



STEP BY STEP GUIDE FOR BUYING A HOME

WHAT'S INSIDE

- Know Your "Must Have" Features
- Determine What You Can Afford
- The 12 Steps of a Successful Close
- Understanding & Qualifying for a Mortgage
- Securing a Loan
- Deed & Titles Defined
- What You Should Know About Homeowners Insurance
- Protect Your Investment with Timely Maintenance



HOME BUYING SIMPLIFIED

Create a "Must-Have" Checklist Before You Start To Make the Search Easier.

Looking for a home to buy is similar to any shopping excursion. You can either impulse buy and risk buyer's remorse, or target your needs and find the perfect house. Before you shop, arm yourself with a list of priorities.



Evaluating Prospective Homes

After setting your priorities, begin your search on HomesAndLand.com and in each issue of Homes & Land Magazine. As you find homes of interest, put them in a file and note which features match your list of needs. Compare each listing with your graded priorities. Focus on your "A" items, and your "must-haves."



BUYERS CHECKLIST

Focus on the features that are most important to you. Using the letters A through D, grade each item below by level of priority.

A = Mandatory
B = Neutral

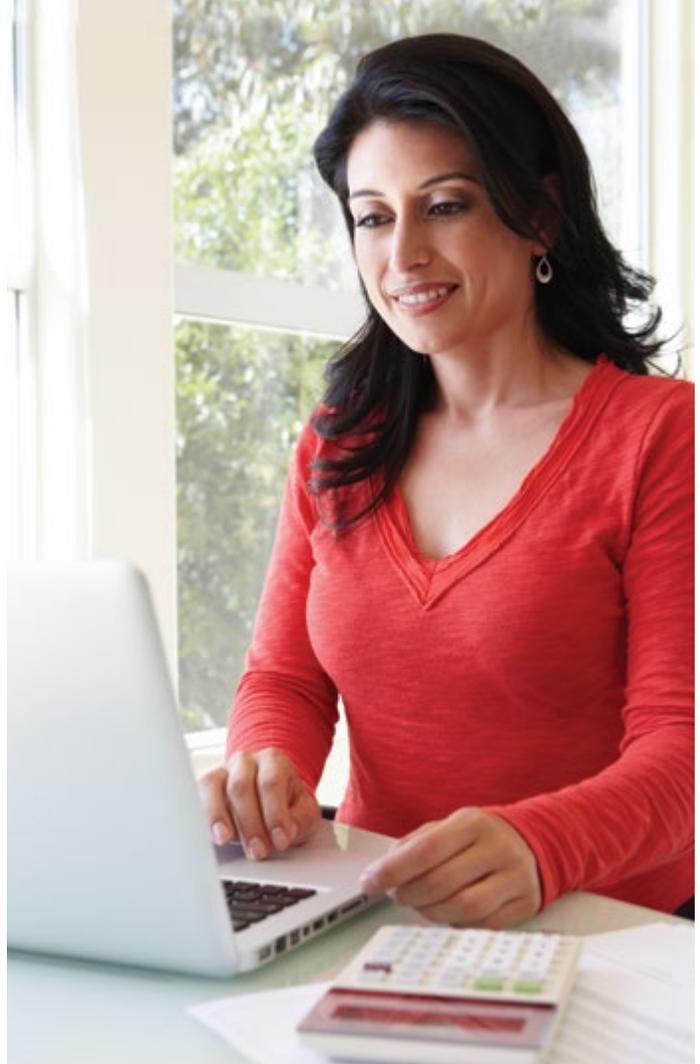
C = No Desire
D = Deal Breaker

- One Story
- Two Story
- Minimum Number of Bedrooms _____
- Minimum Number of Bathrooms _____
- Jacuzzi Tub
- Separate Shower
- Half Bath
- Garage for _____ Cars
- Carport
- Great Room
- Formal Living Room
- Formal Dining Room
- Upgraded Kitchen Appliances
- Granite or Upgraded Kitchen Countertops
- Breakfast Nook
- Storage/Closet Space
- Basement
- Bonus Room/Play Room
- Fireplace
- Hardwood Floors
- Inside Laundry Room
- Covered Porch
- Outside Deck
- Brick Exterior
- Siding Exterior
- Wood Exterior
- Stucco Exterior
- Hardie Board Exterior
- Swimming Pool
- Fenced Yard
- Large Yard
- Landscaped Yard
- Natural Gas (water heater, kitchen, fireplace)
- Septic Tank
- Sewer System
- Waterfront Property
- Golf Course Property
- Located in _____ school zone(s)
- Close to public transportation
- Located within _____ miles from work
- Located within _____ miles from _____
- Located in a homeowners' association
- _____
- _____

