don't worry…you can cancel after you see the home in person during the inspection contingency period and get your deposit money back.

Bid competitively.

Your first inclination may be to start out offering something less than the absolute highest price you can afford, but if you go too low in a tight market, you will likely lose out.

Keep contingencies to a minimum.

Restrictions such as needing to sell your home before you move can make your offer unappealing. Remember that, if the market is tight, you'll probably be able to sell your house rapidly. You can also talk to your lender about getting a bridge loan to cover both mortgages for a short period.

But don't get caught in a buying frenzy.

Just because there's competition for a home doesn't mean you should buy it. And even though you want to make your offer attractive, don't neglect inspections that help ensure the house is a sound investment.

Larry Newcomer.
Robert Slack Realty
561-336-0622
Larry.Newcomer@RobertSlack.com
BeachHomePros.com

WHAT TO KNOW

About Homeowners Insurance

A homeowners insurance policy will protect you against certain losses and damage to your new home and is generally required by lenders prior to closing. Some lenders will collect the money you owe for homeowners insurance as part of your monthly mortgage payment and place it in an escrow account, paying the insurer on your behalf when the bill is due.

Coverage exclusions:

Most insurance policies do not cover flood or earthquake damage as a standard item. You may need to buy these types of coverage separately.

IMPORTANT NOTE: As of late April 2022, a significant issue still exists in Florida involving insurability of homes with older roofs. For background news story: https://www.fox13news.com/video/1057390 Florida legislators *may* be working towards solutions in May. Also, the Florida Office of Insurance regulation announced that for the first time they will allow insurance companies to off homeowner's policies that will not pay full replacement cost on a roof damaged by storm or other catastrophe. The options that *may* be available soon include using much higher deductibles on damaged roofs (such as $5,000), or only paying a depreciated amount of the repair cost based on the roof's age.
For this reason, before making an offer on a home, it is important to understand a) If you as the homeowner are responsible for the cost of roof maintenance and replacement, and b) The age of the roof on the home you want to make an offer on. If financing your home purchase, your lender will require an insurance policy in place on the day you close on the purchase, and unfortunately if the home has an older roof (usually over 15 years old), most insurance companies won't issue a policy…even if you plan to replace the roof immediately.

Dollar limitations on claims:

Even if you are covered for a risk, there may be a limit on how much the insurer will pay. For example, many policies limit the amount paid for stolen jewelry unless items are insured separately.

Replacement cost:

If your home is destroyed, you'll receive money to replace it only to the maximum of your coverage, so be sure your insurance is sufficient. This means that if your home is insured for $150,000 and it costs $180,000 to replace it, you'll still receive only $150,000.

Actual cash value:

If you choose not to replace your home when it's destroyed, you'll receive replacement cost minus the depreciation. This is what's referred to as actual cash value.

Your liability:

Generally, your homeowner's insurance covers your liability for accidents that happen to other people on your property, including medical care, court costs, and awards by the court. However, there is usually an upper limit to the amount of coverage provided. Be sure that amount is sufficient, especially if you have significant assets.

Larry Newcomer.
Robert Slack Realty
561-336-0622
Larry.Newcomer@RobertSlack.com
BeachHomePros.com

HOW TO

Lower Homeowners Insurance Costs

The first step is to shop around; quotes on the same home can vary significantly from company to company.

Review the Comprehensive Loss Underwriting Exchange report.
CLUE reports detail the property's claims history for the last five years, which insurers may use to deny coverage. Make the sale contingent on a home inspection to ensure that problems identified in the CLUE report have been resolved.

Seek insurance coverage as soon as your offer is approved.
You must obtain insurance in order to buy your home. And you don't want to find out at closing time that the insurer has denied you coverage.

Maintain good credit.
Insurers often use credit-based insurance scores to determine premiums.

Buy your homeowner's and auto policies from the same company.
Companies will often offer a bundling discount. But make sure the discount really yields the lowest price.

Raise your deductible.
If you can afford to pay more toward a loss that occurs, your premiums will be lower. Also, avoid making claims for losses of less than $1,000.

Ask about other discounts.
For example, retirees who tend to be home more than full-time workers may qualify for a discount on theft insurance. You also may be able to obtain discounts for having smoke detectors, a security system, and high-quality locks.

Seek group discounts.
If you belong to any associations or alumni organizations, check to see if they offer deals on coverage.

Conduct an annual review.
Take a look at your policy limits and the value of your home and possessions every year. Some items depreciate and may not need as much coverage.

Investigate a government-backed insurance plan.
In some high-risk areas, the federal or state government may back plans to lower rates. Ask your agent what's available.

Insure your house for the correct amount.
Remember, you're covering replacement cost, not market value.

For more info or if you have any questions about buying a home, let me know using the contact info below.

Larry Newcomer.
Robert Slack Realty
561-336-0622
Larry.Newcomer@RobertSlack.com
BeachHomePros.com

NATIONAL ASSOCIATION of REALTORS®