



# HOME BUYER'S GUIDE

**Making the Most of Your Home**

**Buying Experience**

## In our business, it's all about you..

- Exploring your dreams
- Understanding your needs
- Addressing your concerns and questions
- Arranging your finances
- Valuing your time and your life

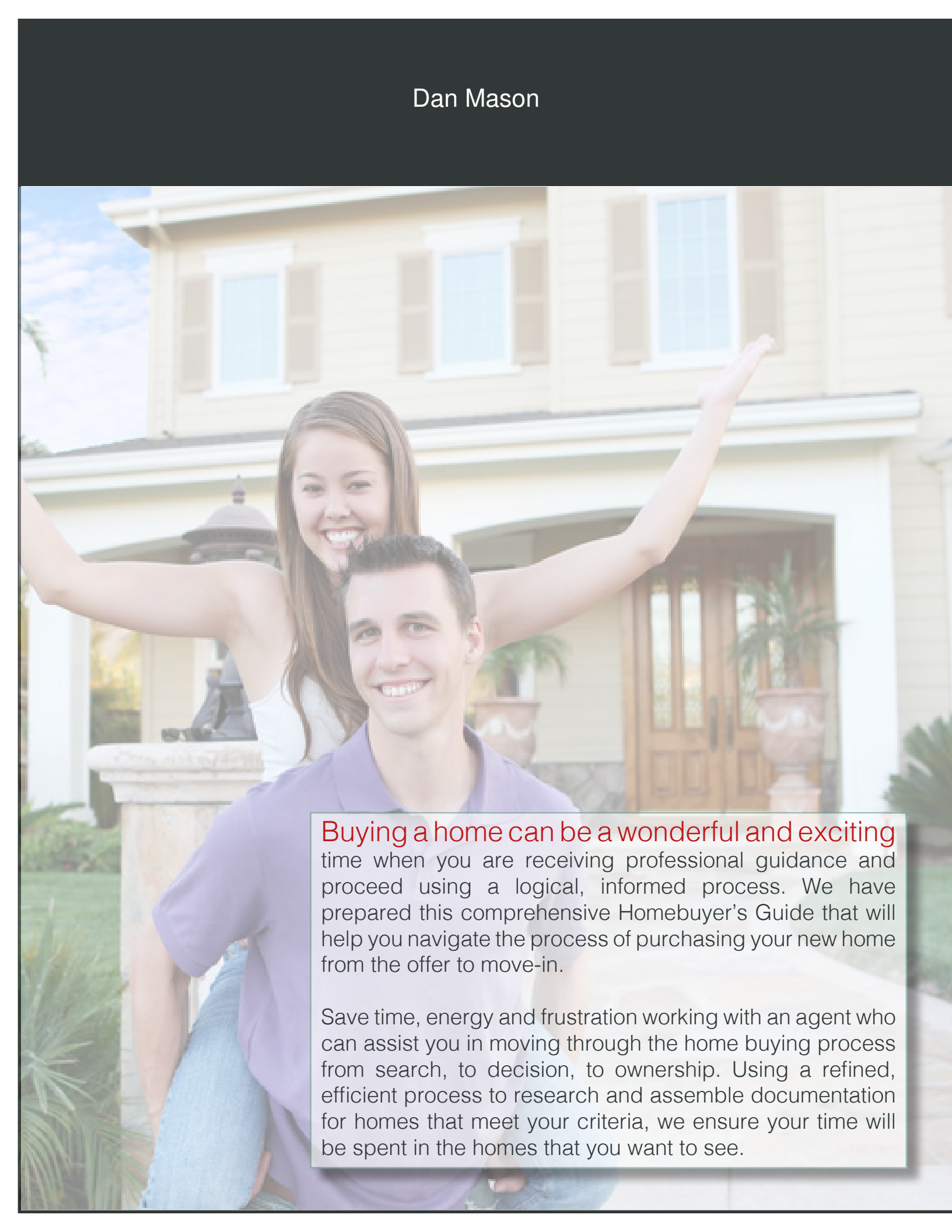
Purchase a new home and you step into a new life. The event means building emotional ties to new people and exploring a new area. There is a sense of adventure in finding new restaurants, stores, and service providers.

We understand this and stand ready to help every step of the way in finding your new home. While it can be a very exciting time, purchasing a home can also be stressful and provoke anxiety. As your real estate agent we offer guidance and options for the many decisions to be made, and provide viable solutions to any challenges that may arise. We work closely with you to locate your ideal home and then help navigate through the necessary negotiations and paperwork as smoothly as possible.

We promise to treat you with the same respect that we also expect from others in our personal and business relationships. To obtain absolutely the best results, we operate with the highest standards of excellence, integrity and responsibility.

We look forward to serving you in the near future.

## Dan Mason



**Buying a home can be a wonderful and exciting** time when you are receiving professional guidance and proceed using a logical, informed process. We have prepared this comprehensive Homebuyer's Guide that will help you navigate the process of purchasing your new home from the offer to move-in.

Save time, energy and frustration working with an agent who can assist you in moving through the home buying process from search, to decision, to ownership. Using a refined, efficient process to research and assemble documentation for homes that meet your criteria, we ensure your time will be spent in the homes that you want to see.



## **WE WILL HELP YOU:**

- Identify your needs
- Find sources of financing
- Obtain accurate information on neighborhoods, schools, and communities
- Select and arrange property showings
- Evaluate properties of interest
- Be knowledgeable about the forms and agreements
- Advise on contract contingencies to protect you
- Negotiate a favorable price and terms of purchase
- Be prepared with a rationale for everything, thus strengthening your bargaining position
- Monitor the entire purchase process, assisting with issues that arise through closing
- Refer other service providers, such as inspectors, contractors, and exterminators

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# CHOOSING A REAL **ESTATE PROFESSIONAL**

When selecting a real estate professional, you want someone who has a thorough understanding and can provide accurate information on neighborhoods, schools, and communities. You want someone who can anticipate problems before they occur and offer solutions based on previous results. The right agent will understand the complexities of the ever-changing real estate market and be able to communicate to you crucial market data.

Buying a home involves a significant amount of money and can be emotional; it is important you find someone you like and trust. As with anyone that places their trust in another, a confidence must exist in knowing your real estate agent understands your concerns and objectives. Look for an agent with whom you can easily communicate your needs. Only by fully understanding your position can the agent focus on areas of importance to meet your objective. In addition to finding homes that meet your wants and needs, your agent should have resources pertaining to finance, insurance, and other related service professionals, such as home inspectors, pest control, and movers.

## WHAT TO WATCH FOR

Most people can tell immediately if someone is paying attention to their side of the conversation or not. You want an active listener on your side, an agent who invests energy into every discussion and decision. According to a recent survey, agents with a reputation for being honest are known to ask questions, listen intently, and ultimately respect the client's wishes. Good listeners do not manipulate and manipulators are not good listeners. The research revealed that those agents who respected their clients, actively listened to them. An agent is an active listener if they are:

1. Not preoccupied
2. Not interrupting
3. Providing timely feedback
4. Asking questions
5. Taking notes
6. Focusing on the customer and the message
7. Responding — it is impossible to hear and not respond!

