Real Estate
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Finding Your Home

A Buyer's Guide

Leading the way home

Introduction

Buying a home is one of the biggest investments you may ever make financially. While it is a major commitment and responsibility, it can also be a thrilling experience and a very exciting time in your life. With that said, we would like to congratulate you on your decision to buy a new home! It is always a privilege to hand the homebuyers the keys to their new home and to be there for that first moment of celebrating ownership!

Buying a new home can sometimes seem like a daunting process, but we want to assure you that our goal is to make that process as easy, carefree, and rewarding as possible.

This home buying guide was put together with that focus in mind. It will inform you on what to expect throughout the home buying process, and it will also tell you what others involved in the transaction expect from you as the buyer. You'll find many helpful suggestions to help you make informed decisions, as an educated buyer, at each step of the purchasing process.

You may find this booklet most helpful if you view it as a "tool" you can use every step of the way. Carry it with you so that it is quickly at your fingertips should you need to refer to something. We also encourage our clients to use the blank pages at the back of this booklet—or to maintain a separate notebook—for jotting down specific questions and notations as they come up. And, carry your notebook to each home that you view to make notes that you can refer to again and again.

Please review all of the information presented here carefully, and don't be afraid to ask questions about anything you don't understand. Although the information is covered as thoroughly as possible, every transaction is unique, and you may find that you have concerns or questions beyond the information presented in this booklet. That's why we're here—to assist you at each state of the transaction, to answer your questions, and to help you find the home you desire!

As you embark on your mission of finding the "perfect home," remember that we are with you every step of the way—we're on your team!

Finances First

Your initial impression may be that we have incorrectly placed the financing segment first. Actually, we've chosen to discuss finances at the beginning for good reason: The buying experience usually goes smoother if financing has already been secured before you begin searching for your home.

Most homebuyers find that they need to finance at least part of their home purchase. So, in many respects, owning your dream home hinges on your ability to get the financing you need, in the price range you can afford.

The very first step is ensuring that you are in an optimum buying position. This entails a careful review of your financial situation. Think of it as a means of pre-qualifying yourself.

Your Credit Report

A very basic—and yet extremely important—factor in your ability to get a mortgage is your credit rating. It is not a secret that the best interest rates, as well as the most flexible loan terms, are available only to those with the strongest credit scores. Your credit history is one of the principal measures used by a lender to determine your interest rate. Not only will your monthly mortgage payment depend on your interest rate, but the amount you qualify to borrow will be affected by it as well. A higher interest rate translates into a higher payment and may reduce the loan amount for which you can qualify.

You should be aware of what information the credit reporting agencies have regarding your financial situation by obtaining and reviewing copies of your credit report from the three main credit reporting agencies. (Even if you are not planning to purchase a home, you may want to consider obtaining and reviewing your credit reports on an annual basis to make sure the information reported is accurate, and to catch any discrepancies that could damage your credit.) By making this task one of the initial steps in your house-hunting venture, you may save yourself from unnecessary delays later in the purchasing process.

Credit Reporting Agencies

There are three major credit-reporting agencies: Equifax, Experian (formerly TRW), and Trans Union.

Rather than contacting only one of them, we strongly suggest that you request a credit report from all three. Since not all creditors report to all three agencies, it's not uncommon to find different information reported on each one. However, your goal in ordering all three credit reports is to make sure that all of the information stated on each report is accurate and correct.

You can request your credit report from these companies for a nominal fee. An annual report is free upon request for residents of Colorado, Georgia, Massachusetts, Maryland, New Jersey, and Vermont. Additionally, you may obtain a free personal credit report if you have been denied credit within the past 60 days.

Here is how to contact the credit reporting agencies:

Equifax

Equifax Information Service Center
P.O. Box 740241
Atlanta, GA 30374-0241
1-800-997-2493.

You can also order your credit report from a secure section of the Equifax website at http://www.equifax.com.

Experian

Experian National Consumer Assistance Center
P.O. Box 2104, Allen, TX 75013-2104
1-888-397-3742

You can print a credit report order form at http://www.experian.com.

Trans Union

Trans Union Corporation, Consumer Disclosure Center
P.O. Box 390
Springfield, PA 19064-0390
1-800-888-4213

You can order a credit report online from Trans Union's website at http://www.transunion.com.

