

BUYER'S SECRETS

Premiere REAL ESTATE Secrets For The HOMEBUYER!



PROPERTIES CENTRAL
R e a l t y

1180 Main St., Suite 1 | Worcester, MA 01603
MA License No. 9520327

www.PropertiesCentral.com
508-499-7600

TABLE OF CONTENTS

The Steps to Expect as a Home Buyer	4
WHAT FIRST-TIME HOMEOWNERS NEED TO KNOW.....	6
TIPS FOR SINGLE HOMEBUYERS	8
Advantages of Using an Agent	11
Keys To Selecting The Right Agent	12
Real Estate Sales Commissions Explained.....	14
Working With A Reputable Company.....	15
How Much Home Can You Afford?	15
KEYS TO FINDING THE "RIGHT" HOME.....	17
New Home vs. Old Home.....	19
The Home Inspection Process.....	20
AVOID A LEMON: KNOW WHAT TO LOOK FOR WHEN BUYING A HOME.....	22
WHAT YOU NEED TO KNOW ABOUT YOUR CREDIT BEFORE BUYING A HOME.....	24
About the Loan Process.....	26
No Money Down: Too Good to Be True?	27
LOANS, MORTGAGES, AND FINANCING OPTIONS.....	29
Understanding Loans	31
HOW TO USE THE WEB TO FIND THE LOWEST RATES.....	33
WHAT TO DO IF YOU THINK YOU CAN'T AFFORD YOUR CURRENT HOME?.....	37
MAKING THE LOAN PROCESS EASY.....	39
MAKING THE RIGHT DOWN PAYMENT	40
HOW TO PREVENT OVER- PAYING FOR YOUR HOUSE	41
HOW TO CLOSE ON TIME AND AVOID PROBLEMS	43
Understanding Closing Costs.....	45
Title Insurance Explained.....	48
Mortgage Escrow Accounts Explained.....	49
TIPS FOR MOVING	50
How to Buy a Foreclosed Home	52
Explanation of a Home Foreclosure that are For Sale	53
HOW TO MAKE MONEY INVESTING IN REAL ESTATE	54
GENERATING POSITIVE CASH FLOW THROUGH REAL ESTATE INVESTMENTS.....	56

Dear Home Seeker,

This booklet will help you find a dream home that will fit your budget and needs.

we are selective with the clients we work with. Your approach to downloading this booklet indicates that you are someone who cares about taking time in being educated. If you need an agent or further advice, contact us anytime. I will be more than happy to work with you. The majority of our clients are from referrals; we meet our client's needs and make the process of finding their dream home enjoyable.

This booklet contains a vast amount of knowledge - from basic terms to steps in negotiating the best price for your home. This information has been compiled with successful techniques that agents use in obtaining results when finding a dream home. It will introduce you to the process. I hope you find the book informative.

WHY will we provide this information for FREE?

We want our clients to feel comfortable in the home seeking process. Even if you don't choose me as your agent, I know this information will be valuable. If you already have an agent in mind, then please feel free to use this information to ensure that you obtain proper service. If you have not made up your mind, I encourage you to compare other agents to what we have to offer. Although most people chose their agent based upon referrals, statistics show that most homeowners are not satisfied with their agent by the end of the process. The lesson here is to do your homework and make sure the person you are looking to use is more qualified and can meet your needs better than we can. Otherwise the end result could cost you dramatically.

If you use our services, we will immediately place together a list of homes that meet your needs. We will also be able to answer any of your questions, from the process of finding a home to getting a loan.

My focus as an agent is to provide you with the utmost attention and ensure that our staff, or me, is meeting your needs on a consistent basis. As you review this booklet, you will find key tools that will help you find your dream home. When you finish looking over the booklet, please give me a call, so I can answer any questions you may have.

Properties Central Realty
1180 Main Street, Suite 1
Worcester, MA 01603

Office-508-499-7600
info@PropertiesCentral.com

THE HOME BUYER PROCESS

You are ready to buy, so let's talk about what to anticipate and how to be ready for the road ahead!

Steps:

1. Make a decision to buy
2. Get organized
3. Shop for a home
4. Make an offer
5. Get a loan
6. Close on the home
7. Prepare to move

Decide to Buy

You are ready to purchase a home. Identify what you want and why. Below are a couple of questions to answer, before you begin.

1. What are your future plans?
 - a. Do you anticipate on having a family, growing as a family or maybe reducing the size of your family with kids moving out? These questions need to be answered, so you can identify the house of your desire and ensure it meets your needs.
2. Do you have enough cash for a down payment?
 - a. Identify how much you can afford for a down payment.
3. Can you afford your desired home?
 - a. This is a key question that only you can answer. Will your current spending habits allow you to live comfortably with a new mortgage, or will it cause you to struggle?

Get Organized

Now it's time to gather key information and educate yourself for the process. First, check your credit rating to ensure that nothing is outstanding, which would prevent you from obtaining a mortgage. This can be done by contacting one of the three largest credit bureaus: Trans Union Corp., Equifax, and Experian (formerly TRW).

Next make sure that you have the loan capability for a mortgage. Contact a loan officer and get pre-approved. This will help you identify your available loan size and provide you with your affordable target range. For pre-approval, you will need to know:

- Cash available for a down payment
- Cash available for closing costs
- Current income
- Job status
- Estimated assets
- Estimated debts

Shop For a Home

Decide how you want to proceed with this process. When purchasing a home, you often will not have to pay for an agent. This is the seller's responsibility. For your benefit, let an agent do the legwork for you. Do your

homework when selecting an agent though, because you want to make sure you find the ideal home and not an overpriced lemon.

When evaluating a home that you like, have a list of questions ready to fire off. Your questions might include the name of the school district, what type of taxes are paid, why is the seller selling, what is the neighborhood like, and how are the neighbors. You might also want to know the condition of the house, the age of the

mechanical systems (heat, plumbing, air conditioning), the amount of necessary house repairs or replacements, the builder, and date the house was built.

Next, research the neighborhood. Walk around and converse with the neighbors. Find out if the atmosphere fits your needs and family's desires.

When you find the home you desire, prepare an offer.

Preparing Your Offer

This is when you need an agent. You want to place a bid on the home, but do not want to pay too much. An experienced agent will be able to help gage a fair price and will negotiate with the seller and seller's agent for you. Before you prepare to start bidding, identify the maximum amount you can afford. This will prevent you from getting overly excited or making too high of a bid, which will then fail to satisfy you later.

Prepare your offer and ensure that it's within your price range. To add strength to your offer, because others are likely to be bidding also, include the letter of pre-approval from your lender. If you have contingencies or conditions, attach them to your offer. Be ready to include a deposit with your offer, which will be part of the down payment if the deal goes through.

The seller may accept, reject, or counter your offer within hours or days, depending on the quality of your offer and the seller's desire to sell. You can then accept the counteroffer or "counter the counter." Once the seller accepts, a third party (a lawyer, an escrow, or title company) completes the transaction with your lender.

Time to Get a Loan

If you're not pre-approved, it's time to get approved. You will have the choice to get a loan from the company who gave you the pre-approval or to shop elsewhere. This can be done through a lender or mortgage broker. A mortgage broker acts as a middleman between the borrower (buyer) and the lender. Do not take this process lightly! Examine the different types of available loans. Find the best rate, compare, and be well educated on your decision.

Close the Deal

Speak with an accountant if your closing date is near the end of the year. Your accountant will identify future savings with owning a home and will recommend a future closing date or earlier date for tax purposes.

Be sure that you estimate all your closing cost to avoid any surprise. Costs range between 2-7 percent of the purchase price of the home.

Prepare a walk through, to ensure the seller has completed any repairs specified in the purchase contract agreement and has completed any other contingencies found in the agreement.

It's now time to close the deal. It is closing day and the seller officially signs the house over to you. Before signing any paperwork have your agent discuss each detail. From the day of signing the paperwork, it could take between 10 to 100 days to move into your new home, depending on the complications of the deal.

WHAT FIRST-TIME HOMEOWNERS NEED TO KNOW

If you are interested in buying your first home, don't allow myths to discourage you from trying.

With home prices increasing, it's a little more difficult for first-time homeowner simply based on price. However, with so many options available, that doesn't mean you can't qualify for a mortgage loan. You just need to know what to plan for and what questions to ask.

Studies show that many potential homeowners believe they can't buy a house when, in fact, a strong possibility exists that they can. Close to 15% of people living in the United States state they would like to buy a home within the next few years but believe that it's impossible from a financial perspective. Another 10% state they can afford a home but for other reasons, probably won't buy for a while.

Here are some myths:

- In order to qualify for a house, you need 20% down
- Lenders are required by law to provide you with the best possible rate for your loan
- You can't qualify for a house if you've been with your current employer less than five years
- Your credit must be perfect
- Mortgage interest is not tax deductible

These are just myths. Now for the truth:

- More and more innovative mortgage packages are being created, offering the borrowers options between 3% and 5% down. Some lenders offer zero down, if you have excellent credit. For first-time buyers, it's in your best interest to do some serious comparison-shopping.
- Every lender works with its own rates, based on their standards as well as the type of loan being considered. Rates change every day, so once you've made the decision to buy a house, check rates with more than one lender, and check on a daily basis.
- Job stability is important, but the five-year rule is merely a myth. For example, if you have worked in public relations or some other industry for 10 years but have had three jobs in that time, because you've stayed within the same business, lenders will often consider this as continuous employment, especially if you've made advancements. In addition, solid credit and a larger down payment can compensate for work history in some instances.
- It's true that credit is very important when qualifying for any loan. However, if you have been out of a bankruptcy for two years and can provide a good letter of explanation to the lender, it will usually be accepted. If your credit is in bad shape, consider a credit counseling service to help you get back on track. Generally, this can be done in as little as 12 to 18 months.
- As you make financial comparisons between renting versus owning, be sure to consider tax deductions. When you buy a home, the closing costs, mortgage interest, and points are all tax deductible.

The wisest moves a first-time homebuyer can make are conduct research and ask questions. Purchasing a house is never easy for anyone. However, interest rates are currently lower than they've been since the 1960's, so if you can buy a house, this is probably a great time.

As a first-time homeowner, there are many questions you'll want to ask. It's easy to focus on the size of the rooms, the structure, and the lot, but there are other factors to consider - things you need every day to live.

Here are some examples:

- **Public transportation** - If you depend on public transportation, check available options.
- **Aging parents** - More and more families are taking care of elderly parents; therefore, you should think about special needs your parents might have as you look at houses.
- **Public safety** - What is the crime rate in the area? How close are public services such as police, fire, and hospital?
- **Parking** - Will there be any issues with parking? If the house you're interested in doesn't have a garage, does ample off-street parking exist?
- **Utilities** - This is an important finance to review. Usually the seller can provide copies of the past few months, providing an idea of budget costs.
- **New communities** - If the area you want is in an entirely new community, what recreational amenities are offered? Is there a clubhouse? Pool? Playground? Exercise facilities?
- **Property taxes** - Some tax rules provide special benefits for veterans, elderly citizens, and even long-time residents. You should inquire what these benefits are and whom they cover.

When you get to the point of being serious about buying a house, follow these steps to make the qualifying and purchase process as easy as possible:

- Establish good credit habits and clean up any unfavorable reports
- Start saving for down payment, closing costs, and any hidden expenses. Don't forget about utilities, moving expenses, and items needed for the home.
- Research and read. Go to your local library and educate yourself about financial management and home buying.
- Start looking at various areas where you might be interested in living. Visit some open houses and do some comparison-shopping.
- Meet with a reputable real estate agent and start the preliminary process.

Remember, there is no reason to be afraid or intimidated when it comes to buying a house. The main concern expressed by young couples is that they aren't sure where to begin. There is also the fear of rejection, when in reality: their credit situation isn't as bad as they believe.

Home buying has become increasingly easier thanks to the Internet. Years ago, people hated the one-on-one approach of determining if they qualified for a loan. The Internet has made it much easier where people to check out various lenders, obtain information, and be notified online as to whether or not they qualify.

In addition, mortgage advice is readily available. Whatever questions you have can easily be asked from the privacy of your own home. Responses are accurate, thorough, and always confidential.

TIPS FOR SINGLE HOMEBUYERS

There are probably few things in life that are as exciting--or as nerve-racking--as the search for a house. With an organized home-buying plan, a great deal of the emotional impact is minimized. By determining your buying power, your desires and needs, and having an organized search plan, your chances of a stress-free experience increase.

