Complete Guide
to
Home Buying

Easy guide to the home buying process, mortgage loans, and answers to the Buyer's most common questions

This guide presented courtesy of…

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Thanks for contacting me!

My job is to represent your real estate interests as a client. To know the facts. To know the market. I pledge my loyalty, integrity and effort to you. As your agent, the following are the commitments I make to you as we work together:

- I will provide you with reliable information and solid advice to help you make informed decisions.
- I will use my experience in negotiation skills to obtain the best price for your home.
- I will respect the confidential nature of the information you share with me.
- I will work on your behalf until you are completely satisfied.
- I will communicate with you regularly, in the manner you prefer, to assess and update the progress of closing on your home.
- I will make sure the process from contract to closing runs smoothly, and keep it as stress-free for you as possible.
- I will provide you with the level of service that is deserving of your referral to your friends and colleagues.

If at any time now, or in the future, you have any questions about the home buying process, the lending process, a particular home or anything else, please feel free to call, text or email me - I'm happy to help!

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The Advantages of Homeownership

A home is most likely the biggest purchase you'll ever make, and it marks a major step in life. There's no scientific formula that tells someone when they're ready to buy, but you should take stock of your financial situation as well as your personal lifestyle. In general, there are a number of advantages to homeownership, both tangible and intangible, that you'll want to consider.

- Investment - Every payment you make on your mortgage puts you one step closer to acquiring a major possession. And every improvement you make to your property not only enhances your way of life, but also adds value to your home.

- Protection from Inflation - Once you purchase a home, the bulk of your housing costs are not exposed to inflation. That means your only housing expenses that will rise over time with inflation are property taxes, homeowners insurance and maintenance costs.

- Equity - Because a home generally increases in value even as you are paying down your loan, most buyers effortlessly build equity. Equity creates wealth and can help you accomplish any number of financial goals, such as paying for retirement and funding a child's education.

- Tax Advantages - Your real estate taxes and the interest on your mortgage are deductible from your income tax. For many buyers, that tax break can go a long way toward making home ownership just as affordable as renting.

- Satisfaction - For many people, but certainly not all, home ownership simply makes life more enjoyable, whether it's the pride that comes from decorating and maintaining your home or the knowledge that your children will grow up in the neighborhood of your choice.

Tips for First Time Homebuyers

Purchasing your first home is a big step, which comes with some very serious decisions. Many homebuyers are intimidated by the process, and continue renting much longer than they should, or need to. However, if you break the home buying process down, you will find the process less intimidating, and much more manageable.

Before You Begin, Ask Yourself One Question
Will you live in your next home for at least 3 years? If the answer is "Yes," you should probably purchase, rather than continue renting. With average appreciation, you'll break even on your closing costs after 2 years, and start making money at year three. Every year after that will put more money in your pocket! The most expensive aspect of real estate is buying and selling, so the longer you can live in the home the better. However, purchasing makes sense if you can make as little as a 36 month commitment.

Down Payment
It always surprises me how many people want to purchase a home, but don't because they believe that a hefty down payment is required. Zero down programs have been very common over the last few years, and quickly become the norm. If the option of 100% financing is not possible in your area, you can still get into a property with as little as 3-5% down.

Get Pre-Approved
Pre-qualification is a very important step, and the step that first time home buyers dread the most. Qualifying to buy a home is pretty easy and

requires relatively little work for you. Pre-approval is what gives you buying power and allows you to make an offer on your dream home when you've found it. More importantly, pre-approval will let you know how much your new home will REALLY cost - in monthly payments. A $150,000 or $300,000 home doesn't mean a lot to most buyers - but $1200 per month and $2500 per month are tangibles that everyone can understand. After your lender pre-approves you, ask them for a "payment table" that shows you a rough estimate of TOTAL monthly payment based on purchase price. Pick your payment, and you know the price range to shop in.

Consult a Real Estate Professional ASAP

Many first time home buyers avoid contacting a Real Estate Agent because they dislike high pressure sales. However, Real Estate Agents have an advantage over traditional salespeople because they have access to the Multiple Listing Service, which is a database that lists roughly 99% of the homes for sale in a given market, and is completely accurate, unlike Zillow or other web search websites. This means that your Real Estate Agent doesn't have to sell - he/she merely presents your options. The most important qualities to look for in your Real Estate Agent are their knowledge of your specific market and their willingness to help. You'll find the help & insight will be invaluable - and you'll be glad you contacted me, rather than later.

Make a List of "Must Haves" & "Wants"

Many new home buyers mistakenly think that they will "just know" when they "walk into the one." While some buyers DO fall instantly in love with a home, this is not the norm. You'll find your search is easier, and you will be more confident in your decision, if you take a systematic approach to your search. The best way to organize your search is to make two lists: Your "must haves" and your "wants." Your "must haves" are the absolute necessities in your new home - in fact; you don't even need to view a home if it doesn't have every "must have." Great examples of your "must haves" are price, school district, size, etc... Your "wants" are the qualities that you would like for your new home to have, but it's not a necessity. Great examples of "wants" are color, flooring, kitchen appliances, surround sound, and type of exterior. By taking the time to articulate what you need and want in your new home, you will know exactly what to look for when viewing prospective homes.

Pick Your Favorite Neighborhoods

You can always make changes to your house, but you can never change its location. Most home buyers already have a good idea of where they would like to live because of school districts, work, or other factors. However, neighborhoods can be pretty different, even in the same area of the city. I can email you a list of homes in the specific area of town you're interested in. Take a drive through the different neighborhoods on the list I sends you, and choose your favorites. Pay attention to area amenities and how well the yards and common areas are kept.   After you have picked your favorite neighborhoods, and you know your "must haves" and "wants," you can literally make a list of EVERY home available that meets your criteria, and view those homes.

Make Your Decision

Homebuyers often hesitate after they've found the right home because they're not confident about their decision, or their decision-making process. Your home is probably the largest investment of your life, and it's normal to feel butterflies in your stomach before putting your first home under contract. However, if you do your due diligence - and you have if you followed the steps above - then you will have your bases covered. If you've found a home that meets all of your "must haves," most of your "wants," is in the right neighborhood, and in your budget - it's the home for you! Don't wait and let another buyer take your home!

Buying your first home can seem very intimidating, but can be extremely exciting. If you think that buying a home is right for you, it probably is. Make sure and follow these important tips and you'll know you made the right decision when you find your first home.

Mistakes to Avoid When Buying a Home

A great way to make the home-buying process flow smoothly is to educate yourself and learn from mistakes others have made - this can make the difference between buying the home of your dreams and buying a "lemon."

Not getting pre-approved
If you receive pre-approval from a reputable lender, your negotiating position is strengthened. It shows sellers you are serious about buying a home.

Not seeking guidance from real estate professionals and inspectors
These people are trained in buying, selling and inspecting. Find someone you respect and trust and allow them to help – it will benefit you in the end.

Choosing an agent haphazardly
Don't jump from agent to agent just because you saw their name on a sign outside of a house you like. Buyers should always have independent representation in the home buying process.

Not making the correct price comparison
Don't assess the value of a house only on the asking price. I can compile reports that reflect and compare the selling price of similar houses recently sold.

Forgetting to calculate all the costs
When calculating the maximum price you can afford, don't forget to include hidden costs, i.e. HOA fees, real estate taxes, etc. Calculate a reasonable price range and look for a house that is priced within your range.

Not asking enough questions
Don't be afraid to ask questions! You're not supposed to know everything about buying a home. Remember, this is potentially the biggest purchase you will make in your life!

Not looking past the interior decorating or cosmetic improvements
Don't choose a house because you like the interior decorating – that is not what you are buying and it will probably go with the seller when he moves. Check out the actual structure of the house!

Not checking out every nook and cranny before purchasing
Go through the house with a fine-tooth comb. You don't want to find out after you've bought the house that the roof is leaking. Open cabinets, turn on every switch, notice details, move stuff away from the walls, look in the attic, turn on faucets.