HOW TO BUY YOUR DREAM HOME IN THE PERFECT NEIGHBORHOOD

People can generally afford a house that costs from two to three times their annual income. For example, if your annual household income is \$100,000 then you could afford a house worth \$200,000 - \$300,000. This is a general rule of thumb and does not take into account any debt or general lifestyle expenses. Before leaping into a set price range, make sure you know the mortgage payment you can comfortably afford. Create a budget that lists and totals all of your current financial obligations and living expenses.

Tip: Working with a lender for pre-approval can be a good negotiating tool when making an offer.



Mortgage professionals can help you determine specific payment amounts for mortgage, insurance, taxes and other escrow accounts. This worksheet can help you formulate your expenses for more accurate mortgage advice.

Add the totals together for a more complete account of your monthly expenses.

Expenses	Monthly Average
Grocery bills	
Utilities	
Medical	
School expenses	
Pet care	
Entertainment	
Clothes	
Memberships	

Total \$

Debt Obligations	Payment Amount
Credit cards	
School loans	
Automobile loans	
Alimony	
Child support	
Existing mortgages	
Insurance policies	

Total \$

12 STEPS TO A SUCCESSFUL CLOSE

You found the perfect home, made an offer, and the sellers accepted. Now what? There are numerous steps to complete a successful closing. This chart provides a general overview of the process.

Tip: Real estate rules are different in every state and can vary from county to county. Always check with your real estate professional or an attorney to confirm the local rules and regulations.



Step	When	Who or What	Why
Home Inspection	Immediately after your offer is accepted	Look for a certified, reputable home inspector with a clean record; one with a construction or engineering background is particularly helpful. <i>Tip: Your real estate professional may be able to provide you with a list of qualified inspectors.</i>	Legally, the seller is required to disclose any known problems. Inspections can unveil any unknown or potential problem areas that might require repair. Based on the report, you can ask your agent to renegotiate the terms of the contract.
Finalizing the Loan Application Process	Immediately after your offer is accepted	Provide your lender with all of your financial information and other documents throughout the mortgage process.	Upon finalizing all loan requirements, the lender will lock in your interest rate and provide you with appropriate paperwork outlining all commitments.
Appraisal	During the loan application process	The buyer's mortgage company often requires an appraisal. Obtain a list of approved appraisers from your lender or your agent.	Your lender needs assurance that the price you are paying is realistic.
Survey	Order the survey after receiving the qualification letter from your lender	The survey is usually ordered by the buyer or the title company. A copy of the survey usually needs to be sent to your lender.	Surveys indicate any easements or boundary issues with the property and ensure there are no conflicts in ownership.

