



The Danberry Co.
Juli Samiec, Realtor®



HOW TO NAVIGATE BUYING YOUR FIRST HOME



HOW TO NAVIGATE BUYING YOUR FIRST HOME

*Breaking Down the Buying
Process for New Buyers*

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**Provided By
Juli Samiec**



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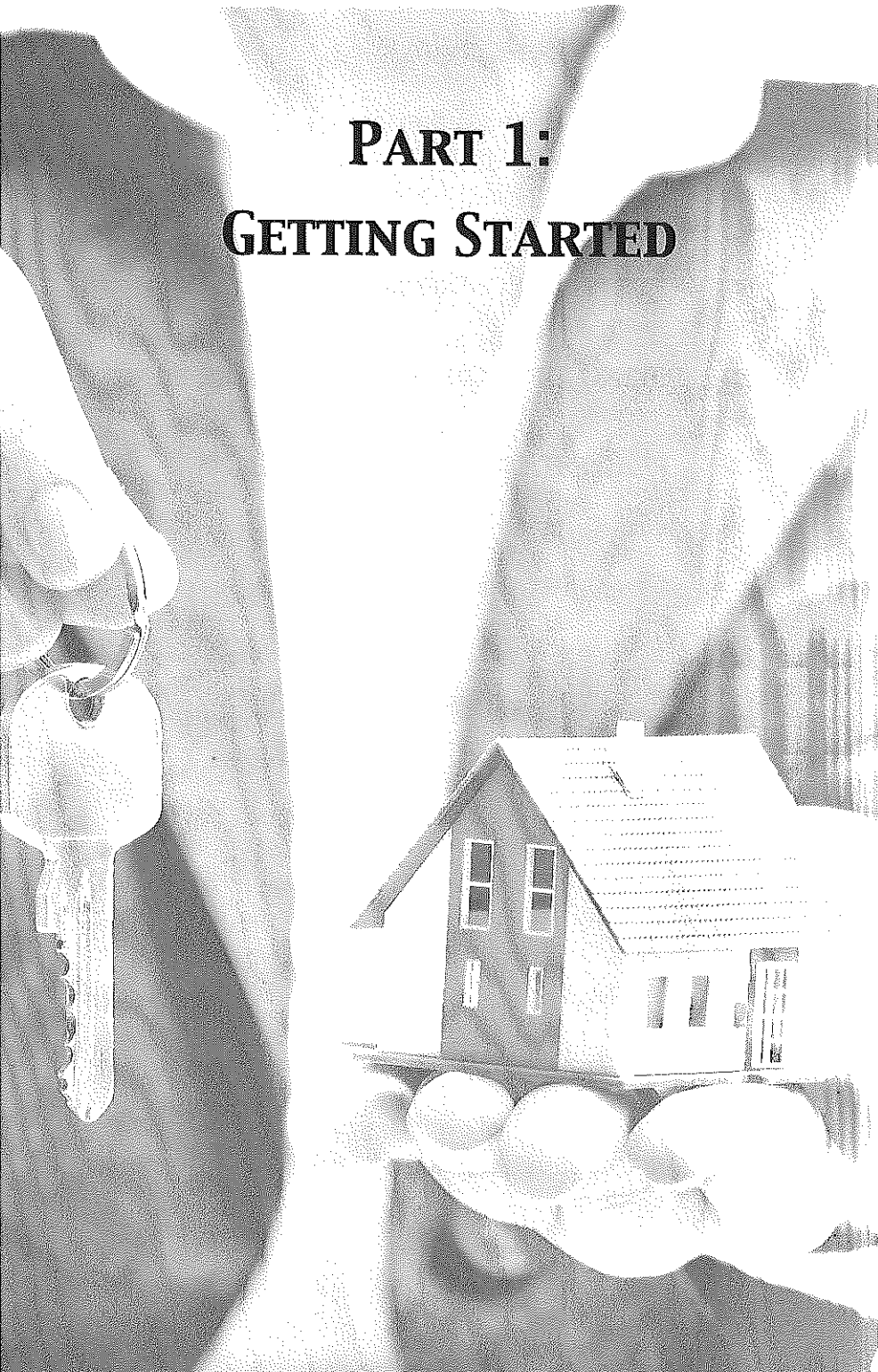
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PART 1:
GETTING STARTED



CHAPTER 1

OWNING VS. RENTING

Owning your own home may be one of the defining qualities of the American Dream, the set of ideals that includes opportunity for prosperity and success, and an upward social mobility for the family and children, achieved through hard work. Homeownership has long been considered one of the strongest representations of that vision — 66% of Americans own their own home, and many more hope they will or wish they did.

Something about homeownership plucks a strong chord with Americans. Financial security, permanency, status, or pride; whatever the reason for wanting to own your own home, there has never been a time in recent memory when the health of our credit reports has meant so much as when we decide to buy a home of our own.

Lifestyle plays a big role in the decision to own versus rent. Home-buying is most often driven by household formation, such as marriage and childbirth, but not always: for the millennial generation, the primary reported reason for buying a home is owning a dog. Age is also a major factor in general: less than 40% of people under 35 years old own homes, while 60% of people over 35 years old own homes, and more than 80% of people 65 years old or older own homes.



The U.S. homeownership rate has fluctuated between 62% and 70% since the 1950s. Most young people begin their independent lives renting an apartment, maximizing lifestyle flexibility and minimizing the hefty upfront costs associated with purchasing a home. As they build careers, save money, and start families, many choose to buy a home, recognizing that homeownership as opposed to rental living better accommodates their growing family needs. Their needs may be better filled by a single-family house, condominium, townhouse, or duplex of their own.

At the other end of the age spectrum are homeowners nearing retirement who may now desire to sell their homes, downsizing and avoiding the maintenance and other obligations of homeownership by renting.

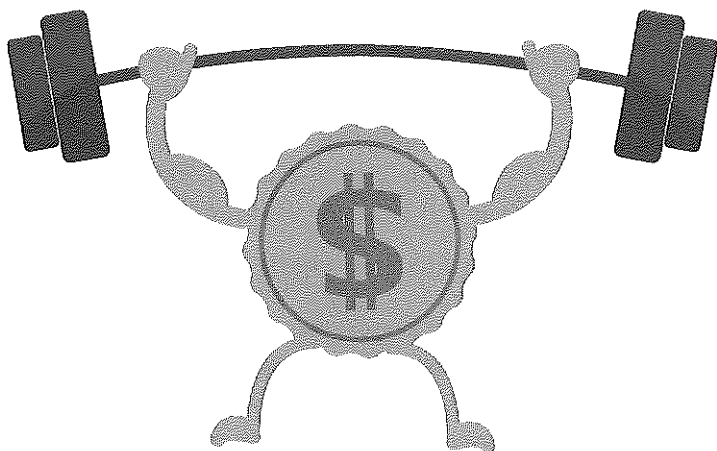
WHICH IS BEST?

Is it better to rent or buy a home? Virtually all adults ask themselves this at some point as they form their goals and plan for the years ahead. Owning and renting each have their advantages, but what is best for you depends on your circumstances. Before you decide, here are some things to ask yourself.

- ? **How long will you stay in the home?** Each market is different, but whether the time you plan to spend in the house warrants its purchase can be predicted. In general terms, it takes four to seven years to break even on a home (i.e., where there has been enough appreciation to pay back the cost of the transaction and cost of ownership). If you are thinking about buying a home and selling it in two years, it is very unlikely that buying will be cheaper than renting.
- ? **Do you think of or need your house as an investment in your retirement plan?** Americans are used to their homes being a store for wealth they can liquidate in retirement as part of downsizing their lifestyle. In 2015, Gallop reported for the second straight year that more Americans named real estate as the best long-term investment, over stocks, gold, savings accounts/CDs, and bonds. Real estate leads with 31% of Americans choosing it, followed by stocks/mutual funds, at 25%. A cautionary note though — although home prices have

recovered from their pre-2006 market slump and continue to rise, the price of your home can still fall.

- ? **Are you financially ready?** Owning a home is a financial commitment that requires planning how homeownership will fit into where your life is headed. Ask yourself what your budget is and if either buying or renting would require you to stretch your finances. Crunch all the numbers. A frequent mistake of first-time homebuyers is comparing a month's rent to a month's mortgage payment. There are many additional fees necessary to include to make a fair comparison: principal interest, property taxes, property insurance, homeowners' association fees, and maintenance.
- ? **Are you prepared for the down payment?** This is the lump sum payment that funds your equity in the property (how much of the property you actually own). Down payments vary; 20% is preferred and gets the best rates. There are some loans that allow down payments as low as 3%. Sometimes, relatives contribute to the down payment. If you have a opportunity, take a gift rather than a loan because lenders will add that debt to other monthly obligations and potential mortgage payments to determine your debt-to-income ratio, which generally can't top 43% to qualify for a home loan.



- ? **Can you afford the monthly mortgage and its components?** Generally, a mortgage includes loan principal and interest (both amortized over the life of the loan) plus homeowner's insurance and property taxes (which are pro-rated). These items can affect the monthly loan-only payment by several hundred dollars.
- ? **Are you emotionally ready? Can you handle the stress?** A big factor to consider when buying a home is stress. The Holmes and Rahe Stress Scale, a landmark stress study, ranks many events that go along with buying a home in the top 43 most stressful circumstances in life. Four events are specifically home-related: change in financial state (No. 16), large mortgage or loan (No. 20), change in living conditions (No. 28) and change in residence (No. 32). If someone has recently made other life changes such as marriage (No. 7), switching careers (No. 18) or having a child (No. 14), it might be wise to postpone buying a home. Stress overload can lead to missed payments, which can destroy your credit or even make you lose your home. It's better to rent if your life is in flux, and then buy when your stress levels are lower.
- ? **Are you ready for commitment?** Are you ready to make lots of decisions, from picking a real estate agent to picking paint colors? Are you confident enough to choose a neighborhood where you believe home values will continue to appreciate in value and that will serve your needs (e.g., proximity to schools, shopping, recreation, etc.)? Are you ready to devote the time and attention to maintain a home (e.g., leaf-raking, grass-cutting, appliance maintenance and repair, etc.)? Taking care of your investment can be gratifying, but only if you are prepared.

ADVANTAGES OF BUYING YOUR HOME

- Control over housing expenses.** By selecting a fixed-rate 15-, 20-, or 30-year mortgage, the homeowner has assurance that housing costs will not increase over the period, and, in fact, will be eliminated at the end of the term (subject to refinancing).

- ☑ **You build equity.** Some of each monthly mortgage payment goes toward the loan's interest. Other portions may go to homeowner's insurance and county taxes. The remainder pays down the loan principal. Every dollar put toward your loan's principal represents a dollar of equity — actual ownership of the property. Further, the property should appreciate in value each year, further adding to equity (what the house could be sold for versus what is owed on it). With certain blip periods such as the 2006 housing bubble burst, home prices in the US appreciate nationally at an average annual rate between three and five percent (home value appreciation in different metro areas can appreciate at markedly different rates than the national average).
- ☑ **Improvements increase your home's value.** A homeowner can also increase a home's value through home improvements, thus both making your home more comfortable and enjoyable while growing its loan-to-value (LTV) ratio. For instance, adding a bathroom or finishing a basement substantially increases the property's functionality and curb appeal, while potentially boosting its value.
- ☑ **Tax advantages of homeownership.** You qualify for major tax benefits when you buy a house, both at the time of purchase and for the remainder of period you own the home.
 - **Homestead exemption.** Many states exempt any and all owner-occupied homes (homesteads) from a portion of the property tax amount that would normally accrue. For instance, Louisiana exempts the first \$75,000 of a home's value from property tax assessments, such that a \$200,000 home in New Orleans is taxed as if it were only worth \$125,000.
 - **Federal tax deductions.** Property taxes and interest paid on your mortgage can be deducted if you itemize your federal income taxes, reducing your income tax burden. Additionally, discount points can be claimed on the loan. Mortgage points are generally of two types: discount points

and origination points. Each of these points is equivalent to 1% of your mortgage. Discount points involve prepaid interest, are tax deductible, and can reduce your total mortgage payment. The interest rate on your mortgage typically lowers by 0.25% per point you buy.

- ☑ **Current mortgage rates are relatively low.** Interest rates rise and fall through the years. Several years ago, interest rates were higher, and it was more expensive to obtain a mortgage. Since these costs have been reduced, it is now easier and less expensive to own a house.
- ☑ **Ownership rights and creative freedom.** Your decorating and home improvement choices are just that — yours, provided they don't break building codes or violate homeowners' association rules. You can paint walls any which way, add fixtures, update or finish your basement, or build a patio or deck. Changing your environment to suit your whims is a freeing aspect of homeownership.
- ☑ **A sense of belonging to the community.** Homeowners tend to stay in homes for longer than renters and are more likely to grow roots. They might join a neighborhood association, sponsor block parties or National Nights Out, volunteer at a nearby community center, join a school group, or align with a business improvement district. Renters might not do any of those things, particularly if they know their lease is up in a year and they might move.

There is an intangible pleasure attached to owning your own house, a sense of freedom and independence. The home you live in belongs to you and only you (and, perhaps, your spouse), and you can do what you want with it. You are not daunted by increases in rent or the risk of losing your lease. You are free to make improvements and changes. Also, owning your home gives your children the guarantee of attending the schools in the area on a more permanent basis; you never have to worry about a notice from the landlord to vacate your rented house or apartment for any of a variety of reasons over which you have no control.

ADVANTAGES OF RENTING

It seems a shorter list, but one man's pro is another man's con, and there are definitely advantages to renting you should factor into your buy-rent decision.

- ☑ **No responsibility for maintenance.** Admittedly, this is a big one. As a renter, you're not responsible for home maintenance or repair costs. If a toilet backs up, a pipe bursts, or an appliance stops working, you don't have to call an expensive repair person — you just call your landlord or superintendent. Renters in condos, townhomes, or apartments do not have lawn and grounds care obligations.
- ☑ **Relocating is easier.** When renting, relocating for work is easier. Though a sudden move may require you to break your lease, you can partially offset the cost by subletting your apartment or talking with your landlord. On the other hand, selling a home takes time and effort. If you have a short timeline to sell your home, you may be forced to accept a lower price and lose some of your investment.
- ☑ **No real estate market exposure.** Home values fluctuate and can decline over time. If you're a renter, that's not your problem. If you're an owner trying to sell — it is.



DISADVANTAGES OF OWNING

- ☒ **Maintenance.** The renter's largest advantage may be the homeowner's largest disadvantage. While insurance is available to protect against expenses from major catastrophes, everyday maintenance items are on the homeowner's dime. Maintenance and repair can be as simple as repainting the baseboards or as extensive and expensive as replacing an H/VAC system or sewer pipe. The expense will vary from year-to-year; however, you can expect to pay about one percent of the value of your home annually toward these expenses. If you live in a \$300,000 home for 10 years, that's \$30,000 over the period, and possibly more if you must replace a costly, long-lived mechanical item, such as a furnace. Keep in mind the usual homeowner's chores of lawn care, snow removal, gutter cleaning, and other regular home maintenance needs.
- ☒ **Upfront & closing costs.** Buying a home entails numerous upfront costs. Some are paid out-of-pocket after the seller accepts your purchase offer, while others are paid at closing. These include earnest money, down payment (typically ranges from 3.5% — chiefly for Federal Housing Administration (FHA) loans — to over 20% of the purchase price), home appraisal, home inspection, property taxes, and first year's homeowner's insurance.
- ☒ **Loss of relocation flexibility.** It is much easier to break a lease and move out of town than to arrange for the sale of a residence. Selling the home from out of town involves its own special logistical and financial problems, such as dealing with the mortgage while the home is on the market.
- ☒ **Financial loss potential.** Homeownership builds equity over time; however, equity doesn't equal profit. If home values in your area go down or remain stagnant during your time as a homeowner, the appraised value of your home could decrease, putting you at risk of a financial loss when you sell.



DISADVANTAGES OF RENTING

- ☒ **No equity.** The monthly rent you pay goes to the landlord. It represents the fee you pay for using the property. You gain no ownership in the property, no matter how long you live there.
- ☒ **No tax benefits.** While homeowners can deduct property taxes and mortgage interest on their tax returns, renters aren't eligible for housing-related federal tax credits or deductions.
- ☒ **Home improvements go to the landlord.** Any structural or decorative home improvements renters make belong to the building owner and will have to stay behind when you move to a different place. Additionally, approval will be necessary for any major redecoration.

