HOME BUYER'S STEP-BY-STEP GUIDE

Includes professional tips, checklists and negotiation points.

Real-ativity

explore all your options.

Terms to know before you start looking

APPRAISAL
A written estimate of a property's current value conducted by an impartial licensed professional. Most appraisers are selected from random pools so no one can interfere with the process.

ASSESSED VALUE
An assessed value is the property value determined by a local or state government for property tax purposes. Once a value is assigned, the government applies the property tax rate to the assessed value. A home's assessed value is usually a different amount than its appraisal, or market value (about 85%).

CLOSING COSTS
Fees associated with buying a house. These fees include lender charges, appraisal fees, title insurance, home owners insurance, sales tax, attorneys fees, and other third party charges. Always ask your agent which are negotiable, which can be paid on a credit card, which can be "gifted" and which can be paid by your lender or the seller as a closing credit.

CONTINGENT
A status in which a house has accepted an offer but relies on meeting certain criteria, such as passing a home inspection or appraisal.

CONVENTIONAL MORTGAGE
A mortgage loan not insured by the government or guaranteed by the Veterans' Administration. It is subject to conditions established by the lending institution and state statutes. They come with a variety of down payment options, from 3%-20% is common, but 0% down can be arranged with down payment assistance. Once you have 20% equity in a conventional loan you no longer have to pay mortgage insurance.

COMMISSION
A percentage of the sale that is paid to the real estate professional. In most situations, commissions are paid by the seller of the property and negotiated before the property is put on the market.

DOWN PAYMENT
The amount of your home's purchase price you pay upfront. See Earnest Money Deposit below.

FHA MORTGAGE
A mortgage that is insured by the Federal Housing Administration (FHA). FHA loans are "designed" to make housing more affordable, and are easier to qualify for than conventional mortgages. However, they are often more expensive than a low money down conventional mortgage as FHA loans now require mortgage insurance for the life of the loan.

FORECLOSURE
A property seized by the mortgage lender due to the homeowner failing to make full payments on their mortgage. In hopes to recover the balance of the home loan, the lender will sell the house.

FSBO "FOR SALE BY OWNER"
A FSBO is a property that is being sold by the current homeowner without the aid of a real estate agent. Always consider getting your own representation for this type of transaction. Don't forget your contract needs to be reviewed by a professional, your escrow should go with an impartial party; you should have inspections,appraisals, and title insurance!

INSPECTION

An evaluation of the home in which a professional inspector determines the current condition of the home and its systems. The buyer will receive a written report for all inspections they choose to have. Comprehensive inspections, four point inspections, termite inspections, wind mitigation inspections, radon gas inspections, and mold inspections are common.

LISTING

A list of information about a home that is currently on the market.

LISTING ABBREVIATIONS

Now let's decode some common listing abbreviations:

- **BA:** Bathroom (e.g., "2.5 ba" stands for two full bathrooms and one half bathroom)
- **BD or BR:** Bedroom
- **DR:** Dining room
- **FB:** Full bathroom (toilet, sink, and shower/bathtub)
- **FP:** Fireplace
- **HB:** Half bathroom or powder room (only toilet and sink)
- **LR:** Living room
- **SQ FT:** Square footage
- **HOA FEE:** Homeowner association fee (for neighborhood amenities and maintenance)
- **HOPA** "Housing For Older Persons" commonly known as 55+ communities
- **W/D:** Washer and dryer

MLS

A.K.A. Multiple Listing Service. The MLS is a database that includes all available homes for sale in a particular area. Not all sites on the internet are created equal, agents always have the best information.

PMI (Private Mortgage Insurance)

The monthly insurance payment a lender must pay if the down payment is less than 20% of the sale price, this cost is passed on to the buyer. Some loans require it for the life of the loan, ask.

PRE-APPROVAL

An evaluation by a lender that determines if the potential buyer qualifies for a loan and, if so, the maximum amount the lender would be willing to lend. This is different from a pre-qualification.

REO

An acronym for "Real Estate Owned." A REO property is owned by the bank due to a foreclosure. REO properties can be purchased from the bank; however, they are often sold "as is" and are not always a great "deal" when you consider the cost of repair.

SELLER CREDIT

Money given from the seller to the buyer at settlement to pay for part of the closing costs. The amount varies depending what the mortgage company allows (3%-6% depending on the mortgage product). Seller credits can also be granted for home repairs. Often a BIG negotiation point. Remember- there is no harm in asking!

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How much can you comfortably afford?

Calculate the Cost of Homeownership to decide if it is right for you:

1. Add up all the income you bring in each month. If you take home $5,000 and your spouse takes home $4,000 each month. Your total monthly net pay would be $9,000.

2. Multiply your monthly take-home pay by 25% to get a COMFORTABLE mortgage payment amount. If you take home $9,000 a month, your monthly house payment should be no more than $2,250. Keep in mind, many mortgages will let you take out loans upwards of 40%, but YOU are the decision maker here, do you want to struggle to make your payments?

3- Down Payment. Consider saving for a down payment of 20% because you'll avoid private mortgage insurance (PMI). PMI is an extra cost added to your monthly mortgage payment, and it doesn't go toward paying off your mortgage balance. PMI typically costs between 0.41% to 2.25% of the entire loan amount on an annual basis (depending on your credit score, loan-to-value (LTV) ratio, and debt-to-income (DTI) ratio). If 20% is out of reach make sure to ask how to get it taken off your loan when you reach 20%!

Consider down payment assistance grants, gifts from family and government programs.

4- LOAN AMOUNT: Your loan amount will be the cost of the home you buy minus your down payment. Here is a table to give you a better idea:

ESTIMATED MONTHLY MORTGAGE REPAYMENT AMOUNTS*

LOANAMOUNT	INTEREST RATE										
	3,00%	3,25%	3,50%	3,75%	4,00%	4,25%	4,50%	4,75%	5,00%	5,25%	5,50%
$ 50.000	211	218	225	232	239	246	253	261	268	276	284
$ 60.000	253	261	269	278	286	295	304	313	322	331	341
$ 70.000	295	305	314	324	334	344	355	365	376	387	397
$ 80.000	337	348	359	370	382	394	405	417	429	442	454
$ 90.000	379	392	404	417	430	443	456	469	483	497	511
$ 100.000	422	435	449	463	477	492	507	522	537	552	568
$ 125.000	527	544	561	579	597	615	633	652	671	690	710
$ 150.000	632	653	674	695	716	738	760	782	805	828	852
$ 175.000	738	762	786	810	835	861	887	913	939	966	994
$ 200.000	843	870	898	926	955	984	1013	1043	1074	1104	1136
$ 225.000	949	979	1010	1042	1074	1107	1140	1174	1208	1242	1278
$ 275.000	1159	1197	1235	1274	1313	1353	1393	1435	1476	1519	1561
$ 300.000	1265	1306	1347	1389	1432	1476	1520	1565	1610	1657	1703
$ 350.000	1476	1523	1572	1621	1671	1722	1773	1826	1879	1933	1987
$ 400.000	1686	1741	1796	1852	1910	1968	2027	2087	2147	2200	2271

* Payments are based on a 30-year loan term and are rounded up to the nearest whole dollar.
* Payments do not include insurance, property taxes, homeowner association dues and private mortgage insurance, if applicable.

Do your Homework:
How much can you comfortably afford?

5- Closing Costs: When you close on a house you must pay for expenses like appraisal fees, home inspections, title insurance, lien searches, surveys and lenders fees. You'll also need to cover property taxes and homeowner's insurance for the rest of the year. Lenders call these prepaid items. Your real estate agent and lender will give you a detailed list of these costs before your closing day. On average, you'll pay 3–4% of the purchase price of your home in closing fees. For a $300,000 home, that's another $9,000–$12,000 you'll need to save on top of your down payment.

Ask your agent and lender about closing cost credits from the seller, lender and government programs.

Bottom line: Preparedness is key. If you don't have enough money saved for these upfront costs, you'll either need to hold off on your home purchase or aim a little lower with your price range. Whatever you do, don't let the closing costs keep you from making the biggest down payment possible. Research, ask, and take advantage of all your options.

Get Preapproved for a Mortgage

A lender can **prequalify** you to buy a house after a quick conversation about your income, assets and down payment but it has no value to sellers and little value to you. Getting **preapproved** is completely different, a lender will need to verify your financial information and submit your loan for preliminary underwriting. That extra effort will pay off when you begin your home search. A preapproval letter saves you time, stress, and heartache. It shows sellers you are serious. It is the gold seal of excellence on your offer.

WHAT YOU WILL NEED TO PREPARE:

Identification

- Driver's license or U.S. passport
- Social Security card or number
- A copy of the front and back of your permanent resident card (if you aren't a U.S. citizen)
- Credit history
- Employment verification (employment letter and yearly salary)

Income

- Pay stubs covering the last 30 days
- W-2 forms from the last two years
- Proof of any additional income
- Federal income tax returns (personal and business) with all pages and schedules from the last two years

Assets

- Bank statements proving you have enough money to cover the down payment and closing costs
- A gift letter saying your down payment is a gift, if you are receiving one
- An approval certificate if you are receiving a bond or grant
- Latest quarterly statements for asset accounts including your 401(k), IRA, stock accounts and mutual funds

Important to note:

Having a preapproval sets you up for success but it does not commit you to a lender, you have the right to shop around, and should. More on this in a few pages.

RATE TYPES:
Fixed-Rate or Adjustable?

A fixed-rate mortgage:
Lets you lock in an interest rate so your monthly payment will stay the same over the life of the loan (only slightly changing with tax & insurance changes).

- A 30-year fixed-rate mortgage offers a lower monthly payment for the loan amount (for this reason, it's more popular than the 15-year option).
- A 15-year fixed-rate mortgage typically offers a lower interest rate but a higher monthly payment because you're paying the loan amount off faster.