Source: Kirk Wakefield "What Do Consumers Expect From Real Estate Agents?"

A photograph of a middle-aged man with grey hair and a beard, smiling warmly. He is wearing a light-colored suit jacket, a white shirt, and a blue striped tie. In the background, two other men in business attire are visible but out of focus. The top of the image has a dark grey header.

Dan Mason

# What is a **Buyer's Agent?**

The term “agent” is often used loosely, referring to any real estate licensee. But legally speaking, agent refers to someone who has established a formal agency relationship—someone who represents your best interests in a real estate transaction and owes you fiduciary responsibilities. Such a relationship is established in writing with a buyer agency agreement between the buyer and the agent.



# OBLIGATION

## Should You Insist on Having a Buyer Agency Agreement?

Laws governing agency relationships differ from state to state. And without proper understanding of those laws, you may find yourself working with someone who is actually negotiating for the seller, not you, the buyer. It is your right to understand who is representing you in a real estate transaction.


When represented by an agent, you are considered a client to whom “fiduciary duties” are owed. These duties can include loyalty, confidentiality, obedience, disclosure, accounting, reasonable care and diligence.

When not represented by an agent, you are considered a customer. Though customers and real estate agents do not have a fiduciary relationship, the real estate professional has the obligation of honesty.

The best way to be certain your interests are being considered and protected is to sign a buyer agency agreement with a trained buyers representative, which clearly establishes client-level services and spells out what services you can depend upon.

# OF HONESTY

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# ARE YOU A CUSTOMER **OR A CLIENT?**

The services you receive will vary depending on your agency relationship. It is important you know the agent's ethical and legal responsibilities that exist when you are a customer or client to the agent.

You are a **CUSTOMER** if no agency relationship exist.

An agent will:

- Provide reasonable care and skill and not negligently or knowingly provide you with false or misleading information.
- Inform you only of material facts about a property.
- Serve only in a capacity that does not involve discretion or the exercise of the agent's own judgment.
- Maintain confidentiality with the seller, protecting their interests at all times.
- Attempt to solve problems to the seller's advantage and satisfaction.
- Owe you no fiduciary duties.
- Only provide you clerical or ministerial acts.
- Not develop or share negotiating strategies.
- Not provide you with advice or advocate on your behalf.

You are a **CLIENT** if an agency relationship exists.

Your agent will:

- Pay full attention to your needs.
- Advise you of all that they know about the seller.
- Maintain confidentiality with you.
- Provide professional advice as well as all material facts.
- Provide price counseling based on comparable properties and their professional insights.
- Protect your interests and guide you.
- Negotiate on your behalf.
- Attempt to solve problems to your advantage and satisfaction.

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# THE MORE YOU KNOW ABOUT PURCHASING A HOME THE EASIER IT WILL BE

Proper planning will help you focus on what you want and eliminate unnecessary distractions.

Furthermore, planning will help you anticipate and prepare for requests from your agent, lawyers, lenders and a host of other professionals. This will allow you to purchase your new home with minimum hassles.

This guide is designed to summarize the various steps along the path of qualifying, finding and buying a home. It is our job as your trusted advisor to streamline the steps for you, ensuring everything is completed according to plan and that we find the right home, negotiate the best price and terms, and take care of all the details.



# THE HOME BUYING PROCESS

## INITIAL CONSULTATION

- Assess your wants and needs
- Establish working relationship
- Educate on current market
- Outline buying strategy
- Discuss financing options

## BEGIN HOME SEARCH

- View properties based on your search criteria
- Evaluate each property
- Periodically assess search criteria based on availability of properties
- Choose the right home

## PREPARE AN OFFER

- Review comparable sales to determine offer price
- Review progress of loan pre-approval; decide on financing
- Review disclosures, as available
- Decide on other negotiation terms (inspections, possession date, personal property, etc.)

## MEET WITH MORTGAGE LENDER

- Complete loan application
- Obtain loan pre-approval
- Provide requested documents
- Property appraisal
- Loan processing; removal of any financing contingencies
- Obtain final loan approval

## REACH AGREEMENT WITH SELLER

- Present you offer
- Negotiate terms and possible counter offers
- Finalize purchase agreement

## COMPLETE SETTLEMENT PROCESS

- Deposit earnest money
- Schedule inspections
- Review inspection reports and make request for repairs, if appropriate
- Remove any remaining contingencies
- Arrange for homeowner's insurance
- Schedule transfer of utilities
- Arrange for home warranty
- Schedule final walkthrough inspection
- Review closing statement
- Fund balance of downpayment
- Sign closing documents and loan papers
- Loan funding and record title

## CONGRATULATIONS

- Get the keys and move in
- Send announcements to family and friends

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WHAT ARE YOU LOOKING  
**FOR IN A HOME?**

“I don't know where I'm going, but I'm on my way.”

-Carl Sandburg-

This quote conveys a very simple message: to hit the target – you must take aim.

The process of buying a home can seem overwhelming. There are so many things to consider and sometimes it's hard to know where to start. To help you stay focused and get the most out of your search process, it's a good idea to start with a list.

Identify your 'must haves' so you know the priorities. Buying a home is an emotional process and sometimes it's easy to fall in love with a particular house feature or style, forgetting about what you originally decided you needed to suit your lifestyle and budget. Your 'must haves' may include things like number of bedrooms and bathrooms, good natural light, separate play area for the kids and a large, sunny backyard.

Talk to family and friends and learn from their experiences — what do they love about their home, and what would they change? Thinking through what you want first makes it much easier once you start talking to sales people and builders. Your lists can help you to prioritize what you really need, while staying within your budget.



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# ASSESS YOUR **WANTS AND NEEDS**

The following Home Buyer's Needs Analysis will help you establish some important criteria for your new home so you can cut your search time and narrow in on the areas and specific homes that meet your needs and circumstances. Define what you want and need in your new home. Rate the importance of each on a scale of 1 to 5, 1 being unimportant and 5 being very important. You may want to write some qualifying comments or add more considerations of your own. The more clearly you define your desires, the easier the decisions will be.