After all is said, the decision to buy or rent depends on the prospective homebuyer's circumstances. There is no denying, though, that a home of your own is a good financial and emotional investment. An investment in a home can also mean an investment in the future of your children. There can be nothing better than leaving a home behind as a legacy for your children to enjoy.

There is much to consider when you want to buy a home. Switching from renting to homeownership is highly challenging, but an exciting and amazing decision to make.

Owning your first house is the first real step toward the perfect home you've been dreaming of. Because, at the end of the day, as we all know, there really is no place like home.



CHAPTER 2

NEEDS AND DESIRES

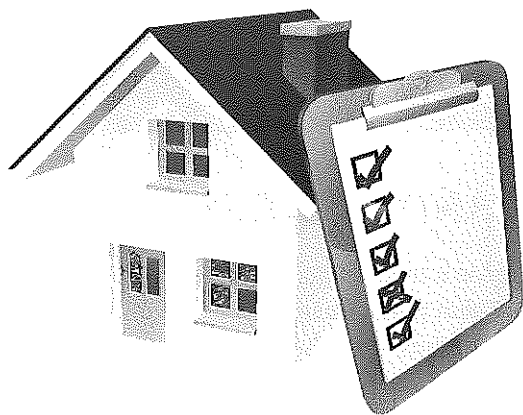
After the decision is made to buy a home, what sort of home it is to be is the next decision point. Imagine your dream house. It fulfills both your needs and desires. It fits the need for a good roof over your head, a sturdy structure, modern fixtures and appliances, living space (e.g., bedrooms, living room) and function rooms (e.g., kitchen, bathrooms).

Your needs fulfilled, you turn to your desires. A home on the beach or in the woods, a gourmet kitchen, a wood-paneled den, crystal chandeliers hanging over a banquet table in the manor-sized dining room and an Olympic-sized swimming pool with a hot tub and sauna. In your first home, you must ensure all needs are met; however, there are probably going to be some desires that you will have to let go for now due to affordability issues.

Decide which qualities are your needs and which are only desires.

- Would you like a swimming pool? Enough that a home without one is not worth looking at?
- In what areas or neighborhoods might the home be located? Where do you want to live? Where might you have to live for work commute or home price reasons?
- What features would make it special and which ones matter most?
- What can you afford and what is out of your budget?

Budget usually constrains us most in selecting a home. While some things are necessary for any home (as mentioned, a good roof, a working furnace, a solid frame), others will just have to stay on the list of desires for now (the sauna, or that Beverly Hills address).



MAKE A LIST. CHECK IT TWICE.

You may have an existing impression of what you want from your new home. Putting that to paper and having a complete checklist can prove useful.

Before starting your hunt for a new home, it is advisable to make a list of all your basic needs and desires, then rank the desires by priority, assuming that all needs must be met for a house to merit consideration in the first place. This will make the search easier. Realize that it is nearly impossible to find a home that meets all requirements at once in both needs and desires, though. Compromises will be necessary.

It is a good idea to work in order from outside-the-house factors to inside-the-house. For example, location is perhaps the primary concern and both “need” factors and “desire” factors might be involved. A “need” would be “must be within 25 miles of work.” A desire might be, “would like Westwood” (a favored neighborhood), while a need might be “on west side of city,” (because work, family, friends, and recreation activities are all located there).

Location needs may include proximity to schools, frequently used recreation facilities, or mode of transportation (bus or suburban rail access). Whether an item is a need or a desire depends on circumstance. Closeness to family might be a need for a couple with young children or elderly parents to care for, or a desire if those factors are not involved. It is items like these that make a checklist helpful.

After location needs and desires are compiled, housing factors can be considered. Needs include having all essential house structures and systems in good working order. Accepting a house that needs a new roof because the owner is willing to knock \$7,000 off the listing price is not a sensible deal when it will cost \$10,000 to replace the roof in two years.

Needs might include a minimum number of bedrooms and bathrooms, no steps, fenced yard (for pet owners or simply for privacy), perhaps a first-floor laundry facility, and any feature the prospective buyers have decided they cannot accept a home without. Desires are features that make the home more attractive or enjoyable — an upgraded kitchen, walk-in closets, a master bedroom suite. Of course, one buyer's need is another buyer's desire. The point is to know your own needs and desires so you can easily assess potential properties.

Buying a house is not a simple process. Much of the planning should be done well in advance of contacting a real estate agent or looking at houses. Work out the costs and decide your budget. Choose a general location. Contact lenders well ahead of home shopping so your offers are not tied up in getting financial approval.

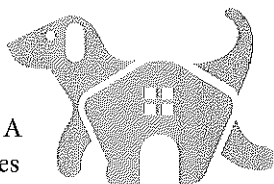
Having the image of your dream home is reality married with imagination. In fact, you may find that some aspects of the house you intend to buy are different. It's not the same as what your dreams would have told you. Different people have different requirements. It depends on your thought processes and personality.

We understand important things and potential compromises differently. Needs are basic requirements that cannot be ignored or compromised. Desires, on the other hand, can be left behind if the situation demands. You need to make a clear distinction between what your necessities are and which items you would be better off classifying as desires.

Remember, no matter how many desires you leave unfulfilled now, they can be worked on later. A pool can be added after a promotion or two. Maybe you don't like the color of the walls or the window frames; renovation may be a hassle, but it's always an option for later. Paint color is rarely a need, but having a garage if you plan to run an auto-mechanic business out of it is.

A NOTE ABOUT PETS

Consider your pets when home-shopping. Homebuyers who are pet owners have special requirements they must meet for their pets. A third (33%) of millennial-aged Americans (ages 18 to 36) who purchased their first home say the desire to have a better space or yard for a dog influenced their decision to purchase their first home, according to a survey conducted online by Harris Poll on behalf of SunTrust Mortgage. Dogs ranked among the top three motivators for first-time home purchasers and were cited by more millennials than marriage/upcoming marriage (25%), or the birth/expected birth of a child (19%).



It is essential that the neighborhood in which you are going to buy a house have no restrictions on pets. Do you raise American Staffordshire Terriers? There are cities that ban this breed — they're better known as pit bulls. Goats? Vietnamese pigs? Do you love to always have fresh eggs from your own chickens? Include your animals in location planning.

Some pet owners prioritize wood or other durable flooring, not wanting to risk pet damage or odors that might be a greater risk with carpeting.

A fenced backyard of appropriate size is on the needs list for many pet-owning house buyers. Consider the arrangement of rooms and the structure of the house as well to make sure it is suitable for your pets. Traffic in the area may be another checklist item.

Pet services such as veterinary, grooming, and exercising should be conveniently accessible nearby.

LOCATION, LOCATION, LOCATION!

You must make sure to be in a neighborhood that offers the closest possible match to the kind of lifestyle that you want. Trulia recently conducted a survey with Harris Interactive, and the real-estate site found 84% of Americans said the neighborhood would be equally important or even *more* important than the house itself if they were searching for a new home.

Location is so important that people are willing to give up “must-have” features to buy into their desired neighborhood — 72% would forget about a pool, 55% would lose a finished basement, and 33% would accept less square footage.

What matters is living in a safe place with good schools. According to Trulia, 69% of buyers would drive through the neighborhood during different times of day to determine if the neighborhood was the right fit.

You can't go to buy a home without choosing a location where you would like to live. Probably the most significant decision when buying a home is where it is.

Location influences nearly every part of your everyday life. Your home does not exist in a bubble. It's part of a bigger community. It is important to find a neighborhood or area that suits your needs. Do you want the peace of a secluded woods or the energy of a bustling city center?

Do research before starting your search. Drive through the area and see if all the stores, activities, and features you want are there. Eat at local restaurants and walk through a nearby park. As price is mainly based on location and condition of the property, when someone starts looking for their house, it is important to consider the location and how far it is from schools, shopping areas, and other facilities. Home means comfort, and comfort can't come if the location is not suitable.



CHAPTER 3

GETTING THAT FIRST HOME LOAN

Venturing into the housing market can be intimidating for anyone. Since the housing market crashed in 2007, the road to recovery has been rather uneven. This includes very tight lending, new requirements, and buyers held back by increasingly strict lending standards.

There are signs of improvement in the housing market, though. Banks are relaxing previously strict minimum requirements, and lenders are offering mortgages with down payments at lower rates. This may very well be a good time to consider jumping into the market. With the housing market heating up and consumers ready to buy a home, it is time to begin preparing for the road that lies ahead of you.

THE CRITICAL IMPORTANCE OF A GOOD CREDIT SCORE

Your credit health is the most important factor in deciding what interest rate you will pay on your mortgage, and the difference could be substantial. Your credit rating's impact is so significant that the difference could be in the thousands of dollars, just from a few points on your credit score.

Consider this example. Let us take \$178,500 as the price of a home. Two buyers buy at that price and both take a 30-year fixed mortgage. They both put 20% down. One buyer has a low credit score of 620, while the other has a higher score of 760. The one with the poor credit score will end up paying an interest rate as much as 3.5% to 5% higher. This difference could translate into hundreds of dollars per month in mortgage interest payments and a difference of \$59,000 or more over a mortgage's lifetime.

The factors used to calculate an individual's credit score are credit payment history, current debts, length of credit history, credit type mix, and frequency of applications for new credit. The different scoring systems

are based on different criteria, weighted differently, so the three major credit bureaus in the U.S. (Equifax, TransUnion, and Experian) may produce different scores for an individual, even though the scores are based on the same credit report information.

Your current credit score is a huge issue in determining if now is a good time to house shop. Having a good credit score before you take on a mortgage is an important factor.

A SHORT GUIDE TO CREDIT HEALTH

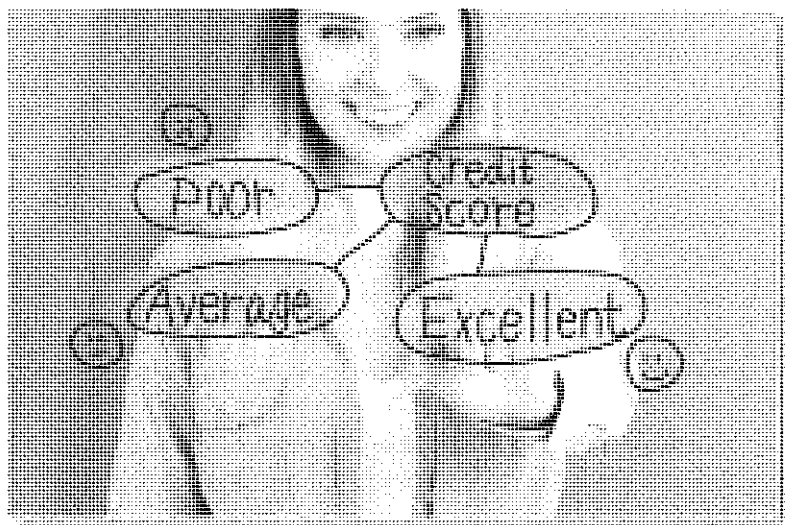
We are increasingly dependent on credit; therefore, it is necessary that you have a good understanding of personal credit reports and your credit score before beginning the process of buying a home. When you apply for credit (i.e., a mortgage, credit card, or utility service), your credit score is checked. A credit score in the 500s is poor, while one in the 800s is excellent.

Depending on your credit score, lenders will determine what risk you pose. Increased credit risk as shown by a low credit score means that a risk factor is added to the price at which money is lent. If you have a poorer credit score, lenders will lend you money at a higher interest rate than one paid by someone with a better credit score. Below a certain score, lenders will not even deal with you.

Here is a short guide to help ensure that your credit is in good shape before you jump into the mortgage market.

- ♥ **Monitor and analyze your credit history.** With your credit score being such a crucial aspect of the final approval on a mortgage, it is important to have a current idea of how your score is going to affect you. Keep a tab on your score well in advance. This will help you to have an accurate estimate of the rate that you can expect. If your credit score is good, it will help you get approval. Take this opportunity to find out areas where your credit history could use improvement, and take steps to make sure those improvements happen.

- ♥ **Report errors and inconsistencies.** A study by the Federal Trade Commission (FTC) stated that one out of every four consumers had errors in their credit reports that were significantly affecting their scores. It also revealed that 5% of consumers found errors that — if left unresolved — would have led them to pay significantly higher amounts for mortgages and loans. Do not let errors on your report make you pay more than you should. Make sure you pull and carefully check the three credit bureau reports, and be sure to dispute any errors that would affect your score such as wrong credit limits or incorrect accounts.
- ♥ **Pay off outstanding accounts.** Lenders and underwriters of your mortgage will want some certainty that you are a trustworthy buyer who will be able to make payments on time. This means that having any delinquent accounts or outstanding discrepancies on your credit report may hurt your chances of approval at the best interest rates. Before applying, try to clear any such accounts that are hurting your score.



- ♥ **Decrease the percentage of your income that goes into paying debts (your debt-to-income ratio).** According to Bank of America, keeping your debt at a manageable level is a requirement of good financial health. Your debt-to-income ratio compares your monthly debt expenses to your monthly gross income. To calculate your ratio, add up the payments you make toward debt during a month. That includes your monthly credit card payments, car loans, other debts (such as payday loans or investment loans) and housing expenses — either rent or the costs for your mortgage principal, plus interest, property taxes and insurance (PITI — Principal, Interest, Tax, and Insurance) and any homeowner association fees. Next, divide your monthly debt payments by your monthly gross income — your income before taxes are deducted — to get your ratio. (Your ratio is often multiplied by 100 to show it as a percentage.) For example, if you pay \$400 on credit cards, \$200 on car loans and \$7,400 in rent, your total monthly debt commitment is \$8,000. If you make \$300,000 a year, your monthly gross income is \$300,000 divided by 12 months, or \$25,000. Your debt-to-income ratio is \$8,000 divided by \$25,000, which works out to 0.32, or 32 percent. While the preferred maximum varies from lender to lender, it's often around 36 percent.

- ♥ **Beware of applying for credit.** You want your credit score as high as possible when applying for a mortgage. Thus, you should try to avoid getting more credit, especially when your underwriter is deciding on your mortgage. Every credit application you fill out during this time could lead to an inquiry that might significantly decrease your score.

- ♥ **Keep your credit clean before purchasing a home.** When it comes to your credit and purchasing a home, you must be extremely careful how you handle your money. One wrong move and you can wave goodbye to your new home. In the case of purchasing a new home through an application for a mortgage, it's best to wait before taking out any credit cards or applying for car loans. If it's impossible to wait, make sure you speak to your loan officer or mortgage broker for some advice. You do not want to risk losing your home loan.

TIPS TO BE PREPARED

When it comes to taking out a home loan with a mortgage broker, you are going to need to be prepared. This means you will need to produce many documents, beginning with tax returns from at least three years before. Lenders will also want to see monthly bank statements, as well as proof of your income and all debts you may have. It's also a good idea to have sources for any big ongoing deposits you may have.



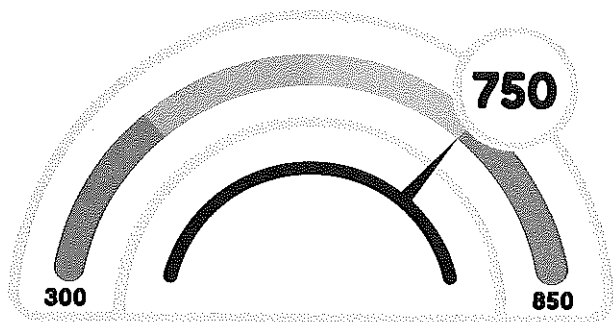
If you have family or friends making a down payment for you, it is important to have a written “gift letter” to document such information for your lender. Otherwise, the amount will be considered a loan and included in your financial analysis.

You will need money for the down payment, closing costs, at least a year's worth of taxes, and insurance payments. It is also recommended that you have extra cash because mortgage lenders will want to ensure that you have an adequate reserve. This is in case something in the home breaks and needs to be replaced, or if you lose your job and need money to make payments while you look for new employment. Multiple financial experts have agreed the general rule of thumb for a down payment is around 20%, but you are able to do it with as little as 3.5% in the case of Federal Housing Administration mortgages. A conventional mortgage with a VA loan, which is available to veterans of the military, is around 5%.

Keep in mind that if you are paying less on the down payment, you will be paying more monthly. This also includes the private mortgage insurance you will need to pay, which is known as the mortgage insurance premium. The mortgage insurance premium only applies, however, if your down payment is less than 20%.