An adjustable-rate mortgage (ARM):
Good if you plan to live in a home for a short time or you expect your income to go up to offset potentially higher future rates.

- Offers a lower interest rate than a fixed-rate mortgage for an initial period of time – maybe, five or seven years – but the rate can fluctuate after the introductory period is over, depending on changes in interest rate conditions.

- Has caps that protect how high the rate can go.

- Different lenders may offer the same initial interest rate but different rate caps. It's important to compare rate caps when shopping around for an ARM.

- Adjustable-rate mortgages have a reputation for being complicated. As the Consumer Financial Protection Bureau advises, make sure to read the fine print.

When comparing adjustable-rate loans, ask your lender to calculate the highest payment you may ever have to make. Surprises are never good.

Conventional Loan or Government Loan?

Which fixed-rate or adjustable-rate mortgage you qualify for introduces a whole host of other categories, and they fall under two umbrellas: conventional loans and government loans.

Conventional loans: Originated in the private sector, and is not insured by the government.

- Often a credit score of 620 or above.
- 3% Down payment to qualify.
- Renovation Financing options available from 5% down.
- Very competitive interest rates.
- 0% down with down payment assistance programs.

Government loans: Originated in the private sector, but is insured by the government.

FHA LOAN: Federal Housing Administration

- Low down payment of 3.5% with minimum credit score of 580 or sometimes lower.
- You must pay an upfront mortgage insurance premium (MIP) and an annual premium of 0.85%. Currently, the MIP is 1.75% of the loan amount ($1,750 for a $100,000 loan). This can be paid upfront at the closing or can be rolled into the monthly mortgage payment.
- FHA 203K Renovation financing loans available.
- 0% down with down payment assistance programs.

VA LOAN: U.S. Department of Veterans Affairs

- Available to active or retired military (or a veteran's surviving spouse).
- 0% down payment.
- The VA only allows lenders to charge 1% maximum to cover the costs of originating and underwriting the loan, so you save money at closing. There is, however, an additional upfront, one-time funding fee of 2.15%.
- No mortgage insurance.

USDA LOAN: U.S. Department of Agriculture & Rural Development

- Limited-income homebuyers in towns with populations of 10,000 or less, or that are "rural in character," meaning that some areas that now have bigger populations are grandfathered in.
- Lower interest rates than non-USDA loans.
- Down payments can be as low as 0%.
- Lenient credit score requirements.
- Upfront mortgage insurance fee of 1% of the loan amount and an annual mortgage insurance premium of 0.35%.

Before you shop for a mortgage read this:

The Mortgage shopping guide

You have 45 Days to shop for a mortgage without affecting your credit. Costs vary, lenders offer different products, and there are so many different personalities. You can shop as many as you like to get a great deal and find someone you LOVE to work with! Don't settle. Below are types of lenders, and what to ask them:

TYPES OF LENDERS:

1. Mortgage brokers are intermediaries between you and lenders. In other words, mortgage brokers don't control the borrowing guidelines, timeline or final loan approval. Brokers are licensed professionals who collect your mortgage application and qualifying documentation. They can counsel you on items to address in your credit report and with your finances to strengthen your approval chances. Many mortgage brokers work for an independent mortgage company so they can shop multiple lenders on your behalf, helping you find the best possible rate and deal. Mortgage brokers are typically paid by the lender after a loan closes; sometimes the borrower pays the broker's commission up front at closing. ASK!

2. Retail / Bank lenders provide mortgages directly to consumers, not institutions. Retail lenders include banks, credit unions, and mortgage bankers. In addition to mortgages, retail lenders offer other products such as checking and savings accounts, personal loans and auto loans. Retail lenders sell multiple products to consumers and tend to have more stringent underwriting rules. Lenders have specific borrowing guidelines to verify your creditworthiness and ability to repay a loan. They set the terms, interest rate, repayment schedule and other key aspects of your mortgage.

3. Direct lenders originate their own loans. These lenders either use their own funds or borrow them from elsewhere. Mortgage banks and portfolio lenders can be direct lenders. What distinguishes a direct lender from a retail bank lender is specialization in mortgages. With a niche focus on home loans, direct lenders tend to have more flexible qualifying guidelines and alternatives for borrowers with complex loan files. Direct lenders, much like retail lenders, offer only their own products so you'd have to apply to multiple direct lenders to comparison shop. Many direct lenders operate online or have limited branch locations, a potential drawback if you prefer face-to-face interactions.

4. Portfolio lenders fund borrowers' loans with their own money. Accordingly, this type of lender isn't beholden to the demands and interests of outside investors. Portfolio lenders set their own borrowing guidelines and terms, which may appeal to certain borrowers. For example, someone who needs a jumbo loan or is buying an investment property might find more flexibility in working with a portfolio lender.

5. Wholesale lenders are banks or other financial institutions that offer loans through third parties, such as mortgage brokers, other banks or credit unions. Wholesale lenders don't work directly with consumers, but originate, fund and sometimes service loans. The wholesale lender's name (not the mortgage broker's company) appears on loan documents because the wholesale lender sets the terms of your home loan. Many mortgage banks operate both retail and wholesale divisions. Wholesale lenders usually sell their loans on the secondary market shortly after closing.

6. Hard money lenders are usually the last resort if you can't qualify with a portfolio lender or if you fix-and-flip homes. These lenders are usually private companies or individuals with significant cash reserves. Hard money loans usually must be repaid in a few years so they appeal to fix-and-flip investors who buy, repair and quickly sell homes for profit. Hard money lenders tend to be flexible and close loans quickly. However, they charge hefty loan origination fees, interest rates as high as 10% to 20% and require a substantial down payment. Hard money lenders also use the property as collateral to secure the loan. If the borrower defaults, the lender seizes the home.

Before you shop for a mortgage read this:

The Mortgage shopping guide

Pick at least three and compare. Ask them for a written estimate on the costs of getting a loan with them. Get it in writing.

Then sit down and review your options carefully, ask:

1. Loan Programs: 3%, 3.5%, 5%, 10% or 20% down? Government-backed or conventional?
2. Interest rate: is it fixed, adjustable, negotiable? Can you buy it down?
3. Discount points- if it's too good to be true ASK why!
4. Closing costs: Can the seller pay a percentage? How much can you negotiate?
5. Origination fees: Are they negotiable? Ask!
6. Private Mortgage Insurance: Do you have to pay it for the LIFE of the loan or just to 20% loan value ratio?
7. How long to get the loan closed? Closing times affect negotiations.
8. Are the underwriters and processors in house or tough to communicate with? This could be the difference between a smooth process and a stressful nightmare.
9. Will the mortgage broker or loan officer be your primary contact throughout the loan process? Are you going to become a file for someone else after they start the program? Is the loan originator easy to communicate with, organized and well educated?
10. Do they offer any lender credits to buyers? Closing cost assistance? Are you eligible for any local programs?

Once you have a clear idea of what you are being charged NEGOTIATE! Take your best bid to your second-best offer and see if they will beat it, in writing. Take that bid back to number 1, they'll likely beat it too! Remember costs really add up over 30 years!

Your Homebuying Team

Agent:
Your advocate and team leader. Your agent will organize your entire homebuying experience, insuring a smooth transaction. They might make it look easy, but behind the scenes they work nonstop for you!

Your agent will:
- Educate you on the homebuying process
- Locate potential homes for you to see
- Research the neighborhoods
- Counsel you on pricing
- Negotiate on your behalf
- Draw up offers and contracts
- Work through contingencies
- Facilitate the pre-closing walk-through

Comunicated With:
- Escrow Officers
- Appraisers & Inspectors
- Closers
- Attorneys
- Sellers
- Brokers
- Insurance Agents
- Lenders

Loan Officer:
Your personal guide through the loan application, processing and underwriting process.

This person is going to:
- Handle all of your sensitive information
- Document your financial history
- Determine your creditworthiness
- Get you the funds to buy your home

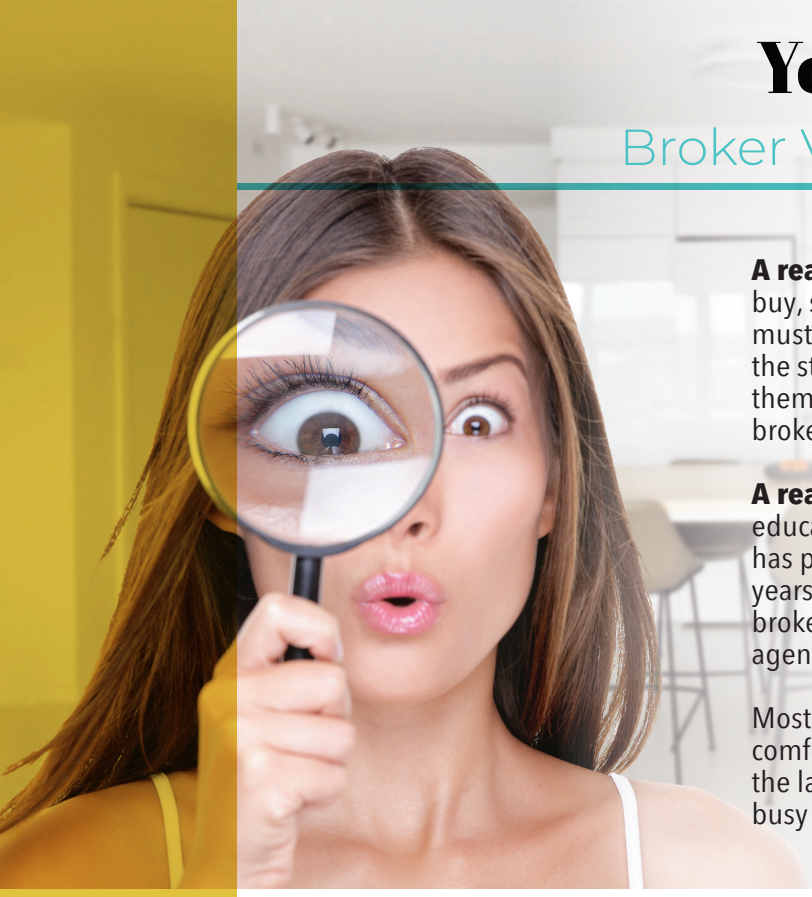
Home Inspector:
Your home inspector will give you the inside scoop on all the systems, appliances, structure, and coverings of the home. They will uncover all the issues, defects and problems you should know about to ensure you don't discover hidden problems after you close.