Certain types of homes may appeal a bit more to some single homebuyers. For example, since most of the maintenance will be done by one person rather than two, many single buyers prefer homes such as townhouses and condominiums where some or all of the exterior maintenance, landscaping, snow removal, etc. is handled by the homeowner's association. In addition, some single buyers prefer the community aspect of these types of homes and the sense of safety that may be conveyed by having neighbors close by.

Many single homebuyers are single parent families. A common mistake is to tailor their purchase too closely to their current needs and not enough to future resale. For example, a one bedroom, two-bath single-family home with a kitchen may be perfect for you, but it could be next to impossible to sell. It would be far better to have additional bedrooms and have them sit empty (or use them as an office, exercise room, etc.) than to not have them at all.

Gertrude Singer, a realtor with National Realty in Palm Bay, suggests that single buyers consider a few issues when preparing for and purchasing a home. According to Singer, the single homebuyer should

- **Run before walking.** This is easy to do once the decision to buy a home has been made. It means rushing off to look at homes, surfing the web, or calling on advertisements before doing some up-front preparation.
- **Don't over-buy the first time.** A large and beautiful home with little or no furniture tends to be empty and cold. A life where almost every dime of your earnings goes to the support of your house wears thin very quickly and is a frequent cause of family stress. Leave yourself some breathing room!
- **Compare mortgages.** Don't accept the first plan presented to you. Spend time comparing to garner the most advantageous plan for your requirements and financial situation
- **Get a pre-approved mortgage.** Pre-qualification and pre-approvals are a necessary part of the home buying process. It will give you an exact price range for your purchase, and the pre-approval will add more strength to your offer
- **Don't wait for the "perfect" home.** Many first time buyers make the mistake that if they search long enough, they'll find a home that contains 100% of their needs and wants. Instead, it makes sense to determine your top needs and desires. Then, select a home that meets the majority of them.
- **The inspection process.** This can involve skipping a whole house inspection completely in order to save the relatively small amount of money involved, or it may involve using a friend or relative with limited experience to conduct the inspection. In either case you run the risk of not exposing potentially expensive--or even hazardous--defects in the property. Protect yourself by investing the \$200 to \$500 for a professional inspection.

Joe Abbascia, Broker / Manager with Properties Central Realty, advised that once the decision to buy a home is cemented, take time to prepare before you go on your home search.

- **Get your financial house in order first!**

- **Determine what your budget will comfortably allow and stick to it.**
- **Get pre-approved for a mortgage.**
- **Get familiar with the different housing types available to help narrow your search.**
- **Determine your minimum requirements of a house as well as any additional desired features.**
- **Make a list of any items that you don't want in a house.**
- **Determine the desired location (schools, work, public transportation, etc.)**
- **Choose an agent that you feel comfortable with and understands your needs.**

Abbasia also suggests using a scorecard to compare homes as you search. He explained that, "A scorecard is a great tool when it comes time for comparisons (and for remembering which home had which features)."

First-time buyers often find out too late that buying a home can be an emotionally charged experience. Once they plunge into the process, they find out how addictive it can be. When the time arrives to make an offer, they can hardly think straight.

Here are some tips on how to handle the most common emotional and family-related problems that crop up in the home-buying process.

*** PROBLEM:** Should I buy or should I rent? Even if you know you would be better off financially if you buy a home, you might still be better off renting. Here are some legitimate reasons to rent: You don't know where you want to live, your desirable neighborhood is too expensive, you're at risk for a job transfer, or your company seems to be on shaky ground. You may also be carrying a lot of personal debt (credit card, car or school loans) and lack cash for a down payment. If you can't deal with the potential risk of an investment in real estate, you should also consider renting for a while longer.

*** PROBLEM:** I feel like I'm being talked into buying a home I can't afford. The idea behind homeownership isn't to force you into bankruptcy. If it is done correctly, you can set yourself up financially for years to come.

The answer is to "under-buy." Basically, you spend less than you can afford to spend. That will leave you more cash for other investments and the ability to treat yourself and your family to a few meals out and perhaps a vacation or two.

*** PROBLEM:** My divorce wrecked my credit. Unfortunately, rarely does a divorce end happily for all. More likely, everyone ends up with tattered emotions.

The first thing to do is purchase a copy of your credit report from each of the three major credit-reporting agencies (Experian, Trans-Union and Equifax). Start writing to creditors and try to negotiate an end to the finance charges and comply with a schedule.

If you haven't canceled your joint cards, now is the time. Pay off all outstanding bills. If you owe spousal or child support, continue making your regular payments or you could find yourself in even worse trouble.

*** PROBLEM:** I have a great job and lousy credit, and my spouse has great credit and a lousy job history.

Mismatched careers and credit histories are extremely common. In the real world, rarely do spouses or

partners generate the same amount of money. The best solution is to remain at your jobs for at least a year and work on improving the credit history.

* **PROBLEM:** I don't know how to approach my partner about a partnership agreement. Find a quiet, relaxing time to bring up the issue of a partnership agreement. Together, you should find a real estate attorney who can review your various options and help you outline the goals of the partnership. If the conversation becomes uncomfortable and you find yourself unable to resolve simple conflicts, you may want to rethink your choice of a home-buying partner.

* **PROBLEM:** We can't agree on what we want to buy. You and your spouse or partner should each write up a wish list and reality check. A wish list is everything you've ever wanted in a home, from size, shape and amenities to school district and the ideal commute to work. The reality check is everything you can't live without. Once you've completed your separate lists, sit down and **combine** them.

ADVANTAGES OF USING AN AGENT

As a buyer, do you really need a real estate agent to help you find a home? What are the advantages and disadvantages?

A buyer's agent, a real estate professional representing the buyer's interests, will guide you along the right path to finding your ideal home. They're adept at smoothing all uncertainties, providing correct answers, and helping to ensure that your decision will be the correct one.

A real estate agent has the resources to find homes that tailor to your needs. This allows you to glance over listings and find a home that fits both your needs and budget. When you do not use an agent, access to numerous and recent listings are lost. The agent has access to the Multiple Listing Service or MLS, the majority of homes within the area being sold.

The agent does all the legwork for you. When you have found a list of homes you want to view, the agent will arrange a property showing. This means identifying the home(s) to look at. The agent will call ahead and setup an appointment to view the home or obtain an open home schedule.

The agent's experience and expertise will ensure that the home you desire is thoroughly inspected and any common issues associated with buying a home are not overlooked. Their experience ensures that you are not overpaying for your new home.

In the majority of the cases, using an agent does not mean more money. The seller pays the fees for both the buyers and sellers agents. The disadvantages can be costly; therefore we recommend never trying to purchase a home without utilizing an expert agent.

Top Reasons to Use a Real Estate Agent

1. They are experienced professionals
2. They lower your risk by understanding the process
3. They work for you as a full time employee and paid based on results
4. They understand the current market
5. They have access to inventory
6. They have information and experience.
7. They understand the complexity of the transaction
8. They do all the transaction negotiations and overseeing for you
9. They offer flexible services
10. They help you determine your buying power
11. They provide due diligence during the evaluation of property

KEYS TO SELECTING THE RIGHT AGENT

If you're considering buying a home, you may have a number of things on your mind: finding a house that suits your budget, locating a house in the right school district, and deciding on the right floor plan. While all of these things are important, the single most critical decision you have to make when home shopping is what realtor to choose. It's true, you could do it alone, but without proper representation, you'll be at a distinct disadvantage negotiating a deal, as well as finding the right house.

For your sake and the sake of your family's, it's best if you work with an agent. An agent can help you locate properties for sale in a desirable neighborhood. He or she can also provide valuable advice during the "looking stage"; your agent is likely to notice things that you don't and could therefore end up saving you a great deal of money. In addition, since an agent will most likely represent the seller, you'll require an agent to look out for your best interests.

Once you make the decision to retain an agent, the next decision you'll have to make is who to choose. This is not as easy as it might appear. You'll want to do more than just flip through a phone book to find a name. You'll need to do some homework to make sure you've selected the agent who's right for you.

Given this fact, there are a number of questions you should ask when agent-shopping. Some agents work as "Exclusive Buyer Agents." These are agents who represent buyers and buyers alone. They do not list properties; therefore, there is no danger of a conflict of interest. However, you can retain an agent who also sells property; however, you might want to ask whether the agent will be showing you properties that his company is selling. It's best to know these things in advance to prevent further misunderstandings.

Find out how long the agent has been in the field. A more experienced agent is likely to give you better service and greater attention to detail. Also, ask how much of the agent's work involves representing buyers. This will give you a clue about whether the agent is likely to ask the right questions throughout the buying process.

Ask for references, specifically, the names and phone numbers of about a half-dozen buyers the agent has represented in the last six months. If the agent is readily willing to give you this information, it shows his or her confidence and provides some indication of trustworthiness. Once you have the contact numbers in hand, be sure to follow up by making calls. You can find out whether the agent was responsive, helpful, and knowledgeable. And who would know better than the clients he or she has represented?

Ask the agent if he or she has information about "For Sale By Owner" properties. You'll want to make sure you get a chance to view a wide variety of properties in order to wisely choose a proper home.

In addition, note the agent's credentials. Has the agent had specific training in dealing with unique needs of buyers? Does he or she hold special accreditation? Any agent who is not willing to share this information with you is probably not worth dealing with.

Make sure all financial matters are settled in writing with the agent before you look at your first house. Find out whether he or she will receive a commission on the purchase of a house, or whether he or she works for an hourly rate. Obtaining answers to such questions will eliminate later headaches.

Another important question is whether the agent has a list of lenders, home inspectors, and contractors that he or she works with on a consistent basis. It will certainly save you time and probably money, if your agent supplies this information rather than trying to hunt it down yourself. The answer to this question will also give you an idea as to whether the agent is knowledgeable about the community.

Finally, be sure to interview at least three agents before deciding on one that best suited you. You'll be able to do comparison-shopping this way, and you're more likely to find the right agent if you have a pool of applicants from which to choose.

REAL ESTATE SALES COMMISSIONS EXPLAINED

Real estate agents are paid on a commission basis. More often than not, both buyers and sellers commission are paid from the selling price of the home. Commissions are calculated from the percentage averaged from the 5-8 percent of the sold home. Some firms charge a flat rate.

The reason for the difference in rates is generally tied to the type of marketing done for the home. If the rate is low, less capital will be placed into advertising the home. If the rate is higher, more marketing will generally be done. This should be worked out clearly before hand with the buyer's agent. In essence though, you will often times get what you paid for. The average rate is 6%.

Explanation of Commissions

By using a 6% total commission:

In general, the buyer's agent will get 3%, and the seller's agent will receive 3%. In greater detail though, the 3% Listing Commission is to be divided between the listing agent and his/her broker, usually at a **50/50** basis. This means the broker gets 1 1/2%, and the listing agent gets 1 1/2%.

The 3% Selling Commission paid to the selling agent is to be divided between the selling agent and his/her broker again at a **50/50** basis. The broker gets 1 1/2%, and the selling agent gets 1 1/2%.

The 3% Listing Commission + the 3% Selling Commission = 6% Total Commission

For Sale By Owners are still required to pay the buyer's agent a fee. This fee is generally around 3%.

WORKING WITH A REPUTABLE COMPANY

You're ready to buy or sell a home. Now, you are looking to select the company and agent to work with. Finding the right company to help you sell or find your next home is the key for a smooth process. A reputable company that has a well-known name in the area will gladly provide both solutions and credibility, ask if the also are accredited with Better Business bureau "BBB" and if they have the highest rating of A+.

A company that has a track record means they have systems. Their experience has allowed them to do the fine tuning in the home buying and selling process that many younger firms lack. As a result, the transaction time is reduced, a greater product is released and more clients are happy with the end result.

For home sellers, the credibility of the company selling their home is essential. When someone drives by or sees the listing in the paper, they know that the attached company to your house being sold has a track record, which means they will find greater comfort in buying your home, rather than ACME Real Estate Company. This will allow you to find more quality buyers in less time.

Larger, established firms tend to have more resources. This is beneficial to you as a homeowner: you'll have more access to homes and other agents. If you are a home seller, then your marketing is likely to be more efficient with greater results obtained. Therefore when you're ready to shop around for an agent, we encourage you to select one that has the necessary credentials.

How Much Can You Afford For A Home?

Years ago, before the onslaught of credit cards and credit reports, the rule of thumb was that you could buy a house costing two and one-half times your annual income. This guideline can still work if interest rates are around 10 percent. You can put 20 percent down and have few other debts. With rates as low as 5 and 6 percent, you could plan on buying a house costing three times your income.

