



An Exclusive Guide To

BUYING A HOME

RE/MAX
ESTATE PROPERTIES



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WELCOME TO BUYING A HOME

Whether you're a first-time home buyer or an experienced homeowner, our Buyer's Guide will walk you through the process, and help make your home buying experience much easier.

This guide offers everything you need to know as you prepare to buy a home and will help you:

- Understand your costs up front
- Determine a price range that's realistic and comfortable for you
- Know more about how a real estate agent can help you
- Learn how your credit score can impact your loan
- Identify the paperwork you need for a smooth loan process



PREPARING TO BUY A HOME

BEFORE YOU START YOUR HOME SEARCH, ASK YOURSELF:

ARE YOU COMFORTABLE WITH WHAT YOU CAN AFFORD?

If you can't afford to buy in a certain neighborhood where you want to live, or if you'll face a significantly longer commute from the places you can afford to live, it may make more sense to continue renting.

DO YOU HAVE A RESERVE OF CASH SAVED?

You'll need money for your down payment, and you may be responsible for closing costs on the loan. You'll also face new costs in addition to your mortgage payment. If you have limited savings, it may make sense to continue a lower cost living arrangement until you can save more.

HOW FINANCIALLY STABLE ARE YOU?

If there's a chance you could be laid off soon, or if your job requires you to move to a different city in the near future, buying may not be the best choice for you right now.

DO YOU HAVE GOOD CREDIT?

If you have recently missed payments or maxed out your credit cards, you may consider waiting to purchase a home until your credit improves so you can qualify for a lower interest rate.



THE HOME BUYING PROCESS

1. GATHER PAPERWORK

Be sure to have your bank statements, pay stubs, W-2, and other information.

2. SELECT A LENDER

Find a lender who will give you excellent service, a competitive rate and loan options that meet your needs.

3. FIND OUT HOW MUCH YOU CAN BORROW

Get pre-qualified to find out what you can comfortably afford.

4. FIND THE RIGHT REALTOR

Find an agent who will be your partner in the home buying process.

5. FIND THE PERFECT HOME

Find a home that fits your wish list and your budget.

6. SUBMIT YOUR COMPLETED LOAN APPLICATION

Lock in your loan rate and protect your new home with homeowners insurance, an appraisal, title insurance and a home inspection.

7. MOVE IN

Attend the closing and get the keys to your new home.



ARE YOU READY TO BUY?

COMPARE OWNING VS. RENTING

There are advantages to owning a home, both financially and emotionally but there can also be disadvantages and a lot of responsibilities: repairs, taxes, insurance and utilities. Weighing these against the advantages helps make the decision more clear. Here are some important considerations:

- Do you want a house that you own outright, free of restrictions from a landlord?
- Are you comfortable with and able to pay for repairs and upkeep?
- Will you be able to pay for property taxes, insurance, utilities, and any homeowners association fees?
- While your house could go up in value, it can also go down, depending on the housing market. Are you aware that the value of your house may decrease?

DETERMINE WHAT YOU CAN AFFORD

You need to know if you can afford to buy in the neighborhood you want, or if you're willing to make sacrifices, such as having a longer commute. If you can't afford the house that meets your needs, it may make more sense to wait before buying.

Depending on the purchase price you can afford, evaluate whether or not the house will meet your needs based on:

- Size (bedrooms, bathrooms, yard)
- The area of town/neighborhood
- Schools
- Commute to work



THE COST OF HOMEOWNERSHIP

CASH FOR ONE-TIME FEES

TYPICAL RANGE

DOWN PAYMENT

5% – 20% of cost of house

HOME APPRAISAL

\$200 – \$500

A professional analysis of the market value of the property.

HOME INSPECTION

\$200 – \$1,000

A detailed report on the condition of the house, highlighting any significant problems that might affect the property's value.

TERMITE INSPECTION

\$100

An evaluation of pest damage. The initial inspection will be less than \$100, although if they find evidence of termites, which is common, the extermination can cost several thousand dollars.

ORIGINATION FEES

0.5% – 2% of loan amount

Fees assessed by the bank to cover the processing of the loan and administrative costs.