Closer:
Your closer could be an attorney or title company.

The closer is going to:
- Arrange for clear title on your home
- Organize the sale
- Draft up your deed
- Hold and transfer closing funds and escrows
- Compile the documents from all parties and host the signing on closing day

Your Home Buying Team

Broker Vs. Agent: Is there a difference?



A real estate agent is a licensed professional who helps people buy, sell, rent or invest in homes. To become an agent, a person must take pre-licensing training from a certified institution and pass the state's real estate licensing exam. Then they must affiliate themselves with a real estate brokerage and operate under a broker's license.

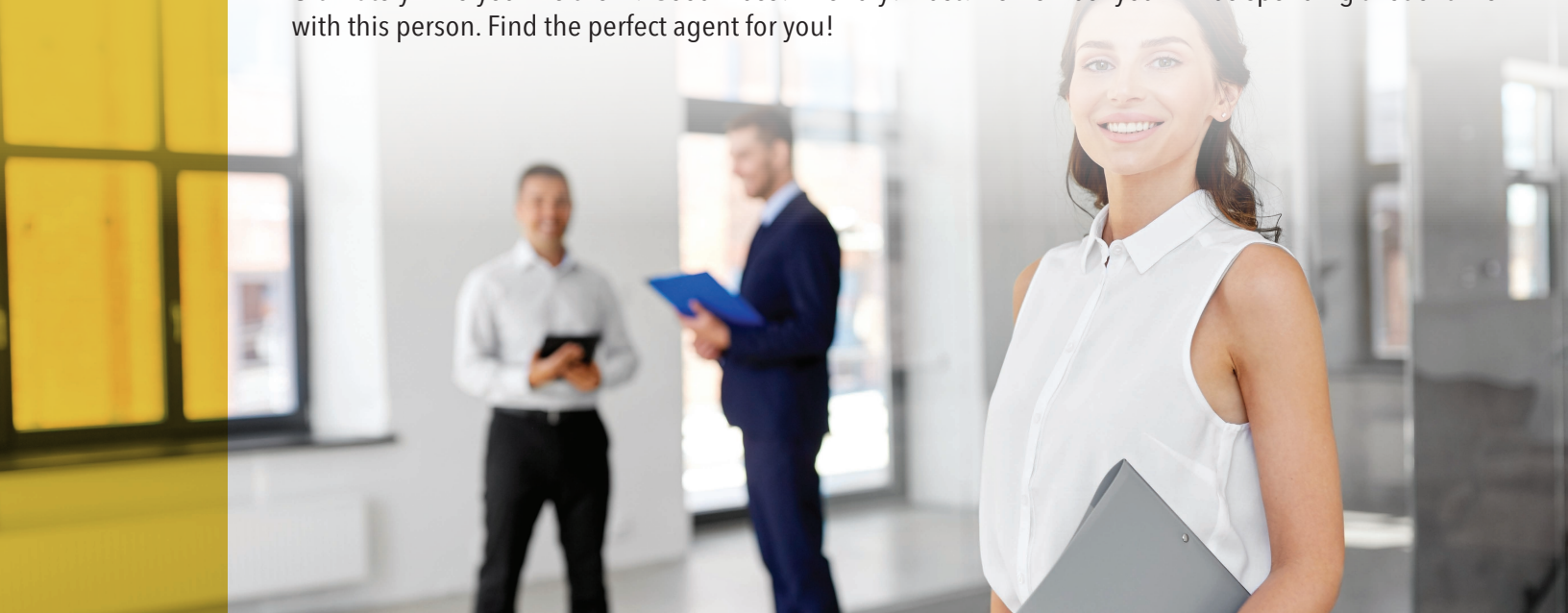
A real estate broker is a professional who has additional education beyond the agent level, as required by state law, and who has passed a broker's exam. In some cases, brokers also have more years of experience than agents. The biggest difference between a broker and an agent is that a broker may work independently. An agent must be overseen by a broker.

Most importantly, choose someone to represent you that you are comfortable working with. Just because an agent has 100 sales in the last year does not mean they will be good for you. Someone that busy could have very little time for each customer.

THINGS YOU MAY WANT TO CONSIDER:

- **Local knowledge:** Do they know their stuff about neighborhood home value trends, shops and restaurants, schools, events, transit, local government and upcoming development?
- **Product knowledge:** Do they know home construction, lending, inspections, common issues, code issues, permit violations, contracts, negotiations and are they a good teacher- you'll want to learn!
- **Communication:** There will be lots of questions. How do they communicate best? Text, call, email? How many customers do they have right now? Do they have time for you on your terms?
- **Reputation:** How are their online reviews, can they offer any testimonials or references?
- **Verify the agent's license;** search "Florida real estate license lookup."

Ultimately: Do you like them? Good vibes? Friendly? Trust? Remember you will be spending a lot of time with this person. Find the perfect agent for you!



Online Shopping, apps & sales pitches (avoid the gimmicks)

Real estate websites that offer something that seems too good to be true, likely isn't. Here are a few common traps to look out for:

1- Your Home Sold, Guaranteed- or we will buy it Yup, for 60% of its value then assign the contract before closing to an investor for 80% market value.

2- 1% Commission Plus the buyer's agent's commission, that 1% might not get you anything but a lockbox and a basic MLS listing. ASK for a marketing plan and get it in writing, then have your attorney verify.

3- We buy houses cash, in any condition They sure do, for way less than market value.

4- Wholesale prices & off-market inventory Are often assignable contracts without warranty and buyers will be asked to pay commission and finders fees.

5- Short Sales, Foreclosures and Bank-Owned Deals They sell for market value; if it is undervalued there is a reason- you'll pay the difference one way or another.

6- Free money You know better, right? If they are giving you money, there is a reason, find it. There is truly no such thing as a free lunch. Agents who claim to gift commissions also gift less service, time and effort in negotiating, researching, and pursuing your best interests.

Types of Real Estate to Consider

SINGLE FAMILY HOME:

A single family is generally a free standing dwelling that has these traits:

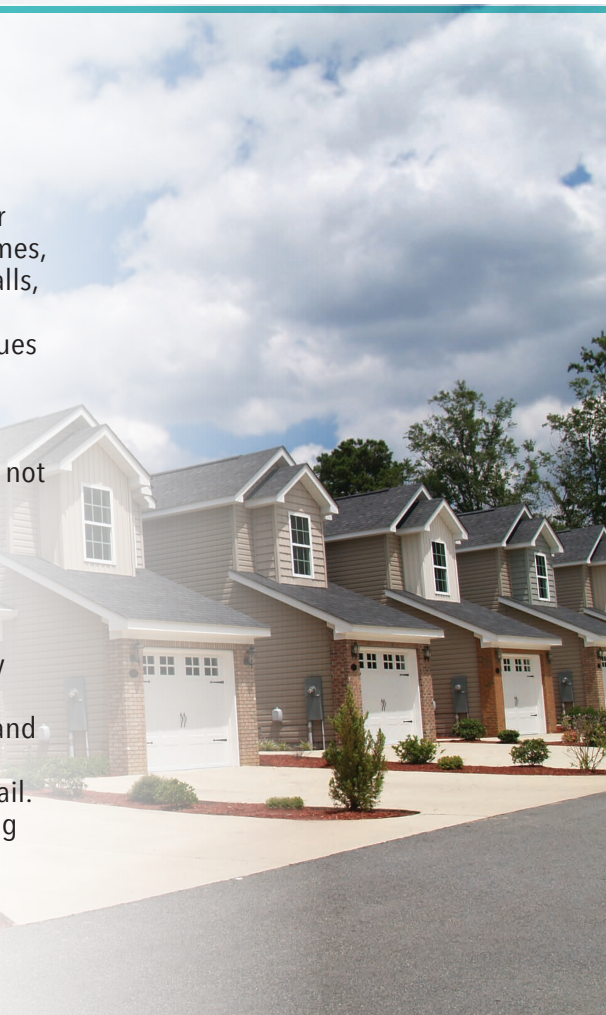
- **No common walls:** it is a stand-alone, detached property, the home doesn't share common walls or a roof with any other dwelling.
- **Land:** it is built on its own parcel of land and the area around the building is for the private use of the owner.
- **Entrance and exit:** has its own private and direct access to a street or thoroughfare.
- **Utilities:** Only one set of utilities can service a single-family home.
- **One owner:** A single-family home is built as the residence for one family, person, or household, whose owner has an undivided interest in the property.
- **Single kitchen:** A single-family home has one kitchen (adding a kitchen to an in-law suite or pool house will alter a home's zoning classification).

Financing Single family homes are financeable through the widest variety of government-backed and conventional loan products. Renovation financing options like Fanny Mae's "HomeStyles", FHA's "203K" and Freddy Mac's "CHOICERenovation are available." Jumbo, private, grants and bonds are other options. Talk to your agent about the age of the home and the condition of the property to select which is best for you.

A TOWNHOUSE :

Is a single family home that shares one or more walls with other independently-owned units. They are often rows of uniform homes, two stories or taller. Residents own their interior and exterior walls, lawn, and roof. Insurance for both the home and the property is needed. There is often a home owners association that collect dues to communally pay for shared areas like a community pool and shared maintenance like trash collection, lawncare or roofs. Occasionally you will find townhomes that are governed by a condominium association, effectively making them condos and not townhomes. Ask upfront how a townhome is governed to avoid wasting your time because there are major differences when it comes to financing. Your agent can always steer you in the right direction!