# Atlanta Communities

## MasonDiasioRealty.com

### WHERE DO I WANT TO LIVE?

1 2 3 4 5    City    Suburban    Rural

### WHAT IS THE NEIGHBORHOOD LIKE?

1 2 3 4 5    Established    New    Children/Family    Adult

### IMPORTANCE OF PROXIMITIES:

1 2 3 4 5   Schools: Elementary: \_\_\_\_\_

Middle: \_\_\_\_\_

High: \_\_\_\_\_

1 2 3 4 5   Place of Worship:

1 2 3 4 5   Work: Company

<10 minutes    10-20 minutes    >20 minutes

1 2 3 4 5   Hospital/ Doctor's Office

1 2 3 4 5   Shopping

1 2 3 4 5   Parks/Recreation

1 2 3 4 5   Day Care

1 2 3 4 5   Public Transportation

1 2 3 4 5   Other

### WHAT HOME FEATURES ARE IMPORTANT?

1 2 3 4 5   Age of Home (check all that apply)

New    Resale    <10 years    11-10 years    31+years

1 2 3 4 5   Condition:    Move-In-Ready    Fixer-Upper

1 2 3 4 5   Price Range \_\_\_\_\_

1 2 3 4 5   Number of Bedrooms (min) \_\_\_\_\_

1 2 3 4 5   Number of Bathrooms (min) \_\_\_\_\_

1 2 3 4 5   What style of houses are you attracted to? (check all that apply)

Ranch   2-Story   Split Level   Townhouse   Condo

Traditional   Rustic   Contemporary   Other

1 2 3 4 5   Lot Size   1 2 3 4 5   Eat-In Kitchen

1 2 3 4 5   Exterior   1 2 3 4 5   Formal Living Room

Brick    Wood    Vinyl   1 2 3 4 5   Formal Dining Room

Composite    Combination   1 2 3 4 5   Family Room

1 2 3 4 5   Square Feet   1 2 3 4 5   Garage   1car   2cars   3cars

1 2 3 4 5   Basement:   1 2 3 4 5   Patio/Porch

Finished    Unfinished   1 2 3 4 5   Fenced Yard

1 2 3 4 5   Amenities   1 2 3 4 5   \_\_\_\_\_

Security Gate

Community Pool

Tennis Courts

Playground

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# IS THERE REALLY A **PERFECT HOME FOR YOU?**

Some buyers make the mistake of thinking that if they look around long enough, they will find a home that has every single item on their wish list, and fulfill 100% of their needs and wants. With the thousands of variables involved with finding a home, including location, style, size, amenities and condition, this is almost always an unrealistic goal.





## STAY FLEXIBLE

Buyers who wait for that 'perfect' home often pass up homes that meet 90% or more of their desired features. This generally results in the buyer 'settling' for something less than ideal because they are worn out from the search.

It really is important that once you locate that home that is truly 95% of what you want, to make an offer. It is unlikely, and truly unrealistic, that you would find 100% of what you want in a home. You may find as you go that you need or want to shift your priorities, price, style or location according to what you are seeing in the current market.

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# LOVE WHERE YOU LIVE

Your home search includes the surrounding community. The neighborhood is just as important as the home you select. Take time to explore and research the features and benefits of a particular area to be sure it matches your lifestyle. Do you want to walk to cafes and shops? Is public transportation important to you? Would adjacent community parks or medical centers be important? Are there specific boundaries governing where your children must attend school?





## IS THERE A SPECIFIC LOCATION YOU WANT TO BE?

- Proximity to work—how close do you want to be?
- Distance to shopping or restaurants.
- Do neighboring buildings have an effect on the community privacy, views or access?
- Traffic flow, especially during high-volume hours.
- Accessibility to expressways and public transportation.
- Medical care availability—do you need hospitals or doctor offices close by?
- Quality of schools/school district—for your children, AND for resale value.
- Distance to schools, parks and libraries.
- Desirability of the area (are homes holding their value?)—important for resale.
- Consider have a couple areas that you like in mind.

## EXPLORE THE AREA BEFORE YOU BUY

- Visit in person, talk to people who live there.
- Drive through the entire area at different times of the day, during the week and on weekends.
- Look carefully how other homes in the area are being maintained; are they in need of repair or painting?
- Are the yards well cared for?

## HOW WE CAN HELP YOU RESEARCH A NEIGHBORHOOD?

- Evaluate the latest real estate activity in a certain area, by finding the number of listings “for sale,” those that are “sales pending,” any listings that have “expired,” and those that have “sold.”
- Research the gap between the asking price and sales price and how long the properties were listed (days on market) before being sold.
- Draw comparisons between neighborhoods’ amenities, associations, and values.
- Provide information about the property tax assessments and exemptions and zoning.

# YOUR BUYING POWER

When applying for a mortgage, there are five factors that matter most in qualifying for a loan:

- Your income
- Your employment history
- Your debts
- The value of the home
- Your credit score

## Estimating What You Can Afford

When estimating what you can afford, you will work on two separate estimates. The first estimate is based on your housing expense. The second estimate is based on your total monthly debts. The lower of the two estimates is the one you should keep in mind as you decide on and purchase your home. This amount represents the upper limit of what you can reasonably expect to spend on a house payment.



➤ **ESTIMATE 1 -** Housing expense as a percentage of monthly income

The maximum monthly mortgage payment, often referred to as PITI (Principal, Interest, Taxes, Insurance), should not exceed 28 percent of your monthly gross (pre-tax) income.

1. Gross Monthly Income (before taxes) \$\_\_\_\_\_
2. Multiply Monthly Income by 28% (0.28) \$\_\_\_\_\_ = monthly payment you can afford.

➤ **ESTIMATE 2 -** Monthly debt as a percentage of monthly income

The maximum debt you have, including a mortgage payment, should not exceed 36 percent of your gross income.

1. Gross Monthly Income (before taxes) \$\_\_\_\_\_
  2. Multiply Monthly Income by 36% (0.36) \$\_\_\_\_\_
  3. Total Monthly Debts \$\_\_\_\_\_
- Subtract Line 3 from Line 2 and write answer  
\$\_\_\_\_\_ = Monthly payment you can afford

Spending no more than 28 percent of family income on house payments generally will leave enough money for other needs, but some lenders will allow 33 to 36 percent of gross (before taxes) monthly income to be spent on long-term debt, including housing.

# MORTGAGE AFFORDABILITY **CHART**

This chart shows what loan amount you could afford at the various interest rates. It does not include taxes, insurance, HOA fees or mortgage insurance. Figures are based on principal and interest payments only. To use the chart, find the monthly mortgage payment you can afford, then look under the interest rate columns to find the loan amount.

For example, a \$1,200 monthly payment might enable you to qualify for a \$223,539 mortgage at 5% interest, but only a \$180,369 mortgage if your interest rate were 7%. The amounts listed are approximate and based on a 30-year fixed-rate loan.