One thing you should keep in mind is that improving your credit score will not happen overnight. It could take quite some time. It is essential that you begin keeping your credit score in check the moment you start thinking of buying your home. By keeping your credit score at a good level, you will not have to worry about paying extra interest on your house.

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CHAPTER 4

FIRST-TIME HOMEBUYER PROGRAMS

According to the Census Bureau, 67% of Americans own their homes. That still leaves a huge number of people who cannot buy their own houses, often because they can't afford the closing costs or can't meet the down payment requirements of commercial loans.

The U.S. Department of Housing and Urban Development (HUD) provides billions of dollars every year to housing grants, turning the homeownership dream into reality. If you are buying a home for the first time, you can file for a buyer grant. There are national, state, and local programs and grants available to first-time homebuyers. These programs and subsidies can help cover portions of acquisition costs, including the down payment, and allow buyers to get a higher percentage of loans to finance.

GRANTS FOR FIRST-TIME HOMEBUYERS

Grants can be just as important as loans when buying your first house. First-time grants for homebuyers can be a significant source of funding, and unlike a loan or a debt, a grant will not have to be repaid. Often these programs are focused on areas where the government wants to encourage the revitalization of a community. This makes "urban homesteading" a viable and less expensive option for the first-time buyer. These grants are a boon for both homebuyers and the community.

Most grants help contend with down payments or the costs of closing, but there are also programs that provide funds for other purposes in the process of buying a house. Many of these programs offer loans that do not have to be repaid, a very helpful thing for a first-time homebuyer, or one who has all the elements of a successful homebuyer but needs down payment assistance.

Given the lower requirements for down payment, FHA loans are a natural choice among the many down payment assistance programs that are available to help you on your way to buying a home, though they do have their own strengths and weaknesses. Most federal grants cater to the first-time homebuyer, and they are intended to help those individuals get started towards homeownership, but these grants should not be expected to cover a large percentage of the new home's cost. Most cover less than 10% of the home's value, or can be expected to only help pay for certain expenses such as closing costs.

For example, down payment with an FHA loan is 3.5% of the cost of the home. Current FHA loan guidelines allow for the down payment portion of your home loan to come from several different places — a gift, personal savings, tax returns, and down payment assistance programs. Down payment assistance programs are funded at the city, county, and state levels, and due to this funding the assistance programs are ever-changing. Each program operates on its own budget, and operates with its own set of requirements. Credit score, income levels, and other factors will influence your eligibility for down payment assistance programs.

Since homebuyer grants are meant to be used towards the purchase of a new home, there are qualifying rules for these funds. Generally, grants will not be given to anyone that cannot qualify for a mortgage.

Finally, all federal grant programs aimed at first time homebuyers will require the individual to attend a HUD-approved house counseling class. These classes help to prepare individuals for homeownership by assisting them in the process of getting their finances in order. By doing so, these individuals stand a greater chance of qualifying for a mortgage. For example, simple courses in home economics or household budgeting are important to the financial success of the individual, and achieving the grant program's goals.

Different states have different programs and conditions for home buying grants. The one thing they have in common is that all fifty states have explicit grants for first-time homebuyers. Check what grants are available in the community you are planning to move to.

There are steps to follow when applying for a buyer grant. First, find a homebuyer grant that fits you. Then, check the requirements of that grant program. Finally, find an approved lender and fill out all the application forms correctly. The HUD website is a great resource for buying a home, whether it's your first or your tenth. (For specific HUD programs, you can go to **portal.hud.gov** and access their Resources section or search for a specific kind of program with the Search bar.)

PENALTY-FREE IRA WITHDRAWAL FOR FIRST-TIMERS

First-time homebuyers are eligible to take \$10,000 during their lifetime out of their Individual Retirement Accounts (IRAs) without paying the 10% penalty for early withdrawal. If yours is a traditional IRA, you will have to pay income tax on the money withdrawn. Roth IRA accounts are not subject to additional taxes as they are funded with money that has been taxed. Since the \$10,000 lifetime amount earmarked for penalty-free withdrawal is for each individual, a couple could collectively withdraw \$20,000 to pay for their first home. The money must be used within 120 days, though, or it becomes subject to the normal 10% penalty.

OTHER HOMEOWNER TAX BREAKS

- ❶ **The Mortgage Interest Deduction.** This is one of the most beneficial tax breaks that homebuyers can take advantage of, first-time buyer or otherwise. The IRS allows you to deduct from your taxable income the interest you pay to your lender. Home mortgage interest is one of the largest deductions for those who itemize. Lenders will report your mortgage interest on a 1098 form sent out annually. The Mortgage Interest Deduction is valid for loans up to \$750,000. Homebuyers receive a large benefit in the first years after buying, as the first repayments have the highest interest. To claim the Mortgage Interest Deduction benefit, a homebuyer will have to file an itemized tax return.
- ❷ **Mortgage credit certification.** The Mortgage Credit Certification is another program that helps thousands of first-time homebuyers secure a tax break. This IRS program is aimed at helping lower-income groups afford their first home. The MCC program is designed to offset a portion of the mortgage interest on a new mortgage to help homebuyers qualify for a loan. Because it is a tax credit and not a tax deduction, mortgage

lenders will often use the estimated amount of the credit on a monthly basis as additional income to help the potential borrower qualify for the loan. Depending on the price at which you purchased your home, you can get back up to 30% of the interest you pay as tax credit. The program is administered by local authorities and can vary according to the state you live in. To qualify for this tax credit, you will need a Mortgage Credit Certificate issued by the local government.

- ❖ **Home improvements.** Improving your home can not only add to its livability and comfort, it can also earn you tax deductions in multiple ways. You can use a home-improvement loan to finance the cost of improvements in your home, as these loans also qualify for mortgage interest deductions. The interest on a home-improvement loan is deductible in full, up to a sum of \$100,000 in debt. Keep track of home improvement costs. When you go to sell the property, if the selling price of your home is more than you spent to procure it, the extra amount will be considered taxable. You can add the improvement cost to the value of your property to reduce the value of this taxable income by factoring in the home improvement costs. This can help you save money in taxes following the sale.
- ❖ **Home office deduction.** If you work from home, the amount of space in your home that is dedicated towards business activities is tax-deductible. This deduction will include loan interest, insurance amount, other utilities, and repairs. However, there are certain guidelines for taking advantage of this deduction, so check with your professional tax preparer.
- ❖ **Home energy tax credits.** The IRS rewards homeowners who make efforts to create eco-friendly homes. The Residential Energy Efficiency Property Credit can cover the costs that are spent towards making the home more energy efficient. Homeowners can save around 20-30% of the costs incurred for installing energy efficient appliances. An important factor is that it counts as a tax credit, which means it will reduce your tax bill directly. To apply for this tax credit, you must invest in appliances that harness energy from renewable sources. Examples of these sources are solar panels, wind turbines, fuel cells, etc.



CHAPTER 5

COMMON FIRST-TIME MISTAKES

If you do decide that it makes sense for you to consider the investment of owning your own house instead of renting — congratulations! Home-hunting is exciting, exhausting, and anxiety-provoking, all with good reason. Unfortunately, many people make mistakes that prevent them from reaching their goal. Learn from these tips to avoid making costly errors that could put a hold on that “sold” sign.

NOT KNOWING YOUR BUDGET

Not knowing what you can afford is the wrong way to go into home buying. Even if you can get a mortgage on a place you really should not afford, you will be “house poor” and/or live in great debt for a long time to come. We learned from the subprime mortgage fiasco that what the bank says you can afford and what you know you can afford or are comfortable with paying are not necessarily the same. You *might* be able to eke out the monthly payment on that big old Victorian, but can you afford to furnish it? Perhaps the cute little Tudor is more appropriate.



Ensure you have a complete and accurate budget. List all your monthly expenses — excluding rent, but including vehicle costs, student loan payments, credit card payments, groceries, health insurance, retirement savings, general savings, recreation (e.g., the gym), fees, and so on. Be comprehensive and do not overlook major expenses that only occur once a year, like insurance premiums paid annually or annual vacations, or minor ones that come up more frequently and quietly pile up in the background.

Subtract this total from your take-home pay and you'll know how much you can really spend on your new home each month. When calculating this figure use a mortgage calculator to research current interest rates. This will give you an estimate of what your mortgage payments will be.

You may even realize that you genuinely cannot afford the home that you desire and that you need to work on reducing your monthly expenses or increasing your income before you even start looking.

NOT GETTING A PRE-APPROVED HOME LOAN

Some people are anxious to shop for a house and want to do it quickly, before they are financially able to afford it. If you have already started talking to sellers before having a hard talk with home loan lenders, you are making a mistake. It should come as no surprise, but not many sellers will want to work with you if you promise them a certain amount and then can't fulfill that promise.

Your assessment of what you think you can afford and the amount the bank is willing to lend you may not agree, especially if you have poor credit or unstable income. Ensure pre-approval for a loan before placing an offer. If you don't, you'll be wasting the seller's time, the agent's time, and your own time if you enter into a contract and then discover the bank won't lend you what you need, or that it's only willing to give you a mortgage that you can't or won't accept.

DISREGARDING HIDDEN COSTS

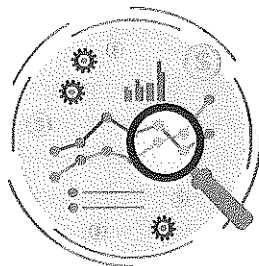
This is another common mistake that many first-time homebuyers make. If you neglect to prepare for hidden fees, you might be in for a surprise. Closing costs are a good example of hidden fees, as they usually include several fees that cover final housekeeping matters. Once you're a homeowner, you'll have additional expenses on top of your monthly payment. You'll be responsible for paying property taxes, insuring your home against disasters, and making whatever repairs the house needs (which will occasionally include expensive items like a new roof or a new furnace).



If you're interested in purchasing a condo, you'll have to pay maintenance costs monthly regardless of whether anything needs fixing because you'll be part of a homeowner's association, which collects a couple of hundred dollars a month from the owners of each unit in the building in the form of condominium fees. Before signing the homebuyer's agreement, it would be wise on your part to ferret out any and all hidden fees and incorporate them into your budget.

NOT KNOWING YOUR CREDIT SCORE

If you apply for a mortgage loan without checking your credit score, you could end up paying a lot more than you expected. It is best to perform a credit check beforehand. Take special note of the information regarding the importance of good credit in applying for a home loan and take all necessary steps to repair credit problems prior to home shopping.



DISREGARDING LOCAL HOUSING MARKET TRENDS

Like other financial markets, the housing market fluctuates over time. Sometimes it favors buyers, and sometimes it favors sellers. This can change dramatically over a three- to six-month period. A number of factors affect housing marketing trends, including the ratio between supply and demand, interest rates, and the overall condition of the economy.

It's important that you consider how the housing market changes in your ideal location, as home prices vary from one location to another. Stay alert to comparable sales (comps) in the area. If they sell for below listing price, it is a buyers' market. If they sell above listing price, it is a seller's market. This information can be important when making offers, allowing you to calibrate your proposal to better suit the market and — if you're lucky — your budget.

NOT BEING REPRESENTED BY A BUYER'S AGENT

You can browse without an agent, but once you are considering seriously looking at a house, engage a real estate agent. Do not rely on the seller's agent to represent you. In fact, it would be fair to say you should never

walk into an open house without having an agent. The listing agent is the seller's representative, is paid a commission on the sale price, and has the seller's interests in mind. A buyer's agent, on the other hand, is paid from a commission that is split with the seller's agent. All-in-all, it's pointlessly risky to negotiate conditions and sale price without proper professional representation on your side.

NOT CONDUCTING A PROFESSIONAL HOME INSPECTION

It can be a costly mistake to rely on the seller to inform you about house problems. Prior to closing on the sale, you need to know the property's specific condition. Any sales agreement must be conditional on the satisfactory results of a complete and comprehensive home inspection by a reputable and qualified home inspector. This will disclose structural and systems issues or weaknesses that can run the gamut from plumbing, gas, and electrical problems to full-blown structural integrity problems in roofing, walls, or foundation.

COMPROMISING ON YOUR NEEDS

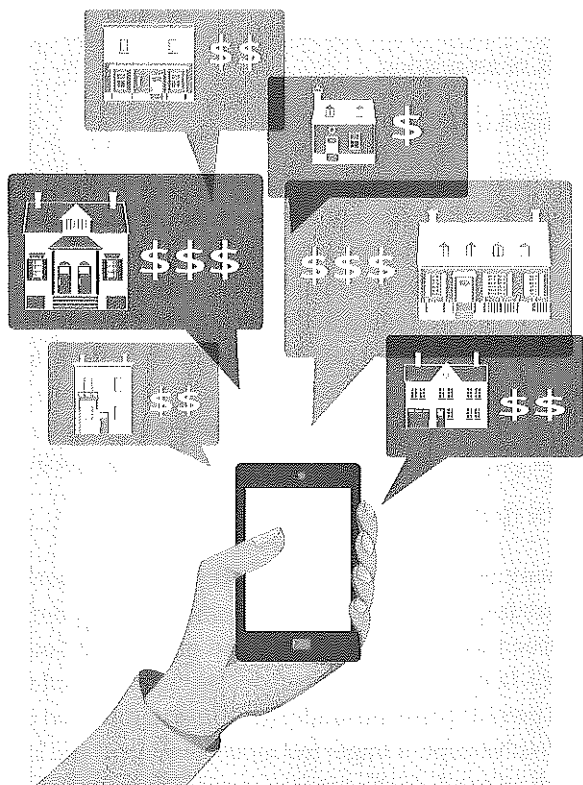
While compromises in meeting your dream-home desires are necessary in a first-home purchase, do not compromise on your needs. You can do without the living room fireplace or swimming pool; however, don't accept a two-bedroom home when you are planning to have children and will need three bedrooms. On the other hand, use your vision. Even if you hate the wall colors, but cannot afford to renovate immediately, it might be worth it to live with them temporarily in exchange for a house you can afford. If the home meets your needs in the location and size, don't let lesser physical imperfections overpower your perspective.

RELYING ON ONLINE SERVICES ONLY

Now that many real estate transaction services are obtainable at the click of the mouse, many people have become too dependent on them. While it is true that loans can be obtained online and houses can be bought as well, failure to establish personal touch with lenders or home sellers could present costly misunderstandings in future or put you at a bargaining disadvantage. It might feel more convenient and less stressful to go through as much of the process as possible online, but you may

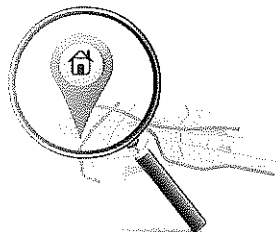
well find you've simply saved up far more stress and inconvenience for later. In the end, it's better to simply take the plunge at the outset and handle things in person when you can.

Avoiding these mistakes can help you make the right choices when it comes to finding a home you and your family can take pride in. Keep in mind, also, that if and when the time comes, the resale value will be a great help to avoid problems moving on in the future.



CHAPTER 6

SEARCHING FOR THE RIGHT HOME



Buying a home is an exciting event, but the process of finding the right one can be daunting. It's a major investment. It is an emotional time, full of lasting lifestyle decisions to make. It is not like buying a pair of shoes from the department store that are a bit snug, because you can't just return the house if you're not satisfied. Once you buy, you're in for the long haul.

To avoid costly mistakes that could haunt you for years, you need to make sure that you do your homework properly when house-hunting.

VIEWING A HOME

For most people, the prospect of going to view homes they like is a thrilling experience. It is tempting to think that that is the first step to buying a home, but it's not.

Assuming you have your down payment, mortgage pre-approval, and other financial issues handled, the first thing you need to do before viewing any home is to determine what you're looking for.

- What are your criteria?
- Do you need a set number of bedrooms and bathrooms?
- Do you want a yard?
- Do you want property only in particular neighborhoods?
- How much are you willing or able to spend?

Answering these questions as early as possible will save you time and effort spent running around to view homes that do not suit you.

Once you've decided upon your criteria, call your real estate agent. Let him or her know what you're looking for and what your price range is.