Financing townhomes can be financed any way a single family home may be financed as long as they are not governed as a condominium. Government- backed loans like FHA, FHA 203K and VA loans are available as well as a wide variety of conventional conforming and non-conforming products, both private and retail. The lender will have to take homeowners association dues along with any upcoming or levied assessments into consideration to determine the buyers debt to income ratio.



Types of Real Estate to Consider

CONDOMINIUM:

or "Condo" is an ownership concept, often in an apartment building. The owner has a deed for the apartment and pays real estate taxes for the unit. Condo owners pay fees to maintain the grounds and the building (or buildings, for a larger complex). The owner pays fees to contribute to the building maintenance, the land, and the collective utilities. The owners elect a board to make decisions for the owners and they set the rules and regulations along with the budgets and repair schedules. Collectively you share in the costs of ownership. The board may require larger down payments for condo purchases in some buildings to hedge against default.

Financing may require a higher down payment than a single family home because as many condo boards require larger equity positions to protect the communal assets. The reasoning is that if a buyer has a substantial amount of equity in the unit, they are less likely to default on the mortgage and/or stop paying their association dues which would cause financial burdens on the rest of the unit holders or jeopardize the building.

Co-op :

Is a non-profit company that owns and operates a residential complex. Buyers lease one of the building's units by buying shares of stock in the building's corporation along with a proprietary deed which claims their rights to exclusively inhabit. The land is often leased on a 99 year land lease and renewed every century. Buyers have to go through an approval process, don't own their apartment and don't have ultimate control over renting, subleting or selling. If renting, you may have to present your potential tenants to the board for approval. Lease and tax bills aren't sent to the co-op shareholders but instead to the corporation. A monthly co-op fee includes the mortgage payments, taxes, maintenance and utilities. This cost is usually higher than condo fees. And they often require a larger down payment than other options–but usually cost less overall. There are financial advantages of co-op living–including substantial breaks on real estate taxes, transfer taxes and a recordation tax that occurs in real estate transactions. In some cases, co-op owners can deduct the maintenance fees from their taxes.

Financing Financing is tough as few lenders will finance co-ops, and very few co-ops will accept financing as an option. This is due to the high risk a lender takes on. Should a co-op owner default on their loan, the lender would be foreclosing on a stock certificate not on real property. For similar reasons the boards of most co-ops are not willing to take on the risk of default and communal disturbances that could accompany a foreclosure. Most purchases are Cash.

Types of Real Estate to Consider

Duplex (Triplex/ Quadplex)

Refers to residential units attached to another, with a yard to maintain.

You could purchase a two-family house and rent out the second unit, subsidizing your own housing costs with a real estate investment. If you decide to move out, you can simply rent it out (ask your lender about limitations on loan products if this is the goal). Your rented duplex would then be a 100% rental property, and your expenditures would be tax deductible. Keep in mind, though that your on-site living arrangements won't offer you as much privacy as a single-family home. And you'll have to learn how to play landlord–you're responsible for not only your backed-up toilet but your tenant's as well.

Financing is open to FHA loans, Conventional loans, Jumbo loans, Renovation financing options like Fanny Mae's "HomeStyles", FHA's "203K" and Freddy Mac's "CHOICERenovation."

Depending on location, you may be able to qualify for publicly-funded home improvement costs. After 4 units the rules change.

Types of Ownership

1. Fee simple ownership is the most complete form of ownership. A fee simple buyer is given title (ownership) of the property, which includes the land and any improvements to the land in perpetuity. Aside from a few exceptions, no one can legally take real estate from an owner with fee simple title. The fee simple owner has the right to possess, use the land and dispose of the land as he wishes – sell it, give it away, trade it for other things, lease it to others or pass it to others upon death.

2. Leasehold ownership or "interest" is created when a fee simple land-owner (Lessor) enters into an agreement or contract called a ground lease with a person or entity (Lessee). A Lessee gives compensation to the Lessor for the rights of use and enjoyment of the land.

- The buyer of leasehold real estate does not own the land; they only have a right to use the land for a pre-determined amount of time.
- If the leasehold real estate is transferred to a new owner, use of the land is limited to the remaining years covered by the original lease. At the end of the pre-determined period, the land reverts back to the Lessor (called reversion.) Depending on the provisions of any surrender clause in the lease, the buildings and other improvements on the land may also revert to the lessor.
- The use, maintenance, and alteration of the leased premises are subject to any restrictions contained in the lease.

Location- cities, neighborhoods, schools, & lifestyle

You are not just buying a house, you're buying a neighborhood, a city, schools, amenities, conveniences, and inconveniences too. And that is likely the most important element of seeing a property in person. With Domicite, it's easy to get a great overview of the neighborhood but it never gets better than a live tour. During your visit pay attention to traffic speeds, sidewalks, lighting at night, the condition of other homes in the area, and whether there's plentiful access to amenities you need. Spend some time walking around the neighborhood around 6pm and see what the neighbors are like after work/school hours. Do it again at 10 pm and once on a Saturday.

Consider the city:

Cities and local governments make all the difference. Domicite will give you the big picture. Do your diligence so you can see the city for what it is now, and for what it is planned to be in the future. Look at these attributes:

1. CRAs (Community Redevelopment Agency) will let you know what is planned to change in the city. Often revitalization programs will let you know where the next cool renovated area will be, where there have been art grants or where new walkable businesses are setting up.

3. School information: Look into the local public and private schools and daycare programs. Elementary, junior and high schools.

4. Crime statistics: Call the local police station or visit their website.

5. Events: Check the city event calendar, is this a parade/ festival town? Do they shut the streets down bi-weekly for street parties? Is this a city on the move or a city asleep?

6. Parks and recreation: What type of outdoor activities are there? How far to the beach, canoeing, biking, hiking, hunting, picnicking?

7. Cultural attractions: Theaters, arts centers, zoos, maker's space, science museums and aquariums! Think rainy day.

Location- cities, neighborhoods, schools, & lifestyle

Consider the Neighborhood:

1. Do you have children or are you planning to have children soon? Research the school system. Even if you're single, living in an area with a sought-after school system raises your property value.

2. What type of home? Are you interested in a single-family home, duplex, townhouse, condo or co-op?

3. What does transportation look like? Can you take public transit, must you drive, is it walkable? What about parking for you and your guests?

4. Do you want to be in a downtown area or in the suburbs? Ask yourself why, and really think it through.

5. What is the most important reason you are moving? Crave the farm air? Have you always wanted to live on the waterfront? Did you just buy a boat? Put that at the top of your list.

6. Walkability. Would you like to be within walking distance of shops, restaurants, and bars? Or would you be willing to drive for amenities?

8. Are the neighbors friendly & courteous? Are these the hipsters looking to host progressive happy hours or the old man yelling "get off my lawn?" It is important.

Open houses:
incredible learning experiences.

It's a chance to sample, get familiar with different layouts (outside of pictures) and see some neighborhoods! Planning ahead makes all the difference:

1. Get a LIST of Which Houses Are "Open".
Your agent will have details on specific properties and can keep you informed of open houses that fit your criteria. They don't need to escort you to every open house in the beginning- ask for a list of open properties (and a stack of your agent's cards to present to the listing agent upon request or exit).

2. Physically prepare.
Eat a good breakfast, wear comfortable shoes (not heels that break in gravel or decks,) plan plenty of time to wander, bring a notepad and pen, and a friendly smile.

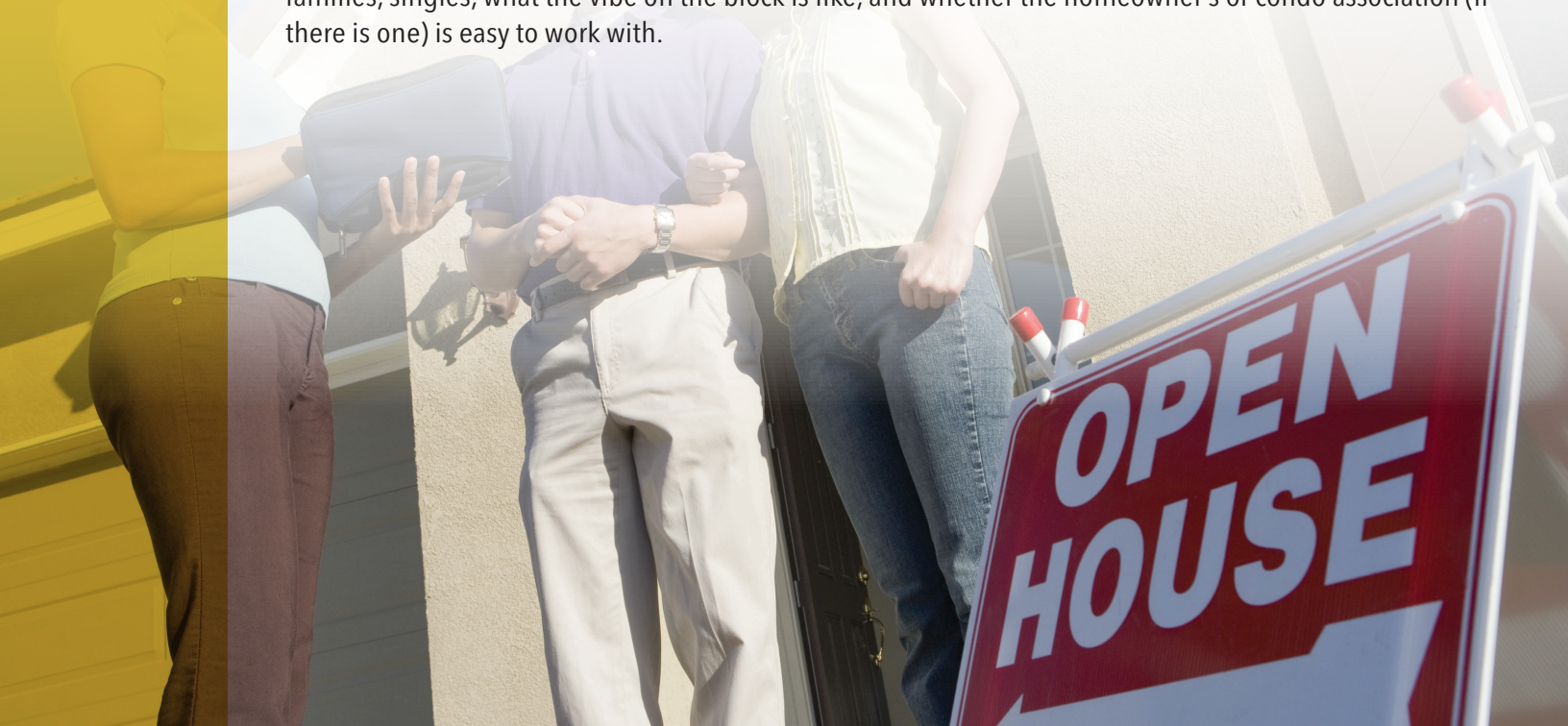
3. Map out your drive to save you from frustrations of zig-zagging all over town.