Trying to make a shrewd investment
When buying a home, it is very important to make an investment that fits the needs of you and your family. You should not try to guess what will happen to the market. No matter what, every investment carries some type of risk.

Choosing a poor location
Location matters. Even within every neighborhood and subdivision, there is a difference in location. Is it on the busiest street? Is there a shopping center out the back window? Is there a train that you can hear going by? These are just a few examples that can cause a home not to sell as easily as similar homes in a same subdivision.

Overlooking an inferior floor plan for an attractive exterior
The home may have gorgeous curb appeal, but you will not be living on the lawn. No matter how attractive the exterior is, you need a home that is livable.

Overlooking how the house will function for your family
How do you really live? Do you really need a formal dining room and living room? Would you be happier with an eat-in kitchen and a great room and a den to use as a home office? The house only needs to fit one family…Yours.

Not having the home properly inspected
This is not the time for surprises. In the long run, it will pay to have a home inspection performed by a qualified, respected professional. You may be able to save yourself a lot of money and headaches by finding out about potential issues before purchasing a property.

Not getting what you want because you are impatient
This is an extremely big decision. You need time to review all the information and what is available. Impatient decisions can lead to long term mistakes.

Waiting for a better market / better interest rates
Warren Buffet says the rear view mirror is always clearer than the windshield. But, remember…If you wait too long , you might just pass up the perfect home for you. Even in a slower market, nice homes that are priced right will sell very fast.

The Home Buying Process

When you're thinking of buying a house, it seems like there's a LOT of things to worry about. You'll need to deal with banks and agents and inspectors and all kinds of people. You'll learn words like HUD and points and brokerage. You'll be asked to produce pages and pages of documents, and then sign even more. They'll be legal warnings and contracts and deadlines. It seems like a tremendous undertaking – but it's really not. All of things you'll have to do are things you can do on your own, without having to get a law or accounting degree. Some of it will be tedious, but some of it will be fun and exciting – and nothing will be too hard for you if you have a good team of professional to help you!

Here's the basics of buying a home:

Step 1

Get a notepad, and write out a list of what you're looking for in a home. Spend some time on it – maybe every morning with some coffee at your kitchen table. Think about what you like and dislike about every home you've been in. Think about your dream home, and think about the bare minimum you'd accept in a home. Think about specifics – how big do you like rooms? Do you like ranch homes and hate bi-levels? Do you really need a soaking tub, or just want one? How about the yard – a big yard is great for parties, but stinks for yard work. What location works for your family when thinking of schools and workplaces – don't forget kids grow and will end up in a middle school and high school. Don't worry about looking at homes yet – nice homes with good pictures will get you excited, and you may overlook something you'd really like in a home. Just think on it a while, indulge your dreams, and put together a prototype of your perfect house.

KEY TEAM MEMBER – YOU

Step 2

It's almost time to look at houses, but not yet! First, talk to a lender to see what kind of house you can afford, or if you can even buy right now (I've had clients who didn't qualify for their loan after they'd found their perfect home – it's a killer). Your lender will want to get some basic information from you, so you'll be collecting copies of pay stubs, taxes and other personal financial documents. They will also run a credit report – don't panic if it doesn't come back with a perfect score. Depending on what the problems are, your lender will tell you what kind of limits there may be on what you can borrow, or what impact a lower score will have on your interest rate. They will also tell you two magic numbers – how much you are pre-approved for, and what you'll be expected to contribute in closing costs. That's great, because you won't waste any time looking at homes that don't meet your standards or you can't afford.

KEY TEAM MEMBER – LENDER

Step 3

We can finally go shopping! Take your wish list from Step 1 and your pre-approval from Step 2, and start looking for houses. Now is a good time to cruise around on the internet to see what's out there. You may find out that the home you'd like in the area you'd like is a little out of budget, so you'll have to rein in your expectations. Or, you may find out that your budget exceeds your needs, and you can indulge in extras you'd like in your new home. Then we can work together to find houses to go and look at (which is the fun part!) It will sometimes seems like a chore, but visiting houses can be fun – just try not to schedule too many in a day, because the houses will start to blend together in your mind and your memory will be a little skewed at the end of the day. Also, if you can, try not to take your little kids along. There will be plenty of opportunities to see the house before you move in, and a little kid quickly gets bored and into trouble on a home tour.

KEY TEAM MEMBER – REAL ESTATE AGENT

Step 4

Now you found a house – time to make an offer. I will work with you to find a fair price. And then, you'll start signing paperwork. Different states have different forms, and different real estate companies will have some of their own for you to sign. Lots of it is legal-ese, but make sure you take the time to understand what you're signing – if you have an agent who just instructs you to "sign here", back away slowly and find another agent. A home offer is a legal contract to purchase a home - you need to be able to have questions answered and understand what your obligations are, and what you're asking for from the Seller. Also, you'll be discussing things like home inspections and loan terms. Don't worry about the forms, just make sure you know what's going on, so there's no surprises during the process.

You'll also need to pay the Earnest Money – this is a small percentage of the purchase price of the home that's deposited in escrow, and it will be counted against the price of the home. This is the Seller's guarantee that you're serious about buying the house.

KEY TEAM MEMBER – REAL ESTATE AGENT

Step 5

This is the step where you'll wait, and maybe sign a quick piece of paper, then wait some more. Now is the time when the Seller will be reviewing your offer, and deciding if it's good enough. If it is, then you can move on to the next step. If not, we will work together to negotiate the terms of the sale so both sides are in agreement. Most often, it will be about the price. Sometimes, the price is okay, but the Seller wants other items changed, like timelines for closing, paying for a home warranty, or what personal property will stay with the home. You may go back and forth several times – make sure you ask any questions so there are no surprises in the end.

KEY TEAM MEMBER – REAL ESTATE AGENT

Step 6

Once you have an offer that's accepted on both sides, you have a deal! There are usually two things you'll be spending time on – scheduling and attending home inspections, and working with your lender to get the loan approved.

You will be working with your Lender to get the house approved for a loan – since they've already gotten your financial documents, they'll be concentrating on the house itself. They will want to have an appraisal done, and may require other inspections you haven't done, like well tests or structural inspections. You won't have to deal with the details, but make sure you're available to your Lender – they may have questions about the house that need to be answered before you can get your loan. If you don't have the answers, refer them to your me – I will be able to answer them, or will be able to find the answers for you.

KEY TEAM MEMBERS – REAL ESTATE AGENT, LENDER AND YOU

The other thing you'll be working on are the home inspections. I recommend every Buyer get a home inspection – even the most skilled amateur will miss things a licensed home inspector won't. You'll have a deadline to get the inspection – make sure you stay on top it, because if you blow it, you'll be accepting the home as-is. Once the inspection is complete, we will discuss what you want fixed, and what you can live with. This may set off another round of negotiations, as the Seller may not want to fix everything you want them to. Work with the Home Inspector to make sure you understand the problems, and that you can handle any minor repairs that may not be fixed prior to closing.

KEY TEAM MEMBERS – REAL ESTATE AGENT, HOME INSPECTOR AND YOU

Step 7

Now we wait. We're waiting for a "clear to close" from the Lender (meaning they're ready to loan you the mortgage money) and for the Title Company to make sure the Title to the home is "clean" (meaning the owners of the home are the true owners, and there aren't any liens attached to the property that need to be paid off). There won't be much for you to do in this process – just make sure you're available to all parties to answer questions and address issues. Be patient, and just keep in mind we're close to the end.

KEY TEAM MEMBERS – REAL ESTATE AGENT AND LENDER.