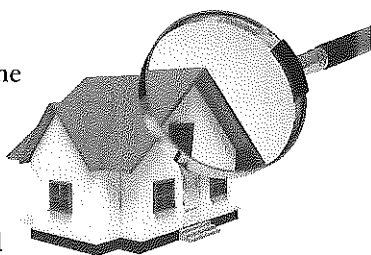
He or she will get to work on your behalf, short-listing the properties that meet your criteria so you can start your viewing from there. Then you can finally get to the fun part, finding that perfect home you've been dreaming of!

SCHEDULE ADEQUATE TIME

When going to view homes, make sure you've got plenty of time to really view the home from a critical perspective. Schedule enough time to do a proper inspection. Look into all closets and crawl spaces. It is possible you will be living there for years to come, so five minutes strolling around is not going to cut it. Two hours to view your potential house is an appropriate calendar entry. Research suggests that when buyers spend a longer time viewing a home, they are more likely to end up paying less than the initial asking price.

BE THOROUGH

Part and parcel with scheduling adequate time to view the home is using that time well. Be thorough when checking it out. Open drawers, cabinets, and cupboards — the dark back corners of cupboards, outside easy reach or cleaning, are a perfect place to find the telltale signs of bngs or other pests. Look behind furniture, and even under it to find stains or signs of wear not readily evident. Lift up rugs if necessary. While this may seem rude, it is not. You are about to make a substantial investment and you need to know exactly what you are getting.



Sellers have no obligation to inform you of or show you every single defect in the home, so you need to find them yourself. An artfully positioned chair could be hiding something, so feel free to look where you need to.

Of course, if you've dismissed the home from the start, do only a minimal walk-through or don't bother with the inspection at all. But if the property has potential and is something you like, open every door, look in every closet, and shine a light in every shadow.

WHAT COMES WITH THE PROPERTY?

Make sure you know exactly what, aside from the house itself, you're paying for. Confirm what does or does not come with the home. For example, are the stands or fixtures for the exclusive use of that home, or will the owners be removing them on the way out? Are appliances such as refrigerator and washer/dryer included in the sale? Make sure to get confirmation in writing if you decide that you would like to buy the property — there's nothing to sour moving into a new home like finding out you need to buy a host of pricey accoutrements to replace the ones you *thought* were included with the house.

DON'T BE FOOLED BY STAGING

Sellers use clever tricks to make a home more appealing. They can strategically light a room to draw attention away from a problem or apply fresh coats of paint to cover water damage or a mold issue. While you are viewing the house, look beyond the immediate aesthetics of the interior décor. Focus your attention on what you will get when the furniture and interior décor are stripped away.

KEEP EMOTIONS AT BAY

When viewing a home initially, try not to get attached immediately. Keep emotions out of considerations and only consider the potential property as a building you need to inspect and assess for others. Rapid emotional attachment may cloud your decision-making or allow you to overlook failings in the house you might see differently without an emotional lens. If you get attached from the get-go, you might make an emotional decision and overlook major problems. Without question, an emotional attachment will affect your ability to calmly and dispassionately negotiate.

VIEW MULTIPLE TIMES

If you have found a likely prospect in which you have a serious interest, view it multiple times. You are more likely to identify potential problems if you view it several times at different times of the day. You will also glean knowledge of the neighborhood at various times. Is a street that is not busy in the late morning a commuter route in early morning and mid-afternoon? This way, you will know what traffic is like in the area and the noise levels that occur at different times. Getting a good sense for the environment can be just as valuable a benefit of viewing a prospective home as what you find inside the house itself.

CONSIDER THE OVERALL CONTEXT

When viewing, don't just consider a property on its own, view it in the context of its location. What is the area like? Is the property adjacent to a train track or noisy intersection? Is there a pub or bar close by that gets noisy at night? How close are you to the things you might need, such as schools, public transit, a grocery store, or hospital? These are important questions to consider when viewing properties, as they can add or subtract from the overall enjoyment of your home.

LET YOUR AGENT DO THE JOB

Do not go viewing on your own. There is a security factor in traveling to unoccupied houses alone. Additionally, there are other ways this makes you vulnerable. A seller's agent might think you are unrepresented and attempt to take advantage of you.

Let your agent do their job. If you come across a property that interests you, but your agent has not told you about it, it may not meet all your criteria. If you think you want to view it anyway, contact your real estate agent with the address and phone number. Your agent can arrange a proper viewing for you, with the owners absent and themselves on hand to help keep an eye out for possible flaws, as well as provide an emotionally-uninvolved perspective to balance out the rosy tint of excitement.



THE CONDITION OF THE PROPERTY

When assessing a home for potential purchase, there are important items to be on the lookout for, the primary one being the condition of the property.

- **Is the home structurally sound?** Walk around the interior of the home checking the walls and ceilings for cracks. Hairline cracks are to be expected in some places, but larger cracks or an unusual amount of smaller ones may warn of problems to come. Check the exterior for cracks as well. Points at which extensions join are places to pay close attention to, as cracks often occur there. Also look for loose or broken tiles or shingles on the roof or broken guttering, evidence of damage to the drywall, and weaknesses in the floors. If you do find something wrong, it is a perfectly legitimate question to ask how long it has been like that and it will be fixed. If you see major cracks or bowing walls, have a structural engineer assess the situation.

- **Look (and smell) closely for evidence of mold.** Mold and mold damage is a major problem that will cost you a lot to clean and repair. Don't just look for it — use your nose as well. Mold frequently gives off a musty smell, even when there are no visible signs. Inspect all crawl spaces, basement areas, and walls. Plaster that is flaking, watermarks on walls or ceilings, or even a fresh coat of paint in part of a room could be indications of mold. Do not forget to check the ceiling and around the skirting boards properly for evidence of leaks or water damage.
- **Ensure heating, air-conditioning, and electricity are in good working order.** Other aspects to consider when looking at the general condition of the property are the heating and air conditioning systems. Have an expert assess that they are the appropriate models and capacity, and that they are working properly. Check the fuse box. It should not be old or outdated, must be easily accessible, and in good working condition. Ensure wiring was installed properly — you don't want to spend a fortune rewiring the home to bring it up to a standard. Also be sure to consider if there are enough power outlets and if they are in good condition.
- **Inspect basements and attics.** Check the attic for water leakage issues or signs of pests. Look for water damage or leaks that may have affected the insulation, walls, and ceiling of the attic. Make sure that the insulation is adequate for where the property is located, and that nothing appears to be nesting in it. In the basement, look for evidence of moisture problems. Is there water leaking onto the floor or water stains around the foundation? There should be no cracks in the basement walls and any wood such as exposed beams or wooden stairs should be in good condition with no rot.
- **Look at pipes, turn on taps.** Check that the plumbing is up-to-date. Run taps to ensure they work properly and the water pressure is strong enough. Exposed pipes in unheated areas should be insulated, as frozen pipes will eventually cause water damage. It is particularly important from a health perspective to ascertain that the pipes are not made of or lined with lead. If they are, you will have to replace them, no matter the expense. Also, check the age and condition of the hot water heater — important both for your convenience and your safety.

- **Is the exterior of the home in good shape and well-maintained?**
Check for evidence of water around the foundation, which may indicate drainage issues. The ground should slope away from the foundation, not toward it. If there is a porch, it should have a foundation as well and not simply sit on soil. Check that driveways and walkways leading up to the house do not have cracks and are not crumbling. Check that the siding of the home is in good repair. Look at the landscaping on the property. It should not be unkempt and unsightly, as that can indicate a lack of care. The sprinkler system, if there is one, should be in proper working condition. If there is a deck, ensure there is no decay or damage from termite or beetles.

PROPERTY HISTORY

It is a good practice to know all that you can about the sales history of the property you have under consideration. Do not simply settle for the information contained in the customer copy of listings. Ask your agent for more detailed info. Find answers to how long the property has been on the market and if it was previously listed, withdrawn, and relisted for a lower price. These kinds of questions can help you decide how much to offer.

You also need detailed information on the property, most of which will be available from public records. A bit of research online in the records will disclose the name of the owner, original age of the home, mortgage history, parcel number, previous sales of the property, property deeds, and any judgments or liens filed against the seller. Information about how much the property taxes are and whether they are paid or in arrears will also be available in the records.

You will also be able to see if there were permits obtained to make improvements on the home. These permits could complicate the sale of the property if liens were attached by workmen or improvements were not done up to code.

Do not skip this search, because it reveals important information about the property you are interested in and could save you money. You can get this information through your agent if you are using one,

since most agents subscribe to services that give them access to such data. If you are not using an agent, you can obtain this information through a local title company or can order it online for a small fee.

MAKING THE CHOICE

Once you've done all your homework, you need to decide whether to buy the house. It is important that you step back and evaluate all the information available to you from viewing the house, inspecting its condition, and researching public records.

Keep in mind:

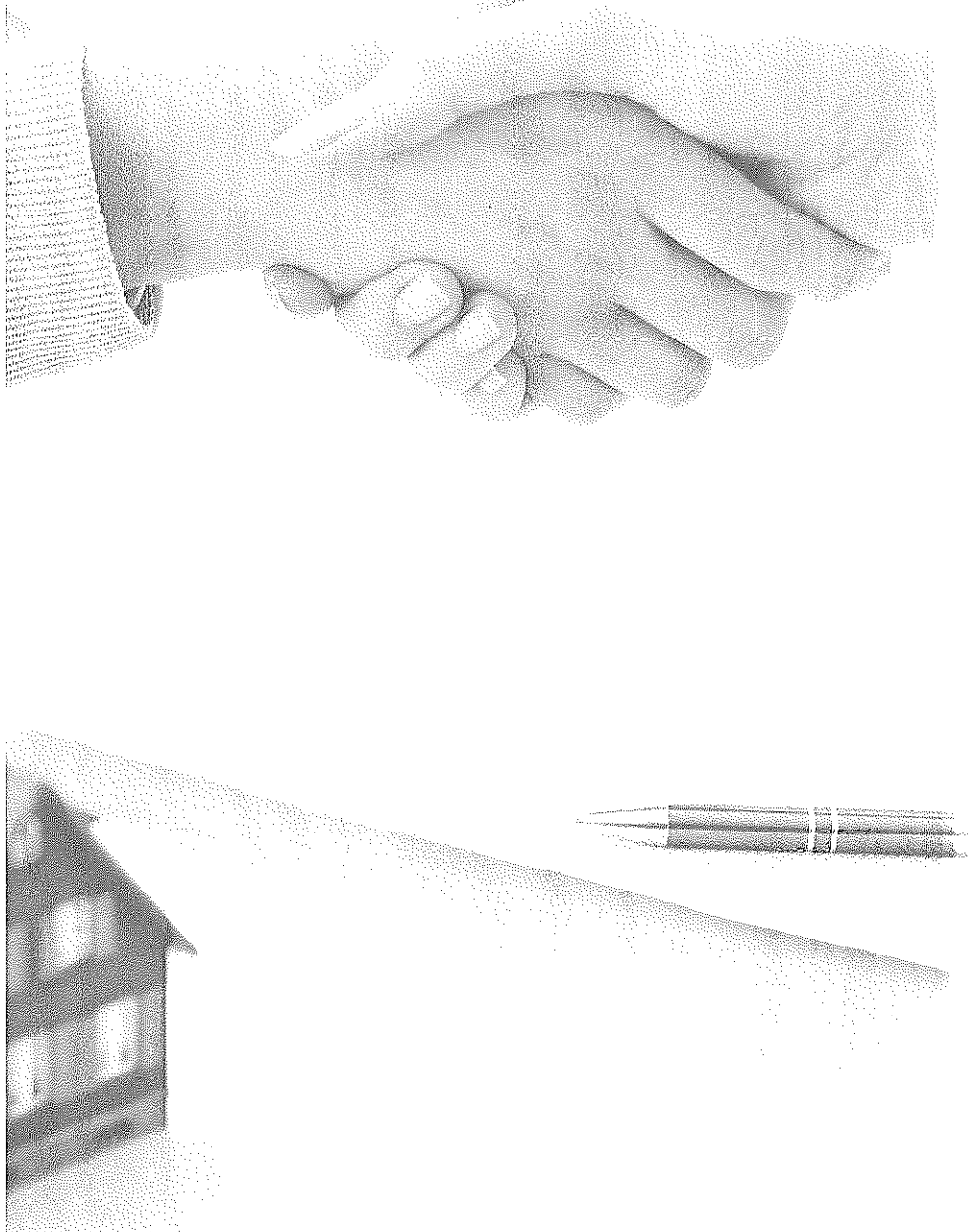
- You may, and likely will, need to compromise on some of your priorities. No home is completely perfect and a first home is often a “starter” on the way to a dream home. However well it fits your needs, desires, and lifestyle, there will be things you wish you could change. If only it was facing that lovely park you saw on the way there, or if only the house you preferred was in that other neighborhood, or if only this cost a little bit less. At the end of the day, you will need to decide on which factors are most important to you. If you prefer the neighborhood over the house, you may decide to look for a different type of property within the same community. A condo for instance, instead of a town house.
- If finances are the issue, you may want to discuss with your bank if they would be willing to increase your mortgage. This is only if you can afford it — there is no point in getting into financial trouble just to get a particular property when more affordable ones could do just as well.
- Lower your expectations on the condition of the home. If your inspection revealed a few small problems, you could still buy the property and do the repairs yourself. Use the problems as a bargaining chip to get a reduced price from the seller after getting a quote from a professional for the cost of repairs. Do not estimate based on your judgment and do not let the seller decide how much he thinks it will cost. Also, do not let the seller get the quote.

- Be prepared to walk away. This goes to our earlier point about not getting emotionally attached until you have bought and moved in. If at the end of the day you find out the compromise required is more than one you are prepared to make, walk away.

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PART 2: BUYING



CHAPTER 7

12 STEPS TO BUYING A HOME

We have been over much of the material here in greater depth elsewhere; however, this is a 12-step checklist and program that will make the home-buying experience more rewarding and less anxiety-provoking.

BUYING STEP #1: FIGURE OUT WHAT YOU CAN AFFORD (ACCOUNT FOR EXPENSES)

You know by now that the purchase of a home is a complex process. In particular, buyers will often feel troubled by the huge expenses involved. Before setting out to buy a home, consider its affordability. You need to know if the particular home is in your budget.

A home may seem affordable to you at a glance, but there are hidden expenses involved in buying. These expenses may lead you into financial problems. The actual cost of the home will always end up being more than the selling cost indicates, because there are added fees, as well.

You need to make a detailed examination of the housing market to figure out your price range. You will also need to figure out any issues you might have meeting your basic needs. Do research on school districts, impending construction, crime statistics, or anything else that could increase or decrease a home's value.

BUYING STEP #2: MAKE SURE YOU CAN GET A LOAN (CONTACT A LENDER)

Buying a home requires an amount of money normally not available to a buyer in their pocket or bank account. For this reason, buyers contact lenders for loans. There are lenders who will provide you with loans outside of your budget. For potential homebuyers, it is important to stay disciplined and go for an affordable home purchase.

Buying a home is expensive and can also be invested with emotion. It requires careful thinking about your current financial situation. There needs to be emotional control and you must make decisions solely based on your budget. Do not go out of your budget for a house just because it “feels like the perfect home” — overreaching your means will only cause you to experience financial problems in the future.

The best approach is pre-approval by a reputable and prudent mortgage lender with whom you have worked to assess affordability of a mortgage with your budget.

BUYING STEP #3: CREATE A LIST OF WANTS AND NEEDS

A certain amount of energy is required when deciding your list of wants and needs for the home. Based on your specific budget, you must figure out what’s important to you and what you are willing to compromise.

Wants and needs play an important role in the buying decision. If your dream home is outside of your budget, you may need to settle for something cheaper — at least for now. Nobody ever said your first home had to be your last!

When estimating all your needs and wants, it can be productive to assign a numerical value, such as 1 to 10, on the items that are important to you. While visiting homes, you can then visibly chart which homes have the highest value to you.

BUYING STEP #4: LOOK AT HOMES

After making a list of needs and wants, a complete search should be done on all houses available for sale. The houses that come under your budget requirements should be visited and everything within them should be inspected. Home inspection is crucial for the buyer of the potential house.

It is the duty of the buyer to inspect everything in the house before buying. This includes the sanitary system of the house, the condition of the garden, the sturdiness of the porch, the quality of electrical wiring and water connections, and doors, windows, and cupboard locks and durability.

BUYING STEP #5: PICK A LOCATION

Among the most important choices people must make when deciding on a home is the location. Before buying a home, visit the home and consider every aspect of it. This includes what the other members of the family think of the house.