CLOSING COSTS

2% – 6% of cost of house

Bank fees and third-party vendor fees that may include, but are not limited to: attorney fees, settlement fees, title insurance, recording fees and appraisal fees.

MOVING COSTS

The cost of moving all your furniture and belongings.

Varies depending on how far you're going, how much you have to move, and if you decide to hire movers



CASH NEEDED EACH MONTH

TYPICAL RANGE

YOUR MONTHLY PRINCIPAL, INTEREST, TAXES AND INSURANCE PAYMENT

Your comfortable monthly payment

MORTGAGE INSURANCE

Insurance the lender will require if your down payment is less than 20% of the home's value.

Typically amounts to about one-half of 1% of the loan

CONDO/MAINTENANCE FEES

Typically cover the cost of insurance, taxes, maintenance (i.e., lawn care) and reserves for a condominium project.

\$200 - \$350/month

HOMEOWNERS ASSOCIATION (HOA) DUES

For a property in a community with an HOA - annual or monthly fees that cover neighborhood maintenance costs.

Varies - ask your real estate agent to investigate for you

UTILITIES AND FEES

Regular water, gas, electricity, sewage treatment and garbage pickup.

\$100 - \$500/month

LAWN AND PROPERTY MAINTENANCE

\$100 - \$500/month

EXTERIOR AND INTERIOR HOME REPAIRS

Depending on the age and type of your house, there will be periodic maintenance or repairs needed to keep your home in good condition.

\$100 - \$500/month



2

APPLYING FOR A LOAN

Before you look at houses, find out how much you can borrow. The best way to do that is to get pre-qualified by a lender. If you have already started looking at homes, be sure that you receive a conditional approval. In reality, your ideal home price will depend on how much money a bank will lend you, which is based on:

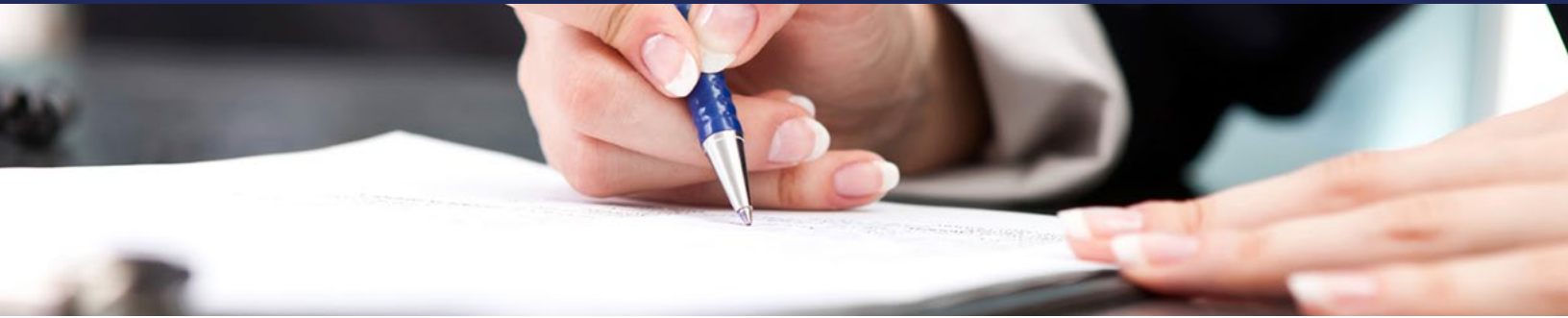
CREDIT – Your payment history/credit score

CAPACITY – Your ability to pay

COLLATERAL – The market value of your home

RULE OF THUMB

- **36% GOES TO PAY DEBTS**—banks generally advise that your mortgage payment not be more than 28% of your gross monthly income, leaving 8% for other debts like a car loan.
- **31% OF YOUR INCOME GOES TOWARD TAXES**—that’s the national average.
- **33% GOES TOWARD EVERYTHING ELSE**—food, clothes, entertainment, vacations, as well as savings and investments that you put away for a rainy day.