The key to buying your first home is being realistic about how much home you can afford. Current market conditions mean now is a good time to buy. Interest rates are at their lowest in years and mortgage payments are lower than they have been in years. Today, it's less expensive to own a home and pay a mortgage than to pay rent for the same size and model home.

Saving up for a deposit isn't as hard as people might expect, and the security of owning a home and the investment it represents is a great incentive for today's first-time homebuyers. If you're really serious about buying a home and are prepared to commit yourself, getting appropriate finance can be easily attained. First homebuyers should arrange an appointment with an agent in their area who can help them assess how much income they might need to qualify for a loan.

A competent agent can assess your current equity, and calculate the size of the deposit you will have available to put into a house. Depending on your ability to make payments, some lending institutions may allow you to borrow up to 90 percent of the home's value.

If you can't afford your dream home straight away, your real estate agent should be able to suggest alternatives. You may be able to purchase a house with all the features you want in a more affordable suburb, or buy a home in a more preferable location, which has the potential for future improvements. When choosing a home you look for a good neighborhood, but your choice of the home should be just as important.

Let's consider the type of homes that are available in today's market.

A Brand New Home - If you want a brand-new home you have a choice of three options. You can buy your own lot and hire your own contractor. You can deal with a builder who is developing a tract of land, or you can become a self-builder, doing some of the work yourself and serving as your own general contractor.

A custom-built home is a dream for most people. Nothing is as exciting as being able to pick the site for your dream house and creating the environment that reflects your taste and personality.

When building a new home you need to be aware that things take longer than expected, as well a cost more than expected. The weather will play a major role in the timely construction of your home, and if you change your mind about anything as you go along, it could become amazingly expensive. You can also expect to spend large amounts of your own time and attention.

Self-Building - If you plan to build a house yourself, hire subcontractors only for work you cannot do (i.e., excavations). Lending institutions rarely lend money on vacant lands, because they do not produce income and are almost impossible to resell. You'll have to pay cash for your lot or find a seller willing to hold a mortgage.

Using a Contractor - Make sure the general contractor has a proper license. You should not pay the builder or contractor in full until you are satisfied that everything has been completed as promised.

Building your home in a development - You will probably get more house for your money if you build in a tract already being developed. For one, the paperwork and the financing will be much simpler, and you can see a model of the home you'll eventually own. Plus you can choose your kitchen cabinetry, carpeting, etc.

Buying An Apartment - An alternative to expensive housing is a co-op or condo apartment in an area where the land is at a premium. If you're a busy professional or have kids that are grown and left the nest, apartment living might be the best way to go. You don't have to worry about extra chores, such as gardening. Additionally, the IRS allows deduction of property taxes and loan interest payments for cooperatives and condominiums just as it does for single homes.

Condominiums - The term "condominium" describes a form of ownership, rather than, as it is usually assumed, an apartment. The buyer receives a deed and owns the real estate, just as a like a single house owner. A condo is classified as real estate and the buyer can place a mortgage on the property and will have to pay taxes for his individual unit.

Townhouses - Typically, a "townhouse" is attached and usually an up-and-down house. In some cities, they are also referred to as row houses. In most cases, the owner of a townhouse has fee simple (complete) ownership of the living space and the land below it, with some form of group ownership of common areas.

Note: Be sure to investigate the financial health of the condo, co-op, or townhouse organization before you join.

Mobile Home - Years ago a mobile home was considered a trailer, then it was renamed a mobile home, and now it is commonly referred to as a manufactured home. These homes can be a good option depending on their geographical location. Before you buy a mobile home be sure to investigate whether your community mobile homes represent a good investment or merely a convenient way to live. In many places, especially in southern states such as Florida, mobile homes are a way of life for a large proportion of the population, especially the ones reaching their golden years.

It's always a good idea to look at several options mentioned above before making a final home-buying decision. No matter which direction you take, only you know which home is right for you.

KEYS TO FINDING THE "RIGHT" HOME

There are probably few things in life that are as exciting--or as nerve-racking--as the search for a house. With an organized home buying plan, you can minimize a great deal of the emotional impact. By determining your buying power, your wants and needs, and having an organized search plan, your chances of a stress-free experience are higher.

Gertrude Singer, a realtor with National Realty in Palm Bay, suggests that single buyers consider a few issues when preparing for and purchasing a home. According to Singer, the single homebuyer should

- **Run before walking.** This is easy to do once the decision to buy a home has been made. It means rushing off to look at homes, surfing the web, or calling on advertisements before doing some up-front preparation.
- **Don't over-buy the first time.** A large and beautiful home with little or no furniture tends to be empty and cold. A life where almost every dime of your earnings goes to the support of your house wears thin very quickly and is a frequent cause of family stress. Leave yourself some breathing room!
- **Compare mortgages.** Don't accept the first plan presented to you. Spend time comparing to garner the most advantageous plan for your requirements and financial situation
- **Get a pre-approved mortgage.** Pre-qualification and pre-approvals are a necessary part of the home buying process. It will give you an exact price range for your purchase, and the pre-approval will add more strength to your offer
- **Don't wait for the "perfect" home.** Many first time buyers make the mistake that if they search long enough, they'll find a home that contains 100% of their needs and wants. Instead, it makes sense to determine your top needs and desires. Then, select a home that meets the majority of them.
- **The inspection process.** This can involve skipping a whole house inspection completely in order to save the relatively small amount of money involved, or it may involve using a friend or relative with limited experience to conduct the inspection. In either case you run the risk of not exposing potentially expensive--or even hazardous--defects in the property. Protect yourself by investing the \$200 to \$500 for a professional inspection.

As soon as you've completed the pre-qualification portion of the loan, you will be ready to start looking for your new home. As you start into the process, one very important step is often overlooked - scouting out neighborhoods.

Sometimes people will find a home and be so thrilled with their find that they fail to look at the neighborhood in which the home sits. However, there are so many factors to take into account. For example, if you have a family, is there a park nearby for the kids? Are the schools appropriate for your kids? If you enjoy having things close by, check out restaurants, grocery stores, etc. Is the neighborhood clean and safe?

Take a Saturday or Sunday when most people are home and get in your car to drive around. Start exploring different areas until you find one or several that appeal to you.

Take a notepad with you and jot down names of subdivisions, general appearances of the homes, including maintenance and landscaping. Are there kids outside playing around the same age of your kids? If you're elderly, is this a quiet neighborhood with other elderly people?

If you are working through a real estate agent, once you outline the things that are important to you, they should be able to provide several neighborhoods as starting points.

Other Considerations:

Schools: Just as good school districts are important if you have kids, they are also important if you don't have kids. Buying a home in a reputable school district is a huge advantage for future sale. Typically, homes with good schools attract more buyers. If you want to determine a good district from a poor district, you can always conduct Internet research. For example, go to www.homestore.com, choose a geographical area or zip code, and you can find out just about anything you want to know. Other options would be to ask your real estate agent for information, talk to other people in the neighborhood, or even take a tour of the school.

Crime: Determining crime statistics in a neighborhood isn't as difficult as you think. Using either www.homestore.com or www.realtor.com, you can enter a specific geographical area or zip code and research the crime in that area.

Suburbs generally have lower crime rates but may require you to drive further distances to work, school, etc. On the other hand, cities have higher crime rates but are far more convenient. The choice is really yours, simply determine the type of lifestyle you prefer.

As you drive around, here are some additional things you can do to check crime rate:

- **Look for obvious signs such as bars on windows or doors**
- **Look for gang graffiti**
- **Talk with the local police**

Family: As you probably know, a home isn't just an investment. It's a safe haven, a place of fun and memories for the entire family. Because of this, after considering the community, you need to consider the number of bedrooms and baths. Will you need a closed garage? Are schools within walking distance for the kids, if not, where are the nearest bus stops?

Property Value/Taxes: Another very important factor when buying a home is property values of other homes in the area. You don't want to buy the most expensive or least expensive home. Also, check on property taxes to see how much they've jumped in the past few years.

What happens if you find two houses that you like equally or perhaps both you and your spouse each have one house that you love?

Making the final decision needs to be done rationally and not led by emotion. Sometimes this is hard to do but to ensure you get the right home, it's absolutely necessary. It might be necessary to write down all the needs versus wants to make the right decision.

If possible, take your time. You may not have the luxury of time, which makes buying a little more challenging. The best situation is to look at many homes and not to make an offer on the first house you see. In addition, look at houses more than once. If there is one or two that you like, wait a day, then go back, and look again. Usually the second time around you will find something you don't like or something you do like that you didn't notice the first time.

NEW HOME VS. OLD HOME

You will need to make many decisions when buying a home. What is your tolerance for traffic, a daily commute, your personal preferences, and your pocketbook?

Always get everything in writing when buying a home and work with a buyer's agent who will represent your interests exclusively.

New construction can be a dream or a nightmare: "In the pre-construction phase, you will get the best price, but the disadvantage is buying from plans without seeing your house or fully developed neighborhood. Builder contracts shift most risk of loss in escrows and deposits from builder to buyer. Amend the contract so that a lawyer or real estate broker, who is closely regulated, holds the money. Unless amended, most new home contracts give the builder up to 24 months to deliver the house. Be prepared to wait. Delays usually occur. New home options do not always translate into resale profit. Both base and option prices are negotiable. Get details on the builder, project, restrictive covenants, adjacent zoning and development, future roads, schools, services, flood plains, wetlands, and other environmental issues."

Resales have their own considerations: "What you see is what you get. Resales are sold 'as is' and are subject to the building codes in effect at the time the home was built; consequently, you always should have an inspection by a licensed professional. Settlement on a resale purchase can be in as little as 30 days - quick occupancy is possible. Resales often have the added benefit of established transportation, shops, schools, community services, mature landscaping, and a neighborhood ambience that new subdivisions lack. No surprises. If you are planning a 'redo,' make your contract subject to a 30-day study period, and get professionals to give you specifics on costs and changes possible. Be prepared to live with disruption."

More advantages of owning a new home: Today's new homes are safer, healthier, more energy efficient, require less maintenance, and have an incredible amount of conveniences and amenities. Technological and medical advances over the past decade have discovered the health risks of such materials as formaldehyde, lead, and asbestos, and eliminated them from building products.

Radon detection is done on all new homes and abatement measures are taken where necessary. Furthermore, new homes are much safer from the standpoint of fire safety. Most new homes have efficient smoke detectors on every level. Electrical systems are sized to accommodate today's heightened electrical needs.

Potentially dangerous auxiliary heating devices are no longer needed. Ground fault receptacles in baths, kitchens and outside, more electric receptacles, and adequately sized circuit breakers have eliminated potential fire hazards that could cause electrocution, tripping (extension cords), and fires. Glass in tub areas is tempered to reduce the risk of injury from broken glass.

Better windows, more efficient heating, cooling equipment, and better insulation have cut utility costs in half since 1980. Old homes are draftier, more prone to condensation, and have subsequent deterioration to trim and walls. The savings in energy costs enable buyers to spend more on new home features and less on utility costs.

All of the above are important, but the bottom line is new homes just make you feel better. You choose the home site, the exterior look, interior colors, and features.

New homes are a statement of who you are and a reflection of your family's values and taste. Not only that, your new home is you; nobody else has bathed in your tub or cooked in your oven. You are not inheriting someone else's problems or lifestyle. Your "new" home is truly new.

THE HOME INSPECTION PROCESS

You have secured a mortgage commitment from your Mortgage Broker, and after an exhaustive search, you have found the perfect house. The house appears to be well maintained, with manicured lawn and all the amenities you always wanted. You sign a purchase agreement and 45 days later, the closing is completed, and you have moved into your dream house.

Two weeks later, after a major rainstorm, you notice that a large water stain has appeared in the master bedroom and living room. You call in the plumber to see if a leak has developed in your plumbing system. After an extensive search the plumber advises you that the plumbing system is fine, and the roof is the source of the leak.

After consultation with a roofing company, you are informed that the roof is completely shot and a complete replacement is recommended at an alarming cost of \$10,000! You depleted all your savings to purchase the house, and you do not have any available funds to fix the roof. Suddenly, your dream house has become your worst nightmare.

The scenario that was described above could have been prevented or at least minimized by having the home fully inspected by a home inspection company.

The intent of a home inspection is to uncover hidden flaws in a house, so that the prospective owners are aware of these flaws before purchasing. Once these deficiencies are found, there are a number of options available to the buyer of the property:

- If the deficiencies are numerous, the buyer could decide not to purchase (if the contract was conditional on a favorable home inspection).
- If the problems are minor, the buyers might decide to fix the problems at their expense.
- The buyers could have the sellers fix the problems at the sellers' expense.
- The seller could reduce the price by the amount of cost due to repair deficiencies or issue the buyers a check at closing for the cost of repairs.