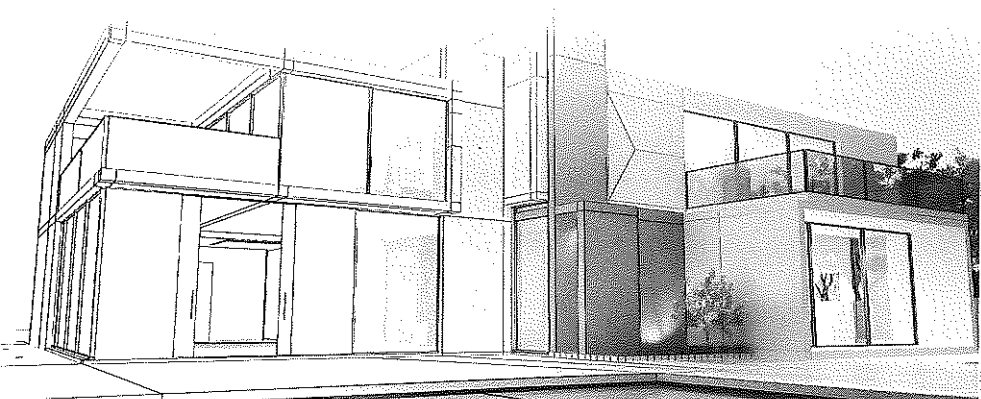
Every family has different demands for their home. Home is a place you are connected to, not only physically, but spiritually and mentally as well. Commute to work is also an important factor to be looked at before purchase.

It's a demand of almost every buyer that their home be in a peaceful location. There are places that can meet that need in almost every environment, though, from the urban to the suburban to the truly rural. Find the right balance of bustle and tranquility that works with your needs!

Every place has its own specifics related to the water supply, sanitation, and market access. These things can increase the market value of the property or decrease it. Look at all surrounding areas to see if this is the place in which you can see yourself and your family.

BUYING STEP #6: DECIDE HOME DESIGN

After the price of the home has been discussed, home design is the next major aspect to consider. Every buyer wants their demands met — wants to find themselves in the house of their dreams. Do you prefer a ranch or a Tudor home? One story or two? Family room, man cave, or she-shack? In any event, the rooms should have a proper design and up-to-date ventilation system. All these points are necessary to ponder when buying a home.



BUYING STEP #7: CONTACT AN AGENT

Contacting a reputable qualified professional real estate agent is highly advisable; one would be safe to say it's downright mandatory. The agent will find a house for you according to your needs and desires and show you multiple offerings. It is not easy to go out and search for homes without backup, so let a person who has a deeper knowledge base on the matter and a wealth of relevant experience help you find the right home for you and your family. Good agents will note all details about the houses and if it's out there, they will find a perfect home for you.

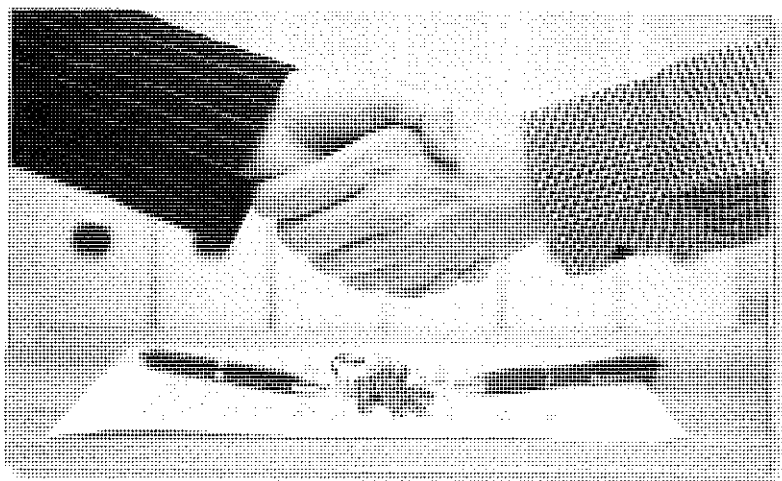
By contacting an agent, it's possible to find a less expensive house as well. Agents will have details and listings you may not have found on your own. It can be difficult to make a correct and viable decision on a home when you're all on your own.

Agents not only have all kinds of different choices and options to present you, they can also show you various quality locations and guide you through the buying process.

Many buyers are confused about how buyer's agents get paid. The seller pays the buyer's real estate commission to the listing brokerage. Real estate agents are prohibited from being paid a commission directly by the consumer. All real estate commissions are first paid to the listing agent's broker, and then the listing agent's broker pays the buyer's brokerage. Buyer's agents do not work for free. When you engage a buyer's agent to show you property, you are implying that you will eventually write an offer through that buyer's agent, from which the buyer's agent will share in the commission.

BUYING STEP #8: MAKE AN OFFER

The first step to actually buying a specific home, once you've researched and compared and visited, is to make an offer. This means proposing a price to buy the property. In the real estate arena, you will find that there are many legal requirements to fulfill and that spoken promises mean nothing in a court. In this sense, you will find the assistance of experienced real estate agents really useful.



There are standard kinds of forms you need to comply with, such as the Residential Purchase Agreement. Choosing to work absent the guidance of a real estate professional will leave you vulnerable to mistakes that can prove costly to correct, or even botch the deal entirely. Real estate laws vary from state to state. These laws can also change over time. You must be up-to-date on the latest home buying information available for both your time and place. Don't assume that because you bought a house in California last year that you know the rules in Florida!

The offer made must conform to local regulations. It must generally make a mention of the price, including the terms and conditions governing the purchase. For example, if the seller agrees to pay a given sum of money on your closing costs, make sure that this is included in the proposal with the specific sum in clear and certain terms.

Upon drafting and signing the offer, it is forwarded to the seller through your real estate agent or through the seller's agent. In some places, the sales contracts are drafted by lawyers.

The purchase offer is not a binding sales contract. It is the buyer's offer on the house based on its current condition and with the items the buyer expects to remain with the property. If the seller doesn't agree with some of your terms, he'll cross off items and initial his changes.

Any change the seller makes to your offer voids it and it becomes a counteroffer which you can accept, refuse, or change, initialing each of your own changes in turn and creating another counteroffer to send back to the seller. Offers can go back and forth several times during negotiations. The offer does not become a contract until everyone agrees to all changes in writing.

There are many important aspects to be included in the purchase offer. These include: the physical address and the legal description of the property; price and terms of purchase (whether it is an all cash transaction or a mortgage purchase); promise by the seller to give clear title to the buyer; target date of closing; earnest deposit associated with the offer and the mode of depositing the same (whether through cash or check); the disposition of the earnest deposit if the deal fails or if either party backs out of the deal; plans for adjusting taxes, rents, fuel and water bills between the buyer and the seller; information on who will pay for the title insurance, survey, inspections and other miscellaneous expenses; the kind of deed that will be granted; other legal requirements depending on the state; attorney review of the contract if needed; disclosure regarding any environmental hazards; and the time after which the offer will expire.

An important aspect of a purchase offer are the contingencies. For instance, you might make your offer contingent upon a particular event. This means you will go ahead with the offer only after that event is satisfactorily resolved. In general, there are two kinds of contingencies: financing and home inspection.

A deal is frequently made contingent upon the homebuyer succeeding in getting some specified amount of financing from a lending organization. Also common is a contingency declaring the deal will only go through if the recommendations made after the home inspection are deemed satisfactory. These two contingencies are probably the most common, and both frequently appear together.

If either of these two contingencies is not realized, the contract would be void. Also, it is important to mention all the inspection conditions in the purchase offer.

BUYING STEP #9: PUT MONEY IN ESCROW

While purchasing a home, the buyer is expected to put money into escrow. This makes the contract binding and subsequently moves it through closure. Escrow is the period between the time a purchase offer is made on a property and the time when that property's title is transferred to the new owner.

The initial deposit amount collected as part of the escrow is also referred to as good faith earnest money. This is the payment that will follow the home purchase process.

How much is to be deposited in the escrow will depend on the terms in the purchase offer.

An escrow agent is a third party enjoying a neutral state between the buyer and seller. The escrow is assurance to both parties and is involved in the transaction so that the clauses of the offer will be met completely.

In the real estate arena, the escrow process is essential in cases where the ownership title is to be changed. The escrow agent is the manager of the trust account that holds the funds that will cover the value of the transaction.

The money collected from the buyer is held in escrow until the seller completes their obligations and transfers the title to the buyer. After this, the payment is remitted to the seller. The earnest money is used to cover some or all of the down payment, purchase price, and closing costs.

BUYING STEP #10: NEGOTIATE WITH THE SELLER

This is the toughest aspect of a home purchase for many buyers. Here, you will find the help of the real estate agent highly useful.

Plan how to make a winning negotiation. This requires thorough market research and is achieved through successful negotiation strategies.

Once you find your prospective house and intend to make an offer, review comparable sales in the area. Compare these comps with the target house. This helps validate the asking price.

Once you have researched properties similar to the one you wish to buy, take the average price of all the homes and mention it in the offer. It is important to visit the homes you are using as comps before deciding on a price.

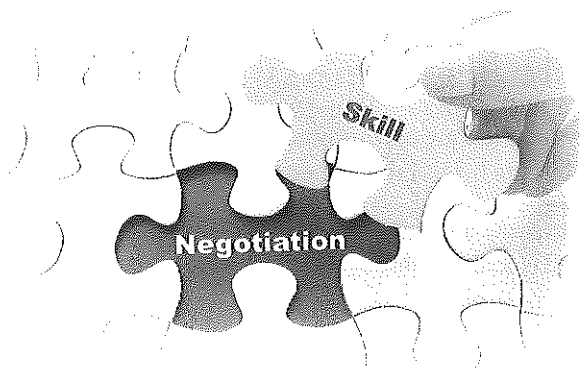
If the target home has additional features, you need to consider them in the price quote. It is best to mention the comparable sales in negotiations. It will give the seller an idea that you have done your research on this, strengthening your bargaining position.

A purchase offer can evoke three possible responses from the seller. First, the homeowner might accept your offer as it is. Second, he might counter the offer by demanding changes. Third, he might reject the offer altogether with a completely different counter proposal.

To deal with the response effectively, you must first know the maximum amount you are prepared to spend on the deal. If you have convinced the seller to come down from the listed price (as guided by the comps) and now the seller comes down on the price through a counteroffer, you will need to figure out how badly you want to go ahead with the deal.

If you persist with your offer price when there is high market demand, then you might lose the property to some other buyer.

Always remember that home-buying negotiation is a professional business transaction, so don't approach it with personal sentiments.



If the price that the seller demands is too high relative to the comparable value of the property, then you must know when to walk out of the deal, no matter how painful it may be.

BUYING STEP #11: THE CLOSING PROCESS BEGINS

Also referred to as settlement or escrow, the closing process is highly automated and computerized. Although almost *pro forma*, the closing process is meant to bring all the parties involved to the same platform.

During the review of the property's ownership, there might be errors, unreported claims, or flaws in the review. Thus, the need for title insurance. During closing, all the prevailing transfer taxes must be paid. You must also settle all other claims, such as closing costs, legal fees, and adjustments. It is the responsibility of the closing agent to do the documentation regarding the loan. When compared to the other processes connected to home buying, closing is a brief one. It only involves the completion of the transaction agreed upon.

In most closings, the buyer and the seller are present in an office setting. They commit themselves to completing all the papers concerned. The objective of the closing process is to transfer the title of the property to the buyer.

While the buyer receives the keys, the seller gets the payment. The closing agents deduct the necessary funds to pay the existing mortgages and other costs connected to the transaction.

During the closing process, the deeds, loan documents, and other papers are prepared, duly signed, and submitted to the offices maintaining property records.

Before the closing process, the buyer needs to inspect the property personally. You want to verify that nothing has changed about the property following the signing of the agreement.

Since the closing agents take care of the documentation for the title companies, lawyers, and lenders, the buyer will have little work.

The paperwork will enable the parties connected to the transaction to verify their interests.

The end result of the closing process is that the buyers receive the titles to the property, the lenders get their loans documented in the public records, and the state governments get to collect the taxes generated by the transaction.

BUYING STEP #12: IT'S NOT YOURS UNTIL YOU CLOSE

When everything looks set and all is going well, nothing could be worse than the deal falling apart at the last moment — but it does happen. This can be due to a variety of reasons including home inspection, low appraisal, or failure to obtain appropriate financing. It is easy for buyers to ensure the deal goes through, though, if they know these potential pitfalls beforehand.

First is the most straightforward kind of issue: if physical damage is noticed during the home inspection, the deal could be called off. If the house isn't sound, isn't safe to live in, it should come as no surprise that its purchase might not go through.

It is better to have a pre-approved loan to make sure finance is not a problem. Many applications get rejected during the mortgage approval process. As you are finalizing the deal with the seller, it is a good idea to be in contact with all the agents involved to make sure you know the status of your finances. Finalizing the deal with the seller, but faltering when getting loans will stall or even sink the deal in almost every case.

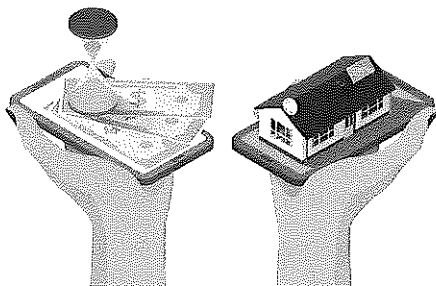
Low appraisals are another of the major breakers of these deals. If the appraisal is too low, the lender will not give you a loan for the deal.

Title insurance and home inspections should also be expected. The lender will have to make sure the seller fully owns the house. Defaulters will not own the house fully.

All these cautionary concerns need to be kept in mind by the buyer. If anything goes wrong but appropriate contingencies are in place, the deal may still be saved.



CHAPTER 8



HIRE AN AGENT OR BUY ALONE?

The ease of online transactions and proliferation of services designed to assist buyers with handling their own real estate transactions is relatively recent, occurring primarily over the last decade. This has led to buyers questioning if a real estate agent is really necessary or if it's an expense that can be avoided. While doing the work yourself can save you the commission real estate agents command, for many, a do-it-yourself home purchase may be costlier than a real estate agent's commission in the long run. There are a variety of major benefits to retaining the services of a professional real estate agent — the following are just a few.

MORE ACCESS TO THE REAL ESTATE MARKET

A real estate agent will have better access to the market, and special knowledge of local conditions. The agent is a full-time liaison between sellers and buyers. An agent will have ready access to other properties listed by other agents. Buyers' and sellers' agents know how to put a real estate deal together.

A real estate agent will track down homes that meet your criteria, contact sellers' agents, and secure appointments for viewing the homes. Buyers on their own have a more difficult time.

NEGOTIATING IS HARDER ON YOUR OWN

A real estate agent will keep the transaction “at arm’s length,” such that personalities and emotions do not become involved. Price negotiations take a special skill set and understanding of the psychology of negotiation and bargaining, offer and counteroffer. Agents keep the transaction dispassionate — for example, if you, as a buyer, like a home but despise its wood-paneled walls, shag carpet, and lurid orange kitchen, you might have trouble keeping your distaste from showing through to the seller. Working with an agent, you can express your contempt for the current owner’s decorating skills and rant about how much it will cost to upgrade the home without insulting the owner.

CONTRACTUALLY SPEAKING . . .

There are a number of contracts and documents involved in purchasing a house. Unless you are a real estate lawyer or title agent yourself, these will almost certainly be foreign to you. Yet, they require detailed and accurate completion. Buying a property is not necessarily a “fill in the blanks” transaction and any mistake in the extensive documentation needed could haunt the buyer well down the line after purchase.

An experienced real estate agent deals regularly with these contracts and conditions, and is familiar with which conditions should be used, when they can safely be removed, and how to use the contract to protect you.

YOU WON’T NECESSARILY SAVE MONEY

The point of not using a real estate agent is usually to save money, but it is unlikely that both the buyer and seller will reap the benefits of not having to pay commissions. An owner selling on his own will likely price his house based on the sale prices of other comparable properties in the area. Many of these properties will be sold with the help of an agent; therefore, the seller gets to keep the percentage of the home’s sale price that might otherwise be paid to the real estate agent.

Buyers looking to purchase a home being sold by owners without an agent may also believe they can save money on the home by not having an agent involved. They might even expect it and make an offer accordingly. However, unless buyer and seller agree to split the savings, they can’t both save on the commission.