# Atlanta Communities MasonDiasioRealty.com

Monthly Payment	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%
\$300	59,208	59,208	55,885	52,836	50,036	47,463	45,092	42,905	40,885
\$400	83,783	78,944	74,513	70,449	66,717	63,284	60,123	57,207	54,513
\$500	104,729	98,680	93,141	88,061	83,396	79,105	75,154	71,509	68,142
\$600	125,675	118,416	111,769	105,673	100,075	94,926	90,185	85,811	81,770
\$700	146,621	138,152	130,395	123,285	116,754	110,748	105,215	100,112	95,395
\$800	167,567	157,887	149,026	140,897	133,433	126,569	120,246	114,414	109,027
\$900	188,513	177,623	167,654	158,509	150,113	142,390	135,277	128,716	122,655
\$1,000	209,459	197,359	186,282	176,121	166,791	158,211	150,308	143,018	136,283
\$1,100	230,405	217,095	204,910	193,734	183,471	174,032	165,338	157,319	149,912
\$1,200	251,351	236,831	223,539	211,346	200,150	189,853	180,369	171,621	163,540
\$1,300	271,297	256,567	242,167	228,958	216,829	205,674	195,400	185,392	177,169
\$1,400	293,243	276,303	260,795	246,570	233,508	221,495	210,431	200,225	190,797
\$1,500	314,189	296,039	279,423	264,182	250,188	237,316	225,461	214,526	204,425
\$1,600	335,135	315,775	298,051	281,794	266,867	253,137	240,492	228,828	218,054
\$1,700	356,081	335,511	316,680	299,406	283,546	268,958	255,523	243,130	231,682
\$1,800	377,027	355,247	335,308	317,019	300,225	284,779	270,554	257,432	245,310
\$1,900	397,972	394,719	353,936	334,630	316,904	300,601	285,584	271,733	258,939
\$2,000	418,918	374,983	372,564	352,243	333,583	316,422	300,615	286,035	272,567
\$2,100	439,864	414,455	391,193	369,855	350,263	332,243	315,656	300,337	286,195
\$2,200	460,810	434,191	409,820	387,467	366,942	348,064	330,677	314,639	299,824
\$2,300	481,756	453,926	428,449	405,079	383,621	363,885	345,707	328,941	313,452
\$2,400	502,702	473,662	447,077	422,691	400,300	379,706	360,738	343,242	327,080
\$2,500	523,648	493,398	455,705	440,304	416,979	395,527	375,769	357,544	340,709
\$2,600	544,594	513,134	484,333	457,916	433,659	411,348	390,800	371,846	354,337
\$2,700	565,540	532,870	502,962	475,527	450,338	427,169	405,803	386,148	367,965
\$2,800	586,486	552,606	521,590	493,140	467,017	44,299	420,861	400,449	381,594
\$2,900	607,432	572,342	540,218	510,752	483,696	458,811	435,892	414,751	395,222
\$3,000	628,378	592,078	558,847	528,364	500,375	474,632	450,923	429,053	408,850

Note: This is a calculation of principal and interest only. It does not include property taxes, insurances and other charges. You should talk with a reputable mortgage specialist to determine the actual amount you will pay each month in principal, interest, taxes and insurance (PITI).

Dan Mason

# YOUR CREDIT SCORE

## VITAL PART OF YOUR CREDIT HEALTH

When you're applying for credit – whether it's a credit card, a car loan, a personal loan or a mortgage – lenders want to know your credit risk level. In other words, "If I give this person a loan or credit card, how likely is it that I will get paid back on time?"

There are three major credit reporting agencies (Equifax, Experian and TransUnion) in the United States that maintain records of your use of credit and other information about you. These records are called credit reports, and lenders will want to check your credit report when you apply for credit. In most cases, lenders will also want to know your credit score.

### What is a credit score?

A credit score is a number that summarizes your credit risk, based on a snapshot of your credit report at a particular point in time. A credit score helps lenders evaluate your credit report and estimate your credit risk.

The most widely used credit scores are FICO<sup>®</sup> scores, the credit scores created by FICO<sup>®</sup>. Lenders can buy FICO<sup>®</sup> scores from all three major credit reporting agencies. Lenders use FICO<sup>®</sup> scores to help them make billions of credit decisions every year. FICO<sup>®</sup> develops FICO<sup>®</sup> scores based solely on information in consumer credit reports maintained at the credit reporting agencies.

Your credit score influences the credit that's available to you; it can dictate your mortgage payment, interest rate and ability to qualify for a home loan.

There is no single "cutoff score" used by all lenders and there are many additional factors that lenders use to determine your actual interest rates. However you can now see what interest rates lenders typically offer consumers based on FICO<sup>®</sup> score ranges by visiting:

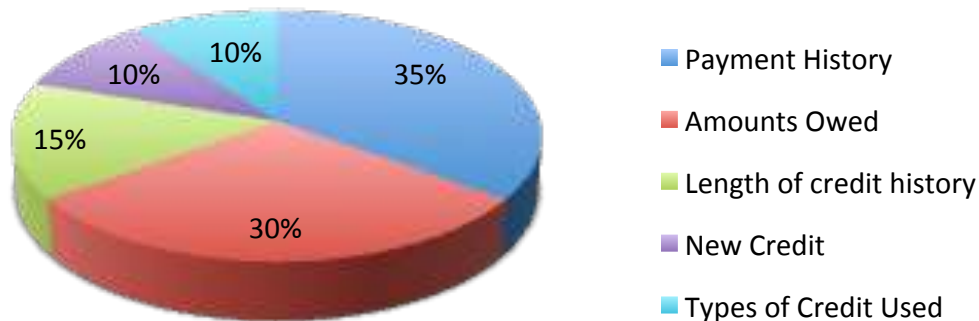
<http://www.myfico.com/myfico/CreditCentral/LoanRates.aspx>





## What is in your FICO® score?

FICO® Scores are calculated from a lot of different credit data in your credit report. This data can be grouped into five categories as outlined below. The percentages in the chart reflect how important each of the categories are in determining your FICO® score.



A FICO® score takes into consideration all these categories of information, not just one or two. No one piece of information or factor alone will determine your score.

The importance of any factor depends on the overall information in your credit report. For some people, a given factor may be more important than for someone else with a different credit history. In addition, as the information in your credit report changes, so does the importance of any factor in determining your FICO® score. What's important is the mix of information, which varies from person to person, and for any one person over time.

Your FICO® score only looks at information in your credit report. However, lenders look at many things when making a credit decision including your income, how long you have worked at your present job and the kind of credit you are requesting.

Your score considers both positive and negative information in your credit report. Late payments will lower your score, but establishing or re-establishing a good track record of making payments on time will raise your FICO® credit score.

# Your Credit Report

## The Basis of Your FICO® Score

Your report details your credit history as it has been reported to the credit reporting agency by lenders who have extended you credit. Your credit report lists what types of credit you use, the length of time your accounts have been open, and whether you've paid your bills on time. It tells lenders how much credit you've used and whether you're seeking new sources of credit. It gives lenders a broader view of your credit history than do other data sources, such as a bank's own customer data.

The report contains four types of information: identifying information, credit information, public record information, and inquiries.

Identifying Information Includes:

- Your name
- Your current and previous addresses
- Your Social Security Number
- Your year of birth
- Your current and previous employers
- If you're married, your spouse's name
- Credit information includes credit accounts or loans you have with:
  - Banks
  - Retailers
  - Credit card issuers
  - Other lenders

The information contained on your credit report remains for seven years from the date it's first reported, and then cycles off automatically.



## Checking Your FICO® Score

Because lenders check your FICO® scores, it makes sense to see how lenders see you. It's easy to check your own FICO® scores online, although in most cases there will be a charge to obtain the FICO® score.

An important time to check your FICO® score is six months or so before you plan to make a major purchase, such as a car or home. This will give you time to verify the information on your credit report, correct errors if there are any, and take actions to improve your FICO® score if necessary. In general, any time you are applying for credit, taking out a new loan or changing your credit mix is a good time to check your FICO® score.