The sellers and the buyers can agree on what deficiencies are appropriate for the sellers to repair, or buyers could be reimbursed the cost of repairs/replacement for the agreed upon items that the buyers will repair after closing.

The purchase of a home is a significant investment and shouldn't be done without having a comprehensive inspection.

A comprehensive inspection should include: Roofing, Plumbing, Structural, Air Conditioning, Pool/Spa, Sprinkler, Appliances and presence of Termite Damage. The cost for a comprehensive inspection runs from about \$250 - \$500, with additional cost for larger homes (over 3000 sq. ft.), or certain specialize inspections, like Radon testing.

A thorough home inspection takes an average of 2 to 3 hours, and it is recommended that the buyers be present during the inspection to ask the inspector questions relating to the condition of the house. Also, a home inspection will only uncover visible defects, since often time the house being inspected is occupied.

Most if not all builders give a one-year warranty or ten-year structural warranty on a new home. The problem occurs when builders go out of business six months or a year down the road. A significant number of builders go out of business every year. Will they honor the warranty? Will they respond to your request to make repairs after closing? Builders are notorious for not responding in a timely manner to buyers request for repairs or make numerous attempts to repair an item without success.

Finally, the homebuyer needs to be aware that for a home inspection to be valuable, buyers must include a clause in their purchase contract stating, "The sale is conditional on the house passing a comprehensive inspection." Otherwise, Buyer Beware!

How to Hire a Home Inspector

Consumer advocates, real estate experts, and experienced home inspectors recommend taking the following precautions when choosing a home inspector:

If you are about to buy a house, insist that a "general inspection contingency" clause be put in the contract. This clause gives the buyer liberty to break the contract if any part of the house is found deficient. A seller or real estate agent may prefer a "specific inspection contingency," which allows the contract to be broken only if defects are found. Be sure the contingency clause allows enough time to find a reputable inspector.

Ask friends and associates for recommendations based on their own experiences. Seek referrals from people who had inspections performed within the last few months. Remember, defects that can lead to disillusionment may take time to appear.

Avoid referrals from someone who stands to benefit from the house sale, such as a real estate agent.

Before hiring an inspector, ask whether he or she will do a detailed, technical inspection, which can take three to five hours, or a more general one, usually taking less than 2 1/2 hours. The longer inspection is likely to cost more; so if you decide to economize by choosing an inspector who performs a shorter inspection, do not expect him to find every faulty light switch.

Find out what type of report the inspector will provide. Does it predict when specific appliances or parts of the house may need repaired? Does it give estimates of needed repair costs?

Remember, no house is perfect. Some defects may be so well hidden that no one could have found them. If the inspector tells you the roof is 30 years old but shows no signs of leaks, don't be surprised if it begins to leak a year later.

Finally, look for inspectors who are members of the American Society of Home Inspectors that set professional standards for members.

AVOID A LEMON: KNOW WHAT TO LOOK FOR WHEN BUYING A HOME

Whether you are considering buying a house or selling one, conduct a rundown of property items. The rundown could make all the difference in the world. Although not everything will require costly repairs, some might, which is why it's important to be prepared. Before you head out to look at homes or put your home on the market, check these items to ensure they are properly working:

- Look for settlement cracks on the wall, floor, or ceiling. Every home, at one time or another, will get a settlement crack, so if you find a few, there's no need to panic. However, if you notice major cracks, this could be a sign of structural problems. Mark down the location of where you find cracks and point them out to the inspector, who will determine the degree of damage. If they are small cracks, they can easily be filled with plaster and repainted.
- Look for leaks. Water damage marks on the walls, floors, or ceilings may simply be from a bathtub or toilet that overflowed, or it could be serious and due to a leaky roof. Also, check the tile in the bathrooms and kitchen for any indication of behind the wall leaks, such as mildew or loose tiles.
- Open and close all the doors and windows. Listen for squeaks or sticking. In most cases, this is simply a matter of spraying some lubricant such as WD-40, but it could also be another indicator of settlement.
- If there is an outside deck, check for rotted wood, which could be a sign of termites or simply old wood needing replacement.
- Check all of the electrical outlets. You can simply take a working nightlight with you, plugging it in to each outlet to make sure they're all working properly.
- Check the garage doors, if applicable. Make sure they run smoothly on the tracks and that the openers are in good working order.
- Look for pests such as termites or ants. The best place to look is around the foundation, wiring, pipes, doors, and windows.
- Look at the grading of the yard, both front and back, to ensure that run-off water flows away from the house.
- Look at the gutters to ensure they are properly installed and that water flows out adequately.
- Check the driveway to look for crumbling concrete, pockmarks, or holes that would need to be fixed.
- Have the roof looked at by a professional. Make sure the shingles are installed correctly to eliminate any leakage and that no portions of the roof need to be fixed or replaced.
- Carefully check out the heating and cooling systems. These can be high dollar expenses; so, it's important that they are running properly. Often, these items are covered under a warranty; so if there is a problem, see if there is warrant coverage.
- If there are any fireplaces or wood-burning stoves, make sure the chimneys are clear of debris and the flues are working properly.

- Caulking and weather stripping are important as well. Improper coverage will cause air leaks into the home, raising utility bills and causing unwanted drafts.

The good thing is that everything can be fixed. The bad part is that some items are costly, which is why it's so important to ensure you keep operating systems of the home in good working order.

If you are buying a house, a good inspector should find all of these items and work with the seller to ensure that most or all are taken care of.

If you are selling your home, having these things working properly will put you in a much better position of getting a good price for your home.

WHAT YOU NEED TO KNOW ABOUT YOUR CREDIT BEFORE BUYING A HOME

Sometimes being approved for buying a home can be difficult; however, there are things you can do to be approved.

One of the greatest obstacles with home buying is having less than perfect credit. Credit is a huge advantage when buying a home; so if you do have bad credit, before you start into the home-buying phase, take time to get copies of your credit report from the three main reporting agencies and clean up discrepancies. Keep in mind that this effort can take years, so be prepared to spend some time getting it in order.

There are things you should know before you venture out to buy your home:

- **Payment history** - No matter what type of loan you apply for, one of the first things any lender will look at is your payment history. If you have made payments on time and even paid off loans early, that's a bonus.
- **Create a budget** - This is highly recommended and will help you prepare for a home loan as well as keep you on track once you've purchased your home. If at any time you run into a problem and start to fall behind in payments, it's very important to contact your lender to let them know. In almost every case, the lender will gladly work with you to keep you from losing your home.
- **Credit Counseling** - Sometimes people set up budgets with the best intentions but then slip off their schedule. There are credit counseling services that can help by setting up payment plans to help you stay on budget or get out of debt. Lenders don't want you to lose your house no more than you want to lose it. Not all lenders will work with credit counseling services, but it's always an option to ask for.
- **Bankruptcies, tax liens, and foreclosures** can haunt you for years. Most stay on your credit for up to ten years and can have a negative impact on purchasing a home. However, if you stay up to date on payments for two to three years after running into one of these situations, with a strong letter of explanation and the proof that you've been working to stay on target, lenders will work with you. It may take a little more work, but it is possible.
- **Debt Consolidation** - This is another option for reducing your debt to buy a house. In this case, the balance of your debt remains the same, but companies are willing to lower interest rates, which do two things - they help lower your outgoing monthly payment and lower the overall balance you will be paying. If you have a lot of debt and need to bring your debt to income ratio down in order to qualify for a house, this might be a consideration. The normal ratio is what's called "28/36", meaning lenders believe you cannot spend more than 28% of your gross income for housing expenses and that the total amount of debt payments cannot exceed 36% of your income for a normal 10% down payment loan.
- **Flexible Guidelines** - Lenders are becoming more and more flexible in order to approve people for loans. The way they do that is by allowing a greater percentage of monthly income to be used toward the mortgage payment.
- **Pay-off Options** - If you plan to pay off some of your debt prior to applying for a home loan, consider going after the ones with the highest balances first. Although it's nice to pay off credit cards, available credit puts a person in risk of recharging after the home loan goes through and may actually hurt you in the approval process.
- **Near Pay-off or Minimum Payment** - If you are close to having a loan paid off, often times a lender will overlook this debt when looking at the ratios. In addition, lenders don't look favorably at loans where only the minimum payments are made.

• **FHA Changes** - Recently the Federal Housing Administration, FHS, has created new mortgage programs for potential homebuyers. This means that single-family closing costs can be 100% financed where the borrower doesn't have to come up with so much money to close the deal.

• **First-time Homebuyers** - There are new programs with the Federal National Mortgage Association, Fannie Mae, that help first-time homebuyers, who allows slightly more debt when qualifying for a loan and raise the percentage of gross monthly income that borrowers can spend on housing payments.

• **Affordable Interest Rates** - This helps more people qualify when buying a new home or larger home, as well as lenders providing more attractive mortgage offers.

• **Computer Programs Rate Borrowers** - Traditional underwriter's judgments on how credit worth an applicant is have moved to a computerized system called "credit scoring" This new way of assessing one's ability to qualify for a loan still relies on the same information but this new systems helps determine who will default on a loan. To do this, a numerical score is assigned to each factor and then calculated.

The bottom line is getting your credit in order and asking your lender for options.

ABOUT THE LOAN PROCESS

Pre-Approval

Prior to getting a loan and searching for a home, research what pre-approvals are required for all types of loans. The lender will gather information about the income and debts of the borrower. This allows him or her to make a financial determination about how much money the borrower can obtain, for purchasing a home. There are numerous loan programs that can lead to different results, which is why we recommend getting a pre-qualification for each type of program you are suited for. This will provide you with your best options.

Application

The first step of the loan process is applying. The buyer (borrower) completes a mortgage application with the loan officer and supplies all of the required documentation for processing. Various fees and down payments are discussed at this time, and the borrower will receive a Good Faith Estimate (GFE) and a Truth-In-Lending statement (TIL) within three days that itemizes the rates and associated costs for obtaining the loan.

Processing

The processing occurs between days 5 and 20 of the loan. The step involves the processor reviewing the credit reports and looks at the borrower's debts and payment histories. If the processor sees any speed bumps, like late payments or unpaid debt, a written explanation is required from the borrower. The processor reviews the appraisal, survey, and checks for property issues that may require further explanation. The processor, when finished, will have placed together an entire package that may now be underwritten by the lender.

Underwriting

Lender underwriting occurs between days 21 and 30, on average. The underwriter is responsible for determining whether the combined package passed over by the processor is deemed as an acceptable loan. If more information is needed, the loan is put into "suspense", and the borrower is contacted to supply more documentation.

Mortgage Insurance

Mortgage insurance underwriting occurs when the borrower has less than 20% of the loan amount to put towards a down payment. At this time, the loan is submitted to a private mortgage guaranty insurer, who provides extra insurance to the lender in case of default.

Pre-Closing

Pre-Closing occurs between days 25 and 30. During this time, the title insurance is ordered, all approval contingencies, if any, are met, and a closing time is scheduled for the loan.

Closing

Closing usually occurs between days 25 and 45 of the loan. At the closing, the lender funds the loan to the selling party in exchange for the title of the property. This is the point at which the borrower finishes the loan process and actually buys the house.

NO MONEY DOWN: TOO GOOD TO BE TRUE?

One of the most interesting topics in residential real estate is buying a home with "nothing down." While the majority of home sales go through a conventional lending process, many homes are, in fact, bought by purchasers using little or none of their own money. These typically involve creative financing in one form or another and are a viable option for buyers or investors without traditional resources.

Although these creative purchases often do not involve a bank or mortgage company, there are several government backed programs that do offer 100% financing for homebuyers, USDA, Mass Housing and Veteran loans to name a few, ask your agent for more details. Such programs can be beneficial for both the buyer and seller.

There are many ways to buy a house with little or no money down. Here are some thoughts to get you thinking of a creative way to purchase a home:

You are probably looking for a seller who owns his property free and clear of any mortgage and might be willing to accept monthly payments from you instead of all cash at closing.

It is estimated that 40 percent of American homeowners have no mortgage debt. And, in today's low interest-rate environment, many sellers might be better off accepting payments of principal and interest from you, rather than putting all their equity into low-yield certificates of deposit.

Focus only on highly motivated sellers ---owners with strong desires to sell their houses. They are more likely to be flexible about financing. Maybe he wants to retire, maybe she just concluded a nasty divorce, or perhaps someone in the family passed away or maybe he's a landlord who really hates dealing with tenants.

Living in the house as your principal residence will make it easier to structure creative financing. Owner-occupants are considered safer borrowers than investors. When talking to sellers, make sure they know that you intend to live there.