Here is a short list of advantages using a real estate agent can bring to your buying experience.

- Education & Experience
- Agents Are Buffers
- Neighborhood Knowledge
- Price Guidance
- Market Conditions Information
- Professional Networking
- Negotiation Skills & Confidentiality
- Handling Volumes of Paperwork
- Answer Questions After Closing
- Develop Relationships for Future Business

HOW TO HIRE A GOOD AGENT

How do you hire a good agent who meets all the criteria and has the right qualities to find you the house you want and need? A good agent will have a special knowledge of homes in your areas of interest. They will be informed of everything you need to know about the property.

The first step to finding a good agent is to contact one. Real estate agents are not shy and do not hide their lights under bushels. One way to find a good local agent is to simply drive around your areas of choice looking at the “for sale” signs. Who is selling them? Better, which agents have the most “Sold” signs in the neighborhood?

Doing an interview will help you find the agent you are looking for. The purpose of interview should be to check the qualities of the agent. Is this agent the right fit for your home buying process? Do they have the qualities you are looking for in an agent?

The agent must have a history of ethical behavior, moral aspects, working capabilities, ideas, and motivation for their work. Another important factor to consider is the agent’s experience. Do they have

positive feedback from previous clients? References? Are they new to the job, or a long-time veteran?

Ask how many home sales they closed in the area you are looking at. This will be a key step in learning the expertise of the agent. If the agent has never made a deal in that area, you may want to keep searching for a more qualified agent.

A simple way to review everything before signing or hiring an agent is checking these things:

- ☑ Previous deals (portfolio).
- ☑ Working hours, capabilities, skills, motivation, ideas, and loyalty.
- ☑ Ethical exam certifications.

Take the time to interview real estate agents in your area. Here are some more detailed traits to look for when hiring an agent. Is he or she...

- ? **Current?** Is the agent up-to-date with the latest housing trends so he/she can serve you effectively?
- ? **Connected?** Does the agent have the necessary contacts to assist in every phase of buying a home? A network of connections should include home inspectors, quality service people, other brokers, and county officials.
- ? **Knowledgeable?** Is the agent familiar with the current market and able to help with price issues strategically? Does he/she know the area and its foibles well?
- ? **Organized?** An agent must pay close attention to your specific needs well, and be quick to follow leads and communicate.
- ? **Personable?** Agents who are sincerely interested in helping you will “go the extra mile with a smile.”
- ? **Passionate?** Some agents treat their job like a hobby or just a way to earn extra income. Find an agent who is passionate about real estate and loves the job; you’ll find they work harder, longer, and produce better results.

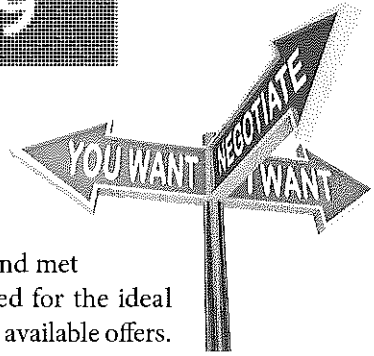
- ? **Tenacious?** Successful agents possess a strong work ethic. They are efficient and take advantage of any timesaving tools that help sell your home, but won't be put off by a long hunt.
- ? **Honest?** Professional real estate agents build their reputation on high standards of business practices, and with good reason.
- ? **Self-motivated?** Real estate agents are commission-only businesspeople. Successful agents work hard because what benefits their clients also benefits them.
- ? **Tech-savvy?** Agents well versed in the latest technology for marketing homes should have a website, social media setup, user-friendly home search options, and quality presentations online with high-resolution images of homes, accompanied by videos and slideshows. Some real estate agencies go so far as to have smartphone applications.

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CHAPTER 9

DOS AND DON'TS OF NEGOTIATIONS



You've visited dozens of open houses and met with builders and sellers. You've looked for the ideal neighborhood and searched for the best available offers. Now you've finally found the property you are willing to pay for. Or, maybe you were lucky. It was a love at first sight and now you are eager to close the deal as soon as possible.

Welcome to the most important and challenging part of the home buying process: the price negotiations.

Start with advance knowledge of your financial status estimation and available financing options. As discussed earlier, if you are a first-time homebuyer there will be federal programs and state loans to help you with down payment and mortgage interest rates. By this point in your search you likely know how much money you wish to spend. Seriously considering all available opportunities and possibilities will give you flexibility during the negotiation process.

HOW TO MAKE YOUR FIRST OFFER THE BEST OFFER

Making your first offer is an important step and calls for a significant amount of preparation and analysis. Go in knowledgeable, with consideration of all the components of your price offer when submitting the proposal to the seller. You are not so much responding to their listing price as using your own factors in arriving at your offer. The two are not necessarily related.

An important component is a comparative market analysis, which is a mathematical model to find out the real market value of your future home. It calculates the basic elements, such as number of bedrooms,

bathrooms, and existence of a yard or swimming pool. Then it compares your potential home to similar houses on the market in your area. This model will give you an idea of the average local cost, which will be fundamental for your offer.

After the approximation, add or remove the components that increase or decrease the value. For example, you know that the current owners have recently changed all the plumbing in the house. Or the opposite, their plumbing is fifteen years old and will probably start breaking down soon. Get estimates for any immediate repairs necessary, or ask for estimates.

Then research the market trends. Is the local market going up or down over the last few years? Do people buy or sell more? Are there houses being built that will soon be for sale? Are there teardowns and new construction that would indicate rising local home prices?

Those calculations and forecasts may take time and effort, but they will leave you with options to consider and choose from. The real estate agent's services will be very helpful here in particular. It will not take this professional as much time to evaluate all the pros and cons and come to you with a proposal.

Your real estate agent will assist in this analytical process and usually with the decision itself. The agent may advise on your offering price and the right adjustments for the various factors involved.

After you agree on a price, the agent will send the proposal to the seller or the seller's agent. The seller or their agent will either accept it or present you a counter-offer. Negotiations will go back and forth until you settle and reach an agreement. After that, the home buying will move into the escrow stage.



NEGOTIATING THE PRICE: WHICH TACTICS TO USE

The goal of your negotiation is to buy a house for an amount of money you are willing and able to pay, and if you get it for less than you were willing to pay, you have exceeded your goal. Decide upon the highest maximum amount that you can afford and do not ever offer more. If you pay more than your maximum amount, you have already lost.

Depending on what kind of market you are in, strategy and tactics will vary. In a buyer's market (i.e., there are more houses on the market than buyers looking), you have more opportunities to succeed. You can make a less reasonable offer, demand some house improvements, a better closing date, and even payment of closing fees by the owner, depending on how dramatically the market leans in favor of the buyer.

In a seller's market, you have less leverage, as you are not the only one in line. You are most likely to succeed by offering a price close to or the same as the seller's price. If he does not get it from you, he will receive another offer soon, and can afford to turn down a lower offer.

It is good to investigate why the owners are selling the house. Do they want to sell it because they are moving for a new job? Are they moving soon and in a hurry (i.e., are they "motivated sellers")? Has the property price been reduced due to an extended period on the market?

In both cases it is likely they will want to sell quickly. You can more safely stand your ground if they make a counter-offer in such situations.

If the house has been listed several times with a stable price, it is a sign the homeowners are taking their time and may be waiting for the highest offer.

It is vital to understand that both the buyer and the seller may lose sight of the final goal: to buy and to sell. Sometimes the parties get carried away in a battle of negotiating. Lock your eyes on the ball, but at the same time keep your expectations realistic.

The following tactics will hopefully help you to stay focused.

- **Use the Middleman.** Your real estate agent should be your middleman to negotiate with your seller's representative. Using him as a buffer will save you time and aggravation. He may also provide useful information concerning the sellers and their intentions, which the other party will not disclose to you.
- **Wait for the "Big Boss."** Some third-party person (attorney, lawyer, professional friend of the family) needs to see and evaluate the offer and provide his or her expertise. This is a chance to lower the seller's counter-offer and keep your position. In addition, you will make the seller wait. This may make the seller believe you are considering other options and make them more amenable to your proposals.
- **Be Curious.** Asking questions may draw valuable information from the seller. It might help uncover the reasoning behind the house's sale. This could offer valuable leverage, if you do not know it yet.
- **Consider Compromise.** Be ready to give away something during the negotiation.
- **Focus on the Main Goal.** Remember your main goal: to get the house. Sometimes you will get stuck negotiating on minor details. It can be a good tactic to wait until you come to an agreement on the main points before proceeding to the details.

HOW TO AVOID MISTAKES DURING THE NEGOTIATION

Whether you are buying a house for the first time, or just got carried away in the intensity of negotiation, mistakes happen. Keep these simple rules in mind.

- **Be Nice.** No one likes rude people. Try not to offend your seller during a house visit. For example, discussing necessary renovations and the poor taste of the decorations may hurt feelings, if not the deal as well.
- **Be Calm.** Do not express too much of an interest! Most specialists agree that when sellers see how much you want this house to become yours, they won't accept your first offer. To avoid a counter offer, you should always play it cool, no matter how perfect this property is for you.

- **Think like a Seller.** Change your perspective. Take a different look at this situation. Imagine you must sell this house in two, five or ten years. Will it be possible, or does it lack some basic features that the housing market considers essential?
- **Do Not Expect the Price to Lower After Inspections.** Bid lower than you can pay, and make your final offer with the most comfortable price you can afford. Repairs after the inspections will, most likely, not cost the seller millions.
- **Sign Cautiously.** Make sure you acknowledge all terms and realize all liabilities before you sign any documents. Once you sign the contract there is no way to make amendments without renegotiating and signing a new one.

WHAT IF THERE ARE MULTIPLE OFFERS?

In a seller's market, you will probably have competition for the house you wish to buy. Sellers might be considering several offers at the same time. They will make their decision based on the best offer. They may also choose to work with one potential buyer and only send counter-offers to them.

You as a buyer will not know. The best way to protect yourself from multiple offers is to make your offer better than the others. Receiving a pre-approval for the mortgage will be a good start to becoming the seller's choice.

Also, let the seller know the financial options that you have. Some mortgage conditions and funding programs are more attractive and may influence the seller's decision.

Bid close to listing price. There is not much sense in offering significantly less in a seller's market. Doing this will save you time and curtail an extended counter-offering process.

It would be helpful to review your contingencies list. The fewer clauses you have there, the more attractive your offer seems to the seller. However, it is recommended not to remove home inspection. This would mean the seller would not be liable for any uncovered issues with the house, and you would have to pay for the repairs on your own.



Showing your intentions by offering a large good faith deposit and down payment will usually convince the owner of your commitment. This may finally tilt the balance towards your proposal.

Negotiating the price is a very stressful period in a house buying process. You can't be sure what the results will be, or exactly how much money you will spend.

In any case, keep in mind that the owner is interested in selling his home, and you are willing to buy it. With a little time and effort, you will be able to do it!



CHAPTER 10



WHAT TO KNOW ABOUT HOME INSPECTIONS

The house hunt is over, and you decide to start the closing process on your soon-to-be home. You have visited the house and seen it at its best, beautifully polished, shiny and welcoming. But what if this is just part of the picture and something else is hidden underneath its glossy surface? Issues here may vary from termites and mold to leaking pipes or cracked support walls.

That is why before closing a deal on your highly-anticipated new property, you need to order a home inspection be conducted. It will help to evaluate the house condition and let you sleep safely at night before and after the purchase.

WHY DO YOU NEED A HOME INSPECTION?

Some buyers tend to skip this step, especially if the market is hot and you are competing with several other buyers. Home inspections cost money and take time, but if there are serious issues found, more time and money is saved after the deal is closed. You need a house inspection to know what exactly you are buying and what to expect from your property in the future.







During this process specialists will examine the house to determine its condition and the viability of all of its systems. Do not confuse the house inspection with house appraisal. The inspection will clarify the current state and condition of the house, not what it is worth.






After the inspections, you will receive a report containing suggestions for future maintenance or repair steps, or the need for additional expert opinions; for example, a structural engineer, should the inspection disclose faults in the building structure, or an HVAC expert if the furnace is not in working order.

INSPECTIONS, INSPECTORS, AND COMMON MISTAKES

There are different types of house inspections available. General or residential inspections will observe and give an evaluation of the house elements and systems.

The list below is a basic set of suggestions, which may be expanded or shortened to suit your needs. Nevertheless, here is an idea of what should/ will be examined in a comprehensive residential inspection (which costs approximately \$300 to \$500).

-  **Exterior:** water drainage systems, condition of outside elements such as yard, trees, pathways, fences, decks, stairs, and notable cosmetic issues.
-  **Structural elements:** construction type and quality, visible foundation and framing condition, structure's overall upright position.
-  **Roof:** installation quality, visible damage, condition of shingles and gutters.
-  **Plumbing system:** leaks, water pressure, faucets, showers, material and aging of pipes, hot water system, septic tank (if present).
-  **Electrical system:** Check electric boxes for condition and code, fuses, visible wiring, type and condition, safety issues.
-  **Heating, ventilation, and air conditioning (HVAC):** inspect chimneys, vents, house insulation, and ducting. Inspect all furnace and AC systems for age, condition, and proper function.

-  **Laundry room:** ventilation and dryer systems, search for leaks and potential fire hazards.
-  **Bathrooms:** bathtub, shower, sink, and toilet inspection. Proper ventilation and plumbing.
-  **Kitchen appliances (if part of purchase):** Properly working devices and correct installation. Condition and quality.
-  **Fire safety:** smoke detectors in place and operating, quality and condition of fireplaces and stoves.
-  **Pest inspection:** Inspect for presence of wood-boring and other insects, molds, and fungi.

If you live in certain specific high-risk areas, it is wise to order an additional service, such as earthquake, tornado, or flood inspection. The specialist will help you estimate how resistant the property is to natural disaster.

Your inspector may recommend that you ask for a second, more specialized opinion, such as a structural engineer in case weakness is suspected in load-bearing walls. Do not procrastinate and stall on getting this done. There have been situations where the closing meeting had to be postponed because of failure to properly deal with issues discovered during inspection.

A good expert is hard to find, but choosing the right inspector is the key to a thorough and comprehensive report. You may search online, paying close attention to reviews. Many real estate websites have a list of professionals with ratings and reviews. Ask your friends and family for a recommendation. An excellent source of recommendations is the real estate agent you are working with — your buyer's agent, not the seller's agent.

Some buyers do not attend the inspection along with the inspector, looking only at the report that the inspection company provides. This is a mistake. It is one of your first opportunities to take a full tour around the house, with a house inspection expert, and see its features and condition close up in the company of an expert who can and will point out flaws you might not recognize on your own.

Another common mistake is to go to the inspection and be too afraid to ask questions about what you see. Some things that are common knowledge to the inspector might be new to you. Ask. Do not be intimidated out of asking for an explanation if you do not understand what is going on.

Another mistake that buyers make is to leave without checking the utilities. They may be off, but you should ask for them to be turned back on to make sure that there are no leaks, and that everything is connected correctly.

All house inspection conditions apply to new homes as well. Newly built houses can also have issues. Buying a house may well be the biggest purchase in your life, and it is not the time to gamble, especially with so much money at stake. When buying a home, get an inspection prior to signing — no ifs, ands, or buts.

WHAT TO DO AFTER THE INSPECTION

After receiving a report, there are two possible outcomes which will dictate how the situation develops. In the best-case scenario, everything is fine, the house is in exemplary condition, and no further work is required. You are good to go with other paperwork.

The more likely scenario is that the house requires some minor repairs. This may involve negotiations that, for instance, the repairs be done and inspected again before moving along, or a price concession to account for your expense in making the repairs after the purchase.

The worst-case scenario is that the house needs major investment not accounted for in the offer; for example, the roof has exceeded its useful life and is in immediate need of a total replacement, or the sub-structure leaks and cannot be inexpensively remediated. You may ask the seller to vastly reconsider the sale price, ask for the full amount to fix the problem(s), or walk away. A full inspection should always be part of the conditions/contingencies in a home sale, and so failing the inspection means any earnest or escrow money will be returned.

Regretfully, there is no standard template and step-by-step guide about what to do if there are issues with the house. It depends on how you crafted

your conditions. The best buyer option (and really only likely in a buyer's market) is for the seller to be liable for all the repairs. Some contracts may include cost limits or split liabilities. However, if you bought the house "as-is" and your inspection was only for informational purposes, you will now have to calculate the repair costs and plan how you fix your house.