How much home can you buy?

Although it is early on in your plans to purchase, it is likely that you have wondered how much home you will be able to buy. The best way to determine your purchasing power is to speak with a lender. However, there are several rules of thumb that will give you an approximate idea of what you will be able to spend.

The first rule states that you can afford a home with a price tag that is 2.5 times your annual salary. For example, if your annual salary is $50,000, applying this formula would mean that you can probably shop for a house with a price up to $125,000.

The second rule says that you should be able to use 30% of your gross monthly income (before taxes and deductions) for a house payment. Assuming, for example, that your gross monthly income is $4,000 and using this formula as a guide, you may be able to comfortably afford a monthly payment of $1,200.

Upfront Fees and Expenses

Most homebuyers understand the concept of the down payment, but that is not the only upfront expense when purchasing a home. In addition to the down payment, money must be allotted for costs associated with the loan, which can range from 3-7% depending upon your lender, and closing costs. As the name implies, closing costs are paid at the time you close the transaction, otherwise known as settlement.

There are also 'hidden' costs that apply to moving in general. For instance, you may need to purchase major appliances, pay a mover or rent a moving truck, etc.

Lending Option

Once all of these costs are added up, you may become discouraged, thinking that you don't have the necessary funds to purchase the home you want. However, chances are good that there are other possible sources of funds available that you've not yet considered.

In addition to savings accounts and the proceeds from a home you already own, there are other less obvious sources of funding as well. These include:

Home Equity Loan — Your parents or other family members may have a considerable amount of equity built up in their own home that they were planning to borrow against in order to gift money to you for your upcoming home purchase.

Life Insurance — If you have a cash value policy, it may have accumulated an adequate amount of "available" funds from which you can borrow. More often than not, the interest rates on this type of loan are very favorable.

Stocks and Bonds — If you do not wish to sell your portfolio or feel this is an inappropriate market in which to do so, then perhaps you can use it as a form of collateral.

Company Profit Sharing or Savings Plan — Check with your employer to see about the possibility of withdrawing or borrowing from what you have in your account(s).

Retirement Savings Plan (401k) — If your employer offers this type of plan in place, inquire about the possibility of withdrawing or borrowing from this account as well.

If the above suggestions do not apply to you, there are still other possibilities:

Mortgage Insurance — Purchasing this form of insurance (usually through the lender) can reduce the down payment required. Private Mortgage Insurance (PMI) protects the lender in case of default and allows for an approval of a larger loan amount.

First-time Buyer Financing — If you have not held title to real estate in the past three years, you could qualify as a first-time buyer, which could mean special financing from your state or local housing agency. This usually means a smaller down payment or a lower interest rate, and in some cases both.

VA Loans — If you qualify for this loan type, many times you can get financing with "zero down."

There are also many types of government-backed loans for various situations, and literally thousands of loan programs offered by different lending institutions. Your lender can tell you about the ones for which you may qualify.

Determining your target price for a house is dependant upon the financing terms available to you as well as the amount you have available for a down payment. The monthly payment usually consists of principal with interest, plus taxes and insurance, also known as P.I.T.I. Some lenders, however, also may require mortgage insurance when the down payment is less than 20%. When you consider these added expenses, you'll soon realize the term "affordability" means more than just the price of the house itself.

Banks vs. Brokers

While there are many people who prefer to deal only with their regular banking institution, it is suggested that you shop around to find a lender and a loan most suited to your needs. There are so many different options available to consumers today, and with today's competitive market, it may literally pay you to do as much homework as possible upfront. Banks are not the only source anymore for obtaining a loan to buy a home; there are plenty of other options available as well:

Mortgage Lenders — These lenders specialize in loans only for the purpose of purchasing or improving real estate.

Mortgage Loan Brokers — Sometimes these people are also referred to as third party providers. They are in the business of matching up buyers and homeowners with lenders that are likely to finance them. The buyer usually picks up the fee for this service.

Financial Institutions — Commonly known as traditional banks or "prime" lenders.

Private Lenders — Usually refers to sellers who are open to "owner financing."

Credit Unions — Some do issue mortgages for their members and generally can beat the rate of the bank, or at least offer the same.