Patience and persistence are the watchwords of finding "nothing down" real estate deals. Most sellers can't offer owner financing because their existing mortgages can't be easily assumed. But don't be discouraged --- your next phone call may reveal an opportunity.

Also, don't be unrealistic. You may have to consider houses that need cosmetic work. Plan on having a qualified home inspector examine the house before you buy; you probably don't want to get involved in serious structural or foundation problems.

Flexibility is the key to creative financing. Often, sellers are willing to accept payments for only a few years. Even so, that can give you time to improve the property with your hard work --- that's called "sweat equity" --- and then either refinance the property when the loan becomes due or sell the property, hopefully at a profit. If you sell, your capital gain may be tax-free under the new tax law. Should you decide to refinance, the loan process will be easier because you are an owner-occupant. Your new loan amount will be based on the current appraised value of the home, not what you paid for it.

Caution: Never consider buying in a poor location just because the financing is right. A poor location usually just gets worse.

A good real estate professional can be extremely helpful in finding homes where creative financing is an option. Some agents are willing to take their commissions in the form of second mortgages or a share of ownership.

One more way to buy with nothing down is to rent the house with an option to buy it in the future. Try to arrange for some portion of the rent to apply toward the purchase, and be sure to agree on the price before you sign the agreement.

Make sure you don't buy something you may not want just because it looks like a good deal. Because creative financing often does not involve a real estate professional, it is imperative that you understand all the legal consequences of any agreement you consider. Find a good attorney who specializes in residential real estate, and be prepared to pay for legal advice before you sign anything.

*** Beware of sellers offering a deal that sounds too good to be true. Value the old adage: If it sounds too good to be true, it probably is! ***

LOANS, MORTGAGES, AND FINANCING OPTIONS

While shopping for a home is exciting, it also means you need to do some research to find the best loan. Finding a good loan can make a huge difference in your monthly payment as well as the overall process.

Here are some tips to help you along the way:

- Being pre-approved for a loan is by far one of the best choices you can make. First, there is no cost and no obligation. Second, it allows you to have a little more advantage when shopping because the seller knows you are a "serious buyer." This is different from a pre-qualification that only gives you an idea of what you might be able to afford. Being pre-approved means that you have done all of the qualifying paperwork at the front end of the process, freeing you up to shop.
- Flexible underwriting guidelines can help a couple qualify for a larger, nicer home. The way this works is that if one spouse has not yet secured employment where they're moving but can produce two years of past employment history, the underwriter can use the past history in consideration for the amount you would qualify for. This gives you the flexibility of looking for the home you really want and gives the spouse time to find the right job.
- Rate-lock options are something you might want to look into. The shorter the lock time, or the less time between when you agree on a mortgage rate and when you go for settlement, the lower interest rate you might be able to lock into.
- Negotiable Lender Fees are something to talk about with your lender. When you buy a house, there are always extra fees such as underwriting fees, processing fees, or commitment fees. A good lender will negotiate these fees to try and save you money.
- Quick loan processing is offered by some lenders and can approve you in just five to seven days. If you are in a hurry, this is a great option and might even save you a step in the moving process. For example, if you've sold your house or have terminated your rental lease when your new home won't be ready to move into immediately, you might have to find temporary housing for a month or two. However, with this option, it's possible to get the processing done quick enough to eliminate the need for the temporary housing step.
- Quick close is where if you agree to close quickly to help the seller out, they will agree to cut percentage points.
- Look at an Adjustable Rate Mortgage (ARM). It's true that the loan may fluctuate somewhat, but you will also enjoy lower monthly payments.
- Paying points is if you are willing to pay some of the interest up front. This would allow you to get a fixed-rate mortgage at a lower interest rate.
- Good credit does count. If you have top-notch credit, you are a lender's dream. Keeping your credit in perfect order allows you to negotiate for better rates, inspection fees, commissions, and points. Good credit is a huge advantage.
- Loan officers use rate sheets to determine the cost of a loan to the officer, not the buyer.

For example, on a 30-year fixed-rate loan, the interest rate and cost to the loan officer is represented in points, as shown on the rate sheet. In other words, one point is equal to one percent of the loan.

As you conduct your search for an agent, ask these standard questions:

1. Are you able to help me with an easy and free pre-approval process?
2. Can I get preferred access to special low down payments, interest rates, and monthly payments?
3. Will I be able to get advance notice of listings that match my criteria?

Once you sign the dotted line, you're locked into some serious financial obligations. Be prepared and work with a good agent and lender to ensure they take everything into account in securing the best loan for you.

UNDERSTANDING LOANS

There are many forms of loans available. You want to look at the types of loans available, not just the going rates. The below gives you a brief description on types of loans available, be sure to ask your broker for further details and comparisons.

Fixed Rate Home Loans

Fixed rate loans are loans ideal for those looking to lock in a rate. This type of loan will have the same interest rate for the entire life of the loan. There are a variety of repayment terms, with 15, 20, and 30 years as the most common.

Fixed Rate Loans are ideal for people who want the current rate and want to keep it for the life of the loan. They are ideal for homeowners who plan to stay in the home for a long time and do not plan on moving soon. The person, who is more comfortable with certainty and a clearly set path, will find great comfort in the Fixed Rate Loan.

The 30-Year Fixed Rate Home Loan will have the lowest monthly payment of the fixed rate loan choices. This keeps home loan payments affordable by extending them over a longer period of time. Most of the time, you will find that this solution offers the maximum tax-deductible interest, but always check with your account first.

The 15-Year Fixed Rate Home Loan comes with higher payments than the 30-year loan but a lower rate. Over the life of the loan, you will save considerable money on total interest paid. The shorter timeframe allows you to build equity in your home faster.

Adjustable-Rate Mortgages (ARMs)

Adjustable Rate Mortgages are mortgages where the interest rate adjusts from time to time. The interest rate you pay is adjusted to keep it in line with changing market rates. When interest rates rise, your monthly home loan payments may go up. The reverse occurs when interest rates go down: your monthly home loan payments may go down.

ARMs are attractive because they offer start rates that are lower than the interest rates of fixed rate home loans. This typically enables you to begin with lower monthly payments and qualify for a larger loan.

Typically people will go with the ARMs if they are planning to sell the home in a few years and are less concerned about possible rate increases. They may also be confident that their income will raise enough in the coming years to handle any increase in payments. As a result, they like that a lower initial rate is offered and this enables them to afford the home they want.

The mechanics of an ARMs works like this. The initial interest rate, which tends to be lower than most current rates, allows for a low month payment for a set amount of time, for example 5 years. After this rate comes to an end, the interest rate is based on the performance of a financial index. For example: the average interest rate or yield on Treasury bills. Your payment schedule is adjusted according to the index, just as your rate and payment increases at each adjustment depends on your loan terms. A 1-year ARM adjusts once a year. At each adjustment, the new rate is computed by adding the margin (a predetermined amount that remains the same for the life of your loan) to the predefined financial index. Two "caps" may put a limit on the maximum amount your rate can increase. The periodic cap sets the maximum rate to which your rate can go up from one adjustment period to the next. The life cap sets the maximum interest rate for the life of the loan. Some ARMs offer a conversion feature that allows you to convert to a fixed rate loan at certain times during your loan.

Fixed period ARMs

Does this type of vulnerability or fluctuation give you a sour stomach? A fixed period ARM starts with a lower rate than standard fixed rate loans. Your rate then stays the same for the first 3, 5, 7, or 10 years, depending

on the fixed period ARM you choose. At the end of that period, your interest rate adjusts like a regular ARM according to a financial index (that's why some lenders call them 3/1, 5/1, 7/1 and 10/1 ARMs).

The fixed period ARMs are good for people who plan on living at the home for a short period of time and know they will sell shortly.

Balloon Loans

Similar to Fixed Period ARM loans, with a Balloon Loan your rate stays the same for the first 5, or 7 years, depending on the type of Balloon mortgage you choose. With a Balloon mortgage your monthly payment is calculated as if you will pay off the loan over 30 years. However, this type of loan requires that you completely pay your remaining balance (a significant percentage of your original loan amount) in a single payment after 5 or 7 years.

This loan may be suitable for those who will sell their home or refinance on or before the balloon payment date. This loan could be suitable for temporarily relocated workers or others who are certain they will not stay in their new home beyond the 5 or 7-year period.

Borrowers often enjoy a lower interest rate for this program because the borrower is not obliging the lender to extend credit beyond the initial fixed period. Please note that some balloon programs offer the borrower a Conditional Right to Reset, which effectively provide an extension beyond the initial fixed period.

Government Loans

The Federal Housing Administration (FHA) The US Department of Agriculture (USDA) and the U.S. Department of Veterans Affairs (VA) offer government-insured loans. These loans enable first-time homebuyers to obtain loans more easily. The loans consist of low down payments and flexible lending guidelines.

FHA Loan Features

The FHA loan has numerous features. Instead of the common 20% down payment, the FHA loan allows for a 3% down payment of the FHA appraisal value or purchase price, the lower of the two. There are no maximum income or earning limitations and both fixed rate and ARM loans are offered. Insurance from the federal government replaces private mortgage insurance.

VA Loan Features

The VA loan has its own desirable features. These include the ability for qualified veterans to get a loan up to \$203,000, with no down payment, on fixed rate loans only. They have more flexible qualification guidelines than FHA or conventional loans.

USDA Loan Features

The USDA loan is designed to help rural Americans achieve the dream of home ownership. The USDA government back loan provides 100% financing with no down payment for a 30 or 15 year fix rate loan. Ask your mortgage company to provide a list of approved towns in your area.

Jumbo Loans (Loans over \$417,000)

Loans that exceed \$417,000 are called jumbo or non-conforming loans. They exceed the loan amounts allowed by Fannie Mae (Federal National Mortgage Association) and Freddie Mac (Federal Home Loan Mortgage Corporation). These are two government-sponsored enterprises that help facilitate the availability of home loans by investing throughout the country.

Non-conforming loans typically have a higher rate and different requirements for your down payment.

HOW TO USE THE WEB TO FIND THE LOWEST RATES

According to recent surveys, 50% of adults shopping for the best mortgage rates use the Internet. Of those people, 43% started their loan process online but eventually stopped the process before completing it for one reason or another.

When questioned why they didn't finish going through the entire process, most said it was because they didn't have all the information required to finish, they were uncomfortable with providing personal information online, or the process was too time consuming.

In addition, it was found that brokers took advantage of online borrowers more than they would in person. Overall, of the more than \$110 billion in total online originations, more than \$85 billion came directly from the wholesale broker channel.

This same study found that three of four borrowers have gone to a lender's website to research loan options and rates, access marketing materials, submit an application, check the state of an application, or lock in a rate.

Although the Internet is still not the main channel for processing loans, it's estimated by analysts that within a year, the Internet will become the primary direction that loan transactions will take.

The overall online process, which is constantly being improved, has yet to fully satisfy people. The consensus is that borrowers would like more information and better functionality. In addition, brokers want more speed and reliability. Together, the majority of complaints were that websites were too slow, feedback was inaccurate, pricing was incorrect, and service not up to par.

It's still important to remember that borrowers aren't getting the full benefits of technology, which are available to lenders because the lenders aren't up to speed.

A recent poll of 360 lenders showed that the number of lenders who automated their loan origination and processing capabilities doubled in the past 10 years. However, XML, a standard computer language allowing communication to occur between company's systems, is not being used at full capacity. It's estimated only 46% of lenders even know what XML is.

Another great option for online lending companies is the electronic signature. Imagine how easy it would be for not only the paperwork to be processed but the actual signature portion as well - all online. Unfortunately, this process is virtually non-existence. What that means is that even though the paperwork can be processed, signatures still have to be obtained manually.

As technology progresses, companies are now providing the platforms for lending companies to process everything, beginning to end, on the Internet. One such company, BridgeSpan, Inc. announced that it has the nation's first mortgage platform that enables lenders to process everyone online. This service will help reduce funding and production costs as well as completely automating the system, including electronic signature.

Research discovered that 75% of borrowers were willing to go online to complete the entire mortgage loan process. In addition to great savings, fewer errors are anticipated. The overall process would also be smoother and less time consuming. Simply eliminating or greatly reducing errors is a huge benefit. There's nothing worse than getting all the way to a closing only to find it's been delayed due to some glitch in the data

processing. Online mortgage loans will help streamline the loan process and provide a great service to borrowers and brokers alike.