Step	When	Who or What	Why
Termite Inspection	Within 30 days prior to closing	Sellers usually order the termite inspection, though it may fall under the buyer's responsibility in some circumstances. The buyer should check to see if their lender requires a termite report.	The homebuyer should be aware of any termite damage or need for treatment. Sometimes, if termite damage is found renegotiation can follow.
Purchase Homeowner's Insurance	A few weeks before closing, or immediately if property is near water	The buyer must research policy options. Once a policy is secured, provide the information and policy number to your lender.	Homeowner's insurance is required by lenders in order to go to closing. In the event that something happens to your property, both you and your lender need to be protected.
Title Insurance	Before closing	Usually, the title company or real estate attorney will order title insurance. <i>Tip: Don't be fooled if you have new construction, there could be an issue with the lot.</i>	Title insurance protects your deed/right to ownership in case there is a previous claim on the property or unsettled percentage of ownership in past records.
Secure the Loan	Before closing	You and your lender finalize details.	To lock in rates.
Set-Up Utilities & Other Services	Arrange one to two weeks before closing. The start date can be the day of closing.	Contact the utility provider to arrange for new service or transfer service for water, gas and electric utilities. Set up phone and other services as well.	
Obtain a HUD Statement	24 hours before closing	The title company usually by law, provides the buyer with a closing statement (also called a HUD 1) the day before closing. The statement shows all buyer and seller costs and proceeds.	This is to allow time to review all accounting as applied to the transaction.
Get a Cashier's Check	Right before your closing/settlement date	The buyer should secure a cashier's check to cover closing costs and down payment. Personal checks over \$500 are not accepted by title companies.	The exact amount of your closing costs won't usually be known until the HUD statement is final.
Go to Closing Prepared	Day of Closing	Bring all relevant monies, paperwork and several forms of identification to closing.	



Mortgage Application

THE PROCESS OF BORROWING MONEY

Understanding Mortgages

When a mortgage is obtained to buy your house, the property acts as collateral on the loan. If you default on your loan payment, the lender can take possession of the home to satisfy the debt. The mortgage agreement officially binds the homeowner to the terms of the mortgage which include: principal (the actual loan amount), interest (the additional percentage for borrowing the principal), property taxes and homeowner's insurance.

There are two basic types of mortgages containing many financing alternatives.

Fixed Rate Mortgages

Fixed rate mortgages provide loans where the interest rate is locked-in and you will not pay more or less interest if the national rate fluctuates over the time of your loan. Fixed rate mortgages are usually provided in 15 and 30-year terms.

Adjustable Rate Mortgages (ARM)

ARMs usually offer lower interest rates than fixed rate mortgages for the initial life of the loan. After the initial period, your interest rate would adjust to the market. If you choose an ARM, be sure that the lender's program specifies a cap that restricts your interest rate from increasing beyond a specified level.

Qualifying for a Mortgage

Qualifying for a mortgage is based on several guidelines. First, you will be evaluated on the ratio of your expenses to your household income. As a general rule, monthly expenses and long-term debt should not be higher than 36% of your household's gross monthly income.

If your percentage of debt is higher than this, you may need to pay off some loans, work toward providing a higher down payment or consult with your lender to determine the best approach. The better your credit and financial status, the better interest rate and/or higher loan amount will be offered by the financial institution. In addition, the lender will examine all of your financial records and accounts as viable proof that you can afford the home and are a qualified buyer.



OBTAINING GOOD CREDIT AND SECURING A LOAN



What is credit, exactly? Credit is your entire financial and public records history, such as a car payment, student loan or credit cards. Anything that would be recorded by the courts such as outstanding taxes, liens on your property, bankruptcy or judgments.

Your credit history is recorded by third party companies like Experian® and Equifax®. A grade between 300-850 is applied to your credit history. This grade is known as your credit score. The higher your score, the better credit you have and the greater your likelihood of qualifying for a loan. A mortgage company or bank will check your credit immediately when you apply for a loan. Therefore, it is important to maintain good credit over time.

Cleaning Up Your Credit Score

If you are a first time buyer and don't have a credit history you can provide the financial institution with a non-traditional report. Make copies of your rental checks, car insurance and utility bills to demonstrate on-time payment. If you have a history of late payments, this will work against your credit rating.

Finally, it is best to avoid making any large credit card purchases or applying for any other loans such as tuition or car financing when preparing to purchase a home. Once you establish good credit, get pre-approved and pre-qualified with your financial institution.



LOAN SEEKERS CHECKLIST

These are common documents required by most lenders.

- Salary documents – most current W2 and two most current paycheck stubs
- Verification of any bonus, commission or stocks cashed
- If self-employed, two years of 1099 forms, previous tax returns and balance sheets
- Current accounts/bank statements; include checking, savings, money market accounts, 401K, IRA or life insurance
- Documents of any retirement or Social Security income
- If disabled, statement of disability income
- Copies of any rental leases that are in effect
- A copy of the deed from any other property you might own. If you own free and clear, provide proof such as the satisfaction of mortgage statement



WHAT'S IN A TITLE?