Some of the common problems that should be considered include roofing repairs, replacing the pipes, fixing any leaks, and the requirement of new wiring in any 30- to 50-year-old houses.

WHEN TO BACK OFF

The professionals say you should cancel the deal if you cannot buy the house you want, on the conditions that you want, and for the money that you have. In a buyer's market, the seller will negotiate a settlement on minor repairs disclosed by an inspection long before the thought of walking away even hits you.

However, some repairs are just not worth it. If the problem that the house owner refuses to fix or pay for is dangerous and you cannot fix it, back off. If there is "knob and tube" wiring from the 1950s in the basement that the owner will not remove and rewire, and won't adjust the price accordingly so that you can make the change immediately upon assuming ownership, then it may be time to give up on the house. You do not want to endanger your family, and not even that otherwise perfect Victorian house is worth it.

If the problem is something you need to fix soon, but it is too expensive for you, back off. If the issue is likely to cause a chain of other problems and it is hard to estimate how much it will cost, back off.

Consider the pros and cons carefully and listen to your real estate team's advice. They are usually more experienced and will be able to explain the advantages and disadvantages of sticking it out or backing off to you better than anyone else.

Also, listen to your own gut. If the doubts and uncertainties are too anxiety-provoking, it may be better to turn the house down and start over.

CAN INSPECTIONS AFFECT THE HOUSE VALUE?

The short answer is, “yes they can,” but do not count on it too much. Thinking of the inspection phase as another chance to revisit price is not a good strategy. It is rare for the house inspection to greatly affect the sale price. That price has generally been negotiated prior to the inspection and the inspection is only used to validate and verify the home’s apparent condition.

The role of the home inspection is to protect the buyer from inheriting major issues with his purchase. Home appraisal, on the other hand, makes sure that a lender does not pay more than he should. During the appraisal, the specialist determines the market value of the house based on its square footage, the number of rooms, bathrooms, size of the outside territory, and the garage.

The appraiser uses analytic data based on home features, comparable sales (“comps”) in the area, and other pricing factors to set a value, or market price, and makes his summary based on complex mathematical calculations.

Home inspections focus on home conditions. If those conditions are not obvious, the home appraiser will not factor them into the market price of the home. For example, a tilted facade and moldy basement are highly noticeable, and will be reflected in the appraisal; not-to-code electric wiring and the condition of the insulation or foundation are less obvious and will not likely be factored into an appraisal.

Some mortgage guarantors require home inspection along with the appraisal, as they have specific requirements of what should and should not be in the house. A property that possesses any red flags cannot be approved until all of them are eliminated. If inspections are made properly, you will be able to know your future house’s exact condition. Make certain that you have a trustworthy and reliable home inspector on your side — at this point, the whole deal may well depend on his assessment.



CHAPTER 11

THE CLOSING PROCESS

We are getting to the end of the home-buying story: the happy ending. Your real estate agent has already helped you to prepare the best offer. It contains your list of contingencies (for example, that the seller must fully disclose any problems with the house, specific actions to be taken depending on the results of your various inspections, etc.) and it is finally accepted.

Your anticipation of a looming purchase and the move into your new home is rising. You are ready to sign the documents and move into your new family home, loft, condo, sea-view apartment — wherever and whatever it is, you just want to settle in as soon as possible.

However, it isn't time to call the movers and pack your boxes just yet. One more journey awaits, and there are 10 steps to take before you own your property. Following is a checklist to help make sure all bases get covered.

10 THINGS TO KNOW IF YOU ARE CLOSING A HOME DEAL FOR THE FIRST TIME

#1. Open an Escrow

The first step to closing the deal and unlocking the front door of your own house is to open an *escrow*. An escrow is a contractual arrangement in which a third party receives and disburses money or documents for the primary transacting parties, with the disbursement dependent on conditions agreed to by the transacting parties. Escrow, on average, will last approximately one month. During that time, the third party is taking care of transactions on both the seller and buyer's behalf. For example, if you are providing an inspection as a buyer, you deposit funds to the escrow account. Costs of this service are to be negotiated beforehand. Be conscious of the escrow company's fees, since some

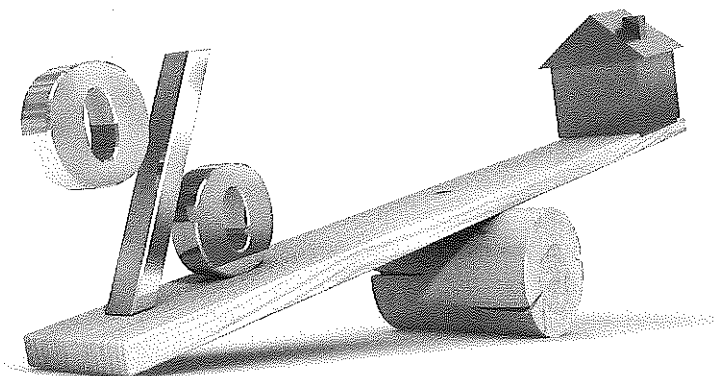
charge unexpected fees you might only become aware of during payment if you didn't do your research beforehand. Understand your escrow company's fees before entering into an agreement.

#2. Lock In the Interest Rate

According to Bank of America, mortgage loan price is typically expressed as "points" paid to earn a certain interest rate. Points are essentially prepaid interest, so the more points paid, the lower the interest rate. One point equals one percent of the loan amount.

A mortgage rate lock guarantees that a mortgage lender will give a buyer a certain interest rate, at a certain price, for a certain period of time.

A rate lock protects the borrower from rising interest rates in the period between sales agreement execution and closing (often a month). If the buyer locks in a rate of 3.25%, she will only have to pay 3.25% interest even if rates rise while going through the loan application process. A rate lock is commonly good for 30, 45, or 60 days, though that time period can be shorter or longer. Once that period expires, the buyer is no longer guaranteed the locked-in rate unless the lender agrees to extend it. This is why arranging a prompt closing is crucial.



#3. Have a Home Inspection

Making absolutely certain that roofing shingles do not fall off on the first day in your new home and that the furnace does not refuse to

operate whenever the temperature goes below 45 degrees is generally enough reason to have a home inspection.

Engage specialists to check the air conditioning system, plumbing, and electricity. This could save you thousands of dollars by uncovering existing issues.

Even new houses need to be checked duly and thoroughly. It does not matter that the house recently had all its municipal inspections done by the builder.

#4. Have a Pest Inspection

The best approach here is to hire a licensed pest inspection company. They will check your future property for contamination by flies, mosquitoes, cockroaches, fleas, rats, mice, bedbugs, termites, beetles, critters, carpenter bees, ants, and a variety of other types of pests.

They will also check mold growth and other possible environmental health threats caused by lead, fungus, and asbestos. There is no need to explain how much harm even a small number of termites can do. These issues will inevitably lead to major repair expenses and even health issues, so it's best to have them identified as early as possible.

The presence of any kind of contamination is reason enough to demand a renegotiation of terms, or to rethink the deal completely.

#5. Fix What the Inspections Find

If your inspections revealed any problems, you may want to ask for a price adjustment to cover the cost of repair or ask the seller to fix the problems before the sale proceeds. Some inspectors may advise you to look deeper into a particular issue. They may say you should ask for a second opinion, or evaluate it further with a specialist. It is highly recommended that you discuss estimates for any further inspections and repairs, and then fix the issues as soon as possible.

#6. Ask for Title Search and Insurance

Title insurance protects real estate owners and lenders against loss or damages that might result from preexisting liens, encumbrances, or defects in the title. Each title insurance policy is subject to specific terms, conditions and exclusions.

Auto and homeowner's insurance protect against potential future events and are paid for with monthly or annual premiums. A title insurance policy insures against past events for a one-time premium paid at the closing of the escrow. Title defects include another person claiming an ownership interest, improperly recorded documents, fraud, forgery, liens, encroachments, easements, and other items that are specified in the insurance policy.

#7. Conduct a Home Appraisal

A home appraisal determines the estimated market value of what is soon to be your property. The appraiser calculates value based on general condition, geographic location, proximity to objects of interest, value of nearby houses, recent sales, and neighborhood growth and potential for growth, among other factors.

Mortgage lenders use this information to make sure the amount you borrow is supported by the home's value. There is always a risk of a low appraisal, though. In that case, the lender will not go through with the transaction at a price based on a higher presumed value.

The seller might adjust the sale price accordingly, but also might not. Appraisal value is not a binding figure — what the seller sells for and what the buyer pays determines the sale price. It might be that you already negotiated a deal with the seller for a price lower than he initially wanted. This is often the case when the home is selling in a buyer's market and its location in a declining market area has forced the seller to accept a lower value than they might prefer. The further drop in price suggested by a low appraisal may slow or disrupt the closing process while further negotiations are conducted.

#8. Set the Time and Date of the Closing

The closing date is a negotiable factor during the offer and acceptance phase of a home sale transaction. When making an offer, the buyer will include a closing date and, depending on the seller's circumstances, it may be acceptable or may be countered with other terms.

Don't choose a date casually. The right date can ensure a smooth closing and reduce closing costs; the wrong date puts the homebuyer at risk of not closing on time, needlessly complicating the move, increasing expenses, and even losing your new home.

Expenses are prorated through the closing date rather than through a specific calendar date, so generally there is no inherently “better” day of the month to close. However, if financing a mortgage there are some differences in what is collected as a pre-paid item and when the first mortgage payment is due.

Some advice and tips:

- Give yourself enough time. Don't set a short closing date unless you are paying cash. There are many steps to a home purchase. It takes time for the loan process to wrap up. A short closing date might predate final loan approval.
- Avoid closing at the end of the month, if possible. This is the busiest time for the various agents involved, and unexpected issues are better dealt with if title officers and lenders are readily available and not overloaded with other demands.
- Make your closing align as closely as possible with the actual move from your old residence to your new house. Ideally, your move should be from one to the other without a hotel stop in-between.
- Arrange with your local utility companies to ensure they can start service on the closing date. Living without water, heat, air-conditioning, or internet access until they are activated is unnecessary, not to mention unpleasant.
- Mortgage payments are almost always due on the first day of the month and the payment is for the preceding month. For example, if you close in July, your first payment is due on the 1st of September. However, interest is due for the month of July from the date of closing. If you close early in the month, say on the 10th, you would have to pay for 21 days, while if you close on the 25th, you would have to pay six days of interest. If money is tight, closing toward the end of the month will reduce immediate out-of-pocket expense — this is part of why the end-of-month period is so busy for agents!

If you schedule a closing and fail to complete it on that day, there are consequences. You will face increased closing costs next month, in addition to any contractual penalty for the delay. Although most sellers

will work with you if the transaction doesn't close on time, failure to close opens the door to canceling the sale, which may occur in a seller's market if the seller has taken backup offers — offers that are potentially better than yours.

Closing can be held in any agreed-upon location. For example, at the attorney's office, or at your lender's or title company's offices.

#9. Be Present at a Walk-Through

A final walk-through is a last chance to see your future house before you buy it. Commonly, it is scheduled 24 hours before the closure.

The property should be in the condition specified in your sales contract. You may inspect for any changes made subsequent to the home or pest inspections. Confirm that everything is in order and decide if any additional repairs or replacements are necessary.

If there is an issue, the closing day may be shifted and the repair costs submitted to the escrow account. Do not skip the final walk-through: missing the final walk-through is a commonly reported reason for closure delay.

#10. Get Ready for your Closing Day

Now that you have run the escrow marathon and survived all the possible obstacles in your way, it is finally time to sign the papers and get the keys to your new home.

Prepare all the paperwork that you have collected throughout the process. This includes the title search and insurance, inspection reports, bank statements, home appraisal, checks for down payment closing costs, and prepaid interest.

There may be several people present at the closing, including your attorney, a seller or seller's representative, seller's attorney, real estate agents on both sides, lender's representative, a title company's representative, closing agent, and a public notary. The exact number and function depends on the state and county. In some states, it is as few as the buyer(s) and the closing agent, with all documents pre-executed by the other parties.

Basically, the purpose of the meeting is to sign the following documents:

- **Closing Disclosure (CD).** This document contains your final payments, costs, and charges, as well as all agreed-upon terms and periods. You should receive it three business days before the closing date and compare it with the conditions of the initial loan estimate.
- **Mortgage note.** In signing this document, you agree to your mortgage terms and conditions, as well as penalties in the case that you are not able to pay duly and on time.
- **Deed of trust.** In real estate, a deed of trust or trust deed is a deed wherein legal title in real property is transferred to a trustee, which holds it as security for a loan (debt) between a borrower and lender. The equitable title remains with the borrower.
- **Certificate of occupancy (for new houses only).** The Certificate of Occupancy provides authorization from the local government for a building to be used as a public edifice or as a private residence. The purpose of the certificate is to provide verification that the building is in full compliance with current building codes and is safe for occupancy. This type of certificate is issued by the local government whenever a new building is constructed within city limits. Inspections are conducted to ensure that the basic construction, wiring, plumbing, and other elements of the building are up to code, and can be certified as being safe for occupation. Such a document is needed to legally move into a house.
- If your home-buying team is competent enough, you will not be seeing those documents for the first time at the closing. Do not sign anything if it is unclear to you, different from what you agreed to, or just seems wrong. Make sure that you understand what you are signing and how your payments will be distributed over time. Charges change differently over time depending on the mortgage type, and may also depend on your insurance or taxes.

AFTER YOU SIGN THE PAPERS

Take the keys and start moving into your new house! You are now a legitimate homeowner responsible for a mortgage loan. Nothing can

be compared to buying your first home. As stressful and expensive and complicated as it all is, when you finally get through with the buying process you will be able to relax and enjoy a new home you can truly call your own.

Hopefully, these basic steps will help the first-time homebuyer handle this incredible process with less stress and more energy.

Good luck!

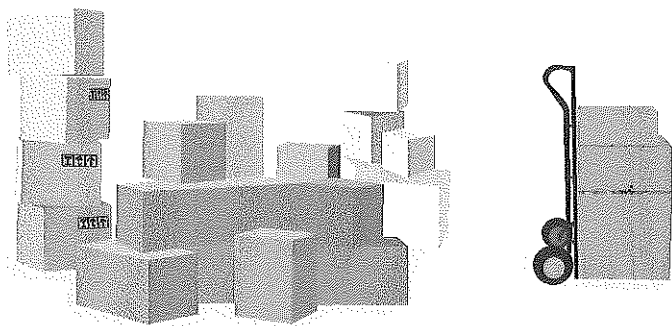
But wait, don't you still need to move in? Well ...



CHAPTER 12

MOVING TIPS FOR THE FIRST-TIMER

Congratulations, you've bought your first house! Now all you need to do is, well, get everything you own into it so you can make it a home. How hard could that be?



Moving is one of the most stressful and tiring things anyone can ever go through. It can also be an uplifting, refreshing experience. As Poet Judith Minty said, "I give you this to take with you: Nothing remains as it was. If you know this, you can begin again, with pure joy in the uprooting."

Whether the move is across the country or across the street, it needs careful planning. From sorting to packing, labeling, unpacking, and arranging all your stuff in your new home, it involves a lot of work.

Unfortunately, it is something that most of us have to go through at some point in our life. It is a necessity that can hardly be avoided or ignored. Luckily, the stress can be minimized and many possible problems avoided with a bit of help and the right resources.

As with most tasks, organization and careful planning are key to moving. A checklist will help you remain organized through the process of sorting, labeling and packing your things.

PREPARING YOUR CHECKLIST

Moving your entire home means that you need to prepare at least two checklists. The first is a checklist of all the items you will be bringing with you, grouped according to the room in which they belong. In addition to indicating the room, it is a great idea to number the boxes. This way, you can indicate on your checklist where each item is packed. It will make it easier to sort and identify your things while moving.

The second checklist that you need is a list of all the tasks involved in your move, such as packing, labeling, disposing of items not being moved with you, utility turn-off and turn-on at the new home, and others. No task is too small for your checklist. It pays to be prepared.

To help you with this list, here's an example of a fairly comprehensive list that you can refer to. You might find it helpful to divide your list into segments of time as we have here to help keep you organized.