Step 8

This is it – closing. The loan has been approved, your financial position has been approved, the home has been approved, the title has been approved, just basically everything involved has been reviewed and approved by someone, and we're ready to go. You'll meet with myself, the Seller and their agent, usually at the Title Company, and you'll review some documents and sign your name a hundred times. Make sure you pay attention to the documents as they're explained, and get answers to any questions you may have – this is your last chance to back out, so make sure everything is what you discussed with your Lender and myself. If you have to bring closing costs, check with your lender a couple of days before the closing – they'll be able to tell you what amount you need, and how it should be paid. Amounts over $10,000 need to be paid via bank transfer, so make sure you double check on this prior to closing. It's also not a terrible idea to deposit a little more than you need to – your sale won't close if you're missing even a penny, and any amounts you overpay will be returned to you at the closing.

KEY TEAM MEMBERS – REAL ESTATE AGENT, LENDER AND YOU.

Step 9

Now that the house is yours, the worst part is here – moving. Moving is much more stressful and difficult than any real estate purchase.

KEY TEAM MEMBERS – FRIENDS WITH MUSCLES AND FRIENDS WITH BEER

I know it seems like a nightmare of paper and money and phone calls, but if we attack a home purchase in an orderly way, it won't be that bad. The most important part is having a team that you're comfortable with, one that is available to you, patient, and will answer your questions. The process seems complicated, but it has been streamlined to be as easy as possible. Don't sweat the stuff you don't need to – your team is in charge of the paperwork in most cases, and you'll really only have to focus on picking a home you love!

How Mortgages Work

What is a Mortgage? According to the Webster's dictionary, a mortgage is "the pledging of property to a creditor as security for the payment of a debt." In plain terms, it is the legal contract that says if you don't pay the loan back (along with all of the fees and interest that are included with it), then the lender can have your house.

Your down payment is the lump sum you pay up front that reduces the amount of money you have to borrow. You can put as much money down as you want, or you can sometimes pay as little as 3 to 5 percent of the purchase price. The more money you put down, the less you have to finance and the lower your monthly payment will be.

The mortgage payment is made up of:

- **Principal** - This is the total amount of money you are borrowing from the lender (after you've made your down payment). It is the amount of money you are financing.

- **Interest** - This is the money the lender charges you for the loan. It is a percentage of the total amount of money you are borrowing.

- **Taxes** - Money to pay your property taxes is often put in to an escrow account, meaning that the money is placed in a savings account until it is time to pay the bill. A portion of your property tax is added to your monthly mortgage payment and held in escrow until it is due.

- **Insurance** - There are several types of insurance that can come into play when you get a mortgage. You'll have hazard insurance to protect against losses from fire, storms, theft, etc., and if your home is in a flood risk zone, you'll have to get flood insurance. Unless you have at least 20 percent equity in your home, you'll also have to pay private mortgage insurance (PMI). This can sometimes be expensive, so it makes sense to put as much into your down payment as you can. (Equity is the portion of your home's value that you have already paid for.)

These pieces of your mortgage payment are referred to as "PITI"

Mortgages are typically paid off in incremental payments that gradually chip away at the principal of the loan. This is called amortization. The portion of your payment that goes to pay the interest is much higher than the portion that goes to the principal - at least for the first several years. These payments are precisely calculated and scheduled to pay off the loan in a specified period of time.

Types of Mortgages

There are many types of mortgages you can choose from. Which type you choose usually depends on the length of time you think you'll be in your home or the other financial obligations you have. If you think you'll be there for the long haul, then you may want a fixed rate mortgage with the lowest interest rate you can get.

Fixed-rate Mortgages

This mortgage offers an interest rate that will never change over the entire life of the loan. If you lock in a rate of 5 percent that calculates a payment of $1,247 per month, then you know that in 20 years you'll still be paying $1,247 per month. The only things that will change will be the property tax and any insurance payments that are included in your monthly payment.

The length (known as the term) of your fixed rate mortgage can be 15, 20 or 30 years. These terms have an effect on the various benefits you'll get from your mortgage.

- 30-year fixed-rate - The 30-year term gives you the maximum tax advantage by having the greatest interest deduction. While the fact that you're paying more interest may not seem like a benefit, you make lower payments with the longer term fixed-rate loan and you get a bigger tax deduction. If you will be staying in your home for many years (especially if you think your income may not increase tremendously), this may be the best option. This type of loan is also the easiest to qualify for.

- 15-year fixed-rate - You can shorten your mortgage by 15 years and usually get a lower interest rate with the 15-year mortgage. The advantage with the shorter term, besides paying your loan off sooner, is that you'll also have more equity in your home sooner. The down side is that you will have a higher monthly payment.

Adjustable-Rate Mortgage

An adjustable-rate mortgage (ARM) has an interest rate that changes based on changing market rates and economic trends. They usually offer an initial interest rate that is two to three percentage points lower than fixed-rate mortgages, but these rates are not fixed. If you don't expect to be in your home for many years, however, an ARM may be a good option.

Getting Pre-Approved

In today's home-buying environment, a mortgage pre-approval is not only essential; it is also incredibly easy to obtain – whether online, over the phone or in-person. A mortgage pre-approval lets you know exactly what you can afford to buy. It also demonstrates to a seller that you are a willing and able buyer. And it gives you a head start in getting an actual loan commitment.

FHA Mortgage Loans

Millions of Americans have been helped by the Federal Housing Administration (FHA) and millions of Americans have been able to secure their dream of becoming homeowners since the FHA began in 1934.

What the FHA provides is mortgage insurance on loans that are created by approved lenders throughout the United States and the territories owned by the United States. Whether for multifamily, single family, hospitals, or manufactured homes, the FHA aids in the issuance of mortgages and is the world's largest insurer of mortgages and has a number of different programs.

Comparing FHA Loans to Conventional Mortgages

The standard FHA loan is quite popular because it only requires a 3.5% down payment, rather than the higher down payments required by a conventional fixed-rate mortgage. To offset the increased risk from a smaller initial down-payment, FHA loans require two mortgage insurance premiums. One of these is a monthly charge, and the other can be paid upfront or rolled into the loan.

- Annual Mortgage Insurance Premium - This is a monthly charge which goes into your mortgage payment. Calculation of it is based upon loan size, loan length and the borrower's loan-to-value (LTV). The annual premium ranges from 0.45% for short duration loans with over 10% equity to 1.55% for longer duration loans with almost no equity.

- Upfront Mortgage Insurance Premium - This is an upfront charge which is 1.75% of the home loan. This can be rolled into the mortgage or paid upfront at closing.

One other important difference is that FHA Mortgage Loans are subject to an additional appraisal by the bank. In addition to the appraisal to determine the home's value, there is an appraisal of the home's structure and safety. The appraiser will look for things like cracks in the foundation, the age of the roof, broken windows and peeling paint. If the appraiser finds that the home has structural or safety problems, it will not qualify for the loan. Not every home will qualify for FHA financing, but I will help you determine which homes will qualify for an FHA mortgage loan.

Conventional Mortgage Loans

A "conventional mortgage" simply refers to any mortgage loan that is not insured or guaranteed by the federal government, as opposed to an FHA, USDA or VA mortgage loan. These loans generally have a minimum credit score requirement of 620 and tend to have a max loan-to-value ratio (LTV) of 97% These days, conventional mortgages typically have higher down payment and credit score requirements than government loans, and if the LTV exceeds 80 percent on a conventional loan, private mortgage insurance is required by the mortgage lender. A conventional mortgage loan is not subject to the additional structural and safety appraisal that an FHA loan is.

Veteran's "VA" Loans

VA Mortgage Loans are provided by private lenders, such as banks and mortgage companies. VA guarantees a portion of the loan, enabling the lender to provide you with more favorable terms.

The guarantee VA provides to lenders allows them to provide you with more favorable terms, including:

- No down payment as long as the sales price doesn't exceed the appraised value.
- No private mortgage insurance premium requirement.
- VA rules limit the amount you can be charged for closing costs.

- Closing costs may be paid by the seller.
- The lender can't charge you a penalty fee if you pay the loan off early.
- VA may be able to provide you some assistance if you run into difficulty making payments.