DOCUMENTS NEEDED TO APPLY FOR A LOAN

- Names and addresses of employers for two years
- W-2s for two years
- One to two years of tax returns
- Most recent year-to-date pay stub reflecting a minimum of 30 days of income or other proof of income
- If self-employed, year-to-date profit and loss statement, plus signed returns for the last two years
- Proof of pension income, if applicable
- Social Security and Disability payments, if applicable
- Dividend earnings
- Bonuses
- Child support earnings (optional)*
- Alimony or separate maintenance (optional)*
- Bank account numbers and balances
- Bank statements for two to three months
- A copy of earnest money deposit
- Information on debts such as car loans, student loans, and credit card debt

*It's not necessary to disclose alimony, child support, or separate maintenance income unless you want the lender to consider it as a basis for repaying the loan.



UNDERSTANDING MORTGAGE LOANS

While the details of every loan are different, each lender has a variety of mortgage options. You'll want to ask each lender you contact what special loan programs they offer that you may qualify for. Most mortgages fall into two categories: *fixed-rate* and *adjustable-rate*. *Fixed-rate* mortgages provide a constant interest rate and monthly principal and interest payment for the life of the loan. The rate and payment on an *adjustable-rate* mortgage can fluctuate.

To get the best rates and the best results from lenders, you have to meet certain requirements. Review what those requirements are and how well you might meet them. Your lender can explain the details of loan programs available and help you decide which one is best for you.

YOUR CREDIT RATING

Your credit score is important. When you apply for a mortgage loan, the bank collects as much information about your finances as possible and decides whether lending you money is a good risk. Banks will use your credit score to help evaluate whether you are likely to pay back your loan.

A higher credit score increases your chances of getting approved for a loan and obtaining a lower interest rate. While there is no quick fix to improve your credit score, there are several ways you can improve it over time:

- Pay your bills on time.
- Pay at least the minimum on your credit card bill - ideally more if you can.
- Keep your existing credit card accounts with a zero balance open.
- Correct errors on your credit report - like incorrectly listed late payments
- Reduce your debt - create a plan to pay off your highest interest rate debts first while maintaining minimum payments on your other accounts.



UNDERSTANDING FINANCING

DOWN PAYMENT OPTIONS

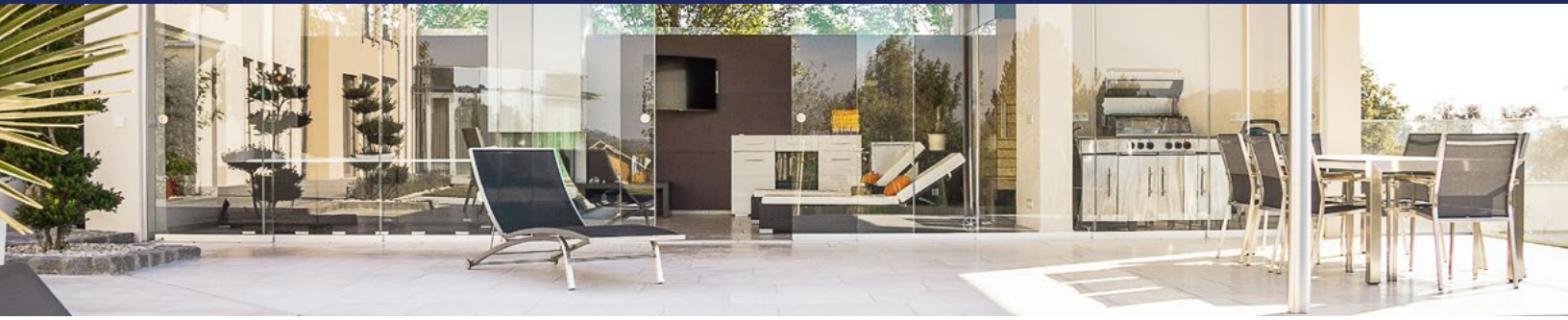
A down payment is the money you pay toward the cost of the house when you first buy it. You borrow the rest from the bank as a mortgage. The day after you close on your house, your down payment becomes the equity you have in your home. You have several down payment options, some of which include:

- **20%** – a conservative option banks may use; equals 20% of the home purchase price
- **3.5% - 5%** – may be available for some government loans and some conventional loans
- **VA LOAN** – requires little to no down payment for eligible borrowers

DOWN PAYMENT SOURCES

The down payment on your house will likely be one of the biggest cash investments that you'll make. There are a number of ways that you can get that amount of cash together:

- **SAVINGS** – Buyers often save regularly for years by reducing expenses, taking a second job or getting a smaller apartment if they are renting.
- **GIFT** – If you accept a gift, you'll need to get it clearly in writing that the person making the gift has no financial interest in or obligation toward the property. A bank will not accept it if your "gift" is really a loan.
- **SELLING YOUR EXISTING HOME** – If you sell your home before you buy your next home, you can have the proceeds from that sale applied to the down payment on your new home.
- **SPECIAL PROGRAMS** – State and local governments offer down payment assistance to home buyers. Many nonprofit organizations also offer down payment assistance. Contact your bank or your state housing authority for information on these programs.



PRIVATE MORTGAGE INSURANCE

If you choose conventional financing and you put less than 20% down, you'll need to pay Private Mortgage Insurance (PMI).

- ✓ PMI covers the bank if you stop paying your mortgage and default on your loan.
- ✓ PMI generally costs less than 1% of the outstanding loan balance, and it's usually combined with your monthly mortgage payment. It can add up to many thousands of dollars over the life of the loan.
- ✓ When you've paid enough principal to own more than 20% of the house, you can apply to drop the PMI.

MORTGAGE INSURANCE PREMIUMS

If you choose FHA financing, an up-front mortgage insurance premium and monthly Mortgage Insurance Premiums (MIP) are required.

- ✓ The up-front MIP is 1.75% of the loan amount and can be financed.
- ✓ The monthly MIP amount is determined by the loan-to-value ratio (LTV) and the term of the mortgage.
- ✓ The monthly MIP may be canceled if your original LTV is less than 90% and after the first 11 years of the mortgage term or the end of the full mortgage term, whichever occurs first.
- ✓ The monthly MIP cannot be canceled for the first 30 years of the mortgage term, or until the end of the full mortgage term, whichever occurs first, if your original LTV is greater than 90%.



CHOOSING A REALTOR

A good real estate agent is your partner in the home buying process. It's important to work with an agent who is not only committed to working with you, but who is also dedicated to finding you the RIGHT home. Ask family and friends for recommendations, and interview each:

- Consider their experience and expertise
- Check their track record of working with buyers from finding a home, to negotiating the offer, to helping with financial solutions
- Consider their knowledge in the local market, price points, and types of homes

AN AGENT WILL:

- ✓ Help you find a house you love
- ✓ Be knowledgeable about neighborhoods, pricing, local schools, and public safety
- ✓ Make your home search more efficient by narrowing down your choices based on your preferences
- ✓ Assist you in negotiating a fair price
- ✓ Answer your questions and provide guidance



4 SEARCHING FOR A HOME

In order to buy a home you love, you need to know what you want and need in a house. Here are some important factors to consider:

TYPE

What type of home are you looking for: single-family home, condo, or gated community?

PRIVACY

Does the neighborhood seem active and energetic, or peaceful and quiet? Do you prefer to have neighbors close by or to have more distance between homes? Talk to neighbors and your real estate agent to get a sense of what the neighborhood is like.

SCHOOLS

If you have kids or will in the future, local public schools near your home will be an important factor. How are the nearby schools rated? What's the dropout rate? How far will your kids have to travel to get to school?

TRAFFIC

How long will your commute to work be? How busy are the streets around your house? How much noise does the traffic make? How easy is it to run errands like grocery shopping?

BUILDING A HOUSE HUNTING CHECKLIST

Use this checklist to help you stay organized and focused on the important criteria when visiting a home:

Make a comparison chart for each property:

- Style of home
- Age of home
- Positioning of the living spaces
- General size of rooms
- Kitchen and appliances
- Bedrooms
- Bathrooms
- En-suites?
- Garage space(s)
- Type of heating/air conditioning
- Backyard
- Fencing
- Landscaping
- Condition of roof and exterior
- Storage space
- Laundry
- Natural light
- Special features (i.e. fireplaces, balconies)

- Do you feel an emotional connection to the home?

Look beyond the surface:

- Envision how you would use the space – does it fit your every day needs?
- Will your furniture fit?