Finance Companies — Most will issue mortgage loans, and, to stay somewhat competitive, usually offer "no prepayment penalty" as a selling point. Their interest rate may be slightly higher than that of a traditional lender, but finance companies are generally more lenient in qualifying borrowers.

Pre-approval

Once you narrow down which type of lender can best meet your needs, the next step is to get pre-approved for a loan. Pre-approval is not the same as pre-qualification. What's the difference between pre-qualification and pre-approval? In the world of real estate, the terms "pre-qualification" and "pre-approval" are often used interchangeably. But they have different meanings.

Pre-qualification is an estimate of how much you can afford in a mortgage payment. It is based upon the information provided by the borrower, which will later be subject to the approval process and additional information, including a credit report, appraisal, and income verification. The information provided by the borrower is not routinely verified as part of the pre-qualification process.

Pre-approval, on the other hand, is a firmer commitment on behalf of the mortgage company. Obtaining pre-approval is a more formal process that includes a credit check and employment verification. During a pre-approval, the mortgage company does all the work of a full approval except for the appraisal and title search. The lender obtains a credit report to verify monthly payments on installment loans and credit cards, and to check payment history on these loans.

If you've been pre-approved for a loan, you can shop for a house with more certainty and less anxiety because you'll be able to sail through the entire process without having to worry about whether the mortgage will be approved. Additionally, the seller is likely to view you as a more capable buyer. This can give you an advantage as a buyer in the marketplace, especially when the seller is considering multiple offers.

However, neither a pre-approval nor a pre-qualification means you are guaranteed a mortgage. Lenders still need to look at property appraisals, verify information, and, in many cases, re-check credit before agreeing to make a loan. Still, it's worthwhile to obtain pre-approval at the beginning of the buying process to know how much home you can afford and to avoid the headaches and embarrassment of not qualifying for a home you have under contract.

If you intend to obtain a pre-approval, you should begin rounding up information that the lender will need in order to process the loan. The checklist on the next few pages may be useful to you as you compile this information.

- ☐ Copy of purchase sales contract, or
  Offer to purchase and all addenda, signed by the buyer and seller.
- ☐ Property information listing sheet, or
  Multiple listing service sheet.
- ☐ W2 forms
  From the previous two years.
- ☐ Pay stubs
  From the most recent month.
- ☐ Employment history
  Include name and address of employer(s) for the last two years, dates of employment, and income. Provide explanation of recent gaps in employment, if one month or longer.
- ☐ Social security number(s)
  For both borrower and co-borrower(s).
- ☐ Bank statements for checking and savings accounts
  From the past three months, include names, addresses, account numbers, and balances of depository institutions (banks, credit unions, and savings banks); all pages of all statements are needed, even if blank.
- ☐ Credit information
  For each open credit card account, provide the creditor name, address, account number, payment amount, and current balance; include letter of explanation for any credit problems.
- ☐ Tax returns
  Provide previous two years' personal federal income tax returns and all schedules if you are self-employed; employed in a family business; a tradesman; receiving all or a large part of income from bonus, commission, partnership, or trust income; own rental property; or have income from an otherwise non-verifiable source, such as corporate ownership, installment sales, or tips.
- ☐ Stocks, bonds, and investment accounts
  If these are being used for your house purchase, you must supply the name and address of broker and previous three months' statements or copies of the stock certificates. A list of serial numbers and issue dates may be acceptable for verifying bonds. All pages of all statements are needed, even if blank.
- ☐ IRA/Retirement plan
  Approximate value of vested interest and copy of most recent statement.
- ☐ Life insurance policies
  Name of insurance company, policy number, face amount, and approximate cash value of each policy.

- [ ] Automobiles owned
  Make and year of each automobile owned and current market value. (Evidence of clear title may be required if owned free and clear).

- [ ] Construction loan
  Signed construction contract with cost breakdown and builder plans.

- [ ] Gift letters
  If part of your down payment or closing costs is from a gift, a signed letter is needed from the donor to verify that the borrower is not required to repay the funds. Your letter may give you a copy of a form letter that you can use. Always talk to your lender prior to the movement of gift funds.

- [ ] Other income
  Documentation of the income received for the past 12 months if such income is used to qualify (for example, interest or dividend income).