Of all factors involved in securing an online loan, the majority of people surveyed stated that interest rate is the number one factor when choosing a lender. Almost everyone was willing to work with lenders located in another geographical area if they could get the better rate. Surprisingly, less than half stated that service was important.

If you are considering using an online mortgage lender, just as with any loan, you need to research all options and compare lenders. Obviously, you want to make a wise choice.

In addition to traditional loans, you may want to use an online lender might if your particular financial situation doesn't fit into standard loan offerings. The Internet will provide you with the opportunity to research unusual or unique loan packages.

Most states have strict licenses requirements, so be sure to check the references of any online lender. You can always check the local Better Business Bureau in your local area or go to www.bbb.org.

Be sure that you are visiting a reputable website. To learn as much as you can about the company, click on the "About Us" on the website, and read all you can about the company - when they were established, if they're licensed, what their rates are, etc.

As with any lender, whether online or offline, most are honest organizations just trying to make a decent living. Unfortunately, there are bad companies, as with any industry, so make sure you do your homework before you lock into any loan.

When you're buying a home, you want to find the best interest rate possible. Why should you settle for an 8.0 interest rate if you can find a mortgage company that will loan you the same amount of money at 7.0 percent or lower? But, where do you find these companies, and how do you compare their rates?

First of all, you will need a computer and a way to get into the Internet. But, the Internet can be very overwhelming, especially if you're not familiar with search engines and keywords.

Before you go into the "Net" to find a lender, have a loan amount and an interest rate in mind. That will at least give you a starting point.

So, what's a search engine and what can it do for you? A search engine uses its proprietary software to travel through the Internet following seemingly impenetrable networks of links to grab and index Web Pages. Then, the engine uses additional software to move the data about within one or more databases. Additional software enables visitors to easily retrieve information through searchable databases.

Although I have found that most search engines will reveal almost identical information, it won't hurt to browse each one separately. Today, some of the most popular search engines are: Google, Bing, Yahoo and MSN

Now that you have a list of search engines to browse, you will need keywords to help you navigate through the web and find the information you're looking for. It's important that you be as specific as possible when using a keyword. For example, if you were to go to www.Google.com and type in "large screen computers" (without the quotation marks) you would get approximately 22,820,870 results! Use the quotation marks and you will instead get approximately 35 pages, which is much easier than trying to sort through over 22 million results!

If you go to www.Bing.com and type in "mortgage rates", the search engine will retrieve over 100 pages worth of result.

WHAT TO DO IF YOU CAN'T AFFORD YOUR CURRENT HOME?

Buying a house for the first time or upgrading from an existing house is a big decision. It's important that you have a good understanding of what you can and cannot afford to buy.

Contingencies

If you already own a house and have decided to move but don't yet have your first house sold, there is the option of putting a contingency offer on the second house. This means that the second house is being held while you get your first house sold.

Keep in mind that contingency contracts usually only hold the house for a limited amount of time, and in some cases, you can get bumped if another buyer shows up with a firmer offer, meaning no contingency, more cash, better credit. Although this is an option, it should be carefully considered.

If you have great credit or have cash to put down, you can usually make an offer without a contingency. However, if you need to sell your first house before you have the money to close a deal on the second house, then you have a real dilemma.

Often sellers are uncomfortable working with contingencies, because they want more certainty. To come to a compromise, sellers might accept the contingency contract as long as it has a "kick-out" clause. This clause states that if a better offer comes through, the seller has the right to accept the new offer, thus canceling your offer.

It is a far better solution to sell your first house before you put a contract on a second house. Going this route will end up saving you effort, disappointment, and money.

If you are uncertain about your financial situation, meet with a financial advisor or mortgage lender before signing a contract.

Bankruptcy and Divorce

Unfortunately, many people become bankrupt as a result of divorce. If you have a good income but need a zero down loan because savings have been depleted, what are your options?

There are viable options, allowing qualified borrowers to finance the entire purchase of a house, including closing costs. These options allow a buyer to purchase a house with no down payment. The catch is that credit history needs to be spotless and with a bankruptcy, there could be problems qualifying. Remember, two years after your bankruptcy is dismissed, if good credit is maintained, you could qualify.

However, you should really look at your current situation and determine if this is the right time for you to buy. If you have just gone through a divorce, more than likely your bank account has been drained. Lenders prefer that you take time to rebuild your savings and get your feet back on the ground. Obviously, from their viewpoint, they don't want to put you in a situation of defaulting on a loan because you weren't ready.

Credit score is one of the factors considered for a mortgage loan. If you aren't sure what your credit score is, contact the three leading credit-reporting agencies and request a copy of your report, plus your score. Scores in excess of 700 are considered the best. Scores over 680 are also good but if you fall below 630, lenders would see potential in you not qualifying.

If your credit score is not quite up to par, wait a little while before pursuing a house. Take the next year or two to get all your credit in order, bills paid off, and money socked away in the bank. Although it's tough waiting, it also provides you with a goal, which in the end will eliminate a ton of unnecessary stress.

Once that's been accomplished, you should consider a Federal Housing Administration (FHA) loan, which requires only 3% down. In addition, their underwriting guidelines are less stringent than other loans.

One of the best things you can do is create and stick with a budget. Once you see a plan written down on paper, you will be able to track your progress much easier. Make sure to speak with a mortgage broker to find out what you can and cannot afford. You may be surprised at the loan you may be able to attain with lower interest rates.

If you can't buy your house right away, don't be discouraged. It's far better to be thoroughly prepared so when you do close, you will be able to enjoy your house and feel much better about your decision.

MAKING THE LOAN PROCESS EASY

Years ago, when people bought a home, they would go through a very methodical application process, requiring them to complete a ton of paperwork, which would then be mailed out to the banks, employers, creditors, and so on. Then, the wait for verification responses began.

As technology progressed, the speed in which loans were approved or denied increased dramatically. Needed information can now be obtained via the Internet. In addition, the actual documentation has been conformed, making it easier for underwriters to attain the required data.

However, even with the process now being expedited, there is still plenty of documentation to deal with.

When trying to secure a home loan, be prepared to provide the lender with the below list of information:

Income

· W-2 forms (two years worth) · Federal tax forms such as 1040's or 1099's · Paycheck stubs (covering 30 to 60 days) · If self-employed, profit and loss statement · If own, more than 25% of business, Corporation, or Partnership tax returns · If retired, Pension Award Letter · If on Social Security, Social Security Award.

Assets

· Bank statements (two months worth) · Statements for stocks, mutual funds, bonds, etc. · 401K Statement (most current) · Proof/explanation of any large deposits · HUD1 Settlement Statement (on recent home sale) · Gift Letter (if funds are coming from a family member)

Credit

· Landlord's name, address, telephone number (for rental verification) · Credit Report summary (late payments, judgments, liens, charge-offs, etc.) · Copy of Bankruptcy papers (if filed within the past seven years) · Copy of Purchase Agreement (if offer already made) · Proof of Child Support, if applicable · Proof of Alimony, if applicable · Copy of Divorce Settlement, if applicable · Copy of canceled checks (past 6 to 12 months)

In addition to the above, for the following types of loans you will also need:

FHA Loans

· Copy of Driver's License · Copy of Social Security Card

VA Loans

· Copy of DD214

Refinance Loans

· Copy of mortgage bill (most recent) · Copy of Note (existing loan) · Copy of HUD1 Settlement Statement (existing loan)

MAKING THE RIGHT DOWN PAYMENT

Okay, you're getting ready to look at houses that you'd want to buy.

You have a pretty good idea what price range you need to look in, but what about the down payment?

How much will you need to be prepared to put down, and what should you put down?

The standard in buying a house is between 5% and 10% down payment. For example, if you were looking to buy a \$100,000 house with 5% down, which would be \$5,000, the remaining \$95,000 would be financed with a mortgage company. Let's say you have owned that house for one year and the property appreciates in value by 10%, making the value \$110,000. You have gained \$10,000 on your initial investment of \$5,000. That is considered high-leverage and a great return on borrowed money.

However, with any investment, especially real estate, profits can go up and down. Going with this same example of a \$100,000 house and a 10% down payment, if the value of the house goes down in that first year by \$10,000, you now own a house worth \$90,000, meaning you have lost 100% of your investment. Just remember, that if value does go down, there are several factors that can just as easily bring it right back up.

The more you put down, the less money financed in your mortgage, meaning your monthly payment will be lowered. The more money you can put down, the better. However, not everyone is in that position, so rather than putting yourself in a tight financial situation each month, you might consider waiting another year to save more.

Remember, if your down payment is minimal, the choice of loan problems will be limited. In addition, if you are using a gift as your down payment, there are other limitations, and if you need the lender or seller to help cover some or all of the closing costs, there will be even further limitations. Finally, if you plan using money from your 401-K or retirement plan, there will be different loan programs and rules.

In addition, be sure to for all your expenses. Whether you buy a new or used home, there will be expenses once you move in. For new homes, there are appliances, draperies, and for used homes, there are usually repairs. When deciding the amount to put toward a down payment, keep in mind that you should have a little tucked away for those other expenses.

If you aren't sure about the direction to go, you can always take some time to meet with a loan officer or financial consultant to determine the down payment that would be for your specific situation.

HOW TO PREVENT OVER-PAYING FOR YOUR HOUSE

When getting ready to buy a home, you should know what price to offer so that you have some control over the buying process. The big question is - how do you know how much is fair offer?

To come up with an offer that is accurate, there are a few important things to consider. First, you need to research the selling price of comparable properties in the same geographical location. Next, determine the condition of the home as well as required repairs. And finally, identify the seller's situation. Once you have acquired this information, you will be able to come up with a fair offer for both you and the seller.

Let's look at this in more detail.

What Have Similar Properties Sold For In This Area?

Reviewing the selling price of local houses in the area that your desired home is located will give you a definite advantage.

Specifically, you want to look at total square footage, lot size, number of bedrooms and bathrooms, type of construction, garage space, amenities such as fireplaces, pool, deck, etc.

If you are looking to buy a tract home, this information will be easier to find because you can use the exact model price to comparison.

Although some comparable sales information is difficult to find by the public, your real estate agent should be able to access this information easily through Multiple Listing Service (MLS) or public records.

- MLS

This is the listing service used by all real estate agents. Through this service, the agent can locate all types of information about a specific house. Years ago, MLS was used only by licensed agents. However, this service is now available to the public simply by going to websites such as Realtor.com or HomeAdvisor.com. If you know the price and location of a house, you can look at listing prices. In addition, the MLS service will usually provide most of this information needed, although only on homes still actively listed for sale.

For houses that have already been sold, only a real estate can gain access to this information to help you determine the appropriate offer.

- Public Record

When a house is purchased, the property deed is transferred from the seller to the buyer. This deed is then recorded at the local county recorder's office, which includes sales information as well as other property information as a way for the property tax to be assessed.

As long as there are no additions to the house, this data is public information and can be accessed via the Internet or at the courthouse. You will be able to find square footage, sales price, as well as number of rooms.

If you run into a problem, your real estate agent can usually gain access by going through the insurance company. In this situation, the title company compiles the data from the county recorder's office, or they purchase the information from other companies.

- Pending Transactions

Since there is no record of the sales price until the house has actually sold, this makes getting accurate information a little tricky. Obviously getting your hands on information from a house sold one month ago opposed to six months ago is far more valuable. However, until the deed is recorded, the information is not there, nor is it available in the MLS.

The reason for this is that the seller is protected should the transaction not go through and the property would go back on the market. By knowing what the buyer accepted on the first accepted offer, new buyers would have a huge advantage the second time the house goes on the market. They would have the upper hand over the seller in knowing what the house sold for and what the buyer is likely to accept.

However, keep in mind, a real estate agent can usually obtain the price information on the sale that fell through by conferring with another agent, which is done as a professional courtesy. In addition, some real estate brokerage offices have this very information posted on a transaction board in their office.

The bottom line is that analyzing comparable information should be a huge part of your overall house buying process. Look for recent sales in the area you are interested, and determine if you have a motivated seller. If a seller has been transferred for a job, or if the house belonged to someone who just passed away, the seller may be willing to be more flexible on the price.

HOW TO CLOSE ON TIME AND AVOID PROBLEMS

In addition to the stress involved in the actual house hunting process, there is also the stress associated with closing the contract. To help reduce the level of frustration, we've provided some tips and information.

To begin with, once a contract has been signed to buy a house, the settlement process, also known as the closing, begins. This settlement, or closing escrow, is when the title of ownership is transferred from the seller to the buyer.

However, before you can go into the settlement process a few things need to take place.