Dan Mason



## Checking Your Credit Report

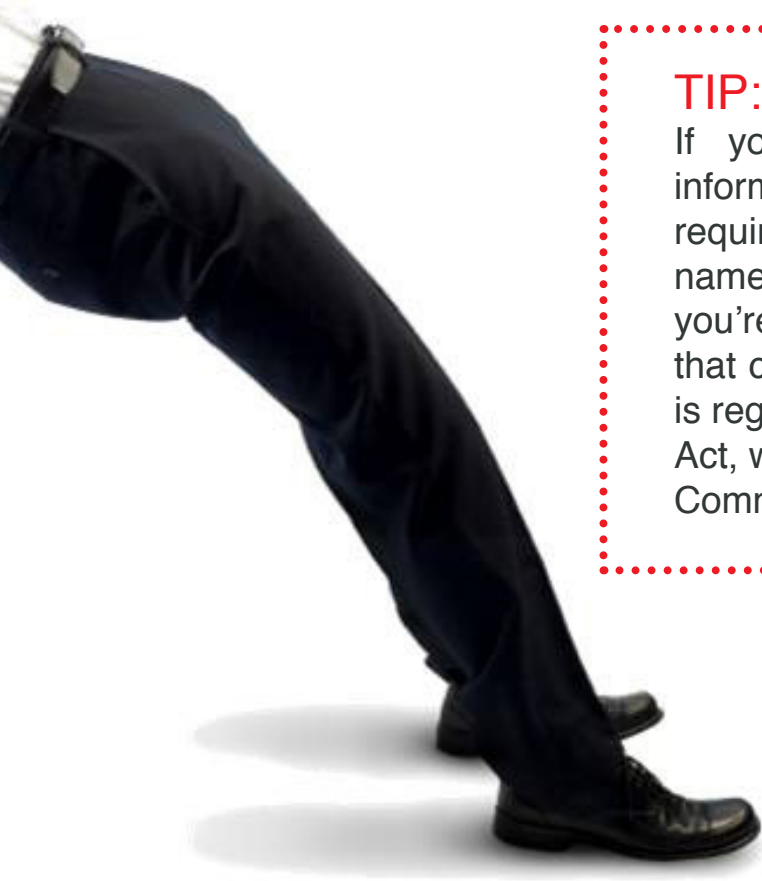
Because your FICO® score is based on information in your credit reports, it is important to make sure that the information in your credit report is accurate.

The Fair Credit Reporting Act allows you to obtain one free credit report from each of the three major reporting bureaus every 12 months.

To order a copy of your credit report, visit [www.annualcreditreport.com](http://www.annualcreditreport.com) or contact the credit reporting agencies directly:

- Equifax 800.685.1111, [www.equifax.com](http://www.equifax.com)
- Experian 888.397.3742, [www.experian.com](http://www.experian.com)
- TransUnion 800.916.8800, [www.tuc.com](http://www.tuc.com)

Check the report carefully for errors, discrepancies and anything that you can do to help improve your score. The higher your score, the more likely you are to qualify for a low monthly payment.



**TIP:**

If you've been denied credit because of information on your credit report, the lender is required to provide you with the credit bureau's name, address, and telephone number – and you're entitled to a free copy of your report from that credit bureau. The credit reporting industry is regulated by the federal Fair Credit Reporting Act, which is administered by the Federal Trade Commission (FTC).

Credit history is an important part of buying a home. The difference between having marginal credit and good credit can cost you tens of thousands of dollars over the life of a loan. Lenders will scrutinize your credit history to determine the risk involved in extending a mortgage. The most attractive mortgage interest rates will be offered to those with the cleanest credit report and the highest credit score.

More information on FICO® scores and credit scoring can be found online at:  
[www.myfico.com/crediteducation](http://www.myfico.com/crediteducation).

Dan Mason



# Get Pre-Qualified **Before Your Search**

It's a good idea to contact a lender early in the process to get pre-qualified. This will give you a general idea of the amount of mortgage you qualify for and will save you time because you will know the price of homes you should be viewing. Most reputable lenders will pre-qualify without any fee or further obligation. You will be asked questions about your income and monthly debt so the lender can work up a "ballpark" figure on the most you will be able to borrow.

Keep in mind that the lender is not guaranteeing you a loan; with additional information and an application for a mortgage, a lender will pre-approve you up to a certain amount.



## Advantages of Being Pre-Approved

Having a lender's pre-approval letter in hand before you search for a property can be valuable in several ways. Agents can inform a seller that you have financing lined up and have gone through the process of qualifying for a loan. Sellers like to know that when you make an offer, you should not have problems purchasing their home. If you have informally pre-qualified, you don't really have any advantage in the negotiating. A pre-approval letter can make quite an impact with sellers when faced with multiple offers. If you had two offers on your home for sale, one that is pre-approved and one that is not, who would you think has the logical advantage?

Obtaining lender approval in advance allows you to select the best loan package without being under pressure. You won't waste time considering homes you cannot afford and you will know in advance exactly what your payments will be when you finally do make an offer.

### Let's sum up the advantages of getting pre-approved for your home loan

- Your house-hunting process will be more efficient.
- You will know exactly how much you can spend.
- You will gain negotiating power.
- You can shop with the confidence that you practically have cash in your hands.
- You can close on your dream home quickly.

Dan Mason

A photograph of three people in a professional setting. A man and a woman, both in light blue business shirts, are smiling and looking towards a man in a dark suit who is seen from the back. The man in the suit is gesturing with his hands as if in conversation. The background is a bright, modern office environment.

## What To Expect from **Your Mortgage Lender**

Your mortgage lender should LISTEN to your personal circumstances and requirements. They will offer you a selection of home loans that will suit your needs, and provide a comparison between these products, highlighting the pros and cons of each.

They will complete and submit a home loan application on your behalf, and communicate with the lender and yourself until your home loan is approved and settled.

Whether you are buying your first home or your dream home, they will work with you from start-to-finish to ensure your loan experience is a positive one.

# LISTEN

## Your mortgage broker should:

- Act in a professional and responsive manner.
- Have access to a large range of loans.
- Identify loan options that best suit your needs.
- Discuss and confirm loan options in writing.
- Explain all documents of the loan application and help you to complete them.
- Provide an approximate timeline for your mortgage application.
- Explain all associated costs and fees of the loan application.
- Provide prompt and efficient communication throughout the loan process.

# COMMUNICATE



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# SHOPPING FOR A LENDER

Shop for financing just as carefully as you search for a home to buy!

You should start early. It can be stressful and time consuming to obtain a mortgage, especially when you have other demands on your time. You will need to compare loan products, related fees, and the interest rate available to you, from more than one source. You will want to work with a loan officer that has a professional and pleasant personality, and someone you feel is looking out for your best interests.

Do your own research before you apply, so that you understand what rates and terms are available and best suited to your finances. The interest rate you receive will directly affect the amount of your monthly mortgage payments. Even a fraction of a percentage in the rate can save you thousands of dollars over the life of your mortgage if you intend to stay in a home a long time. A higher rate but lower down payment may be best if you are just starting out. Consider all available options.