4. Make a list of questions for the host.
Take notes so you can keep track of what you learned about the area & home.

5. Don't be too open.
If you end up making an offer, you'll use the information you've gathered here to inform your bid, the seller's agent will do the same. Oversharing could hurt your negotiating power as the host works for the seller, not you.

6. Be polite.
"Hello my name is…" "May we walk around upstairs?" and "Thank you for the tour" is always welcomed. If you do decide to make an offer on this home or another they represent they will remember how nice you were. They might be more likely to choose your offer or be more accepting of negotiations.

7. Take a spin around the neighborhood.
Wave to the neighbors, chat them up to get an insider's view on what life in that community is really like – families, singles, what the vibe on the block is like, and whether the homeowner's or condo association (if there is one) is easy to work with.



Questions to ask an open house host:

1. Why are they selling? Motivations are a big part of negotiations, getting the most information up front is not only helpful if you decide to make an offer on this home, but it's helpful to open your mind so you have a bigger picture of other's motivations. All information is valuable.

2. When does the seller want to move? If the seller is in a hurry (say, for a new job), they may be willing to accept a lower offer.

3. When does the seller want to close? One way to strengthen your offer is to propose a closing date that's ideal for the seller. You might be able to make their life easier with a long closing period or a lease back agreement (allowing them to remain in the property after closing for a limited time) to make their transition easier. Agreeable terms are not limited to price.

4. Is the seller negotiable on price? There's always a chance the host will offer extra information here. And, in some instances, the seller has authorized their agent to tell interested buyers that the price is negotiable. It never hurts to ask…also note this question is different from "Is the price negotiable?" You are learning about the seller.

5. Do you have any offers? Listing agents can't disclose the amount of any other offers, only whether they exist. Perhaps you'll learn that there is something they are negotiating you'd like to beat, or the reasons they can't come to an agreement with other offers.

6. How long has the home been on the market? This is online but the host can give you more detail. Maybe the home was under contract but the buyer's financing fell through or the seller overshot the listing price and had to make a price reduction? Again, all details are good details.

7. Has the price changed? Find out why the seller dropped the price or get a feel for what kind of seller you may be dealing with. Was it listed way over market price then reduced over a long period? Is the seller unrealistic? Have there been many listing agents?

8. Has the home been recently inspected by a professional? Have there been any renovations or recent repairs made to the home? Any upgrades? Are there any issues with the plumbing, electrical, roof, appliances, and HVAC system? What is the age of the roof and HVAC system?

9. What are the average utility costs? What is a typical monthly utility bill during the summer and during the winter?

10. What are the HOA or Condo Association dues? What do they cover? Do they require any equity buy-in at closing or deposits from buyers? What is their application fee? Is the property manager easy to contact?

11. How are the neighbors? Loud dogs? Children? Grumpy? Does the woman upstairs line-dance in wooden shoes at 6 am? Definitely worth asking…

Making the Offer

Offers begin on contracts, usually standardized. Your agent will explain all relevant terms to you before drafting up an offer for you to sign. Your real estate agent will then present this offer to the sellers (or sellers' real estate agent).

Your offer might include:

- Offered price
- Street address
- Legal Description
- Sale terms (cash purchase, mortgage financing, trade or seller financing)
- Closing Date: The date the property will change hands
- Escrow agents & deposit agreements (see bottom ½ of this page)
- Any agreements on the prorating of utility bills
- Agreements to transfer lease and tenant deposits
- Payment of title insurance and home inspections
- Deed details
- Specific required clauses and addenda (consult your real estate agent or broker for these)
- Offer timetable and expiration date
- Contingency plans that will come into effect as the result of a canceled/defaulted sale
- Time period allotted for inspections and loan comitment

The sellers may accept, decline or counter the offer. Once it is executed it becomes your working contract. Your agent will then manage your transaction and guide you through every step, clearing contingencies and working towards closing.

How Escrow Works

Once your offer has been accepted by the seller, your transaction is then placed into "escrow."

"Escrow" is a term that describes the neutral third-party handling of funds, documents, and tasks specific to the closing (or settlement, as it is also known), as outlined on the real estate purchase agreement or sales contract. The purpose of escrow is to facilitate the transaction by managing the disbursement of funds and documents. Wires, checks and transfers are risky these days, internet fraud is rampant. Be careful.

1. Always carefully examine the email address from which you receive updates on your transaction from your real estate agent, escrow officer or settlement agent to verify it is correct. If an email seems suspicious, notify your real estate or settlement agent immediately.

2. Call instead of email. Use the phone number on the company's official website or business card. Don't trust the phone number included in the email.

3. Be suspicions of any requested change to wiring instructions. It's highly unusual for your title or escrow company to request any last-minute changes.

4. Confirm the account before sending. Ask your bank to verify the account information before sending a wire. First American transactions will always be to "First American Trust, FSB."

5. Verify funds immediately. Call your title or escrow company to verify the funds have been received.

Common Negotiables

- **Price**

- **Earnest Money Deposit** How Much? Does it "go hard" at any point to secure the seller's risk?

- **Inspection Periods** Since you may cancel your contract without risk during an inspection period, the shorter the better for most sellers.

- **Appraisal Contingencies** are tough if the seller has an over improved home or there have been distressed sales close by. Removing an appraisal contingency means that if the home is valued at less than the purchase price, the buyer can't cancel the contract based on the failure to appraise. However, the buyer will likely still be protected by the finance contingency. The buyer can bring additional cash to the table as the mortgage company will not lend above the appraised value. A cash deal without an appraisal contingency is risky for the buyer because in a seller's market, the seller will be less likely to reduce the purchase price to make up for the appraisal deficiency. If the appraisal comes in very low ontingenicies left in the contract, the buyer may be better off forfeiting their earnest money deposit than paying way above value.

- **Home Warranty** purchases and cost can be apportioned many ways, buyers may ask the seller to buy at closing in lieu of asking for repairs or updates. (home warranties are worth looking into)

- **Repairs and Credits** for repair or replacement of inspection issues.

- **Closing Credits** can cover a significant part of your downpayment or prorations included in the contract. You can make a very attractive offer to a seller for a higher price, better terms, and faster closing to offest the seller's decrease in net proceeds from closing credits. Ask your agent & lender.

- **Closing Date** is important to the seller because it factors into their carrying costs, relocation plans, and purchase of new property. They worry that if it takes too long you may not close and they will have wasted valuable market exposure time. Or depending on their situation, they might want more time to close.

- **Lease back** is the term for allowing the seller to stay in the property for a period of time, accompanied by a lease for a rental amount. This may make your offer very attractive for the right seller.

- **Buyer financing** can affect the appraisals, inspections, loan costs, loan amounts, and closing times. Due your diligence and make the best EDUCATED decision for you.

- **Furniture** may be written into a contract but cannot be financed into a home loan. Selling furnished might be convenient for an out of state seller. On the other side, perhaps you want to ask for a custom kitchen table built to match the kitchen?

Most important things to know about negotiations:

1- Ultimately, everything is negotiable.

2- You get more flies with honey.

Contingencies

Contingencies are conditions of the contract that are in place to protect the buyer and seller from things that could go wrong during the transaction. Each condition must be met to ensure that the sale progresses in a timely manner. Your agent will walk you through them step-by-step to make sure the transaction is flawless. But if problems do arise, the contingencies are there to protect you. Contingency clauses can be written for nearly any need or concern. Always be clear on the contract you sign and make sure your agent or attorney has answered all your questions.