You should also know that:

- You don't have to be a first-time homebuyer.
- You can reuse the benefit.
- VA-backed loans are assumable, as long as the person assuming the loan qualifies.

Eligibility Requirements for VA Home Loans

Servicemembers and Veterans

To obtain a Certificate Of Eligibility, you must have been discharged under conditions other than dishonorable and meet the service requirements below:

Status	Wartime & Peacetime Periods	Active Duty Dates	Minimum Active Duty Service Requirement
Veteran	WWII	9/16/1940 - 7/25/1947	90 total days
	Post-WWII	7/26/1947 - 6/26/1950	181 continuous days
	Korean War	6/27/1950 - 1/31/1955	90 total days

Status	Wartime & Peacetime Periods	Active Duty Dates	Minimum Active Duty Service Requirement
	Post-Korean War	2/1/1955 - 8/4/1964	181 continuous days
	Vietnam War	8/5/1964 - 5/7/1975 *For Veterans who served in the Republic of Vietnam, the beginning date is 2/28/1961	90 total days
	Post-Vietnam War	5/8/1975 - 9/7/1980 *The ending date for officers is 10/16/1981	181 continuous days
	24-month rule	9/8/1980 - 8/1/1990 *The beginning date for officers is 10/17/1981	24 continuous months, OR The full period (at least 181 days) for which you were called or ordered to active duty

Status	Wartime & Peacetime Periods	Active Duty Dates	Minimum Active Duty Service Requirement
	Gulf War	8/2/1990 - Present	24 continuous months, OR The full period (at least 90 days) for which you were called or ordered to active duty
Currently On Active Duty	Any	Any	90 continuous days
National Guard & Reserve Member	Gulf War	8/2/1990 - Present	90 days of active service
	Six years of service in the Selected Reserve or National Guard, AND Were discharged honorably, OR Were placed on the retired list, OR Were transferred to the Standby Reserve or an element of the Ready Reserve other than the Selected Reserve after service characterized as honorable, OR Continue to serve in the Selected Reserve		

**Information provided by Veteran's Administration and is subject to change

*If you do not meet the minimum service requirements, you may still be eligible if you were discharged due to (1) hardship, (2) the convenience of the government, (3) reduction-in-force, (4) certain medical conditions, or (5) a service-connected disability.

Spouses

The spouse of a Veteran can also apply for home loan eligibility under one of the following conditions:

- Unremarried spouse of a Veteran who died while in service or from a service connected disability, or
- Spouse of a Servicemember missing in action or a prisoner of war
- Surviving spouse who remarries on or after attaining age 57, and on or after December 16, 2003 (Note: a surviving spouse who remarried before December 16, 2003, and on or after attaining age 57, must have applied no later than December 15, 2004, to establish home loan eligibility. VA must deny applications from surviving spouses who remarried before December 6, 2003 that are received after December 15, 2004.)
- Surviving Spouses of certain totally disabled veterans whose disability may not have been the cause of death

Other Eligible Beneficiaries

You may also apply for eligibility if you fall into one of the following categories:

- Certain U.S. citizens who served in the armed forces of a government allied with the United States in World War II
- Individuals with service as members in certain organizations, such as Public Health Service officers, cadets at the United States Military, Air Force, or Coast Guard Academy, midshipmen at the United States Naval Academy, officers of National Oceanic & Atmospheric Administration, merchant seaman with World War II service, and others

VA Mortgage Loans are subject to the same structural and safety appraisal as FHA Loans.

USDA Loans

A USDA home loan from the USDA loan program, also known as the USDA Rural Development Guaranteed Housing Loan Program, is a mortgage loan offered to rural property owners by the United States Department of Agriculture. Families must be without adequate housing, but be able to afford the mortgage payments, including taxes and insurance. In addition, applicants must have reasonable credit histories. Additionally, the property must be located within the USDA RD Home Loan "footprint." USDA Loans offer 100% financing to qualified buyers, and allow for all closing costs to be either paid for by the seller or financed into the loan, so you will have no down payment and possibly no closing costs.

USDA Home Loans have Maximum Household Income Limits which vary by the County you purchase a home in. The Maximum Household Income Limits are based upon everyone in the home who is a wage earner, even if their income is not going to be used to qualify for the USDA Loan. For instance, Social Security Income from an elderly relative living in the home, would be considered when determining the maximum household income - even if that relative was not going to apply to be on the mortgage loan. There are deductions however, that USDA Underwriters allow, and oftentimes, those calculations will pull a family under the Maximum Household Income Limit.

In Lake County, the area for USDA Mortgage Loans is the area south of Lake Dalecarlia, to the East into Porter County, and includes Jasper and Newton County as well. The eligibility map for the USDA district can be found at eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do. USDA Mortgage Loans are subject to the same structural and safety appraisal as FHA Loans.

Down Payments

The down payment is the money from your savings that you give to the home's seller. The rest of the payment to the seller comes from your mortgage.

Down payments are expressed as percentages. Let's say you buy a house for $100,000:

- A 3 percent down payment means that you pay the seller $3,000 and you borrow $97,000.
- A 20 percent down payment, you would pay the seller $20,000 and you would borrow $80,000.

Sometimes you'll hear a phrase like, "Alex put 20 percent down on the house." That means that Alex made a 20 percent down payment.

When you make a down payment, you risk losing that money if you can't make the house payments and end up in foreclosure. This gives you an incentive to make your mortgage payments. That's why the lender requires a down payment.

Most mortgage lenders require a down payment of at least 3 percent. FHA loans (mortgages insured by the Federal Housing Administration) require a down payment of at least 3.5 percent. Depending on your credit history, the type of dwelling and your reason for buying, the minimum down payment could be 5 percent, 10 percent, 20 percent or more.

A few limited mortgage programs require no down payment or a very small one, like USDA and VA mortgage programs.

Down payment and mortgage insurance

When you make a down payment of less than 20 percent, you must buy mortgage insurance. There are two main types:

Private mortgage insurance, often called PMI, is paid to an insurance company. Most PMI premiums are paid monthly. They're called annual premiums, even though they're paid every month. Most insurers offer the option of an "upfront premium" -- a big payment at the beginning of the loan. FHA insurance is paid to the federal government. When you get an FHA-insured mortgage, you pay for an upfront premium plus monthly premium payments.

In many cases, lenders charge fees to borrowers who make down payments of less than 20 percent. Those fees are on top of mortgage insurance premiums. The smaller the down payment, the higher the fees, which are paid at closing. Sometimes the lender charges a higher interest rate instead of the fees.

Closing Costs

Here's an outline of what closing costs you may expect from buying a home:

- Loan origination fee – this is charge from your lender, and varies depending on the cost of the home and other lender policies. This may be waived in the case of a VA loan.

- Appraisal fee – this is charged by your lender for their costs associated with the appraisal of the home

- Interest - Interest will be due on the loan from the day you close on your new home until the next month, when the first full payment will be due. This will be based on your interest rate loan amount, along with the date you close.

- Insurance - this is the premium due on your homeowners insurance. This will be based on your homeowners policy cost and when we close – this may require anywhere from six months to year upfront.

- Initial deposit for the escrow account – this is the amount the lender will ask for in advance to fund the escrow account of the homeowners insurance and real estate taxes. This will be based on your homeowners insurance and real estate tax amount, based on the day we close and the time until the end of the year.

- Title services and Lenders title insurance – this amount depends on the cost of the home and what title services your lender requests.

- Government Fees - These are fees to record the deed and various documents, and the cost of preparing and recording the state disclosure with the county.

These are the basic closing costs for an average closing – yours may be different, with different loan charges, insurance costs, etc., and your down payment, if any, will be added to these costs. Prior to your closing, you will get an exact settlement statement for your specific purchase, and I will review the calculations with you at that time.