Over the years we've worked with numerous lenders and have identified those who consistently provide the best service and products. We will be happy to refer you to one of those trusted lenders.





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# LOAN APPLICATION INFORMATION

## General:

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- Picture ID
- Social Security Number
- Name and complete address of all landlords (past two years)

## Income:

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- Employment history, including names, addresses, phone numbers and length of time with company.
- Paycheck stubs for the most recent 30 days.
- Overtime and bonus income that has occurred for two years and which will probably continue.
- Raises guaranteed to occur within 60 days of loan closing.
- W-2s, 1099s or 1040 tax returns for the past two years.
- If self-employed: copies of signed tax returns including all schedules (past two years), and a signed profit and loss statement for the current year.
- For those with rental property income: copies of all lease agreements.
- Verification of other income (social security, alimony/child support, retirement, veterans benefits, etc.).

## Assets:

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- Copies of all bank statements from checking/savings accounts (past three months).
- Copies of all stock/bond certificates and/or past statements/retirement accounts.
- Copies of title documents for all automobiles, boats or motorcycles.
- Face amount, monthly premiums, and cash values of all life insurance policies (Cash value may be used for closing costs or down payment). Documentation from the carrier is required to prove cash value.

## Creditors:

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- Credit card account numbers, current balances and monthly payments.
- Installment loans (vehicle, student, etc.) with same details as for credit cards.
- Mortgage loans (property address, lender with address, account numbers, monthly payment amount and balance owed on all properties presently owned, or sold within the last two years). Bring proof of sale of properties sold.

## Special Situations

Lenders under certain circumstances may require additional information. Check the list below to see if any of these situations apply to you.

### Separated or Divorced

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- Provide a copy of your divorce decree and separation agreement.
- Provide copies about alimony or child support payments you are required to make.

### Bankruptcy, Foreclosure or any Judgements Against You in the Past Seven Years

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- For bankruptcies, include a copy of the bankruptcy discharge and a schedule of both debts and assets.
- For judgements against you, include an attorney's letter that explains the outcome of the proceedings.

### VA Loan Application

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- Provide your discharge papers (DD214 Form) or your certificate of eligibility.



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## DECIDING ON THE **MORTGAGE**

Once you have determined a budget, analyzed your finances, and decided upon a down payment amount, it is vital that you become well-informed about various mortgage options available to you. The decisions you make will determine the size of your monthly payments, how much you pay upfront, and how much you'll pay over the life of the loan.



Here is a set of questions that you should ask when applying for a mortgage:

- What is the loan's interest rate?
- What is the duration of the loan?
- Is private mortgage insurance required?
- Is the rate fixed or adjustable? (A fixed interest rate stays the same for the term of the loan, while an adjustable rate may change?)
- If I lock-in the interest rate today, what is the best rate available? What are the fees?
- How long is the lock guaranteed, and if interest rates drop can I lock-in at a lower rate?
- What is the total monthly payment, including taxes, homeowners insurance?
- Will I be charged points? (It may be best to avoid paying any points.)
- What are the closing costs and all other fees?
- What is the annual percentage rate, or APR—the rate you'll pay per year for all the costs associated with the loan?
- Are there any pre-payment penalties? (If yes, know what they are and how many years they are in effect?)

Find out the answers to these questions no matter what type of loan you're considering. Each can affect the overall cost of the loan.

There are many types of mortgages products available and it is important to understand yours. Here are a few of the most popular types of mortgages.

**Fixed-Rated Mortgage:** A mortgage on which the interest rate stays the same for the term of the loan. Fixed-rate mortgages are most popular and highly recommended for borrowers who wish to keep loan payments predictable over a long period of time. With fixed rate mortgages, there will be no fluctuation in monthly payments, making it easier to budget and eliminating the risk of resetting interest rates.

**Adjustable Rate Mortgage (ARM):** A mortgage in which the interest rate may periodically adjust based on a pre-selected index and a margin is an ARM. The initial interest rate of an ARM is lower than that of a fixed rate mortgage. Consequently, an ARM can, and often do, have interest rate increases at adjustment periods, which could result in an increase in your monthly mortgage expens.

# SPECIAL MORTGAGE PROGRAMS

## FHA

The United States government offers loans through the Federal Housing Administration (FHA) allowing borrowers without traditional credit histories or income to qualify for a home loan at a competitive rate. FHA loans are available with fixed and fixed-period adjustable rate options.

FHA loans can have great benefits:

- Flexible guidelines help make qualifying easier than with other loan programs
- Purchase transactions require a minimum down payment  
Ideal for first time homebuyers
- The stability of a fixed rate with a traditional 30-year loan term
- Keeps home loan payments predictable over a long period of time





## VA

Home loans through the Department of Veterans Affairs (VA) are available through most mortgage lenders for qualified veterans (and eligible unmarried surviving spouses) allowing them to receive financing with no down payment and no mortgage insurance. VA loans with fixed and fixed-period adjustable rate options for purchase transactions are available. Requires a Certificate of Eligibility issued by the VA.

VA loans offer qualified veterans the advantages of:

- Financing with no down payment
- No mortgage insurance required
- Closing costs comparable to other loan programs (and may be lower)
- Right to prepay or refinance a loan without penalties

Sellers will sometimes pay closing costs for a VA loan up to a maximum of 4% of the sales price, especially if they are eager to sell their property.



# WHAT ARE THE CLOSING COSTS?

Closing is the formal process of transferring the property title from the seller to you, the buyer. In addition to the mortgage, you will also need money for numerous up-front costs. When you apply for a loan, the lender will give you an estimate of closing costs, which can be estimated to be about 3% to 4% of the amount of the mortgage. These costs include the following items:

## Lender Fees:

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Your lender will charge certain fees for the processing and procurement of your loan. Each lender and each loan program a lender offers will have different front-end costs. Examples of costs include your appraisal, credit check, interest rate buy-downs (also called points), origination fee, application fee, etc. These examples are not an exhaustive list; fees and costs will vary by lender and loan product. Make sure your lender goes over these in detail and you are clear on each fee.

## Items Paid in Advance (Prepaid Escrows):

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There are certain items the lender may require you to pay at the time of closing or in advance of the actual closing date. These usually include the pro-rated interest on the loan from the day of closing through the end of the month. If your loan is being federally insured (FHA) or guaranteed (VA), you may be required to pay your first year's mortgage insurance premium, or a lump sum premium that covers the life of the loan. Additionally, lenders require you have hazard insurance, commonly referred to as homeowner's insurance, against fire, windstorms and natural hazards. In order to bind the coverage, the premium is often paid in advance of closing.



## Title Charges:

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The title is a legal document showing who owns the property. It is necessary for an attorney to examine the title to make sure there are no problems that would prevent you from having “clear” (legal) title. These charges cover the administrative costs of a title search, title examination, and issuance of the title commitment/binder.

It is also necessary to get title insurance in case someone else should try to claim title to your property. There are two kinds of title insurance policies: Loan and Owner’s policies. The cost for the Loan Policy is based on the loan amount and the cost for the Owner’s Policy is based on the sales price of the home.