Deed & Title Defined

Deed is the written document that conveys one's legal ownership of a property. Your title – essentially your right to the property – will be properly recorded with the local government.

How to Protect Your Title

There is often a long history of ownership behind a property, which is why running a title search and purchasing title insurance are so important. Once a buyer goes to contract, a real estate attorney or title company should perform a title search to access the records of

the property through the county. They will investigate any possible "cloud" or encumbrance on the title, or any previous claim to ownership that might impede the transfer of ownership to you. Title insurance protects the buyer from any loss due to a defect in the title that was not previously exposed.

What is a Survey?

A survey is the procedure by which a property is measured to determine its precise boundaries. A survey confirms the original lot lines and identifies any other specific items that might affect it such as easements, common areas, fences and other structures.

Why is an Appraisal Required?

An appraisal is simply an estimated value of the home usually required by the lender. It is required so that the lender has assurance you are paying the proper market value for the home.



WHAT YOU SHOULD KNOW ABOUT HOMEOWNER'S INSURANCE

Financial Peace of Mind

Purchasing a homeowner's insurance policy is both a requirement of your lender and a necessity in life. If your home were destroyed in a fire you would still be responsible to pay back the loan regardless of how livable your house is. Beyond this, the most valuable aspect of a homeowner's policy is the security of having one of your largest financial assets covered. Ultimately, your decision should not be based on whether or not to have insurance, but on what level of coverage is most appropriate for your needs.

There are separate policy programs for single family homes, condos, mobile homes and income-producing rental units.

Homeowner's insurance policies usually cover damage to the structure and interior fixtures. If you are buying a condominium or townhouse, be sure to get a copy of the homeowners' association policy to determine what is already covered. Often in condo-style living, anything outside of the interior walls of the unit such as the roof or siding may not be your responsibility.



Having insurance isn't enough. Here's what you should do to protect your investment

- Insurance companies can price your policy to cover the actual structure, your personal possessions, and how much liability coverage you want.
- Take inventory of your home. Know its price and consider how much it would take to rebuild if necessary. Determine an estimated value of your personal possessions.
- Take pictures and inventory of your personal items and their worth. Keep this file off premises, perhaps in a lock box at the bank along with other important documents.
- Most homeowner's insurance policies do not cover flood damage. The flood insurance policy often needs to be written separately. In some coastal areas, flood insurance may not be available.
- Most policies require a deductible to be met before reimbursement.
- You may be eligible for discounts on a premium if your home has certain safety features or falls into categories established by the insurance company. These items could include: a central security/burglar and/or fire alarm system; fire resistant material like masonry/brick; installed fire extinguishers; home was recently built or renovated by a licensed contractor.





CONGRATULATIONS!

Protect Your Investment With This Home Maintenance Checklist

Your new home is similar to your car in that its' parts will require regular check-ups. Home maintenance is important to ensure everything is operating smoothly and safely. Taking preventive measures can save time and reduce expenses in the long run. This checklist helps you keep track of what to monitor in your new home. Mark your calendar so you don't miss service dates.

Check Monthly:

- Vents
- Air filters
- Attic and basement for water, condensation, mold
- Woodwork for termite damage or rot
- Fireplace and ash if used
- Plumbing, water pressure, drips
- Roof – remove debris and repair loose shingles
- Sump pump

Test Quarterly:

- Smoke detectors
- Fire extinguishers
- Security and fire alarm systems

Check, Clean and Service Annually:

- Drainage, gutters, downspouts, sprinkler system
- Lubricate automatic garage mechanism
- Check exterior seals of all doors and windows
- Grill parts, valves, gas tank
- Air conditioning/heat/ fuel tank
- Hot water heater
- Water pump
- Septic system
- Fireplace and chimney
- Pool and Jacuzzi
- Any exterior problems
- Broken siding or cracked masonry
- Roofing, foundation issues
- Driveway, walkways, steps
- Porch, balcony, decking