- Floor plans are a great way to see the flow and how changes can be made. Not available? Measure and draw your own.
- Check out the true storage space – open cupboards, doors, attics, basements, and storage cabinets.
- Lift up rugs and investigate for damage on the floor, under furniture, in the back of cupboards, etc.
- Look at every detail from floor to ceiling, to including window trims, under sinks, bathroom tiles, etc.
- Look outside – note the layout of other homes around the property, traffic, parking, noise, etc.
- View the property at different times of the day
- Who are your neighbors?

Review market value:

- How long has the house been on the market?
- Is it priced to sell?
- Compare its price to others sold nearby
- What is the resale potential?



MAKING AN OFFER

When you have found the right home, it's time to make an offer. Your initial offer should be based on the following:

- ✓ Prices of similar homes in the same neighborhood
- ✓ Condition of the house
- ✓ What you can comfortably afford based on your pre-qualification

WRITING AN OFFER

- Your real estate agent will help you prepare your offer to the seller telling them how much you are willing to pay.
- You can strengthen your offer by considering the concessions you'd be willing to make. For example, you may be able to offer to close quickly if you have your pre-qualification.
- Negotiating after your initial offer. The seller will likely come back with a counteroffer and you can work with your real estate agent to decide whether you can accept that offer, or if you want to make a new offer.



UNDERSTANDING MARKET VALUE

Whether you have chosen your location or property type based on your budget, it is still important to research the value of homes currently on the market. The current selling price of a home does not mean that a property is 'worth' that amount – market conditions and what a buyer is willing to pay for a property affect the true value of the home at any moment in time.

When deciding the value of any property the following criteria should be considered:

- Location of the property
- Condition of the property
- Buyer demand
- Current prices of similar properties
- Recent sales of competitive properties
- Availability of financing

THE ASKING PRICE MAY BE TOO HIGH IF:

- The house has been on the market for an extended period
- The listing price has been dropped
- Prices of similar homes are much lower



OFFER IS ACCEPTED

STEP 1

COMPLETE YOUR APPLICATION

Work closely with your Mortgage Banker to complete your application. If you DID NOT provide verification of your income and assets in the pre-qualification process, you will need to provide those documents now along with an executed purchase contract. If you ALREADY provided income and asset documentation, you will just need to provide a signed purchase contract.

Important Note: Your loan will be delayed if you don't submit the correct financial documents, such as copies of your pay stubs, bank statements, and tax returns.

LOCK IN YOUR INTEREST RATE

Most lenders allow you to lock in your interest rate for 60–90 days. This means your interest rate won't change even if interest rates go up or down while you are waiting for your loan to be approved.

No one can predict what will happen with interest rates. If you think interest rates will go down, you may want to wait to see if you can lock in a lower rate. If you think interest rates will go up, or if you don't want the worry, it makes sense to lock in the rate.



STEP 2

Your Mortgage Banker will submit your application and financial information to a Loan Processor who will take an even closer look at your financial information. Your Loan Processor will contact you directly if they need any additional information. Be sure to reply quickly.

During this period you will:

OBTAIN A HOMEOWNERS INSURANCE QUOTE

All lenders will require that you buy homeowners insurance, which covers the cost of repairing or rebuilding the house in case of damage or catastrophe. Contact an insurance company to determine what information they will need to insure the home and obtain an estimate of its costs. Proof of adequate insurance coverage (hazard and maybe flood) will be needed before your loan can close.

DECIDE IF YOU SHOULD PAY POINTS (DISCOUNT POINTS)

A portion of your interest that you pay to the lender up front in exchange for a lower interest rate. One discount point is typically equal to 1% of the loan amount, paid at closing. For example, one point on a \$100,000 loan would require an up-front payment of \$1,000. There is no requirement to pay discount points. Generally speaking, the longer you plan to remain in a property or hold your mortgage, it is to your advantage to pay points.



STEP 2 *(Continued)*

Your lender will:

SCHEDULE A HOME APPRAISAL

Lenders generally require a home appraisal. The lender will hire an appraisal management company to estimate the home's value using information about the condition of the home and the values of comparable properties nearby. As long as the appraised value supports the loan you have requested and there are no significant repairs to be made, it shouldn't hold up the loan.