## Attorney’s Fee:

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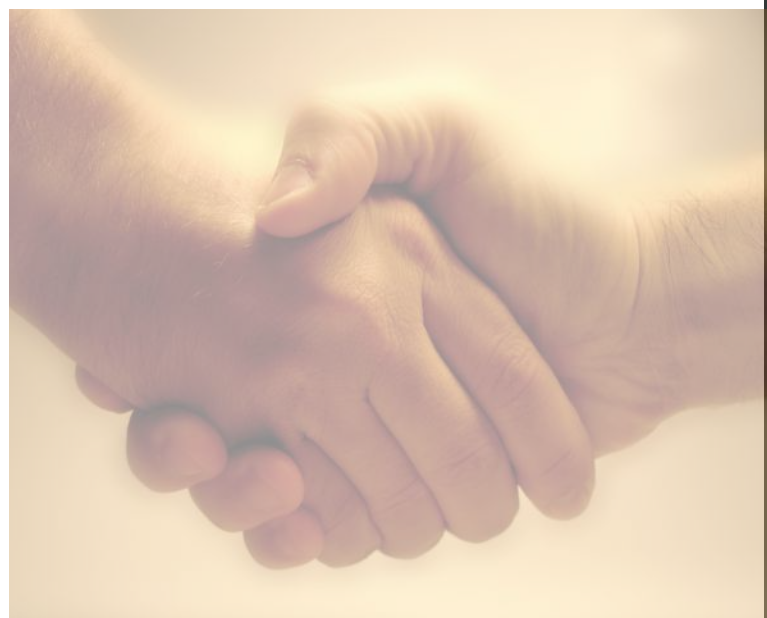
This fee is to pay the attorney, or settlement agent, who has prepared documents, calculated figures, and overseen the proper execution of closing documents. This fee is often split between buyer and seller but can be negotiated as part of the sales contract.

## Recording and Transfer Charges:

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A recording fee is paid to a government body that enters an official record of the change of ownership. This record of your home purchase will be on file with the county recorder of deeds.

Depending on your location, there could be a city, county or state tax involved, or some combination. These are government charges based on the amount of the mortgage and, often, also on the purchase price.



# MAKING AN **OFFER**

Once you have found the property you want, your agent will prepare a purchase agreement or offer to buy. While much of the agreement is standard, there are a few areas that can be negotiated:

## **Price**

What you offer on a property depends on a number of factors. A seller with a house that has been on the market for a long time may be willing to accept a lower price. Sellers generally set asking prices so they have room to negotiate. Your offering price opens these negotiations. You should also consider the cost of necessary repairs that will require extra investment on your part. You can use these to justify offering a lower price.

## **Deposit / Earnest Money**

The amount of earnest money accompanying the offer should be clearly stated, plus the amount of money you will be paying at closing and your sources of financing.

## **Personal Property**

Light fixtures, drapery rods, chandeliers, washers, dryers, refrigerators, storm windows and doors, and other items not physically attached should be specified in writing if they're to be included in the purchase of the home.



## Financing Contingency

How long after the offer is accepted to arrange financing and the sources of financing and the exact terms for which the buyer is applying.

## Closing Date

Your offer to purchase should also include your proposed closing date. This is the date the actual and legal transfer of ownership occurs.

## Move-in Date

If you can be flexible on the possession date, the seller will be more apt to choose your offer over others who may be asking for a longer closing period.

Typically you will not be present at the offer presentation; the agents representing buyer and seller will be in communication. The seller will then do one of the following:

- Accept the offer
- Reject the offer
- Counter the offer with changes

By far the most common response is a counter offer. In these cases, the experience and negotiating skills of your agent become most valuable in representing your best interests.



Dan Mason



## NEGOTIATING FOR A “WIN-WIN”

Making an offer is probably the most difficult part of the home buying process. You don't know exactly what the seller is looking for and what they are willing to negotiate. There is not a magic formula for making a good offer but there are some proven negotiating strategies that work.



## 1 Be Respectful of the Seller's Situation

It's essential to look at the situation from the opposite side of the table; put yourself in the position of the seller. Sellers today could be facing any number of anxieties. Knowing the seller's needs will help you improve your leverage. They may want to move immediately, or prefer a long close time. If you can meet their secondary needs you have some leverage for a better price.

## 2 Consider the Terms and Conditions of Your Offer

Is your offer price realistic? Knowing the type of real estate market is crucial to your strategy for negotiating your offer. You must know the underlying market condition; doing so will give you a strategic edge in negotiations.

If you were the seller, would you accept an offer with all the conditions you'd like to include? Only include conditions you feel are necessary; don't tack on extras just to have them there. Adding extra conditions may reduce your risk but the seller might see a greater risk of the sale falling through. This uncertainty may reduce the chance of your offer being accepted.

## 3 Show Patience and Persistence

Dealing with unreasonable sellers requires patience and fortitude, enabling you to negotiate from a position of strength. When you find a home you love, but the asking price is unrealistic, be prepared for many rounds of offers and counter-offers. Be patient and increase your counter-offers in small increments.

Don't act overly interested. You are only in a position of strength when the seller knows you're willing to walk away. The more interest you show the seller, the less likely you'll be able to negotiate a low price. The same goes for desperation; try not to let the owners see any signs of desperation because this could lead them to resist in negotiations.

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# TRANSACTION TIMELINE

As soon as the seller accepts your offer to purchase, you should move quickly to satisfy any contingencies in the contract, such as the right to inspect the property and the clause giving you time to arrange financing.

Financing will require the most time to arrange, so it's prudent to discuss this with your mortgage lender and begin the process early. Once your loan is approved, a closing will be scheduled.

During the loan and home buying process, you will be asked to supply documentation, respond to phone calls requesting information, schedule dates into your calendar, etc. Please respond quickly to these requests so that your transaction doesn't encounter any problems.

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Here is a list of potential events and dates to help you through the purchase and closing process. We'll fill in the dates in accordance with the terms of the contract. Not all items will occur in the same sequence or apply to every transaction.

EVENT	DATE
Binding Agreement Date	
Earnest Money is Due	
Loan Application Due Date	
Loan Commitment Letter Due to Seller	
Additional Earnest Money, if any, is Due	
Home Inspection Date and Time	
Other Inspections Due Dates and Times	
Written Notice Due (All items from the inspection that you are requesting the seller to address and/or be fixed)	
Due Diligence Period Ends	
Appraisal Contingency Ends	
Financing Contingency Ends	
Negotiation of Inspection Complete	
Order Home Insurance (You are required to arrange for insurance coverage and to inform your mortgage company with company name and phone number.)	
Order Utility Service	
Order Cable/Telephone Service	
Final Walk-through	
Review Closing Statement (Typically provided by the lender 24-48 prior to closing)	
Closing Date	
Possession Date	



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# FOR YOUR PROTECTION: **GET A HOME INSPECTION**

A home inspection gives the buyer more detailed information about the overall condition of the home prior to purchase. The inspection is not designed to criticize every minor problem or defect in the home. It is intended to report on major damage or serious problems that are in need of attention.