A MONTH BEFORE THE BIG MOVE

- Ask friends and relatives for referrals to moving companies and inquire about their services, procedures, and policies. Get at least three estimates from different companies so that you can compare their services and choose the one that best suits your needs and budget.
- Go through all your “stuff” and identify the things that you will keep and those that you will dispose of. Remember, less is more. If you no longer use it, give it away or sell it. This will make packing easier and quicker for you.
- Keep a file of all your moving documents, such as contracts, invoices, bills, etc. This file should be readily available when you need any of them.
- Inform your utility company of your moving date so they can disconnect services (water, electricity, cable, internet) on a date after your move.

- Also schedule an activation or transfer of these same services to your new address, so that you already have them in place once you move in.

THREE WEEKS BEFORE THE BIG MOVE

- Bring out the boxes and start packing the items you will not be using in the coming weeks. Label the boxes with the room the items belong to. This will make unpacking systematic.
- Make a list of the items that go in each box. You could also take pictures so you'll know where to find each item.
- Decide on whether you're going to hire a moving company to help you or go it alone. If hiring, now is a good time to finalize the details of your big move.
- Enlist the help of family and friends. Let them know when they can come and help you with packing or unpacking.
- Update all personal documents that include your address. Notify your employer, banks, and insurance companies of your change in address.

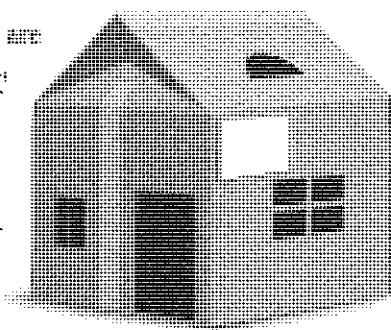
TWO WEEKS BEFORE THE BIG MOVE

- Clean up every room once you've packed all the items in it.
- Disassemble furniture that you will not be using in the following days and pack or ready it for moving.
- Set aside all items that you will not be needing and schedule a pick-up by the local Salvation Army or any other organization you decide to donate them to. If you are planning on a garage sale, now is the perfect time to do that.
- File your leave from work for the days that you will be concentrating on the move.
- Prepare a suitcase of things that you will need on the day of your big move, like towels, toiletries, and clean clothes.

- Check the new place you will be moving into and make sure everything is ready for moving day. Clean up all the clutter, check if the switches are working and if electricity is already available.
- Throw away all unneeded and unusable items, especially flammable items such as left-over paint, spray cans, or propane.
- Call up the relatives and friends you enlisted to help with the packing and moving and inform them of your final schedule.

ONE WEEK BEFORE THE BIG MOVE

- If hiring a moving company, make a call to confirm details such as time of arrival and pick up.
- Draw up a time-table for moving day, e.g., time to start loading boxes, where/when to stop for lunch, estimated time of arrival at the new place. If the drive is too far for one day, make sure you know where and when you want to stop for the night, and if possible make reservations at a hotel or motel along the route. This will give you a sense of what to expect and prepare for on the day itself.
- With the help of volunteer family and friends, finish packing all your things, leaving behind only the essential items that you will be using every day.
- Make sure that all your boxes are properly packed and numbered, even color-coded by room if possible. This will help you immensely in the unpacking process. Make sure there are labels on the top and sides of the boxes.
- Prepare a snack bag for moving day. Make sure to bring lots of water and high energy food to sustain your strength while moving.



- Have your checklists and pens ready with you in your bag.
- Clean up your refrigerator, stove, and other kitchen appliances. Make sure most of the food in the fridge will be consumed by moving day.
- Make sure all your items for donation or gifting are picked up or delivered to their new owners.
- Check that all utilities are already working properly in your new home.
- Prepare several pieces of paper or post-it notes with your new address and your contact numbers to be given to your movers or to your entourage on moving day.

ON THE DAY OF THE BIG MOVE

- Pack away your beddings and disassemble all the beds in your home.
- Have a last-minute meeting with your movers, if hiring any, and make sure they know how you want things to be done. Inform them of the box labels, where each box must go, and how they should be loaded. Make sure all your items are loaded and nothing gets left behind.
- Distribute your post-it notes with contact numbers and the new address to every driver in the moving group.
- Double check every room in the house before leaving, making sure that nothing is left.
- Turn off all light switches, lock all windows and doors.
- Make sure you arrive at your new home before the movers/ entourage.
- Inspect your new home, making sure all utilities are in working condition.
- Clean up your new home while it is still empty of your stuff. Open windows and cabinet doors to let fresh air in.

- Direct your movers through the unloading of your boxes, showing them where each box and piece of furniture must go.
- Finally, unpack what you need for the rest of the day and set up your beds and beddings while you have help.
- If your move went like most, it is probably after 11PM by the time you've gotten everything wrapped up for the first night in your new place. Pizza boxes are stacked on tables that are still wherever you first set them down. Soda and water bottles stand guard in the eerie quiet of unfamiliar surrounds that somehow feel like, well, home. You've got days, months, years of settling in yet to make this your home. But good job with this first day, and **welcome home!**

CHOOSING AND HIRING A MOVER

The checklist above is as thorough as it gets in most respects, with the weekly tasks to tick off as you go along the way. However, a big factor to consider is whether or not to hire a mover. Movers are a big help with all the items you need to pack, load, and transport over a long distance. If you are bringing several rooms of furniture and a family-sized load of personal possessions, hiring a moving company will definitely be the practical choice.

The issue is choosing the right moving company to work with you. Here are some things to consider when hiring movers:

- **Reputation.** Ask around for movers that friends and relatives recommend based on experience. Have at least three companies to compare services and reviews from before making your final choice.
- **Choose local.** Oftentimes, local companies are the better choice in terms of budget and availability. While not always an option, if possible local is preferable.
- **Ask for an in-house cost estimate.** Let the movers see your belongings and inform them of the distance to your new home so they can quote you an estimate.

- **Look at the fine print.** Check their cost estimate for hidden charges, insurance coverage, payment terms, and policy regarding damage to items. Compare these with the other movers you are considering and base your decision on your comparisons.

When making your final choice for a mover to hire, keep in mind that getting the cheapest mover does not guarantee that you will save money. Cheap could mean mediocre service, and you may incur problems along the way. Choose wisely and take the above factors into consideration.

RENTING A TRUCK INSTEAD

The rented truck — from U-Haul or Penske or any other similar service — is a less expensive alternative to professional moving firms. Unlike movers, you do the packing, loading, and driving yourself. This may be a great way to save on moving cost, but only if you have a manageable amount of property to bring with you.

You can and should call on your friends and family for help with packing and loading your things into this rented truck. This will make it easier to do the moving without professional help.

To get the best rental deal and pull off a successful and uneventful move, these are some things to keep in mind:

- **Time your move.** Mid-month and mid-week are the best days to get a good price, since most movers say the weekends and month-ends are the busiest time for them.
- **Look for inexpensive packaging.** Recycled boxes are less expensive, but will usually still be perfectly serviceable. For smaller items, liquor stores will often allow you to take away the boxes their shelves are stocked from at no charge. Since they're made for shipping heavy, full glass bottles, they're generally sturdy and easily-stacked.
- **Start packing earlier.** Plan months ahead which items you will bring and which ones to give away or donate. The lack of professional moving help will expand your timescale, so be prepared!
- **Organize a moving team.** You'll need all the help you can get, from packing to labeling, to unpacking and sorting your stuff.

- **Time your departure.** Make sure you will be able to stop and rest when needed at convenient times and places. You want to be able to get to your new house while there is still light outside for ease of unloading. Again, if you're going to need one, book your hotel before you're on the road!

If you decide to do the move with a rental truck, make a specific time table. Include all the things that you will be doing in preparation for your move. If you will be proceeding without professional help, you may even want to ask for advice from people you know. Their moving experience will provide you with tips on what to avoid and areas of preparation you may have overlooked.

Whether you make your big move with professional help, family and friends, or by yourself, preparation and organization are key. You may ask for all the help you can get and hire the best movers, but without your personal involvement in planning and organizing, you will not be able to keep track of everything that needs to be monitored and prepared.



CHAPTER 13

REAL ESTATE HORROR STORIES

You've seen frightening stories like this on TV. Perhaps you've heard about them from neighbors or coworkers, but you still haven't witnessed anything like them yourself. Be warned: the first time is one time too many.

If you're in the market for your first home, or maybe a second or third, congratulations! Buying a new home is one of the biggest achievements in the lives of many people. Unfortunately, homebuyers — especially first-time buyers — can be the victims of real estate horror stories. Absolute horror, from the buyer's perspective. Here are a few examples.

STORY 1

Alexis was super excited about making her first home purchase in 2012. Being in the Washington, D.C. area, she had limited pricing options, with many of the lower cost homes being around \$250,000.

She went to several banks and got pre-approved for different amounts at various lower interest rates. She found her dream condo, and after some deliberating, she decided to go with the lowest rate offered — 4%.

She completed her paperwork and submitted it along with her 10% deposit. The rate wasn't her only deciding factor. Personnel had been super friendly and great at communication, making her feel very comfortable about the process.

Until now. Suddenly, it seemed as though the entire bank corporation dropped off the map. A closing process that should have taken 30 days or less turned into several months of waiting and a larger deposit of an additional \$20,000.

They ran her in circles and circles until the seller told her through the real estate agent that the deal was over if she didn't find another solution. Luckily, the seller's real estate agent referred her to another lender and was able to help her to obtain another loan much more quickly, though at a higher interest rate.

STORY 2

In another case, Ron and Jenna were planning on upgrading to their second new home. After a long search, they found it — or so they thought. A super bright and colorful kitchen, open living and dining areas, three bathrooms, high ceilings, a fireplace, and even a covered porch; it all made the home seem perfect.

They were especially thrilled that the price was only \$135,000 — a real steal! They signed the contract and were in the house a little more than a month later.

Less than 6 months later, the horror story began to unfold. Jenna was cleaning one of the bathrooms when she noticed tiny little ants with wings.

Following Ron's advice, she called the exterminator. When he arrived, he delivered the first blow — those winged ants were termites. The exterminator went under the house to assess the damage. Not only did he find that the floor under the bathroom was completely infested, but so were the other two bathrooms with the infestation already spreading to the rest of the house.

The grand total to repair this problem came to over \$12,000! That's an unbelievable amount of money to unexpectedly invest in a house that you've only lived in for less than 6 months.

How was that even possible?

The key lesson here is to really know the house that you are buying. You should always hire an exterminator on your own to investigate the house, particularly for termites. An ounce of prevention is worth a pound of cure, so if you're going to make such a huge investment in a new home, the small price of precaution is worth it.

STORY 3

The stories are endless. I recently met a lady at a café with an incredible first-time buyer story. I happened to overhear her conversation, so I decided to step in and ask about it, and this is what she told me.

Sue and her fiancé were searching for their first home with the intention of buying one before their wedding. They had been told about a great real estate agent in the very city that they wanted to call home, and so they looked him up to ask for his help in finding the right home.

The problem was that the only praise that they heard about him was from clients who had hired him to sell homes, not from buyers.

He met up with Sue and her fiancé to go over different homes he had on his list, and then it was time to take a trip around town to see them. There was one home that he talked profusely about, and so they went in to take a look.

Sue and her fiancé knew what good quality was, and so they were able to see right away that there were problems. The basement doorway was weak. The upstairs bathroom floor bounced, and the light switches in the hallway seemed to pop and flicker. Although very nicely painted, the house didn't fool them.

When confronted with these concerns, the agent replied that they could always fix problems later.

Although their gut told them not to move forward with making a purchase, they agreed to a \$10,000 price reduction and took the house.

Big mistake! The problems that they had noticed went much deeper. The weak basement doorway turned out to be a side effect of unfortified walls leading downstairs. The bouncy bathroom floor had been wet under the linoleum and about three inches up two of the walls.

The flickering light switches were warning symptoms of an outdated wiring system which had to be completely replaced. In the end, their \$10,000 savings only helped to give them a bit of consolation when they paid a \$27,000 bill for all of the remodeling!

STORY 4

This horror story was so bad it actually made the news at one point: a house that doubled as an actual, literal snake pit. A five-bedroom house set on pastoral acreage in the American countryside, priced at less than \$180,000, it seemed like a steal. But it was no bargain.

Ben and Amber soon realized the dream home they had purchased for their growing family — a family including multiple small children — was infested with hundreds of garter snakes.

Throng of reptiles crawled beneath the outer walls. At night, the young couple said they would lie awake and listen to the rustle of their scales as they crawled about, slithering inside the walls. It was like living in a horror movie.

The home, as it turned out, was most likely built on a winter snake den, a “hibernaculum,” where the reptiles gather in huge numbers to hibernate. In the spring and summer, the snakes would fan out across southeast Idaho, only to return to the den as the days grew shorter and cooler.

At the height of the infestation, the homebuyer said he killed 42 snakes in one day before he decided he could not do it anymore. He waged war against the snakes and, in the end, “they won.”

The buyers had little recourse when they decided to flee the home. They had signed a document noting the snake infestation. They said they had been assured by their agent that the snakes were just a story invented by the previous owners to leave their mortgage behind.

The buyers filed for bankruptcy and the house was repossessed. They left the home the day after their daughter was born, just three months after moving in.

The house briefly went back on the market. Now owned by the bank, it was listed at \$114,900 a year later. As of the writing of this book, the property has been taken off the market while the bank decides what to do with it.

The moral of the story is to invest in a good inspection. These buyers were attracted, and blinded, by a price. They didn’t have a proper inspection of the home before purchasing. On top of that, they fell victim to an agent who clearly cared more about selling the home than about his client.

STORY 5

Although a home inspector gave Justin's and Kate's new home a pass, he missed some problems. For instance, the previous homeowner supposedly installed and tested a new sump pump in the basement; it failed shortly after move-in, flooding the basement.

Then the sunroom was filled with termites, costing the couple \$2,000 in repairs. After the termites were eradicated, they discovered the sunroom was also entirely covered in mold because there was no caulking around the windows to keep the moisture out.

A better home inspector would have been able to see the signs of termites and mold. The sump pump should also have been checked by the inspector, but it at least could genuinely have only failed after the inspection.

Sump pumps can burn out, lose power, become clogged or misaligned, or malfunction in a variety of other ways. It is valuable to have a warning device installed that will signal water build-up. These alarms can alert homeowners or neighbors of flooding so that it can be resolved before water damage occurs.

DON'T LET IT HAPPEN TO YOU

Be careful. Be smart. These horror stories are real, and they happen every day. Do your homework before jumping into a new home. Too many of us spend more time investigating a car before making a purchase than we do investigating a house, even when we know we'll be spending tens or hundreds of thousands more dollars and decades longer paying for it.

You have time to educate yourself, and I hope that this little chapter has helped you move forward in the right direction, no matter how bored or frustrated the seemingly-endless inspections and tours might leave you!



About Juli

I offer a diverse background with integrity and compassion which benefits me as a Realtor® in assisting my clients beyond just the real estate process. I believe everyone should have a safe place to come home to and in addition to helping people, I rescue animals and help them find a sanctuary to be safe in. Being Vegan aligns with my value system of doing the least amount of harm while caring for the environment and helping people and animals find a safe space to call home.

It is said that integrity is doing the right thing especially when no one is looking. To me, Veganism is about ethics – doing the right thing . . . always. Veganism and integrity are interwoven.

If you wouldn't want it done to you, don't do it to others. In real estate, I would want someone who stands up for my rights and educates me on the process, so I am empowered through it. It is my fiduciary duty to my clients to do what is in their best interest, not mine. Doing the research and providing my clients with the information to make an informed decision lets them be confident in the process because no matter what, they are the decision makers.

It is my hope that the content provided within this book helps to make the process of buying or selling your home an easy and enjoyable one. And, if you are ever in need of assistance, please don't hesitate to reach out to me as I'd welcome the opportunity to work with you.

Juli Samiec, Vegan Realtor® Toledo



Buying a home for the first time? Does it seem like a long, detailed and complicated process? It can be, but **you don't have to do it alone**. This book specifically **details that entire process** and what to look out for. Don't make the mistakes that most first-time buyers make. **Save thousands of dollars** and make the entire ordeal as smooth as possible.


This book contains:

- How to get your first home loan
- Programs offered for first-time buyers
- 12 steps to buying a home
- Information on the closing process
- Common mistakes to avoid
- Moving tips

Juli Samiec, is a Realtor® with The Danberry Co. serving Northwest Ohio. This book was written to help buyers avoid the most common first-time home buyer mistakes. It lays out an effective guide to help you navigate your first home purchase. If you don't have time to implement them, then you can work with Juli to help implement them for you.



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