Here are the most common contingencies:

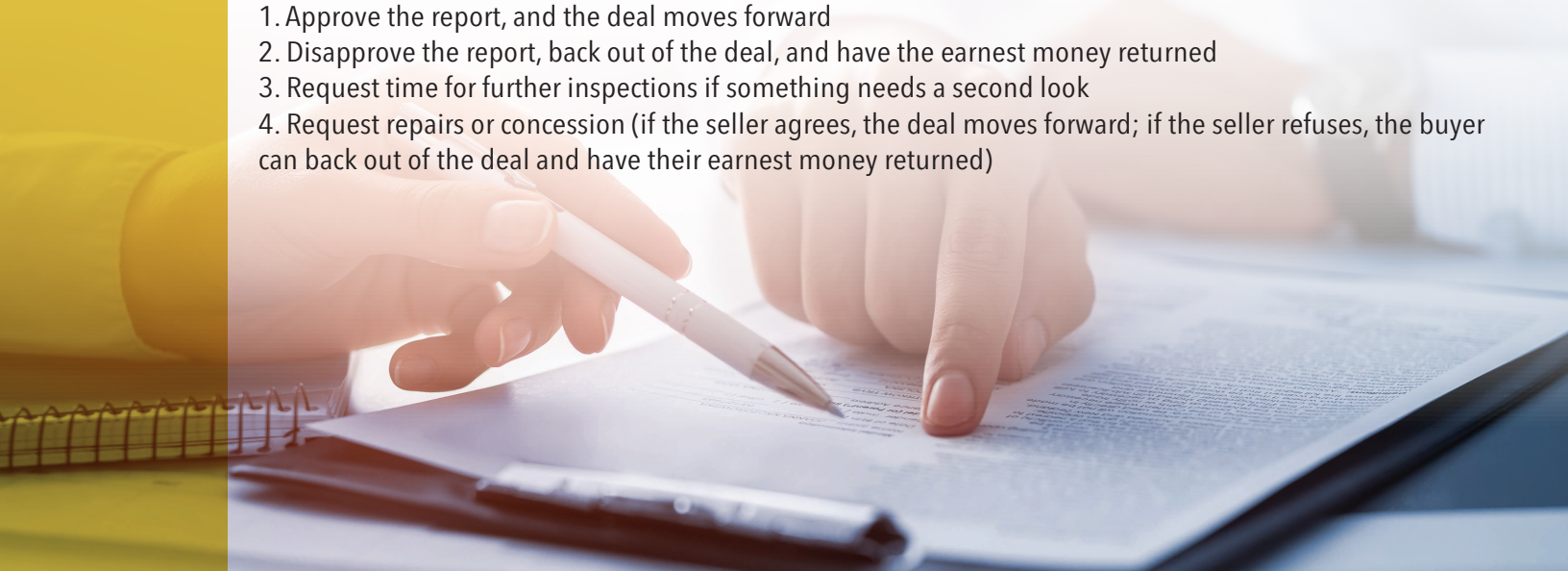
• **Appraisal Contingency** This Protects the buyer and is used to ensure a property is valued at a minimum, specified amount. If the property does not appraise for at least the specified amount, the contract can be terminated. An appraisal contingency may include terms that permit the buyer to proceed with the purchase even if the appraisal is below the specified amount, typically within a specified number of days after the buyer receives the notice of appraisal value. The seller might have the opportunity to lower the price to the appraisal amount. The contingency specifies a release date that the buyer must notify the seller of any issues with the appraisal by. Otherwise, the contingency will be deemed satisfied, and the buyer will not be able to back out of the transaction.

• **Financing Contingency** gives the buyer time to apply for and obtain financing for the purchase of the property. This provides important protection for the buyer, who can back out of the contract and reclaim their earnest money in the event they are unable to secure financing from a bank, mortgage broker, or another type of lending institution. A finance contingency will state a specified number of days that the buyer has to obtain financing. The buyer has until this date to terminate the contract (or request an extension that must be agreed to in writing by the seller). Otherwise, the buyer automatically waives the contingency and becomes obligated to purchase the property–even if a loan is not secured.

• **Home Sale Contingency** gives the buyer a specified amount of time to sell and settle their existing home in order to finance the new one. This type of contingency protects buyers because, if an existing home doesn't sell for at least the asking price, the buyer can back out of the contract without legal consequences. This can be difficult on the seller, who may be forced to pass up another offer while waiting for the outcome of the contingency. The seller retains the right to cancel the contract if the buyer's home is not sold within the specified number of days.

• **Inspection Contingency** or Inspection Period, gives the buyer the right to have the home inspected within a specified time period (usually 5-15 days). It protects the buyer, who can cancel the contract or negotiate repairs based on the findings of a professional home inspector. The inspector furnishes a report to the buyer detailing any issues discovered during the inspection. At this point the buyer has 4 choices:

1. Approve the report, and the deal moves forward
2. Disapprove the report, back out of the deal, and have the earnest money returned
3. Request time for further inspections if something needs a second look
4. Request repairs or concession (if the seller agrees, the deal moves forward; if the seller refuses, the buyer can back out of the deal and have their earnest money returned)



Contingencies

• **A Cost-of-Repair Contingency** is sometimes included in addition to the inspection contingency. This specifies a maximum dollar amount for necessary repairs. If the inspection indicates that repairs will cost more than this dollar amount, the buyer can elect to terminate the contract. In many cases the cost-of-repair contingency is based on a certain percentage of the sales price, such as 1.5% of the purchase price.

• **Kick-Out Clause** is a contingency added by sellers to provide a measure of protection against a home sale contingency. While the seller agrees to a home sale contingency, he or she can add a kick-out clause stating that the seller can continue to market the property. If another qualified buyer steps up, the seller gives the current buyer a specified amount of time (such as 72 hours) to remove the home sale contingency and keep the contract alive. Otherwise, the seller can back out of the contract and sell to the new buyer.

• **Title Contingency** gives the buyer the option to walk away instead of dealing with any contested ownership claims. For example, that can happen if the house is being sold as part of a divorce or probate or is in a contested area.

• **Insurance Approval** is to ensure that you can get insurance. If for some reason you can't or the insurance is outrageously expensive, you should be able to walk away. Things like previous claims for mold, polybutylene pipes, outdated electrical systems or an old roof can make a house difficult to insure.

• **Final Walk-Through** It's common to take a final walk-through the day before closing. Do not skip this step! You want to make sure there hasn't been any serious damage to the property since you entered into the contract. You'll also want to check that all agreed-upon repairs have been made.

• **Attorney Review** You may wish to include a clause that allows your attorney to review the contract for a period of time before closing. They can make sure nothing has been removed or sneaked into the contract without your knowledge, especially if the seller has added specific clauses to the contract your agent is not familiar with.

It is important to read and understand your contract, paying attention to all specified dates and deadlines. Because time is of the essence, one day (and one missed deadline) can have a negative–and costly–effect on your real estate transaction.

Transaction Control Form

- don't miss your deadlines

TRANSACTION CRITICAL DATES

EFFECTIVE DATE:	CLOSING DATE:	CONTRACT PRICE:
Day / Month / Year	Day / Month / Year	$

PARTIES:

PROPERTY ADDRESS:	BUYER/s (legal) NAME/S:
BUYER AGENT NAME:	BUYER AGENT COMPANY:
BUYER AGENT EMAIL:	BUYER AGENT CELL :
SELLER (Legal) NAME:	SELLER / AGENT NAME:
SELER / AGENT PHONE:	SELLER / AGENT EMAIL:
SELLER AGENT COMPANY & LICENSE #:	CLOSING/TITLE CO:
LENDER:	LENDER CONTACT INFO:
INSPECTOR:	INSURANCE AGENT/ COMPANY:
PHONE#:	LOAN OFFICER:
TYPE OF FINANCING:	PHONE# :

ITEM:	DUE DATE:	DATE COMPLETED:	AMOUNTS /NOTES:
TIME & DATE OF ACCEPTANCE:	/ /	/ /	
CLOSING_PER_CONTRACT:	/ /	/ /	
INTITIAL DEPOSIT:	/ /	/ /	$
ADDITIONAL DEPOSIT:	/ /	/ /	$
LOAN APPLICATION:	/ /	/ /	
APPRAISAL:	/ /	/ /	
LOAN COMMITMENT:	/ /	/ /	
INSPECTION PERIOD:	/ /	/ /	

ITEM:	DUE DATE:	DATE COMPLETED:	AMOUNTS /NOTES:
INSPECTION/WIND. MIT./ WDO COMPLETION:	/ /	/ /	
SURVEY COMPLETION:	/ /	/ /	
INSPECTION REPORT WRITTEN NOTICE:	/ /	/ /	
SELLERS TITLE DELIVERED:	/ /	/ /	
BUYERS TITLE – NOTICE OF DEFECTS:	/ /	/ /	
HOMEOWNERS INSURANCE:	/ /	/ /	
RECEIVED CLOSING DISCLOSURE FOR REVIEW	/ /	/ /	
FINAL WALK THROUGH:	/ /	/ /	

ASSOCIATION

CONDO/HOA APPLICATION	CONDO DOCUMENTS DELIVERED:
CONDO DOCUMENTS BUYER APPROVAL: (3 day right of recision?)	ASSOCIATION INTERVIEW/APPROVAL: (what to bring along?)

*EFFECTIVE DATE IS THE DATE ON WHICH THE LAST OF THE PARTIES SIGNS AND DELIVERS THE FINAL OFFER.

* TIME on AS/IS CONTRACT: Calendar days shall be used in computing time periods. **Time is of the essence in this Contract**. Any dates outside of the acceptance date and effective date that shall end or occur on a Saturday, Sunday, or a national legal holiday shall extend to 5.00 p.m. of the next business day.

*TIME on RESIDENTIAL CONTRACT FOR SALE & PURCHASE: Business days shall be used in computing time periods. **Time is of the essence in this Contract**. Any dates outside of the acceptance date and effective date that shall end or occur on a Saturday, Sunday, or a national legal holiday shall extend to 5.00 p.m. of the next business day.

OFFICIALLY Applying for your Loan:
Preparedness is Key

You have prepared for this. You know the best lender for you, you know the best financial product for you, you have an executed real estate contract in hand for the perfect home. Now you have to arrange to pay for it. Your lender will be working, behind the scenes, step by step, to get you to closing. Your job is to make sure they have what they need to get you there- sometimes it seems redundant- but its because there are many different parties involved all looking at information differently. You got this.
It is always better to be prepared upfront with EVERYTHING needed rather then slowly gather documents because your loan officer must get a complete package off to underwriting and processing. Everything you miss holds up the process and makes your life more stressful. Even the most prepared applicant will have "conditions" that need satisfying along the way, always be quick to respond and get them what they need.

