



Home Buyer's
HANDBOOK

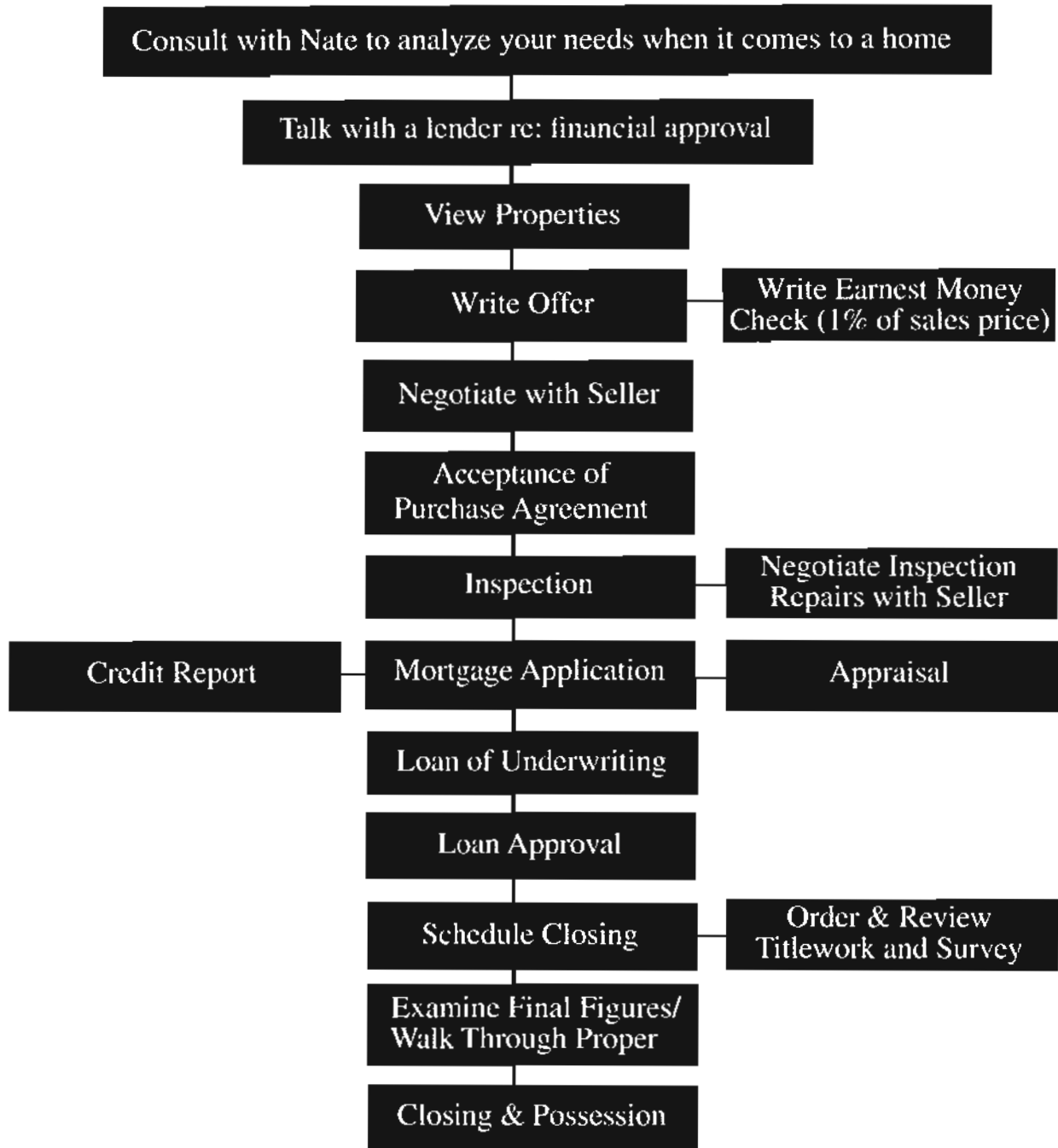


Table of Contents

HOME BUYING PROCESS	3
BEFORE YOUR HOME SEARCH	4
DURING YOUR HOME SEARCH	5
AFTER YOUR HOME SEARCH	6
BUYER COST	7
YOUR MONTHLY HOUSE PAYMENT	8
BUYER'S AGENCY	9
HOME INSPECTIONS	10
FINANCING 101 (TYPES OF LOANS)	11
FINANCING 101 (FINANCING TERMS)	12
HOW LENDERS WORK	13
CLOSING COSTS	14
YOUR CLOSING	15
YOUR MOVING LIST	16
YOUR MOVING LIST (CONTINUED)	17