Secure Financing

In order to buy a house, you must first secure financing, which means taking out a mortgage loan. The lender will require specific financial information such as a credit report, proof of income, current expenses, current appraisal, property survey, and in some cases, an inspection to check for termites, radon gas, etc. Because of competition among lenders, approval should not take more than a few days.

Homeowners Insurance

You will be required to purchase hazard insurance or what's called homeowners insurance, which protects the lender should anything happen to the house such as fire, flooding, (which requires a special policy) or some other type of disaster as covered by the policy.

Choosing a Settlement Agent

As soon as possible, you will need to find an experienced and reputable settlement agent. Then, give the name to your real estate agent. Most agents will provide you with names of settlement agents that they have worked with in the past and will set this up for you. Make sure you obtain all settlement costs and associated fees. If you feel more comfortable in having an attorney involved with the settlement phase, you should do so one to two months in advance, since they will also need time to look at the property and review all documentation.

The settlement agent will require information from both buyer and seller to include a copy of the contract, names, and contact information of any other parties involved in the sale or purchase of the house. In addition, you will need to provide the settlement agent with a paid receipt showing you have secured a minimum one-year hazard or homeowner policy.

It is your responsibility as the buyer to stay in contact with the settlement agent and make sure they order specific things such as a property survey, title insurance, title examination or search (to ensure there are no other liens on the property), and a payoff notice of the seller's mortgage. You should also consider purchasing homeowner's title insurance. In addition, it's important to confirm that the seller has conducted any required inspections (termite, structure, etc.).

Property Condition

Set some basic minimum standards as to what condition you expect the property to be in for the day of your move. For instance, the seller or neighbors could start using the back yard as a trash dump. You may also want to include some statements in your offer like the roof doesn't leak, there are no broken or cracked windows, sump pumps are in working order, there are no plumbing leaks, and the yard has been kept up.

Closing Costs

Within a couple of days before the settlement, you should receive an estimate, summarizing all settlement costs that include pro-rated homeowner dues, utilities, etc. To help the process move along smooth and quickly, request copies of the basic settlement forms a few days before the actual settlement since there is

usually a lot of information to read through. This provides you with an opportunity to thoroughly read everything and come prepared with questions.

Walk-through

Prior to the settlement being finalized, you will need to do a walk-through inspection of the property with a licensed inspector, to ensure there are no major problems. If problems are found, you will need to notify the settlement agent immediately.

Settlement Day

In addition to a loan commitment letter, you will also be required to bring with you to the settlement a certified or cashier's check for the down payment plus any other costs due as outlined to you relating to the settlement. These extra costs might include escrow for property taxes and insurance, recording fees, first payment due, etc. It's probably also a good idea to bring your personal checkbook or extra cash with you just in case there are any other fees come up that you weren't aware of.

The settlement agent is responsible for explaining everything to you in detail. They should also double check all figures to ensure there are no errors.

If everything checks out, you will do a final review of the documents, sign the documents, and pay the money. Once that's done, the settlement is complete and the keys to the property are handed over to you. Finally, you will receive a copy of the recorded deed and title insurance policy.

If for any reason, you are unable to attend the settlement in person, be sure to notify the settlement agent in advance, so a Power of Attorney can be prepared.

Now the only thing left to do is move and enjoy your new home!

UNDERSTANDING CLOSING COSTS

In this article, we are going to try and clarify what closing costs are and what to expect. Be sure to print this out and hand it to your agent, then ask them what exactly you will have to pay at closing.

A common mistake that causes tremendous amount of frustration by new homebuyers is underestimating the amount of cash (closing costs) needed to move into the home. Most people wrongly assume that all they need for closing is the down payment. People simply don't understand what occurs during closing, failing to ever ask for specifics from their agent. Often times they overlook the hard and soft closing costs of services required throughout the home buying and mortgage qualifying process. These items quickly add up to a substantial amount and can devastate the transaction if not planned for properly. While each deal is unique, homebuyers should be aware of and plan for the following cash outlay items when purchasing a home:

First is the Non-Recurring Closing Costs

Non-recurring closing costs are one time costs associated with the home buying and mortgage qualifying process. These closing costs only occur once at the close of the transaction. Typical non-recurring closing costs include Mortgage Points, Title, Escrow, Appraisal, Credit Report, Document Preparation, Property Inspection, Termite Inspection, Underwriting, and other miscellaneous charges.

Except for title and escrow, these charges are fixed and will not vary with the size of the transaction. For a typical \$200,000 purchase price, you should expect to spend between \$1,700 and \$2,000 for non-recurring closing costs, PLUS any mortgage points you choose to pay.

Application Fee & Credit Report

The application fee will often time range between \$400 and \$550. If the credit report is run at a separate time, you could pay a fee from \$25 to \$150. For those self employed, you will also need a business report that costs between \$40 and \$100. These fees are often non-negotiable by the lender, so shop around to find the best price – but do not let it take president over the actual loan specifics!

Appraisal Fee

The appraisal is for a precise estimate of the home value, similar to a CMA (comparative market analysis). This fee covers an independent appraisal of the home you want to purchase. This is required by the lender for an estimated market value of the house in order to make the loan. The appraisal fee varies, depending on the purchase price and size of the home. The fee can range anywhere from \$300 to \$800.

Documentation Fees

Some lenders charge miscellaneous fees for various services, such as underwriting, processing, and documentation preparation, which usually total less than 1 percent of the loan amount.

Home & Pest Inspections

The home and pest inspection ensure that you are buying a structurally sound home, free of any unwanted pests like termites. This cost will vary, depending on the size of your home and location. Anticipate paying between \$300-\$700 for these services. Shop around, but remember that these inspections are for your benefit, so cheaper is not always better!

Loan Origination Fees & Discount Points

The origination fee is the payment to the lender for their efforts in the transaction. Discount points are prepaid finance charges imposed by the lender at closing, which often times helps you get a better rate. Paying points can save thousands over the long term, so have the lender breakdown the payments and cost, so you can see which loan is best for your situation. One point equals one percent of the loan amount. For example, one point on a \$100,000 loan would be \$1,000.

Survey

The lender will require verification from a surveying firm stating that the home will remain the same as seen from the last survey and that no additional structures have been added. Sometimes the lender will require a complete survey to make sure all legal codes and regulations are met. This service can range between \$250 to \$450.

Title Fees

In order to purchase a property, you must establish the seller's ownership and transfer ownership from seller to buyer. As a result, you will have to pay for Document Preparation, Title Search, and Title Insurance. The fee for Document Preparation ranges from \$50 to \$200.

The title search is done to prove to the lender that the seller owns the property. This process involves reviewing public records in local government offices, such as recorders of deeds, county courts, tax assessors, and surveyors. Within these offices, records of deaths, divorces, court judgments, liens, and contests over wills must also be examined. Once the search is done, the service then assures the lender that there are no claims against the property. The cost is based upon the purchase price and can range between \$400 to \$800.

Title Insurance is another fee, which protects the lender from any errors within the search. An error could result in the lender giving you money for a home that was actually never owned by the seller. Lenders Title Insurance runs about .2 percent to .5 percent of the loan amount and is paid by the purchaser. Owners Title Insurance protects you from title search errors and ranges between .3 to .6 percent of the purchase price of the home. Speak to your agent for further details and recommendations on title insurance.

Government Fees

Government-imposed fees include city, county and state transfer taxes, recording fees, and prepaid property taxes.

Recording Fee

This fee is paid to the title company and involves recording the transfer of title with the county clerk's office. Recording fees vary from state to state and county-to-county; however, each county sets a fixed price per page, which is usually about \$50.

Taxes

Time to pay Uncle Sam. Generally four to eight months' taxes are collected at closing and held in an escrow account, setup by the lender. This will cover the first few months of mortgage insurance, hazard insurance, and property taxes. The escrow account ensures that sufficient funds are available for these expenses after the home purchase is made.

We just covered non-recurring charges, now lets look at the recurring costs. Recurring Closing Costs are those costs of homeownership that will recur over time, after the initial upfront charge is paid at closing. Generally what you can expect in this category are continual payments for interest on the mortgage, homeowners Insurance policy, and real estate tax & homeowners fee and mortgage insurance premiums. Recurring Closing Costs vary widely depending on the size and timing of the transaction. Typical costs on a \$200,000 purchase with a \$180,000 loan would run between \$500 and \$2,500.

Homeowner's & Hazard Insurance

Homeowner's and hazard insurance offer protection against fire, wind, vandalism and other causes. The majority of states require that the annual premium on your homeowner's insurance be paid in advance, put into effect at closing. Homeowner's insurance varies, as a \$200,000 property could cost between \$600 to \$700 annually.

Interim Interest or Daily Rate of Interest

This cost is based upon your closing date. It covers loan interest from the day you close through the end of the month. Therefore, it can range from 0-30 days' of interest and is then payable to the lender.

Mortgage Insurance (PMI)

Buyers who make down payments that equal less than 20 percent of the value of the house may be required by lenders to take out mortgage insurance. The policy protects the lender's risk in the event the buyer fails to make loan payments. Premiums are generally either paid annually from an escrow account or in a lump sum at closing. A buyer whose mortgage is insured by FHA or guaranteed by VA will have to pay FHA mortgage insurance premiums or VA guarantee fees.

Move In Costs

Move in costs cover the fee for moving your belongings out of the home and into the new home. These fees can range dramatically, depending on who does the moving, the distance, and amount of items that need to be moved.

Closing Comments

There are many ways you can reduce these cost and the amount of cash needed at closing. Hiring an experienced or well-trained agent and lender will help. Their qualifications and education will make the process easier and eliminate mistakes or unwise decision-making.

TITLE INSURANCE EXPLAINED

One of the largest possessions a family has is their home. As a result, many laws have been passed to protect this ownership and asset. This is where Title Insurance comes into play: to protect the purchasers from obtaining something that is not legal to purchase or has other debts attached to it.

There are many situations that can arise. Governmental bodies, contractors, lenders, judgment creditors, and the Internal Revenue Service may lay claim to property, sometimes without the owner even being aware of it. Sometimes a deed can surface that predates public record, putting a title in question. All these situations jeopardize the purchaser's rights of the property.

A title insurance policy provides the homeowner with coverage against such an occurrence. Title insurance could mean the difference between actually owning a property and thinking you do.

The first step done prior to buying a home is a title search. This means a complete investigation of the property, including a title inspection. This involves a thorough examination of records covering all recorded judgments, street and sewer assessments, taxes, and anything else related to assuring proper ownership of the property. This search is generally and ideally conducted when a discovery of a claim on the property is made, if one is present. Occasionally, however, clerical errors or misrepresentation from previous owners, can prevent an owner from knowing about claims on their property.

Here is where title insurance comes into play. The insurance is designed to protect your rights and rights to your property. Put simply, title insurance will pay for defending you against any lawsuits attacking your title and will either clear up title problems for you or pay you for any losses you may incur.

While purchasing owner's title insurance is not mandatory, it is a very good idea. It is purchased for a one-time premium, ideally at the time you purchase your property.

Lender's title insurance only covers the lender and will not cover the owner, which is why owner's title insurance should be purchased. For example, if you have paid 20% of the cost of your property for a down payment, the loan policy will only protect the 80% investment of the lender. This still leaves you responsible for your investment. This is why it is important to consider title insurance as a homeowner.

Title insurance can protect you from many situations, including forged deeds, releases or wills, undisclosed or missing heirs, instruments executed under invalid or expired power of attorney, deeds by persons of unsound mind or minors, fraud, and liens for unpaid estate, inheritance, and income or gift taxes. Indeed, acquiring title insurance may thwart many unforeseen situations.

MORTGAGE ESCROW ACCOUNTS EXPLAINED

Mortgage escrow accounts ensure that homeowners' property taxes, fire and hazard insurance premiums, mortgage insurance premiums, and other escrow items are paid in a timely fashion. The escrow ensures that there is enough money to pay these bills when they are due. This prevents the homeowner from facing lapsed insurance coverage or delinquent taxes, protecting both the borrower and the lender. Borrowers should receive a full breakdown and explanation from their lenders, before signing any documents.

The primary advantage of an escrow account is that they automatically budget the borrower's tax and insurance responsibilities over the course of a year. Homeowners do not have to worry about coming up with several large, lump sum payments; rather, they make a broken down payment with their loan.

The law specifies the limits on the amount that the lender may collect for escrow. The lender may require a monthly payment of 1/12 of the total estimated taxes, insurance premiums, and other charges reasonably anticipated. If the lender predicts there to be a lack of money in the escrow account, the law permits the lender to require additional monthly deposits to avoid or eliminate the deficiency.

Be sure to speak to your lender for a complete breakdown and explanation of the escrow account.