Checklist of Items your lender will need to apply for loan:

1. Signed real estate contract
2. W2's from current and past employers
3. Bank Statements (Last 2 years from all accounts)
4. Paycheck stubs
5. Tax returns
6. Gift letter (if using gift funds / Your lender will provide details)
7. List of your debts
8. List of all your assets
9. Proof of timely rental payments
10. Credit Report
11. Profit and loss statements
12. Proof of additional income
13. Divorcee decree (if applies)
14. Bankruptcy paperwork (if applies)

Don't Do This

The list of things that may cause FAILURE:

1. DON'T: Make large deposits or withdrawals.
2. DON'T: Change jobs.
3. DON'T: Apply for credit cards (this means NO Home Depot cards, NO Macy's cards- even if you get 50% off!)
4. DON'T: Buy new furniture on credit (0% for 10 years is still credit.)
5. DON'T: Buy a new car.
6. DON'T: Up a home equity line of credit.
7. DON'T: Close credit accounts.
8. DON'T: Make payments on collection accounts.

Home Inspections

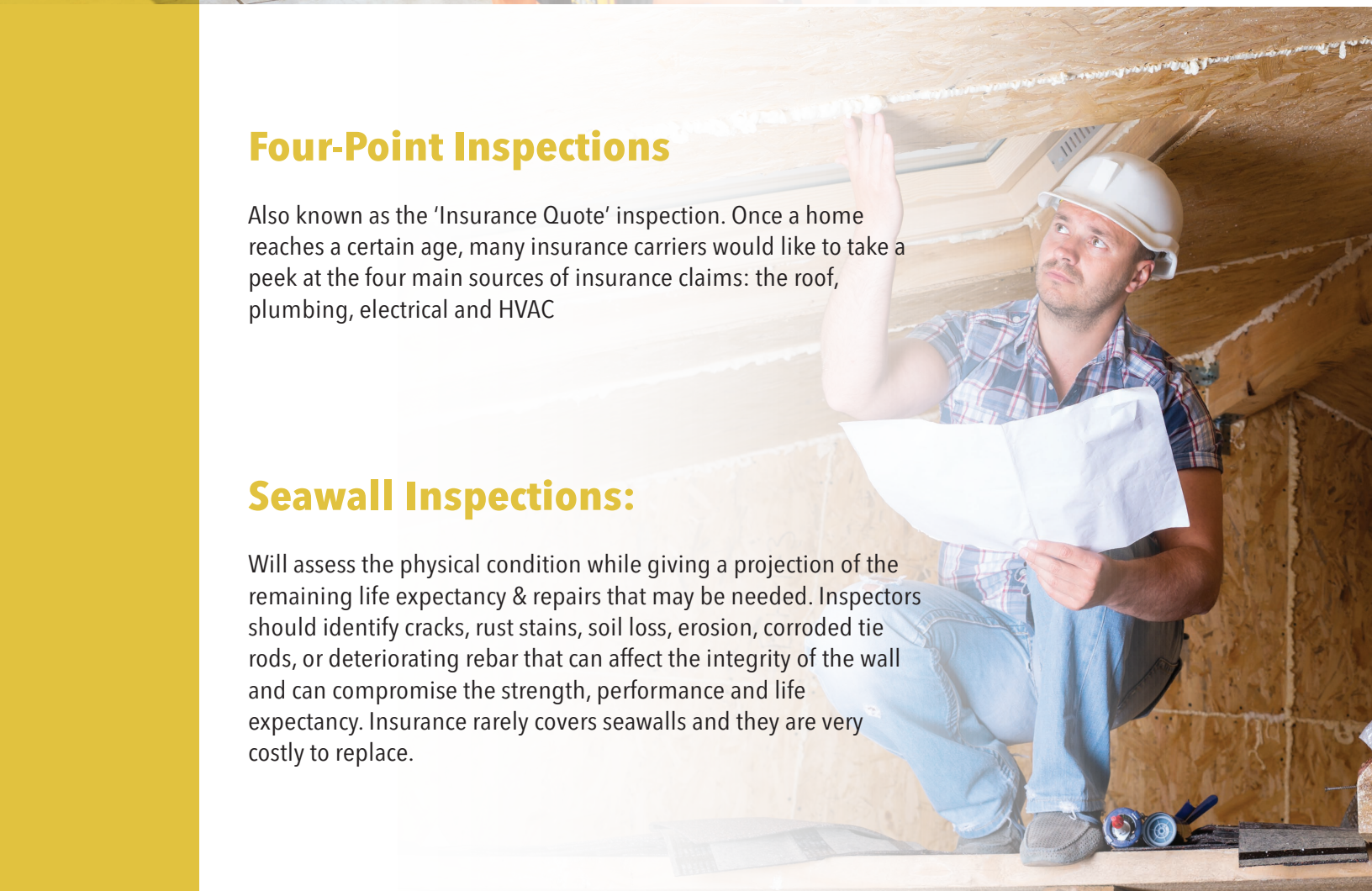
Buying a home is a big deal, make sure to have the home inspected to avoid unpleasant surprises and unexpected difficulties.You'll want to learn as much as you can about the newly constructed or existing house before you buy it. A home inspection may identify the need for major repairs, builder oversights, and deferred maintenance. After the inspection, you will know more about the house, which will allow you to make decisions with confidence.

TYPES OF INSPECTIONS:

Comprehensive Home Inspection:

Evaluates the general condition of the property, hundreds of items on each house, from the foundation to the roof, inside and out. Helps identify defects or adverse conditions that could significantly impact the property value, and if needed, alerts you to any situations where a specialist may be required to make repairs or evaluate more specific hazards.

- Roof, Electrical, Plumbing, HVAC
- Wood Destroying Organism
- Appliances
- Sprinklers, pool, gutters, etc.
- Cupboards, blinds, windows



Four-Point Inspections

Also known as the 'Insurance Quote' inspection. Once a home reaches a certain age, many insurance carriers would like to take a peek at the four main sources of insurance claims: the roof, plumbing, electrical and HVAC

Seawall Inspections:

Will assess the physical condition while giving a projection of the remaining life expectancy & repairs that may be needed. Inspectors should identify cracks, rust stains, soil loss, erosion, corroded tie rods, or deteriorating rebar that can affect the integrity of the wall and can compromise the strength, performance and life expectancy. Insurance rarely covers seawalls and they are very costly to replace.

Home Inspections

Termite (Wood-Destroying Organism) Inspections

Include drywood termites, subterranean termites, Formosan termites, as well as several types of beetles. Inspectors will provide a WDO Certificate for mortgage or other reasons.

Mold Inspections

Visual & lab-tested examination of a home's environment to determine if a home presently has mold.
Includes sampling the air, identifying any areas of moisture intrusion, inspecting for non-visible mold, evaluating any existing mold or mildew damage in the home, and obtaining a detailed lab result for each sample taken; this will provide you with clear information regarding the types of mold found and potential toxicity.

Windstorm Inspections:

Inspectors evaluate roof covering and installation including roof-to-wall ties & roof deck attachment, windows, doors, and secondary water resistance. This checklist ensures that your home has been thoroughly checked at all the known points that water or wind can enter your home. It is not a costly inspection and can lead to **large** insurance discounts.

Attend your Home Inspection

It's inspection day! You do not have to be there- BUT YOU SHOULD, even if its only for an hour at the end of the inspection. Even though you'll receive a report summarizing the findings later on, being there gives you a chance to ask questions, and to learn the inner workings of the home.

Ask the inspector how long you should plan on being there in advance. The inspector will survey the property from top to bottom. This includes checking water pressure, leaks in the attic, plumbing, if door and window frames are straight (if not, it could be a sign of a structural issue), if electrical wiring is up to code, if smoke and carbon monoxide detectors are working, and appliances work properly. Outside, he or she will look at things like siding, fencing, and drainage.

You may be able to negotiate repairs with the seller.

Once you receive the inspector's report, review it with your agent.

Most sales contracts (ask your agent) require the seller to fix:

- Structural defects
- Building code violations
- Safety issues

Most home repairs, however, are negotiable. But choose you battles wisely. Minor issues, like a cracked switch plate or loose kitchen faucet, are easy and cheap to fix on your own. If there are major issues with the house, your agent can submit a formal request for repairs that includes a copy of the inspection report. Trust your inspector, trust your gut, and lean on your agent – they likely have a lot of experience to support your decision-making.

If the seller agrees to make repairs they must provide you with invoices from a licensed contractor stating that the repairs were made. Then it's full steam ahead toward the sale.

If the seller responds to your repair requests with a counteroffer they will state which repairs (or credits at closing) he or she is willing to make. The ball is in your court to either agree, counter the seller's counteroffer, or void the transaction.

You need to be realistic about how much repair work you'd be taking on. At this point in the sale, there's a lot of pressure from all parties to move into the close. But if you don't feel comfortable, speak up.

Get Title Insurance

Title insurance protects you and your property against title defects. Past owner's liens, debt, tax liens, zoning violations, past due utility bills, closing errors, marital rights, inheritance issues, and other claims of ownership may have been instituted prior to your purchasing the home. If future claims should come back to haunt you, the title policy will cover them.

Owner's Policy (every owner should get this)

- Title insurance protects you against past problems
- Paid for one time
- Good for as long as you or your heirs retain interest in the property
- Average cost: varies widely per state

Loan Policy (only buyers with a mortgage will need this)

- Policy required by the mortgage lender to protect against title defects that could affect the lien of the lenders mortgage
- Paid for one time
- Effective for the life of the loan
- Average cost: varies depending on credit score, loan to value ratio and state

Title Search:

- Federal, State, County and local records
- Court Records

Examine:

- Identify title defects
- Issue preliminary title report/ title commitment
- Identify curative actions

Cure:

- Remove "clouds" on title
- Settle existing liens
- Resolve title issues

Close:

- Issue title policy
- Disburse funds
- Transfer ownership

Your closing company or attorney will be able to arrange and purchase your title policy for you, this will be part of your closing costs.