In a home inspection, a qualified inspector takes an in-depth, unbiased look at the home to:

- Evaluate the physical condition: structure, construction, and mechanical systems;
- Identify items that need to be repaired or replaced; and
- Estimate the remaining useful life of the major systems, equipment, structure, and finishes.

## What the Home Inspection Covers

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A home inspector provides a visual, non-invasive inspection of various structures of a property. They do not drill into walls, move structures, or in any way damage the property to perform tests. The purpose of the inspection is to determine if the components are in working order at the time of the inspection. A typical home inspection includes a visual inspection and operational check of the following:

- Exterior siding, doors, windows, decks, drainage, retaining walls, etc.
- Interior doors, ceilings, floors, windows, built-in appliances, etc.
- Structural Systems
- Electrical Systems
- Air Conditioning Systems
- Heating Systems
- Plumbing Systems
- Ventilation and Insulation
- Roofing



## Potential Red Flags

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- **Water damage:** Improperly treated water damage can cause the growth of mold and mildew.
- **Radon:** This odorless gas, found mostly in rocky areas, can cause cancer.
- **Mold:** Toxic mold can cause serious health problems, or even death, especially to infants and those with weak immune systems.
- **Termites and Carpenter Ants:** These insects weaken the structure of a home over time.
- **Defective Roofing:** This can be a costly problem to repair, depending on materials and age of the roof.
- **Aluminum Wiring:** Found in some homes built in the mid 1960's to the early 1970's, this is a potential fire hazard.
- **Major Foundation Problems:** Foundations can leak, erode, or shift. Requires expert consultation.
- **Missing or Inoperable GFCI:** A ground fault circuit interrupter (GFCI) switches off electric power to a circuit when it senses any loss of current. A missing or malfunctioning GFCI can lead to electrocution, electric shock, and electric burns. Luckily, these can be installed by an electrician fairly inexpensively.
- **Mixed Plumbing:** Old and new plumbing components can cause supply issues and may need updating.
- **Undersized Electrical System:** Found mainly in older homes, this can result in a shortage of household circuits and outlets.
- **Lead-based Paint:** Houses built before 1978 should be checked for lead based paint as this can cause lead poisoning, particularly in children and pregnant women.

These red flag items are not always deal-breakers. If these items are found in the property, find out if the issues can be resolved, and at what cost. The expense to repair or replace can sometimes be negotiated between buyer and seller to save a deal.

# Be an **Informed Buyer**

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It is recommended you be present at the inspection; this is to your advantage. You will be able to clearly understand the inspection report, and know exactly which areas need attention. Plus, you can get answers to many questions, tips for maintenance, and a lot of general information that will help you once you move into your new home.

# SELLER'S PROPERTY DISCLOSURE STATEMENT

As a buyer, when you make an offer on a home you should request the seller to provide a Property Disclosure Statement; it is a helpful source of information on what the seller knows about the condition of the property.

The document is a multi-page questionnaire the Seller completes normally at the time they list the house with their agent. It covers in great detail the structural and environmental condition of the home. The seller must state if they have any knowledge of various conditions or occurrences of their home, for example, if there has ever been a plumbing problem. They can answer if they know, but if they don't know, it doesn't mean it never happened before they bought the home. Or if they never lived in the home

but were investors or inherited it, they might not know, and they would mark the "don't know" or "no" box.

What's most important is that you review the disclosure statement with your agent and know what action you can take to negotiate or reject the purchase based on disclosures made.

You should not rely on the disclosure for your in-detail information, but do a full and complete home inspection in order to thoroughly examine the home and understand any and all conditions, defects or potential trouble spots that come along with it.

## Do You Have a C.L.U.E.?

A little investigative work can reveal a lot about a property's history, and could save you from unexpected surprises later. Before you buy your dream home, ask the seller to provide a C.L.U.E report. The five years of claims history the report offers can give you a better perspective on your biggest financial investment.

The report contains consumer claim information provided by insurance companies. The report includes:

- Date of the loss
- Type of loss claimed
- Amount paid by the insurance company

It's a good idea to request the C.L.U.E. report at the same time you make your initial offer. That way, if there has been serious damage or repair to the house, you can let your home inspector know what to look for.



Dan Mason



# HOME SERVICE CONTRACTS

## **WHAT IS A HOME SERVICE CONTRACT**

### (A.K.A. HOME WARRANTY)

Home Warranty is a descriptive term and was coined because the home service contract industry evolved by offering sellers a service contract to homebuyers as a form of a “warranty.” The term home warranty seemed to fit and has persisted. Many home service contract companies still widely use the term “home warranty” in their name or on their contracts.



## ISN'T A HOME SERVICE CONTRACT LIKE INSURANCE?

Actually, a home service contract is nothing like homeowners insurance. Insurance covers you for risk of partial or total loss of your property due to sudden and unpredictable events such as fire, wind, hail, theft, collision or other accidents. Insurance does not cover breakdowns due to normal wear and tear. Service contracts cover breakdowns due to normal wear and tear. The two products complement each other - they do not overlap.

## IS A HOME SERVICE CONTRACT A GOOD CHOICE?

The service contract focuses on major, built-in household appliances and home systems; generally covering things like dishwashers, ovens, disposals, wiring and plumbing systems, and most importantly, heating, ventilation and air conditioning systems (HVAC). Many home service contract providers also offer a menu of optional coverages, such as pool pumps, spas and free standing appliances, i.e. refrigerators, washers/dryers, etc. At an average cost of \$350 - \$500 for a 12-month period, having a home service contract is highly recommended.

## A HOME SERVICE CONTRACT OFFERS YOU:

- **Peace of Mind:** Knowing you're protected against unexpected repair or replacement costs.
- **Budget Protection:** From the high cost of home repair.
- **Convenience:** Most service contract providers have representatives available toll-free 24 hours a day, 365 days a year.

Dan Mason



# HOMEOWNERS **INSURANCE**

Unless you pay cash for your home, one of the requirements that will be made by your lender is proof of a valid homeowners insurance policy, secured before closing. This policy protects both your investment as well as the lenders from unforeseeable events and covers most home casualties, liability and personal property.

Allow plenty of lead time before closing to find homeowners insurance. Costs and coverage can vary, so obtain at least three quotes from different companies. When evaluating policies to find the one that best suits your needs, consider questions such as:

- What is covered?
- What is not covered?
- How much will the insurance cost?
- Are discounts available for such things as smoke detectors and fire alarms, burglar alarms, non-smoking owners, combined auto and home policies, higher deductibles?
- What is the deductible?
- Is the home in an area prone to hurricanes where wind insurance may be a separate policy?
- Is the home in a flood zone where separate flood insurance is required?

**Note:** Some personal items such as expensive jewelry or valuable collectibles may not be covered in standard homeowner policies. When getting your quotes, include an inventory of your possessions to see if riders are required to cover these items.

Insurers determine eligibility and premiums based on various forms of information, which include, but are not limited to the following:

- Your claims history
- Past claims made on the property to be insured
- Your credit report