And, if you are:

- [ ] Renting
  Provide need landlord's name, address, and phone number and/or previous 12-month rental payment history (canceled checks and rent receipts are acceptable).

- [ ] Self-employed
  Provide previous two years' and current year-to-date Profit and Loss Statement and Balance Sheet.

- [ ] Divorced or separated
  Provide a copy of divorce decree or maintenance agreement, along with any amendments and a 12-month payment history of alimony/child support payments, if payments are provided or received and are needed to qualify. Be sure to provide either check stubs or copies of both the front and back of the checks.

- [ ] A student
  If you do not have two years of employment history due to attending school, then school transcripts or your diploma will be needed.

- [ ] The owner of rental properties
  Provide federal tax returns (signed), along with a schedule of all real estate owned and the account number and address of the mortgage company that holds the properties.

  In addition, if the real estate owned is:

  Currently rented — Provide a copy of the current lease or rental agreement.

  Listed for sale — Provide a copy of the listing agreement.

  Sold, but not closed — Provide a copy of the sales contract and escrow number.

  Sold, closed and proceeds will be used for down payment — Provide a copy of the HUD-1 Uniform Settlement Statement.

- [ ] Affordable housing
  Loans underwritten using liberalized guidelines under affordable housing programs may require counseling certificate or inspection certificate (or equivalent).

Interviewing the Lender

Although, lenders have many questions, and sometimes even stringent, guidelines that you must conform to, do not forget that you too have the option of “interviewing” your lenders to make sure they meet your needs as well. Here are some questions that you can, and should ask a prospective lender:

- Are both fixed-rate and adjustable rate mortgages offered?
- What is their current interest rate?
- Are there “points”?
- Can I “lock-in” the current interest rate if approved, and for how long?
- Is it possible to get an extension on the lock in if necessary, and what is the fee for this?
- What are the other fees a lender may charge me in conjunction with my loan?
- How often can the interest rate be adjusted on a variable rate loan?
- Is there a maximum limit on each rate change?
- How often will the monthly payment be adjusted?
- Is there a cap on payment adjustments?
- Can the term of the loan be extended?
- Is there a pre-payment penalty?
- What is the “grace” period?
- How late can a monthly payment be made before a late charge is assessed?
- What will happen if a payment is missed?
- If you sell your house, will the new buyer be able to assume your mortgage at the same interest rate?
- Will mortgage insurance be required?

You may choose to ask some or all of these questions (or others you may have) before applying for a loan, as a means of determining which lender can best meet your needs.

Be sure that you ask for a photocopy for your records any time you fill out any type of credit application. You can then attach their responses to the above questions, as well as any other notes you’ve made.

What Home is the Right Home?

How will you know when you see the house of your dreams? A common reply is always "I'll know it when I see it!" However, if you logically analyze your needs ahead of time, you'll be better equipped to make an educated decision when you have an emotional response to a house that you see. This section will help you determine and prioritize which characteristics are most important to you in a home.

Surely you have heard the common real estate theory that there are three things to consider when buying a house: "Location, location, location!" While there are other important factors to consider when choosing a home, answering the following questions will remind you how important location is in your decision:

Geography

- Will you be looking in urban, suburban, semi-rural or rural areas?
- Is the area sparsely populated, medium or high?
- Do you have a preference with regard to natural features like woods, hills, and lowland?
- Do you have a preference to be near water such as rivers, lakes, streams and ponds?
- How will you be commuting to work?
- How long will your commute be? Do you need to be near public transportation?

Surrounding Areas

- What are the characteristics of the surrounding areas for shopping?
- Is there a central commercial district?
- Are there any shopping malls?
- Are there any supermarket shopping centers?
- Are there department stores and drug stores?

Neighborhood Focus

- What is the general appearance?
- Are the homes well maintained?
- What are the main types/styles of homes?
- Do the homes appear to be "newer" or "older"?
- How far apart are the houses?
- How well are the lawns maintained?
- Are there many visible property enhancements such as swimming pools, fences, decks and patios or extensive landscaping?
- Are vehicles primarily parked in garages and driveways, or are they parked on the street?
- Are there emergency personnel stations such as fire and police close by?
- How close is the nearest hospital?

- What are the local ordinances in regard to pets, parking, lawns, etc.?