Depending on the property, you may be able to ask the Seller to pay a portion of your closing costs. I can help you determine the terms of an offer which includes a request for Seller paid closing costs.

How Credit Reports Work

If you've ever applied for a credit card, a loan to buy a house or car, or a line of credit to make some other large purchase, then you've probably had your credit report reviewed by a lender. If your report says you don't pay your bills on time, or that you have a lot of debt, you may not get that loan -- or you may get it but have to pay a higher interest rate. Because it can have such an impact on the things you do in your life, you should make sure that your credit report is accurate and that you understand how it affects the credit you can get.

A credit report is an accumulation of information about how you pay your bills and repay loans, how much credit you have available, what your monthly debts are, and other types of information that can help a potential lender decide whether you are a good credit risk or a bad credit risk. The report itself does not say whether you are a good or bad credit risk -- it provides lenders with the data to make the decision themselves. Credit bureaus, also known as credit reporting agencies (CRAs), collect this information from merchants, lenders, landlords, etc., and then sell the report to businesses so they can evaluate your application for credit. Lenders make their decisions based on different criteria, so having all of the information helps ensure that they are making the right decision.

Information that makes up your credit report includes:

- Personal identifying information - This includes your name, address (current and previous), Social Security Number, Date of Birth, current and previous employers, and (on the version you get) your spouse's name may be included as well.

- Credit history - This section includes your bill-paying history with banks, retail stores, finance companies, mortgage companies, and others who have granted you credit. It includes information about each account you have, such as when it was opened, what type of account it is, how much credit it includes (or the amount of the loan), what your monthly payment is, etc. If you've closed the account or the loan has been paid off, then that information shows up as well. If there were missed or late payments, this is where that appears.

- Public records - Information that might indicate your credit worthiness, such as tax liens, court judgments and bankruptcies. This information is readily available from public records.

- Report inquiries - This section includes all credit granters who have received a copy of your credit report. It also includes any others who were authorized to view it. In addition, lists of companies that have received your name and address in order to offer you credit are included. These companies don't actually see your report, but get your name if you meet their criteria for an offer of credit, insurance or other product. This is where all of those "pre-approved" credit card offers come from.

- Dispute statements - The report may also include any statements you've made disputing information on the report. Most credit bureaus allow both the consumer and the creditor to make statements to report what happened if there is a dispute about something on the report.

Things that don't appear on most credit reports include:

- Bank account balances
- Race
- Religion
- Health (although medical bills may show up as debts)
- Criminal or Driving records
- Income

There are different versions of credit reports available depending upon who is requesting it. The consumer version includes all of the above information, as well as a listing of all inquiries for the report. The business version includes all of the above information, but only the inquiries made by companies with a "permissible purpose" – this usually means someone you have initiated business with.

You've probably heard about a credit score as well. Don't confuse your credit score with your credit report. Credit scores are based on formulas that use the information in your report, but they are not a part of your report. Fair, Isaac and Company came up with a proprietary scoring formula that most creditors use, although there are other scoring methods that are used for various purposes. This score essentially boils down all of the information in your credit report to a single three-digit number. This gives creditors an easier way of making decisions about your creditworthiness. These numbers range from 300 to 850, with the higher number indicating better credit.

How Credit Bureaus Get Information

A credit bureau is a clearinghouse for credit information about consumers. There are over 1,000 local and regional credit bureaus around the country that gather information about your credit habits directly from your creditors. Typically, these smaller local and regional bureaus are affiliated with one of three large national credit bureaus – Equifax, Experian, and TransUnion.

For example, let's say you apply for a credit card and provide the card company with all of your personal information, such as your name and address, your previous address (if you haven't lived at your current residence for more than two years), your employer, other credit cards you have, etc. The credit card company then contacts a credit reporting agency (CRA) and reviews your credit report. If the company approves your application for a credit card, then the information you've supplied is forwarded to the CRA . That credit card company also reports your payment history to the CRA, so that becomes part of the report. The CRAs also access information about you from public record information such as court records. All of the transactions you have that involve credit are reported monthly to CRAs by the merchants or creditors you deal with. Most large creditors report this information to all three national credit bureaus (CRAs). Some smaller lenders or merchants, however, may only report the information to one. For this reason, your report from each CRA may not be the same. You might get a copy of your report from Experian that does not include an account that shows up on your report that is maintained by TransUnion. For this reason, it is wise to review copies of all three reports. While the report itself only relays the history of your dealings with creditors, there is still information there that may seem innocent to you but NOT to potential creditors. This includes information like:

- Inquiries - Every time you apply for a credit card to get a free travel mug, duffel bag, or tee shirt, you are adding another hard inquiry to your credit report. When potential lenders see these inquiries, it may wrongly imply that you're either in some financial situation where you need a lot of credit, or are planning to take on a large debt. Either can flag you as a high credit risk. Other types of inquiries, such as your own requests to view the report, employer requests to view the report and requests by marketers to get your name in order to sell you something, count as soft inquiries. These inquiries don't show up on the reports that lenders see, and therefore don't affect how they view your credit. Also, watch out when you are car shopping or mortgage shopping. Make sure you don't let the car dealer or mortgage broker run your credit unless you know you 're going to be buying from them. While the FCRA allows these types of multiple credit inquiries that are within seven to 14 days of each other to be counted as a single inquiry, you would have to be careful of your timing to make sure you don't have multiple inquiries show up.

  So, how many hard inquiries can you have without a problem? Some experts say that if you have 10 credit card inquiries in six months, that will probably scare a lender. Others experts say that as few as six credit card inquiries in six months can label you as risky. Inquiries that are older than six months may not be looked at as strongly because if you actually set up the loan or opened the credit card account, those accounts would now be showing up on your report as well. The newer inquiries might lead the lender to think that you actually have the credit accounts available now but they haven't shown up on the credit report yet. Most inquiries drop off of your report after two years.

- Open credit accounts - Another thing to watch out for as you gather all of those free mugs and duffel bags is that even though you may have forgotten about them, accounts you don't use still count toward your total available credit. Just as with the hard inquiries we've talked about, these can indicate to a potential lender that you could easily put yourself into financial danger with all of that readily available credit. According to TransUnion and Experian, you should not close out your oldest card, because it has the most history on it. But other than that, close the accounts you don't use. In addition to avoiding excessive available credit, you're limiting your exposure to identity theft. Cutting up the card or just not using it doesn't mean the account is closed. You have to call or write to the card company and ask to close the account.

- Missed payments - Obviously, your payment history makes a big difference. You should always make at least the minimum payment, or consolidate accounts to reduce your payments. These delinquencies stay on your report for seven years -- even if you've caught your payments up! The same goes for accounts that creditors have turned over to collection agencies or charged-off -- meaning that they've written the account off as a loss. Even if you do pay off the account at a later date, the charge-off or collection action stays on your report for seven years.

- Maxed-out credit lines - Another thing that scares lenders is a maxed-out credit line (or two). This waves a big red flag and indicates that you may be financially strapped for some reason. Some experts suggest moving debt around if this is the case. For example, if you have a maxed-out card but have other cards that haven't reached their credit limits, you might consider moving some of the debt from the maxed-out card to the non-maxed-out ones.

- Debt in relation to income - If you have unsecured credit card debt that is more than 20 percent of your annual income, lenders may not want to give you the best deal on a loan (if they'll take the chance and give you a loan in the first place). Work to reduce the debt-to-income ratio and you'll be able to get better rates on the loans you seek.

Below is the contact information for all three national credit bureaus in the United States.

Equifax – www.equifax.com
To order your report, call: 800-685-1111
To report fraud, call: 800-525-6285/ TDD: 800-255-0056

Experian – www.experian.com
To order your report, call: 888-397-3742
To report fraud, call: 888-EXPERIAN (397-3742)/ TDD: 800-972-0322

TransUnion – www.transunion.com
To order your report, call: 800-916-8800
To report fraud, call: 800-680-7289/ TDD: 877-553-7803

Finding Your Home

Once you have obtained a mortgage pre-approval and selected a real estate agent, you are ready to begin your home search in earnest.