The Home Buying Process



Before Your Home Search

I WILL :

1. Interview you at length to find your exact needs when it comes to your :
 - Future Home
 - Neighborhood
 - Community
 - School System
2. Prepare you for the home search process.
3. Prepare you for the home buying process.
4. Work with you to obtain the best home loan for your needs.
5. Review and discuss down payment and other potential buyer expenses.
6. Devise a plan, if you'd like, for seller or your builder to cover your closing costs.

During Your Home Search

I WILL :

1. Scour the Multiple Listing System (MLS) to find every home for sale that meets your needs.
2. Coordinate showings to homes you'd like to see.
3. Research current property values for various homes so you'll avoid overpaying.
4. Research and Discuss:
 - Schools
 - Homeowners' Association Dues
 - Neighborhood Rules
 - Restrictions, taxes, etc.
5. When you find the right home, I will help you make an offer to purchase and make sure you're comfortable with the terms of that offer, including:
 - The Sales Price
 - Closing Date & Date of Possession
 - Your Home Inspection.
 - Seller Concessions (what costs the seller may pay on your behalf)
 - The Division Fees, such as who pays for the survey, titlework, closing fee, etc.
 - Amount of Earnest Money
7. I then negotiate back and forth with the seller to make sure those terms stay favorable to you.
8. I also handle your paperwork, including the Purchase Agreement, Counter-Offer, Seller's Disclosure, Home Inspection, Inspection Responses and Negotiations, and so on.

After Your Home Search

I WILL :

1. Help you order your home inspection to make sure there are no major defects on the property.
2. Review the Inspection Report with you and ask the seller to make necessary repairs for you.
3. Follow-through to make sure all the necessary repairs are made to your satisfaction.
4. Troubleshoot and prevent problems that can pop up during the negotiation, inspection and closing.
5. Help you order a Home Warranty, if you'd like.
6. Make sure the survey, titlework, mortgage paperwork are ordered and ready.
7. Work with your lender to calculate the amount you need to bring to closing.
8. Arrange your closing and prepare you for it.
9. Schedule a final walk-through of the home to ensure all repairs have been made.

Buyer Costs

As a home buyer, most of the costs you can expect to pay will be paid at closing. Here is a look at a few typical costs that you might have to pay up front, depending on your situation.

1. LOAN APPLICATION FEE

Usually about \$200-\$300, a loan app fee is charged by your lender to offset their cost to process your loan, It is due at the start of the application process. Some lenders roll this into your closing costs.

2. THE HOME INSPECTION

As a home buyer, you have the right to have the property inspected by a professional, which should cost about \$250 -\$375, depending on the size of the home and the types of inspections ordered. This is charged by your inspection company the day the inspection is carried out. Most inspectors accept credit cards and checks.

3. EARNEST MONEY

When you make an offer to purchase a home, sellers will request an earnest money check so they know you're a ready, willing and able buyer. This amount is usually about 1%-2% of the sales price and is held in an account and credited back to you at closing. Your earnest money is credited to you toward your closing costs.

4. HOMEOWNERS INSURANCE

Lenders require you to pay your first year of homeowners' insurance in advance of closing. Most policies run \$450-\$650 - policies for more expensive homes can range \$1200 and up.

Your Monthly House Payment

Your monthly house payment will be comprised of four things (remember the acronym PITI):

1. Principal on Your Loan
2. Interest on Your Loan
3. Taxes (property taxes)
4. Insurance (homeowners)

When we look at houses, I can calculate what your approximate monthly house payment will be on any home.

Some mortgage loans have an additional item as part of the monthly payment, called PMI or MIP (private mortgage insurance or mortgage insurance premium). This amount is charged by some lenders when the down payment is less than 20% of the sales price of the home.

PMI (PRIVATE MORTGAGE INSURANCE)

Is charged by lenders when the down payment is less than 20% of the sales price of the home. PMI is charged by lenders to cover the risk of default.

MIP (MORTGAGE INSURANCE PREMIUM)

Which is the same thing as PMI. is charged on FHA loans.

Buyer's Agency

As a Buyer, you have the right to have a REALTOR® solely representing you and your best interest. In turn, the Seller also has an agent representing them and their best interest.