Schools

- Are there both public and parochial schools?
- Are they equipped to handle special needs if needed?
- How do children primarily get to school?
- What is the teacher per student ratio?
- How well do students perform on standardized test scores?
- Are there after-school activities offered?
- What type of sports programs and clubs are offered?
- What is the percentage of children that graduate?
- What is the percentage of graduating students that go onto college?

Work Issues

- How long will your commute be?
- How many methods can you use to get there, such as walking, driving, car pool, taxi bus route, or train?

Recreation and Entertainment

- What forms of entertainment are offered?
- What types of indoor and outdoor sports facilities are available?
- Are there public parks, country clubs, and/or sports teams close by?

Community Involvement

- Do the neighbors socialize regularly? Do they hold block parties or picnics?
- Is there a Home Owner's Association? How active are they in the community?
- Is there a PTA?
- Is there a Neighborhood Watch program in place?

Find out the answer to each of these questions, and then determine which items are important to you and which you can live without.

Selecting Your Home

When choosing the house itself, which of the following features and amenities will be included?

We suggest having all members of the family mark a copy of the chart below to show their preferences and which features are most important to them. You can then compare notes and come to a consensus about which items are “must haves” and which are negotiable.

House Style	
No. of Levels	
No. of Bedrooms	
No. of Bathrooms	
Gourmet Kitchen	
Formal Dining Room	
Breakfast Nook	
Super Master Bath	
Walk In Closets	
Fireplace	
Basement	
Garage	
Porches	
Fenced Yard	
Large Yard	
Swimming Pool	
Storage Room	
Storage Shed	

Once you’ve gone through the process of deciding on your home’s features and amenities and sized up the neighborhood characteristics that are most important to you, there is one more task to undertake: Prioritize! Chances are that you may have to “trade in” one or more features to take advantage of others. That’s why it’s important to prioritize the “must haves”—the features and characteristics that you don’t want to compromise or trade in no matter what. Then you’ll have a definite picture in your mind of what you’re looking for, and you’ll be able to make logical choices when the time comes to decide if “this” is the home for you.

Finding the perfect house!

Once you've evaluated your priorities, it's time to hit the streets with your search criteria. If you've done your preparation to get to this point, the actual physical search for your home can be short and sweet.

Here's the process we follow to find the homes that meet your guidelines:

The first thing we will do is put the given specifics into the computer. Within a few minutes with the aide of MLS (Multiple Listings Service) we will be able to print out a listing of the houses that match the desired profile.

When we determine which properties you actually want to view, in keeping with our plan, be sure to bring a small notebook so you can make a record of critical details for each of the homes we visit.

For each house you visit that appeals to you, make sure to obtain the answers to the following questions:

General

- Is the asking price comparable to other houses in the neighborhood? If not, is it higher or lower?
- Is the existing mortgage assumable?
- What is required down payment amount?
- What are the annual property taxes?
- Will the taxes increase with the transfer of deed and a new market price?

Outside

- What is the address of property?
- Is the yard size suitable?
- Are there landscape details?
- What is the level of grounds maintenance that will be required?
- What is the age of the home, and does it look it?
- What is the structural condition?
- Are any visible major repairs or improvements that should be made?

Inside

(Make a sketch of floor plan)

- What is the total number of rooms and baths on each floor?
- Any there extra features such as an intercom, security system, central air, or multiple fireplaces?
- Are the appliances built in?
- Is there adequate insulation?

- Is there weather stripping or storm windows?

Major systems

- What is the age/condition of each major system (plumbing, electrical, heating, and cooling)?
- What type of fuel is the home heated with?
- What is the average monthly utility cost?

Do not be surprised if the perfect house is the first one you visit. On the other hand, do not be disappointed if, after looking at a dozen houses, you still have not found the right one for you. We will keep looking until we find the house that you want to call home!

Negotiating A Contract

Now that you've found your dream home, what is the next step?

First, we'll sit down and work up an offer, otherwise known as a contract. You will want to review it carefully to be sure it states your terms exactly, how much you want to offer, and any applicable contingencies. Once you, as the buyer, and the seller reach an agreement and sign an offer reflecting that agreement, you have a legally binding contract.