Today, approximately 80 percent of home searches begin on the Internet, and if you're searching for a home in this area, there's only one web address you need to know: www.HomeSalesByErica.com. My web site includes tools, tips and access to all of the properties listed in the MLS. Best of all, you're in control. Sign up to manage and customize your search, receive e-mail updates on new listings as they become available, conduct several searches at once and save and compare properties.

Reviewing Listings – Using the guidelines you set forth, I will present you with available listings. In addition to price and property attributes, pay close attention to data like property taxes and monthly assessments for condos and town homes.

View Properties – I will schedule showings and accompany you on each appointment. When you walk through a home, some things to consider are: how the space functions for your lifestyle; what's included in the total square foot age (balcony, basement or garage); and, in new construction, which features are standard and which are upgrades. According to the U.S. Department of Housing and Urban Development, the average buyer will view 7 homes before buying one. But that is just an average. Some buyers will purchase the very first home they see. Others will look at more homes.

Open Houses — Remember, if you are attending Open Houses without me, be sure to mention that you are being represented by an agent. This will save you from being bombarded with calls from other agents trying to represent you. I can supply you with some business cards to make the Open House sign-in process even easier.

Compare Properties — Discuss each home you see with me, and provide candid feedback. Your expectations and the marketplace will begin to converge, and I will be able to adjust certain parameters such as location and features in order to present you with alternatives. When you find a home and are ready to make an offer, I will compare the property you like with other properties that are currently listed and recently sold to help you formulate your offer.

How Do I Know What to Offer on a House?

So you picked out a house, and you're ready to go – how do you know what a good offer is?

You, as the potential Buyer, are the one who has the final say on what an offer will be. You're signing the contract, you're writing the checks and living in the house – you set the offer. But you're not on your own - I have a number of tools to help you figure out what a good, fair offer will be:

The CMA – the most valuable tool an Agent has is access to the local Multiple Listing Service, which will report all of the market sales along with loads of data on the home and the sale. Once you pick a home, I can present you with a CMA, which will be a snapshot of the market for comparable homes in the last 30-90 days. We can use this data to figure out what to offer, and if the home is overpriced or just right.

The Market Research – in addition to a CMA specific to the home you like, I can give you a picture of the neighborhood market as a whole. This can be a very valuable tool – you will be able to see if there are a lot of homes for sale. If so, you will know that the Seller has a lot of competition, and your offer can reflect that fact that you have a lot of other options. If there's not so much listed, then the neighborhood is hot, and your offer should be higher, since fewer homes are available to the pool of potential buyers and the Seller has more options. Also, check to see how quickly homes are selling – that is another clue as to how hot the neighborhood is, and will have an impact on your offer.

The Sales Prices – the MLS will have two sets of numbers for sold houses – one is the list price, and one is the actual sales price. Final prices can vary widely, based on everything from condition of the home to the urgency of the Seller to move out. I should be able to be show you a percentage on sales prices – say, that the homes in the neighborhood sold for 96.5% of the list price. That gives you a good picture of the overall values in the neighborhood, and you can apply that percentage to your home to see where it puts the price.

A note about online websites and their estimated values – Websites like Zillow and Trulia include with their listings an estimated value. Lots of buyers use that number as a guide for their home – don't do that! The problem with those websites is that their numbers are based on some national average. True home values are based only on local market conditions, and the criteria listed above. I have seen estimated home values that are terribly inaccurate, like a value of $200,000 on a home with a foundation that's literally crumbling. Also, you can find home values on local county websites, and while those are usually a little more accurate, they are still skewed – the County Assessor hasn't been in the home to rate its condition, and there are usually some political shenanigans involved as well. For a true picture of a home's value, ask me for the actual data, or get an appraisal.

Some Other Considerations:

I can check the history of the listing. This information is available on the local MLS, and can give you clues about the Seller's position. Pay particular attention to how many days the home has been listed. Most MLS systems can tell you not only how long it's been listed this time, but will go back and tell you if it's been listed previously with no sale made. A Seller who's house has been listed for 295 days may very well be open to a low offer, as long as it reasonable. Also look for price drops – a house that has had many price drops in a relatively short period of time may indicate a Seller who needs to get the home sold ASAP, while a home that's been listed for a long time with no price drops may indicate a Seller who refuses to recognize the true market value of the home.

Remember the appraisal. Unless you're paying cash, you will be dealing with a bank who will want an independent appraisal of the property. If you need to borrow $200,000 to buy the home, it must appraise for at least $200,000 or the bank will not lend you the money. If you're in love with a home, and the Seller won't come down to a reasonable market price, you probably won't get your loan and the deal will die. Appraisers have access to the MLS as well, and they use the same data that I see to set their market value.

A good house may end up with Multiple Offers. If it's a great house in a good neighborhood, or is priced very well, you may find yourself in a situation where you're competing for the home with other Buyers. If you are set on this home, you need to take a Multiple Offer situation into account. Your bid will be up against other bids, and you won't know their offers, so this is not the time to put in a low ball offer. The Seller will just pick the another Buyer, and you'll be out of contention. This is a tricky situation, and you should rely on the information I provide you about the market to make the best possible bid right out of the gate.

So when you're educated on the market and are ready with a number, it's time to make an offer. Most people have two numbers in mind – their first offer, and the maximum they would pay. With real estate, most people would say “never pay list price” but that’s not always the case. Review your data (and your budget!) and make your first offer a good one. A good Seller’s Agent won’t overprice the home too much, so unless it’s a list price that is ridiculous based on your market research, I’d recommend going in at or near your maximum. Going back and forth with counter-offer after counter-offer just wastes time and paper, if you know you’ll end up at or near list price anyway.

Don’t forget to take into account any extras you might be asking for. It’s common now for Buyers to ask for closing costs, which impacts the Seller’s response. If you offer a solid price, and ask for 5% in closing costs, you’re further reducing the price by 5%. The Seller is on the other side of the deal, doing the same calculations as you are, and that 5% in closing costs is exactly the same as offering 5% less on the home. Also add in any costs you’re asking the Seller to pay – if you’d like the Seller to pay for a survey, a home warranty and a well inspection and throw in the pool table, that comes off their end as well. Make sure to calculate all of that into your offer – I will be able to guide you with those numbers, and talk about how to add them in to total the correct price. Make sure you talk about everything that costs money in a sale – sometimes you may ask for small things as a negotiating tactic, which you can then abandon and end up at a price that works for you.

Making an offer can be a tricky business, so it’s important to have the information you need. Both Buyers and Sellers can get emotional about a home’s value, so I can produce the data you need, provide clear headed advice, and negotiate any eventual deal. Just remember – this isn’t a television show, and you’re not a millionaire Real Estate Investor. 99% of all real estate sales are straightforward, and most attempts to put one over on a Seller just backfire. Take a deep breath, look at the numbers, and make a clear, strong offer.

MAKING AN OFFER

Chances are, when you find a home you absolutely love, someone else may love it too. So it's important to act quickly and make an educated offer based on a rational approach to pricing and negotiating that you and your agent have discussed. To start the process rolling, I will draw up a contract that includes your offering price and other terms and contingencies. Buyers often focus on price, but there are other important terms to a real estate contract. You can include any terms you like, but the more you add, the more likely the seller is to object. Here are the most common elements of a real estate contract:

Price – The market will determine the final price, but your agent will help you formulate an offer based on comparable listings and sales, and current market conditions.

Mortgage Contingency – A mortgage contingency stipulates that you will buy the home subject to obtaining a mortgage. If you cannot obtain a mortgage, then the contract will be void. The terms of the mortgage must be stated in the contract, and we will also need to establish a timeframe for securing financing.