In Indiana the Seller is responsible for paying both sides of the real estate commission split.



Home Inspections

WHY GET AN INSPECTION?

An independent inspector can look for and identify any major defects in the home. In addition, once I receive the inspector's report, you and I begin to negotiate on your behalf to make sure the seller makes all major repairs to the property.

WHAT DOES IT COST?

Inspections usually take 2 or 2.5 hours, and cost typically ranges from \$250-\$450, depending on the size of the home and the types of inspections needed.

WHAT WILL THEY INSPECT?

The various kinds of inspections include:

- General (for the physical home itself)
- Wood-Destroying Insect Report (for termites and carpenter ants)
- Radon (to detect unacceptable levels of this natural gas)
- Well & Septic (to inspect any wells or the septic system)

HOW TO ORDER AN INSPECTION

I recommend you call and interview several reputable and long-standing inspection companies before you hire one. I can help with this process.

financing 101

TYPES OF LOANS

CONVENTIONAL LOANS

PROS: Wider range of options for interest rates and loan amounts; you have a better equity position because these loans require a down payment.

CONS: Minimum 5% down payment is required; stringent qualifying criteria; requires cash reserves.

FHA LOANS

PROS: Require 3% cash investment which includes down payment and allowable closing costs; closing costs can be financed into the loan.

CONS: Lower maximum mortgage amount than conventional and loan origination fee.

VA LOANS (FOR QUALIFIED MILITARY PERSONNEL)

PROS: Low down payment (or no down payment in some cases).

CONS: Generally a longer processing time and red tape.

financing 101

FINANCING TERMS

FIXED-RATE MORTGAGES (FHA, VA & CONVENTIONAL)

Interest rate stays same for the entire term of loan (usually 15 or 30 years) so your payments are stable and predictable, though initial interest rates tend to be higher than adjustable-rate loans.

ADJUSTABLE-RATE MORTGAGE (ARM)

The interest on an ARM is linked to a financial index, such as a Treasury security, so your monthly payment can vary up or down over the life of the loan. Some ARMS have a cap on interest rate increases.

How Lenders Work

WHY DO MOST BUYERS GET "PRE-APPROVED"?

It pays to talk to your lender before your home search to obtain a pre-approval. The lender will usually ask you a few simple questions and give you the amount you're pre-approved for and an interest rate for your loan. This helps because:

- You won't waste time looking at homes above or below your price range.
- Sellers will take you seriously because you have a lender backing you.
- You'll have an edge over unapproved buyers.

WHAT DO LENDERS CONSIDER WHEN THEY APPROVE YOU FOR A LOAN?

- Your Income
- Your Credit History or Credit Score
- Your Assets
- Your Liabilities (or debt)

WHAT DO THEY NEED FROM YOU?

If you'd like the names of several reputable lenders for your pre-approval or loan application process, just ask me. An official loan application usually requires that you meet face-to-face with a lender and provide:

- Your signed purchase agreement (I will complete this with you)
- Your W2 forms from the past 2 years
- Your most recent pay stubs showing year-to-date earnings
- Your bank statements from the past 3 months
- Your addresses for the past 2 years
- The names, addresses and phone numbers of your employers for the past 2 years
- A list of your financial obligations, such as student loans, installment loans, credit cards
- The names, addresses and account numbers of your banks or credit unions
- A check to pay for your lender's application fee

Closing Costs

Closing costs, or the costs you'll pay to close your home loan and close the home purchase, are comprised of a number of items, which are combined into one number you'll bring to the closing table (unless we negotiate for a seller to pay them on your behalf):

DOWN PAYMENT

The more you put down, the lower your monthly payment will be, though many lenders offer mortgage loans for \$0 down.

YOUR "PREPAIDS"

Lenders require that several months of property taxes and home owners' insurance be prepaid at closing, in order to start your "escrow" account, which collects and holds reserves of taxes and homeowners insurance so your lender can pay those bills for you when they are due (property taxes are due twice a year, homeowners' insurance is due once a year). Your lender may also ask for several days of prepaid interest on your mortgage loan.

APPLICATION FEE

If you didn't pay an application fee to your lender up front, it may be part of your closing costs.

CLOSING FEE

Usually \$200-\$300, this is charged by your Title Company to prepare the documents necessary to close the loan on your behalf.

COMMITMENT OR ORIGINATION FEE

Usually 1% of your mortgage amount, some lenders may charge this to originate your loan.