Before we get out the pens and pencils, it is important to be aware of the possible scenarios that can arise while negotiating with a seller: The seller can accept your offer, reject your offer, or execute a counter offer. Don't be surprised if you and the seller initially do not see eye-to-eye on every issue. The seller may deliver back to you a counter offer modifying certain terms that are not acceptable to him. Typical counter offers include modifications of the purchase price, closing date, possession date, and/or inclusions, although any term(s) of the contract can be countered. You will then have to decide whether the new terms will be acceptable to you. It is not uncommon for negotiations to go back and forth several times before both parties agree to the terms.

Generally, you are in a stronger bargaining position if you have already been pre-approved for a mortgage, are not selling a house at the same time, and have not loaded your offer with contingencies. If we are experiencing a "seller's market," you may have to offer at least the list price and possibly more to come in at the top among multiple buyer offers.

Your offer will need to be accompanied by earnest money as well as a letter from your lender indicating your qualification to purchase. Earnest money typically equals between 1% and 3% of the purchase price. Not only does earnest money indicate your sincere interest in buying but also is often necessary for a contract to be legally binding. Buyers often ask if they are at risk of losing their earnest money, and, no, your earnest money cannot be lost as long as you do not default on your contract. Your earnest money will be credited to you at closing or returned to you if the contract is terminated in accordance with its terms.

When an agreement is reached on all the issues, and both the seller and you as the buyer have signed the offer, you are both under a legally binding contract. The search is over and now it's time to take the necessary steps to ensure the smooth and successful closing: 1) order title insurance; 2) hire a professional home inspector; and 3) order an appraisal.

Title Insurance

Simply explained, “title” is the right to own, possess, use, control, and dispose of property. When you buy a home, you are actually buying the seller’s title to the home. A deed is the written legal evidence that the seller has conveyed his or her ownership rights to you.

Before the closing meeting when the actual transfer of ownership occurs, an attorney or title specialist generally conducts a title examination. The purpose of the title examination is to discover any problems that might prevent you from getting clear title to the home. Generally, title problems can be cleared up before settlement. But in some cases, severe title problems can delay settlement, or even cause you to consider voiding your contract with the seller.

What are some common title problems?

Title problems come in all shapes and sizes. Following are just a few examples of situations that can create a title problem:

- The home to be purchased was owned by the seller’s parents, who intended to use it for their retirement. The seller’s father died several years ago, and the mother just recently passed away. A title search reveals that the property is titled in the mother’s name, but there is no will on file to indicate how she disposed of it.
- You are buying a house to which an addition was made several years ago. The sellers of the home took out a home improvement loan and did the work themselves. They have repaid the loan, but the lien was never removed from the title.
- The seller of the house added central air conditioning several years ago. The seller and the contractor had a dispute over the workmanship, and the seller withheld the final payment on the contract. The contractor filed a mechanic’s lien on the property, which has never been removed.
- You are buying a house with a newly paved driveway. The seller of the house bought his neighbor’s share of their shared driveway and converted it into a private driveway when the neighbor built a new driveway on the other side of his house. Unfortunately, ownership of the expanded driveway doesn’t appear in the public records.

Some “clouds on title” can be corrected relatively easily, like most of the examples listed above, while others can become quite complicated to remove. You should insist on being kept informed of every step in the title examination process. If title problems are uncovered, it is important for you to understand your legal rights.

What is title insurance?

Title insurance is the best way to protect yourself against title defects that have occurred in the past, which may not appear until after you’ve taken ownership of the property. Before a title insurance policy is issued, a title report is prepared based on a search of the public records. This report gives a description of the property, along with any title defects, liens, or encumbrances discovered in the course of the title search. Title insurance protects you against title defects that were not discovered in the course of the title search (for example, forged signatures). If such a defect were discovered later, your title insurance would cover you. Title insurance is different than casualty insurance (auto, life, health) in that you pay a one-time fee (which can vary from state to state as well as between insurance companies) and that it protects against past (as opposed to future) events.

How does title insurance protect you?

If title problems are severe enough and not covered by insurance, you could actually lose your house. A title insurance policy protects you and your heirs against title defects for as long as you own the property. The policy represents the title insurance company's responsibility to compensate you for any covered loss caused by a defect in the title, or any lien or encumbrance that was not discovered in the title search. Most title insurance policies do have exceptions, however, so it is important to read and understand the policy. Be sure to call the title company if you have any questions about what is covered in your particular policy.