Home Inspection Contingency – A thorough inspection of the property by a licensed home inspector protects you against structural or material problems that are not detectable in a casual walk-through. Home inspections are just as important in new construction as they are in resale. Obviously, buyers can't inspect a home that isn't built yet, but they can request an inspection prior to closing. In new construction, an inspector will make sure that all mechanical systems are working properly. They may also spot repairs that need to be added to the builder's punch list (a list of items that need to be completed before the home is delivered to the buyer). The buyer, not the seller, is responsible for hiring and paying the inspector.

Earnest Money – Earnest money is a deposit, given by the buyer to the seller, which secures the contract until the closing. An initial deposit, usually in the form of a check, must be given to the seller or seller's agent along with the contract. Earnest money is typically held in an escrow account until the closing, when it may be applied to the down payment and/or closing costs. If the sale does not go through due to contingencies covered within the contract, then the earnest money may be returned to the buyer. However, if a buyer is in breach of contract, then a seller may be entitled to keep all or a portion of the earnest money.

Closing Date – One of the most important terms of a real estate contract is the closing date – the date when ownership changes hands. This is usually, but not always, the date that the seller must vacate and the buyer may occupy the property. Flexibility on the closing date can give a buyer a big advantage over other potential buyers. Occasionally, it can also allow you to negotiate a lower price or other, more favorable terms.

COUNTER OFFERS

In many transactions, there is a fair amount of negotiation – offers and counteroffers – before both parties are satisfied. This is one aspect of a real estate transaction in which an agent is invaluable. Not only can an agent draw upon his or her experience and market knowledge to offer sound advice during a negotiation, but he or she can also serve as a buffer between the buyer and the seller/seller's agent. Negotiating for a home can be a highly charged and emotional process. But the most emotional buyer will look like one cool customer behind the right agent, and in the end, you usually wind up with what's important to you.

NEGOTIATIONS

Most people look forward to a negotiation like they look forward to a root canal. Of course, there's also that rare breed that relishes trading in their car just so they can spend a few hours beating up on the dealer and sales person. No matter what category you fall into, one thing is for sure: negotiations are a part of almost every real estate transaction. And how they're handled goes a long way toward determining the success of a deal. Here are some tips to follow in completing many successful negotiations:

- Before negotiation begins, try to find out the motivation of each party. It's not always price. A flexible closing date could be just as important. This will help you formulate a strong offer going in.

- Keep the negotiations away from an "us" versus "them" mentality. The goal is to truly create a win-win situation for both parties. Otherwise, you will never reach an agreement.

- Keep negotiations alive, even if offers and counter offers drag on over a long time. Many deals come back from the brink.

- People often say, "Don't get emotional". THAT'S NONSENSE! How can the average person not get emotional when negotiating a transaction as important as a home? Share your feelings with your agent so you can refocus on the task at hand. In the end, you usually wind up with what's important to you

Questions on Home Inspections

I recommend that all Buyers get a home inspection for their new home. Some Buyers aren't sure if they need one – it costs money (usually about $400 in this area) and if the deal goes bad, there's no refund of that money. But even the most handy Buyer isn't going to be able to check all the things that an inspector does. The inspector is specially trained to perform these inspections, and they have an well-organized system to do so.

Another big issue with Buyers and inspections is that they are unsure or ill-informed on what an inspection is supposed to mean and what they should do with it. Here's some insight on what an inspection can do for you, and how to understand its role in your purchase.

It's not a complete guarantee that nothing is wrong. Home inspectors are limited in one big way – they can't see what's behind the walls. Inspections are limited to what is visible. Now, their definition of visible is different than ours. We might shine a flashlight into a corner and see cobwebs; they'll climb into a tiny attic access hole, shine a flashlight and use a heat meter to test insulation values. They absolutely do everything they can to look at everything that's accessible – they crawl on the steep roof, into the creepy basement crawl space and behind the rusty water heater. But they can't start putting holes in walls and pulling up carpet. Despite the limits, they generally can tell you what's wrong with the home using their knowledge of home construction and the effects of time on a house.

It's not a complete guarantee that everything is wrong. Many home inspectors do a great job, finding and listing every possible thing that is wrong, every possible thing that could be better, and every possible thing that might possibly go wrong someday. This freaks out a lot of buyers – inspection reports can be 40+ pages long, and list every conceivable hazard, defect and suggestion. Hazards and defects are one thing, but suggestions are just that. Often added to make sure a lawsuit won't bounce back on them, inspectors can get really excited about their suggestions. They don't always mean there's a problem – talk to your inspector to see what they think about the suggestions. You don't want to lose a deal because there are not smoke detectors every 10 feet.

A home inspection is a valuable tool to make sure your new home is in acceptable shape. Every person has a different definition of acceptable – I have some Buyers who don't like the tiny cracks in the sidewalk, and others who don't mind the giant cracks in the home's foundation. The trick is to talk about what things are deal breakers to you, and to have them taken care of by the Seller, or reflected in the price you pay. Even in the best, newest house, your inspection will list pages of potential problems – talk to the inspector to make sure you understand the problem and the options for repair, talk to me to get my thoughts on how to approach the problems, and be honest with yourself as to what you can handle. Don't accept a sale when you're not sure you can fix the problems yourself, but don't kill a deal because you think the Seller "has to" fix the problems.

Also, your inspector may find a problem that needs to be looked at by a specialist like a foundation expert or a electrican.

Most inspectors issue a report on the home the day of the inspection because of tight inspection response deadlines. Here's what you'll see on the report:

Inspection and Testing of Major Systems – Your home inspector should review and test all major systems of the home, including electrical, plumbing and HVAC. Depending on the home, the furnace should be run multiple times, and if it's warm enough outside, the air conditioner should be powered up and tested. The plumbing should be inspected for cracks and leaks, and water pressure and drainage should be observed. Electrical outlets should be tested for grounding, and GFCI outlets should be tested to confirm they trip properly. The electrical components should be reviewed as well, looking for outdated materials and the state of the breaker box.

Inspection of Exterior – Outside, the inspector should be looking at the condition of everything attached to the house. Except in certain weather conditions, the inspector should go on the roof to check the condition of the shingles and chimney, and there should also be an inspection of the foundation, looking for cracks and issues with the yard sloping toward the house. Windows, gutters and siding are visually inspected, and sidewalks and patios should be reviewed for cracks as well. The garage is included in this inspection, and its systems, exterior and roof.

Inspection of Basement/Crawl – An inspector should always spend some time in the basement or crawl space. If there are water issues, it will be apparent in this area, and they are trained to look for signs of old water or mold. They can also get a good look at the joists of the floors overhead, and note any problems with load bearing walls or the sub floors.

Inspection of Interior – Each room should get a full review, with testing of electrical outlets, inspection of doors, windows and screens, and any issues with drywall cracks, ceiling cracks, possible water damage and flooring. In the kitchen and bathrooms, there will be a lot more to look into – the electrical systems get closer scrutiny due to having water in the room, and of course the fixtures and plumbing get a good inspection.

How to Read the Report

Most reports are set up in the same way – pages and pages of individual reports on different parts of the home, followed by a summary of the report. Read the entire report! Everybody is human, and something could be noted on the full report that didn't get included in the summary. Read the whole thing, and if you have any questions, call the inspector and get an answer – you paid for their time, and they should be happy to help you with any questions. If you'd rather, have your agent call for you.

In the Summary, you'll see some different categories of problems:

Items Not Operating – this is stuff that just doesn't work. It might be an appliance that's broken, or the entire electrical system. Read carefully, and we can discuss how to respond to the inspection. A broken dishwasher might not be a big deal, but some repairs in this section are costly or hazardous. It might be worth forgetting the deal if it's an important part of the house.