TIPS FOR MOVING

Once you have located your new home, now comes the fun part - moving. Whether you are moving two streets over from your current home, from one side of town to the other side, or clear across the country, you have two options for moving - using professional movers or doing it yourself.

There are pros and cons of both choices, so first sit down and decide how much you can afford to spend, and what option you feel works best for you. Let's look at what those differences are:

Professional Movers

Professional movers come in many different forms. There are those on the less expensive end of the system, consisting of two to four people with a truck, all the way up to the executive level of packing and using a huge semi-truck to delivery your belongings. Usually, what you pay for is what you get.

- Most moving companies provide sturdy, reinforced boxes. The cost of these boxes is included in the amount quoted for the move.
- Professional movers use padded blankets to protect your furniture. These blankets are secured with rope or bungee cords to ensure no damage occurs.
- If you are doing the packing, make sure you carefully mark each box, specifically pointing out to the movers which boxes contain fragile items.
- In most cases when using professional movers, you don't have to worry about the weight of the boxes for they know how much to pack and how to use dollies.

If working with professional movers, one semi-truck may contain several households so your belongings may not be the first on their route. Talk to the movers and determine when they are targeting arrival at your new home. Keep in mind that traffic, construction, weather, can all be factors in delay. For this reason, it's important to have phone numbers and e-mail addresses for not only the movers but also the main office should your belongings not arrive on time. In addition, make sure they have phone numbers where you can be reached as well. If the schedule shows arrival for 5:00 p.m., have someone at the house from 4:00 p.m. until the truck arrives.

Self-Moving

- By visiting your local grocery or business dumpster, you can find all the boxes you need. Many businesses throw out boxes in all sizes, which are also industrial strength. Cost - nothing.
- You can use old blankets, pillows, or towels, or, some rental companies will rent padded blankets to you for a very small fee. Just be sure that you wrap breakable items carefully and don't stack boxes of breakables on top of each other.
- Mark all boxes carefully. Separate your breakable items and consider moving those in your car instead of loading them into the moving truck with your other items.
- When packing your boxes, keep the weight of the box reasonable. If you can't pick it up, it's too heavy.

Basic Guidelines

- Before moving, consider having a garage or yard sale. This is the perfect opportunity for cleaning out the old junk and eliminating all those unwanted items from being packed and moved.
- Carefully mark the boxes containing towels, toiletries, sheets, etc., so you can unpack those first and at least be able to make your bed and take a shower.

- Other boxes that you want to get into as soon as you arrive at your new home can simply be marked with "Open me first." This might include coffee, eating utensils, or clothing that you've packed separately to cover a few days.
- If you have children, let them help in writing out the labels. This will free you up to do other things and, it will help them get used to their new address.
- Especially if you have cats or other small curious animals, make sure you keep them closed off from packing as well as the moving day activity. Pets can easily get into boxes without anyone knowing, or they can quickly run out a door and be lost.
- Allow anything electrical to return to room temperature before plugging it in. For example, if it's extremely cold outside, condensation could develop. Then, when you go to plug them in, you could get shocked.
- Take phone books with you and notify old neighbors and friends of your new address and phone, if you have the number.
- Don't pack food that could spoil. Refrigerator items such as mayonnaise, butter, milk, etc. should be placed on ice in a cooler and then moved or simply given away. If moving across the country where boxes will take days to arrive, don't pack any perishable foods at all.

HOW TO BUY A FORECLOSED HOME

As a prospective homebuyer, you have many options in your search to find an affordable home. One of those options today is the purchase of a home that has been foreclosed and is currently owned by Fannie Mae.

We provide the following questions and answers to help you in your search.

With strength in the real estate market, the days of hoping to spend 30 cents on the dollar when buying a foreclosed home are not realistic anymore. Instead, you find many foreclosed homes going for their market value, but you can still find foreclosed homes receiving discounts of 10 – 30%. Therefore to be successful, you need to make sure your expectations are in order, otherwise you could be very disappointed.

You will find a wide selection of homes, including single-family homes, condominiums, and town houses - located in a variety of neighborhoods throughout the community. The number, types, and sale prices of housing may vary substantially. Many of these homes tend to come with needed repairs, because the owner didn't have money to pay the mortgage let alone repairs.

When it's time to buy, make sure the condition of the property is accurately represented. If the property needs repair, be sure to identify the cost – in some cases the condition of the home and needed cost for repairs can prevent you from getting a loan on the property. This is why it is best to be "pre-qualified" for a mortgage, which a local lender can assist you with.

You can find local foreclosures by looking in the local Multiple Listing System (MLS) accessible by any real estate broker. You can search the Fannie Mae website for a list of foreclosures at fanniemae.com. Your best approach is using a local agent to identify all the foreclosed homes in your area.

Fannie Mae is a private, shareholder-owned company that works to make sure mortgage money is available for people in communities all across America. We don't lend money directly to home buyers, but by investing in the mortgages lenders create, Fannie Mae provides a constant source of mortgage funds.

If you find a foreclosed home, the process below will be followed. This example is with Fannie Mae. First, you present your offer to the listing broker who will present it to Fannie Mae for consideration. Fannie Mae will do one of three things in response to your offer. Through the listing broker, Fannie Mae may accept your offer, reject your offer, or make a "counter offer." This counter offer begins the process of negotiating for a selling price agreed to by both you and Fannie Mae.

When the sales price is agreed upon, you will sign a "purchase and sales agreement" and begin the process of obtaining mortgage financing to purchase the home.

EXPLANATION OF A HOME FORECLOSURE THAT IS FOR SALE

Foreclosure is a legal procedure in which property securing a defaulted loan is sold by the lender. This is done to repay a borrower's loan. The amount paid by a buyer at the foreclosure may not cover the full outstanding loan amount, which means the borrower may continue to owe the lender the difference.

When it comes to foreclosures, there are primarily two types: judicial and non-judicial. The difference is that the judicial foreclosure requires a lawsuit to be filed in court. A Non-judicial bypasses the process of court. Most states allow both procedures.

The Basic Outline for Non-Judicial Government Foreclosure

Initial Steps:

- A. The note, deed of trust and information on the default are forwarded to the trustee.
- B. The notice of default and other necessary documents are prepared.
- C. The notice of default is then recorded and the foreclosure time line begins.

Default Period

- A. A trustee sale guaranty (TSG) is ordered from a title company.
- B. The required legal mailings are sent to the borrower and the junior lien holders.
- C. If the loan has not been reinstated or paid off within the default period, the lender then authorizes the next step in the foreclosure proceedings.

Publication Period and Trustee's Sale

- A. The trustee will prepare, record and arrange to post the notice of trustee's sale.
- B. The notice of trustee's sale must be published once a week for three consecutive weeks in a newspaper of general circulation near the property location.
- C. The borrower or junior lien holder may reinstate the loan at any time up to five business days before the sale date.
- D. If the loan has not been reinstated, prior to five business days before the sale, the beneficiary may demand that the entire unpaid obligation be paid in full during that five-day period.

Please note: Some states may vary in their legal definitions, time frames, notice periods, requirements, and process of foreclosure.

HOW TO MAKE MONEY INVESTING IN REAL ESTATE

Investing in real estate can either produce a negative or positive result. To increase your odds of making a successful investment, you need to educate yourself and arm yourself with facts.

Currently, real estate is a hot market and now is the time to give some serious thought to making that investment. To get you started in the right direction, there are some specific guidelines to consider.

Become an Expert

The best way to become really good at something is to focus your attention on one particular aspect. For example, in real estate, there are many options for investment to include foreclosures, fixer-uppers, properties requiring low down payment, houses geared for first-time home-buyers, and specific types of property such as single-family dwellings, apartments, condominiums, etc. When starting out, choose one or possibly two specific types of properties to invest in. You will gain the most benefit from going this route.

Applicable Costs

To be a good investor, you must first understand all the costs associated. There are many different costs to consider such as loan payments, taxes, operating, and maintenance costs. In addition, you must maintain solid financial records to avoid running into problems. Your best option is to meet with a financial advisor before you get started to set up a database that tracks all the finances associated with each investment. This is a key step in being a successful investor.

Comparisons

Before putting money into a property, do some research on the market value of the house. This would include:

- Neighboring homes: to compare value
- Geographical area: to determine if it retains value
- Crime rate

These are just a few things to look at to ensure you are investing your money in the right house, in the right area.

Utility Costs

Be sure to make some phone calls to confirm the cost of recent utilities such as electrical, gas, water, and sewer.

If you decide to rent your house out and pay any utilities for the tenants, make sure that you also include those costs with the actual rent payment. For example, if the mortgage payment is \$600 a month, and you plan on covering electrical and gas, which on average run \$125 a month, you would need to ask \$725 per month from the tenant.

Tenants

Although the majority of people are honest, it is critical to run a background credit check on all tenants. Also, collect a security deposit upfront to cover one month's rent. This ensures you as the owner. If the tenant leaves for any reason without paying, you are covered for one month. In addition, if the tenant has pets such as dogs that might cause damage to the interior of the home or tear up the yard, you should also consider collecting a pet deposit. This will give you money to replace damaged items.

Inspections

Another extremely important step before making your investment is to have a full inspection of the house done by a qualified inspector. A house may look perfectly fine, but without having it properly inspected, you could easily miss a foundational problem, a plumbing leak, or a leak in the roof. These issues could cause your worst nightmare and cost you thousands and thousands of dollars. This minimal costing inspection could be the wisest investment you've ever made.

Taxes

If you are considering an investment based on current tax laws, you should rethink your strategy. Tax laws are constantly changing. Basing your decision on current laws, may or may not make a property a good investment for you.

To better your chances of creating a positive cash flow from your investment, either contact a tax advisor or conduct thorough research first.

Insurance

A seller's coverage may be based on the replacement value, which is lower than the current value. In turn, you may end up paying a higher price due to rising insurance costs.

Investment is a powerful tool and could provide you with years of good income and equity. Just be sure to do your homework first and know all the options and possible risks.

GENERATING POSITIVE CASH FLOW THROUGH REAL ESTATE INVESTMENTS

More and more, people are turning to real estate as a viable investment option. The market is flooded with homes and if done right, purchasing property for the purpose of investment can provide a lucrative return.

Here is some helpful information specific to real estate investing:

Creating Positive Cash Flow Through Rentals

No matter what kind of real estate you decide to invest in, obtaining monthly rent from tenants is critical to your success. Whether you are looking at a pre-tax or after-tax, you will require rental income. The best way to ensure you receive your monthly income on time is to do everything possible to secure quality tenants. So, run a thorough credit checks, a verification of employment, and a past rental history references of your potential tenants.

Tax Deductions

Tax incentives for people who invest in real estate can make a huge difference in the tax rates. To offset wage income, deductions for rental property can often be used. In addition, tax breaks enable investors to turn a loss into a profit, which is a huge benefit.

Specific items investors can get tax breaks on include:

Deductions in actual costs incurred for financing, management, ongoing operations, and maintenance of the rental property, include some of the following examples:

- Real estate taxes
- Insurance
- Interest payments
- Maintenance and repairs
- Property management fees o Advertising

These expenses can be deducted from your adjusted gross income when you determine your personal income tax. Keep in mind that these deductions cannot exceed the amount of real estate income you receive annually.

In addition to the deductions you can receive for operating expense, you can also receive depreciation breaks. Over time, all buildings deteriorate, although at different levels of severity, depending on what the structure is made of, the geographical location of the property, etc. These so-called "losses" can be deducted regardless of the property's current market value. Since depreciation is a non-cash expense, you aren't really spending any money. Therefore, when working with the tax codes, it can get a little confusing and tricky. The best advice is to work with a qualified tax advisor to help you through this process.

Growing Your Equity Through Real Estate

Investing in real estate is complex. You need to know what you are doing, but in the long run, it's well worth the efforts. The return on investment for real estate compared to other types of investments such as CD's or bonds is usually greater.

The secret to investing in real estate is the equity. When you first purchase a property, you should determine how much equity you want to achieve. Once you reach that desired amount, you should either sell the property or refinance. You need to do your homework and seek professional advice before venturing into these kinds of endeavors.

There is a lot of hype and info-commercials about buying homes at sheriff's auctions or foreclosures. Some seek to make a living through fixing these homes up and reselling them. This has been beneficial to some, but many dabblers have been burned by inexperience. Once again it is important to seek professional advice when venturing into these waters.

Determining Your Leverage

The most important factor when determining a solid investment is how much equity you're purchasing. Equity is the difference between the actual property value and the balance currently owed on the mortgage loan: Therefore, the more equity in the property the better.