ORDER TITLE INSURANCE

Your bank will require that you get lender's title insurance, which protects the bank in case someone else turns out to have a legitimate claim to the property, or if there are other defects, liens or claims against the property. For a small amount extra, you can also have a second policy which insures you against the same thing.

Your real estate agent will:

SCHEDULE A HOME INSPECTION

A home inspection will reveal whether there are any significant defects in the construction of the house or any major repairs required. The bank may require this, but if not, you may want to make it a condition of your offer so you'll know what you're getting into.

SCHEDULE A PEST INSPECTION

Separate from the home inspection, a pest inspector needs to evaluate the level of damage caused by termites and other organisms, such as mold. If the inspector finds a significant infestation, they could recommend extermination, which can be an added expense. You can negotiate with the seller about who will cover that cost.



STEP 3

Depending upon what documentation you provided during the pre-qualification process, your Loan Processor will send all of your information to an Underwriter who will review it all and make a final decision on your loan.

- If your loan is approved, your Loan Processor will schedule your closing.
- “Closing” refers to the actual transfer of the title of the house from the seller, to you, the buyer. It can also be called “settlement.”
- What it costs: A Good Faith Estimate will be mailed to you within three business days of application.
 - A day before your closing, you’ll receive an itemized list of exact costs.
 - **IMPORTANT:** Your itemized list of exact costs should only vary slightly from your original Good Faith Estimate. Talk to your Mortgage Banker immediately if there are charges you did not expect.
 - You’ll likely need to wire funds or bring cashier’s checks or bank checks to pay for the charges due at closing.

STEP 4

Attend the closing and get the keys to your new home!

- Let us know your closing date and we’ll discuss what is necessary to meet it (depending on how quickly you submit your financial information and obtain an insurance quote).



MOVE INTO YOUR NEW HOME

MOVING GUIDE

- Hire a moving company and/or rent a truck. Book early – especially if you are moving at the end or beginning of the month.
- De-clutter your present home – it's the perfect time to donate items that you no longer use.
- Purchase boxes and moving supplies.
- Submit a Change of Address form to the post office noting start and end dates
- Start packing! Begin with items in your home you do not use regularly. Pack room by room.
- Label the outside of boxes which room the box for and a quick checklist of the items inside – this also helps with unpacking.
- Make a list of the items that need extra attention during moving. Label boxes as fragile if needed.
- Make notes and photograph items of significant value for insurance purposes.
- Pack a travel bag with the items your family may need on moving day such as a change of clothing, medications, toiletries, etc.
- Arrange cleaners for the new home and old home so they feel fresh and ready.
- If you hired movers, provide a phone number where you can be reached on moving day. Be present when the truck is being loaded and unloaded in case your movers have questions.

FREQUENTLY ASKED QUESTIONS

WHEN IS THE BEST TIME TO BUY?

When you have found the right home. Don't wait for perfect conditions to buy – they don't exist.

WHEN IS THE BEST TIME TO GET A MORTGAGE?

Getting pre-qualified before you start searching will help immensely and prevent disappointment.

HOW DO I CHOOSE A REALTOR?

Think of the process as equivalent to giving a job interview. Do they know your local market, price points, and types of homes? Ask for references!

HOW DO I FIND THE PERFECT HOME?

Prioritizing and compromising are necessary elements. Compiling a list of 'must-haves' and then a list of 'would-likes' will help narrow down what's important to you.

HOW DO I KNOW WHEN IT'S RIGHT TO PRESENT AN OFFER?

Don't be afraid to write an offer – there is no commitment until you remove all the contingencies. However, don't write an unrealistic offer. Offer what the property is worth to you; otherwise, you may be helping someone else's offer look good!

CAN I GET OUT OF A DEAL IF I DECIDE THE PROPERTY OR DEAL ISN'T RIGHT FOR ME?

Don't be afraid to back out of a deal; you have not gone too far until all of the contingencies have been removed.

WHOSE OPINION SHOULD I TRUST WHEN BUYING A HOME?

Trust personal instinct and trusted advisors and do what feels right – too much stress indicates it's time to walk away.

WHAT DO I DO IF I GET BUYER'S REMORSE?

It's normal and will pass if the situation is right.

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