Major Defects – this is stuff that's a big deal, which could be everything from a termite infestation to a hole in the well tank. Again, we will discuss this carefully, and see what can be done. Some Sellers are okay with making the repair, especially if it's something that means their house won't sell to anyone else because of the problem. Deals can be made, either through Seller paid repairs or by lowering the sales price to account for the cost of repairs. Just make sure that your bank will be okay with you making the repairs after closing – if it's a big enough problem, they won't write the loan with just a promise you'll fix it in the future.

Safety Hazards – this can be complicated bad things (like a faulty chimney) or bad things that are easy to fix (like a GFCI outlet that needs to be replaced). But, because they affect the safety of the home, they should always be fixed by a professional, licensed repairman. Lots of people can do lots of repairs, but when a small mistake can mean a house fire, I'd demand a professional for the repair.

Other Items – this is the rest of the stuff that's wrong – and often, it's not really something wrong so much as something that could be better. Read through this section, and stay clearheaded. Often, home inspectors pile so much in this section it can freak you out, and make the home look like a money pit. But that's usually not true. Something like a drywall crack can be an easy weekend fix, requiring $20 in materials, and a sidewalk crack can sometimes be fixed by simply ignoring it. Make sure you talk about this section with both the home inspector. They can help you talk through the repairs and make good decisions about what to ask the Sellers to repair.

The most important thing to remember is that no home is ever going to be perfect. Even brand new homes have issues and no Seller is required to fix anything. Make sure you address any and all problems that effect the safety and livability of the home, and stay reasonable about the rest. Most Sellers are understanding about repairs, particularly about big things, and you'll probably be able to get the things that need to be fixed completed. But your Seller always has another option – to walk away from the deal. Don't push too hard for a perfect house, because they don't exist. Work with your inspector to understand the severity of the problems, and work with me to figure how best to address them.

FROM CONTRACT TO CLOSING

In a real estate transaction, there are dozens of loose ends to tie up between signing the contract and closing the sale. I am known for my attention to detail during this important phase in which we coordinate and oversee the following steps:

- Deposit earnest money with the seller or seller's agent

- Recommend and schedule a home inspector. It is always highly recommended that the buyer attend the inspection in order to make sure that any issues that come up are properly understood
- Obtain important documents, such as property disclosure forms and condominium documents (budget, declaration, condo association minutes), and deliver them to the buyer.
- Recommend a mortgage broker and help expedite the loan-application process.
- Monitor all contingencies to ensure that they have been met
- Recommend service providers for moving, home-improvement and repairs
- Schedule a final walk-through. Both buyer and buyer's agent should be present.
- Coordinate your closing

In addition, if you have an existing home to sell, I will customize a comprehensive marketing program to help you achieve the highest possible sales price in the shortest amount of time.

CLOSING
I will work closely with you, your lender, and the seller's agent to make sure everything is in place for a smooth and efficient closing.

Typically, a day or two prior to the closing, your lender will forward all loan documentation to the title company and let you know the amount required to close. You will be responsible for bringing the balance of your down payment and closing costs (such as lender fees, title company fees, and state and city transfer taxes) to the closing in the form of a cashier's check or a wire transfer. At the closing, I will guide you through the many documents you need to sign, including the mortgage, the deed and lender forms.

AFTER CLOSING
While your transaction is complete, my work is not. In fact, I maintain relationships with my clients long after closing. I am always glad to help

you find a variety of service providers and tradesmen to perform work on your home or make life a little easier.

As you're getting settled into your new home, here are a few situations you may encounter in the coming months and years that are important to think about.

Rebuilding Your Savings & Maintaining Financial Discipline — Buyers should definitely take the time to review and evaluate their finances after a home purchase. One important step to consider is setting up an automatic electronic payment with your mortgage lender, which lets you avoid costly penalties associated with late payments. Also, make a plan for gradually rebuilding your savings account, which many buyers deplete in order to make their down payment and pay for moving costs. As a homeowner, it's more important than ever to have a cash reserve set aside for unanticipated maintenance that your home may require. In fact, a general rule of thumb is that homeowners should expect to spend about 1 to 3 percent of the cost of their home per year on maintenance and repairs.

Refinancing — Keep an eye on interest rates even after you purchase your home. If rates go down, you may be able to save money by refinancing, which simply means you take out a new mortgage at a lower interest rate to replace your original loan. Today, many lenders offer no-cost refinancing, which basically means they take the costs and fees associated with refinancing and roll them into the interest rate. It's a way for homeowners to lower their monthly payment with little or no money out of pocket. While refinancing a mortgage has gotten much easier in recent years, it is still a major financial transaction with important implications. So be just as diligent in a refinance as you were in securing your original mortgage.

Home Improvement — Whether it's a fresh coat of paint, new hardwood floors or a major kitchen remodel, most new homeowners have at least a few projects they want to undertake once they move in. I can even help you find a variety of service providers and tradesmen to perform work on your home.

Where do I go from here?

- Call me to get a referral to a lender - You may be able to buy a house tomorrow, or there may be a short wait while you work on your credit score or save some money. That's no problem - I will keep in touch as long as it takes, keeping you advised of market conditions as they change over time.

- Start a MLS Search - Take a few minutes to talk about what you're looking for in a home, and we will put together a search for you. It comes directly from the MLS, so you know it is accurate, unlike Zillow, Trulia or other online search pages. Also, it runs automatically, so as new houses are listed that meet your criteria, you will be notified right away.

- Stay in contact - I know it takes a while to make the decision and get all the pieces in place for a move. That's no problem, and I'm here whenever you're ready. If you have questions, or even just want to say hello, just call, text or email me anytime - no strings attached.

About Erica Guelinas
Century 21 Circle

In the complex world of real estate, I believe that a partnership between us is the best and most pleasant way to complete a real estate purchase. I will bring our knowledge of the local real estate market and the real estate transaction, and when combined with your enthusiasm and optimism, we will make a great team!

My goal is client satisfaction, and I know the real estate process, I keep current on local real estate tends, and I listen to my client's needs and wants. This process is centered around you, and I will give 100% to make sure we can accomplish a smooth real estate transaction.

When buying or selling, the real estate process is always more enjoyable when you understand each phase of the transaction. You have a right to know everything that is going on, and as your real estate agent, I am dedicated to keeping you informed every step of the way.

Honesty is paramount in relationships with clients. I believe that, with good information, you can make good decisions and overcome any issues that may arise. My honest approach and good communication are skills that have established my credibility in the marketplace, and will be a valuable resource to you.

I became a real estate agent because I love houses, and because I enjoy working with clients like you. I am committed to treating all parties in a real estate transaction with respect and integrity, and I always strive to provide the best possible service to clients before, during and after we find your new home!

Erica

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Here's What My Clients Have to Say....

"Erica Guelinas is extremely knowledgeable in her field. Erica helped us to make a difficult situation of selling a realistic goal. Erica's recommendations to help to make the house more salable were greatly valued, respected, and spot on. Erica was always accessible. Erica helped us with negotiation tips and techniques and continues to help with our future endeavors. We thank Erica for being a stabilizing force in our encounters." Bob and Charlene G.

"Erica is the best! She went out of her way to schedule showings when we were available. She also went out of her way to give us recommendations of properties that she thought would suit our needs. She is indeed an expert at what she does and has become a good friend too." Doug and Ken I.

"Right from the start, Erica was terrific. I wanted to see a salon that was for sale, but the listing agent didn't respond to my telephone calls. I had used McColly Real Estate in the past, so I went to the office here in Lowell in hopes that someone could show me the property. Turns out the office was closed, but they forgot to lock the front door. I poked my head in and asked if anyone was still there. Lucky for me Erica was working late that night. She was able to arrange a showing of the property, and the rest is history. I'm now the proud owner of a hair salon that I hope to make very successful. I'm truly grateful that Erica helped make that dream come true. She really is the best." Don D.

"Erica knows her stuff, is personable and reliable. She sold our starter home and helped us find our forever home. I HIGHLY recommend hiring her if you want to an honest and helpful realtor." Andy and Megan T.