The 10 most common title problems

1- Forgeries

2-Public records errors

3- Illegal deeds

4- Unknown liens

5- Missing heirs

6- Undiscovered encumbrances

7- Unknown easements

8- Survey & boundary disputes

9- Undiscovered wills

10- False impersonation of a previous owner

Homeowners Insurance

Your lender will require that you have insurance coverage at the time you close. How much coverage they require depends on the lender, but it must be at least enough to entirely rebuild the house in the event of a disaster. Often, you'll be required to purchase one year's coverage in advance. Homeowners insurance covers:

Damage to the home typically covers things like fire or smoke damage, wind, lightning strike or hail. Not every natural disaster is covered. You may be required to buy additional flood insurance coverage in order to get a mortgage.

Damage to other structures on the property like a shed or garage.

Personal property: If you purchase personal property coverage and have anything that's stolen or damaged during a covered disaster, this coverage helps you replace it. These policies have certain limits, but you can buy extended coverage (sometimes referred to as riders) for valuable items like jewelry. Ask your agent.

Liability coverage helps pay for expenses related to things you may have caused or are negligent about-like a slip and fall accident in your garage or if you shoot a golf ball through the neighbor's window.

Important Questions To Ask:

1. Can you explain the differences of coverage between your HO-1 through HO-8 policies? In the U.S., there are eight levels of homeowners insurance. They range from basic condo insurance to comprehensive, full-coverage single-family home insurance. Ask your lender what you MUST have and ask your agent what would best protect you.

2. Do you cover replacement cost or actual cash value? Replacement cost is better because, after paying for a deductible, you'll receive funds to replace what was lost. With an actual cash value policy, the insurance company will depreciate you assets and you may end up with much less money to help you replace your assets.

3. What is the replacement value of my (future) home? The replacement value of a home may be less than the purchase/appraised value of a home. In the case of a tragedy, you may have to pay for repairs out of your own pocket on top of the deductible.

4. What is excluded from the policy?

5. Does this policy cover water damage? Some cover sewer damage but may not cover flood damage. Make sure you ask if you need flood insurance as well.

You may be eligible for discounts, ask!

Consider these things for lower rates:

- Higher deductible
- Remove "land coverage"
- Wind Mitigation inspection
- Home security system
- Fence around the pool
- Primary property
- Bundle your home, auto and motorcycle insurance with them

Appraisal:
renegotiating, saving the deal & saving money.

An appraisal is an unbiased professional opinion of a home's value. The appraisal assures the lender that they aren't handing the borrower more money than the home is worth and that you are not overpaying! Lenders want to make sure that you are not over-borrowing for a property because the home serves as collateral for the mortgage. If you should default on the mortgage and go into foreclosure, the lender will sell the home to recoup the money it lent. The appraisal helps the bank protect itself against lending more than it might be able to recover in this worst-case scenario.

Appraisals are part of closing costs (paid by the buyer) but can often be paid on a credit card in advance, or paid by others- like your lender- as a gift. It never hurts to ask.

Yay, the house appraised: If the appraisal comes in, at or above the contract price, the transaction proceeds as planned.

Oh, no, the house didn't appraise: If the appraisal comes in below the contract price, there is a chance to renegotiate. Chances are neither you nor the seller wants the transaction to fall through. As the buyer you have an advantage, in that a low appraisal can serve as a negotiating tool to convince the seller to lower the price.

1. Reduce the Purchase price: Did you have an appraisal contingency? Does your loan depend on it? Talk this through with your agent/lender first.
2. Negotiate with the sellers: If the gap between the offer price and the appraised value isn't too large, you may be able to meet somewhere in the middle and secure your dream home. Be nice. Consider a letter to the seller about how this is your dream home…
3. Make up the difference: Most lenders will allow you to pay the difference in price outside of your loan, you might reduce your down payment.
4. Cancel the contract: Sometimes deals just fall through. Even if you really love the home, be smart and don't buy a property that's overpriced. Always be prepared to walk away.
5. Wait it out: Keep your eye on the house because if a deal falls through because of appraisal issues, the homeowners have a hard time getting higher offers from other buyers. They may come back to you to negotiate again.
6. Appeal the appraisal: if you think the appraisal was unrealistic and can make a case that it was way off mark, ask your loan officer to compose a rebuttal (with help from your agent).

***FHA appraisals stick with the property for 120 days, during this time the original appraisal will be used even if a new buyer comes along with a new FHA loan. VA Loans stick for 6 months.

Before closing

1. Determine who will conduct your closing, where it will be, and when.

Closing agent name/ Company: Closing agent phone number:

Closing Date: Time:

Address of Closing:

2. Protect yourself from a mortgage closing fraud. It happens all the time. BEWARE of last-minute emails.

Get the names and numbers of TWO people who can confirm wire instructions, save them in your phone. Use them when you are at the bank.

(1) Name Phone

(2) Name Phone

3. Ask the closing agent directly what to expect and bring with you.

- Cashier's check or wire transfer receipt? How much?
- Your "CD" (Closing Disclosure) for comparison
- Agent/Attorney
- Co-Borrower
- Check book for last minute changes
- HOA Approval
- Drivers License/Passport/ID
- What happens if you walk at closing, what do you owe the seller?

4. Make time to carefully review the CLOSING documents

- Look for errors and to make sure you have a clear understanding of the loan terms
- Compare your Closing Disclosure to your Loan Estimate:

Are the loan type, interest rate, monthly payment, and other key terms the same as I expected?

Are there any fees that I don't understand or that have changed significantly?

Do I have an escrow account? Do I understand how that works? If not, call your lender/agent and ask.

5. Read all of your closing documents, if not in advance then at closing.

Is my personal information correct on all of the documents?
What happens if I don't pay my loan?
Do the key numbers (loan amount, monthly payment, interest rate) match exactly across all of my documents?
How can I exercise my Right to Cancel (refinance only)?

6. Do a final walk through

of the property before closing to ensure everything is as it is supposed to be with your agent.

At Closing

1. Bring these things to closing.

- A cashier's check or proof of wire transfer for the exact amount of money you need to close. (double check the wire instructions, BEWARE of scams!)
- Your Closing Disclosure. You'll want to compare it to the final documents one more time.
- Your Agent, or lawyer, if you want an advocate at the table.
- Your co-borrower or the person who is co-signing your loan.
- Your check book, in case there are any last-minute changes.

2. Get answers to these questions at your closing:

- How will I pay my taxes and Homeowners Insurance, are they included in my monthly payments or do I have to pay them on my own?
- Where do I send my monthly payments?
- Will I save money by making bi-monthly payments or extra principal payments?
- How do I pay Homeowner's Association dues?
- Who should I call if I have questions after closing?
- When will I get my title insurance policy?
- Will my payments change ever?
- Will I be notified when I no longer have to pay mortgage insurance?

3. Take your time.

Ask questions. You have a right to read and understand your closing documents, no matter how long it takes. Make sure you are 100% comfortable.

4. Save your ENTIRE Closing file as it includes these important documents:

- Closing Disclosure
- Promissory Note
- Mortgage / Security Instrument / Deed of Trust
- Deed, document that transfers property ownership (purchase only)
- Right to Cancel (refinance only)

BE AWARE OF MAIL, EMAIL, AND PHONE SCAMS AFTER CLOSING

Marketers target new homeowners; YOUR DEED AND MORTGAGE are recorded public record.

- Solicitations for new credit cards or home equity lines of credit. If you want to opt-out of these solicitations call (888) 567-8688.
- Solicitations from home improvement contractors. Not only should you wait before making major investments, but scams are common. Research a contractor's reputation and always get three quotes before choosing a contractor.
- Solicitations for "mortgage protection (life) insurance," often sent in official-looking envelopes with your MORTAGE COMPANY referenced. Most homeowners are better off with standard life insurance, which is more flexible and usually cheaper.
- Bi-weekly payment plans offered for a fee. You can set it up yourself, for free.
- Refinance offers that don't save you money. Don't refinance too soon, the closing costs are not worth it.

Before the Move

- ☐ Arrange for movers or packing materials
- ☐ Notify your utility services at both your current and future residence
- ☐ Research and contact service providers at your new residence (e.g. Internet, Cable, Phone)
- ☐ Complete change-of-address form at the post office, let the state know if you have a professional license and alert your children's schools
- ☐ Start using up items that cannot be moved, such as frozen food, bleach and aerosols
- ☐ Begin packing items you don't use often
- ☐ Arrange for home insurance cancellation & new insurance policy for your new home
- ☐ Store important documents such as birth certificates, medical records, legal/financial papers in a safe place that will not get lost in the move
- ☐ Donate or sell items that you do not wish to move (save the receipts for tax deductions)
- ☐ Pack an essentials bag (in case you don't unpack right away)
- ☐ Measure furniture and come up with a plan on where you want everything in the new home
- ☐ Empty and defrost refrigerator (dry it out and keep the door propped open so mold does not grow)
- ☐ Clean your current living space leave it better then you found it, "Moving Karma!"
- ☐ Give your landlord/new owner your new address in case he/ she needs to forward stray mail.

After the Move

- ☐ Clean your new home
- ☐ Change the locks to outside doors, check all windows lock properly
- ☐ Check smoke detectors and replace batteries, if needed
- ☐ Be sure that all utility services are turned on and in your name (Electric, Gas, Water, Basin and Drainage, Garbage, etc.)
- ☐ Arrange times for cable and internet providers to come and install
- ☐ Change your address on your bank accounts, credit cards, driver's license, vehicle registration, voter's registration, etc.
- ☐ Notify your employer of your new address and new local tax ID
- ☐ Store all of your home's closing documents in a safe place Find and store manuals for the home's appliances and systems
- ☐ Store important documents such as birth certificates, sales records, legal/financial papers in a safe place that will not get lost after the move
- ☐ Meet your neighbors
- ☐ Unpack and enjoy your new home!