The Home Inspection

The next step is the home inspection. You will have the opportunity to hire an inspector to evaluate the condition of the home. The goal of a home inspection is to give the client a better understanding of the physical condition of the structure and the systems than would otherwise be known.

Typical homes take 2-3 hours to inspect. When the client arrives the inspector often presents a pre-inspection agreement to be signed followed by payment. A good inspector then gives the client an overview of the inspection process and invites the client to accompany him.

Though the order may vary, the inspector, at minimum, visually inspects each of the following:

- Interior (non-cosmetic)
- Attic
- Foundation
- Chimney
- Framing
- Kitchen Appliances
- Roof
- Windows
- Laundry
- Bathrooms
- Plumbing System
- Electrical System
- Heating System
- Air Conditioning System

Additional items such as pools, spas, barns and other outer structures, docks and sea walls, well flow, wood destroying insects, lawn sprinkler systems, fences and gates, and EIFS (exterior insulation & finish systems) may be offered by the inspection company, sometimes at an additional fee.

The inspection company may also offer environmental services such as water testing, radon testing, lead testing, or asbestos testing.

Upon completion of the inspection, the inspector should give the client a summary of what was discovered and an opportunity to ask questions. The client then receives a signed written report of the findings. The report is the client's property; no other party is entitled to see it.

The Appraisal

Once you have determined that there are no defects on title and all inspection concerns have been resolved, it is time to order an appraisal.

An appraisal is an estimate of the value of a property, made by a qualified professional called an appraiser. An appraisal of the property you're going to purchase is as important as your credit history in obtaining a mortgage, and it is also a critical factor in determining the size of the loan the bank or mortgage company will approve. After all, the property you are purchasing serves as collateral for the loan. Although the primary goal of the appraisal is to justify the lender's investment, it also protects you from overpaying. The lender usually hires the appraiser and charges the buyer a fee for the service.

You will be refused a mortgage, or offered a smaller amount on the mortgage, if the appraisal falls short of the amount you wish to borrow. Your contract will be contingent on whether the property's appraisal comes in at or above the purchase price you and the seller have agreed upon.

If possible, you will want to complete your home inspection prior to ordering the appraisal. There is no sense in paying an appraisal fee if issues resulting from the inspection cause the contract to be terminated.

Closing or Escrow

After the searching for a home is done, the negotiations have been completed, the house has been inspected, and the mortgage has been applied for and committed to, the focus suddenly turns to the closing, which may also be called “settlement” or “escrow,” depending on your locality.

Closing is the legal transfer of ownership of the home from seller to buyer. It is a formal meeting that most parties involved in the transaction will attend. Closing procedures are usually held at the title company or lawyer’s office. Your closing officer will coordinate the signing of documents and the collection and disbursement of funds.

In order to ensure a smooth closing you will want to spend some time preparing for the big day:

- It is a good idea to conduct a “walk-through” of the home prior to closing. This will give you an opportunity to see that the condition of the home is the same as it was at the time of contract. Additionally, you will be able to ensure that any repairs agreed to by the seller, based on the inspection, have been completed.
- Prior to closing, you will have obtained a homeowners insurance policy and provided this information to your lender and/or closing agent.
- One or two days before closing, the closing agent will provide you with a Settlement Statement or a HUD-1. These documents will contain a detailed description of all costs associated with the transaction, including the exact dollar amount you will need to bring to closing. Prior to closing, you will go to the bank to obtain a cashiers or certified check in this amount.
- Ask your closer what other items you may need to bring to closing. Many states require a valid driver’s license or other acceptable form of identification. If you’ve recently married or divorced, you may need to bring additional documentation as well.

With all the preparations in place, you are just a few signatures away from owning your home!

Conclusion

Hopefully you have found this guide to be helpful in preparing for your purchase. Although we have covered a great deal of information in a few short pages, our goal is to provide you with a well-rounded understanding of the overall process. Perhaps there are questions that remain unanswered or new questions that have surfaced, in which case, we look forward to answering your questions and working closely with you to ensure that your home buying experience is not only successful but also enjoyable!