RECORDING FEES

This is usually a small amount (under \$50) and is charged by a state or municipal entity to record your closing documents into public record.

TITLE INSURANCE

Title insurance provides protection for you and your lender against financing loss. For homebuyers, it usually runs around \$150.



Your Closing

Closing is when you meet with the seller of the property, your closing/title company, and both realtors to “close” the deal and “close” on your home loan. It simply involves you signing paperwork from your lender and legal documents from the state to record your home purchase into public record.

I do most of the work to schedule, arrange and prepare you for you closing. I'll communicate with you throughout the process, letting you know the date, time and location.

The only items you'll need to bring to closing are:

- Your Driver's License (make sure it's not expired).
- A copy of your homeowner's insurance policy and paid receipt for your first year's policy (which all lenders require, unless you're purchasing a condo).
- A cashier's check for the amount you need to bring to closing (which I'll provide to you in advance) and/or buyer who aren't making a down payment may not need to bring funds to closing.



Your Moving Checklist

AT LEAST ONE MONTH PRIOR TO MOVING:

- Call Nate to discuss movers, utility changes, etc.
- Clean closets, storage areas. Have a garage sale or donate unneeded items.
- Use up perishable foods, especially frozen ones.
- Decide what indoor and outdoor furniture you'll be moving.
- Make a complete moving inventory and assign a value to all items.
- Obtain estimates from different movers. Check their backgrounds.
- Obtain appraisals on valuables, and take photos of items in case of loss.
- If you're doing the packing, acquire packing materials.
- Begin packing rarely used items.
- Visit the post office and submit a change-of-address form.
- Notify utility companies of your effective stop date.
- Arrange to collect any security deposits; get a release from your lease if necessary.
- Check homeowner's insurance.

TWO WEEKS PRIOR:

- Pack vital documents (passports, birth certificates) in one place.
- Ask for referrals to dentists and doctors near your new home.
- Refill and transfer prescriptions.
- If needed, make arrangements for a final cleaning at new and existing home.

ONE WEEK PRIOR:

- Prepare a 'ready box' for the last one on and first one off the moving van. This should include vital documents, extra checks, a first-aid kit, keys, bathroom essentials, medications, etc.
- Have the kids help with packing and organizing the move.
- Check with your drycleaner for items you may have forgotten to pick up.
- Clean out school or health-club lockers.
- Arrange for the transfer of valuables like jewelry and cash.
- Don't put these in your normal shipment.
- Drain gas from your power tools, lawn equipment, grills, etc.
- Make sure you're not moving anything flammable or combustible.

Your Moving Checklist

CONTINUED

ONE DAY PRIOR:

- Put all bed linens, pillows, mattress pads, towels in one place for packing.
- Write down box numbers after the movers have assigned them so you can find essential linens for the first night in your new house.
- Defrost and clean your refrigerator/freezer.
- Clean the oven or stove.
- Pack family personal items and clothing.
- If necessary, close/transfer your bank accounts.
- Get a simple breakfast for moving day.
- Remove snow, ice or debris from walkways, drive and porch to provide ready access to the house. Put all bed linens, pillows, mattress pads, towels in one place for packing.
- Defrost and clean your refrigerator/freezer.
- Clean the oven or stove.
- Pack family personal items and clothing.

MOVING DAY AT YOUR OLD HOUSE:

- If you're doing the moving, pick up the truck.
- Remove any curtains you plan to take.
- Place draperies on hangers and hang in hanging boxes.
- Load car with luggage and essential items.
- Orient movers and check inventory carefully. Keep a copy of the inventory.
- Check that everything is gone before you leave.
- Don't forget to check the dishwasher, washer and dryer!
- Exchange cell phone numbers with your movers before leaving.
- Secure house and turn down thermostats.
- If necessary, notify your security company that you've vacated.
- If necessary, take all keys, garage door openers, etc- to closing.

MOVING DAY AT YOUR NEW HOME:

- Arrive before the movers!
- Direct movers on placement of boxes and furniture.
- Check the condition of all furniture and furnishings.
- Check the condition of each carton as it is unloaded.
- Heavily damaged cartons usually mean damaged contents.
- Check appliances, water heater, furnace, air-conditioner, etc.
- Check basement sump pump, if applicable.
- Call the post office if they are holding your mail.
- Begin unpacking, and enjoy your new life in your new home!