

Buying a Home in Pennsylvania



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EACH OFFICE IS INDEPENDENTLY OWNED AND OPERATED

Congratulations! The decision to buy your own home is an exciting one. The experience should be enjoyable as well as get you the perfect home with the least amount of hassle.

Rob Gerhart is devoted to using his expertise to make your transaction successful!

Purchasing a home is a very important decision. This booklet will give you an idea of what to expect during each phase of your transaction. It is useful as a reference guide even after the transaction is closed.

Please keep this booklet during all house hunting related activities: meetings, house hunting trips, etc. Use it to take notes and to keep track of deadlines. You can even staple cards to relevant pages to keep related materials together. Making this transaction as easy as possible for you is my job. I am happy to serve all your real estate needs.

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Selecting a Buyer's Agent

Historically speaking ... Realtors always worked for the Seller. Even though Agents spent countless hours getting to know buyers and their needs - they owed all their fiduciary responsibility, loyalty and confidentiality ... to the Seller. They were required by law to get the highest possible price and best terms for their client, the SELLER. Back then (and not so long ago) realtors could not legally advise a Buyer on price, market conditions or terms of sale ... until now!

New laws on Agency have been sweeping the states! Changes in state legislation as well as local Real Estate regulations now allow for buyers to choose **Representation**. Meaning ... you can feel secure in knowing that your best interests are being put first in your Real Estate transaction. Think about it, most likely there will be a real estate agent involved in the transaction. Would you be better off with choosing a *qualified agent to represent you and your interests* or settling with an agent hired by the seller?

Why Do You Need a Realtor?

A Realtor brings a wealth of knowledge and experience to the business of buying a home. In fact, a licensed real estate professional provides much more than the service of helping you find the home of your dreams. Realtors are not just sales agents. They are expert negotiators, seasoned financial advisors, and superb navigators around the local neighborhood. They are members of the National Association of Realtors (NAR) and must abide by a Code of Ethics and Standards of Practice enforced by the NAR. A professional Realtor is your best resource when approaching to buy a home.

WARNING: ANYTHING
YOU SAY TO THE AGENT
REPRESENTING THE
SELLER CAN AND WILL
COST YOU TENS OF
THOUSANDS OF
DOLLARS DURING
NEGOTIATIONS

Glossary of Real Estate Brokerage Relationships

Real Estate brokers and their salespersons are required to disclose the type of working relationship they have with the buyers in a real estate transaction. There are several types of relationships that are available to you. You should understand these at the time a broker provides specific assistance to you in

buying real estate. Buyer's Agent and Seller's Agent relationships are commonly referred to as "agency" relationships and carry with them legal duties and responsibilities for the broker as well as for the buyer and seller. The Consumer Notice is a disclosure that is required by law to be explained and signed by all consumers at the time of the first meeting between licensee and consumer.

Buyer's Agent

A Buyer's Agent acts solely on behalf of the buyer and owes duties to the buyer which includes the utmost good faith, loyalty, and fidelity. The agent will negotiate on behalf of, and act as an advocate for; the buyer. The buyer is legally responsible for the actions of the agent when that agent is acting within the scope of the agency. The agent must disclose to sellers all adverse material facts concerning the buyer's financial ability to perform the terms of the transaction and whether the buyer intends to occupy the property. A separate written buyer's agreement is required which sets forth the duties and obligations of the parties.

Seller's Agent

A Seller's Agent acts solely on behalf of the seller and owes duties to the seller which includes the utmost good faith, loyalty, and fidelity. The agent will negotiate on behalf of, and act as an advocate for; the seller. The seller is legally responsible for the actions of the agent when that agent is acting within the scope of the agency. The agent must disclose to buyers or tenants all adverse material facts about the property known by the broker. A separate written listing agreement is required which sets forth the duties and obligations of the parties.

The Advantages of a Buyer's Agency Agreement

Your interests are professionally represented

Enlisting the services of a professional Buyer's Agent is similar to using an accountant to help you with your taxes, a doctor to help you with your health care, or a mechanic to help you with your car. So the first advantage is pretty obvious. If you had the time to devote to learning all you need to know about accounting, medicine, and automotive mechanics, you could do these services yourself. But who has the time? You probably already have a full-time career to which you are committed. This is why you allow other professionals to help you in specific areas of expertise.

Rob has devoted his time to perfecting a career in real estate service. Continuous education, market research, and vast experience are combined with an excellent team of real estate professionals to find

you the perfect home quickly. Rob will take care of all the hassles of every day real estate transactions for you. We let you concentrate on your full-time job, while we do ours. Rob will guide you through the home buying process and exclusively represent your interests as we help you find a home, present your contract offer, negotiate, and close!

You will get a great home quickly and conveniently

The advantage to signing a Buyer's Agency Agreement with Rob is that you will have a professional working to find and secure the perfect home for you exactly when you need it. It is nearly impossible to find a home that meets your needs, get a contract negotiated, and close the transaction without an experienced agent. Rob has vast computer networks to make sure you only tour homes that meet your specific needs. You won't need to spend endless evenings and weekends driving around looking for homes for sale or trying to search computer networks yourself. When you tour homes with your professional Buyer's Agent, you will already know that the homes meet your criteria for bedrooms, bathrooms, garage space, square footage, neighborhood, etc. Also, your Agent will ensure you are looking at homes that are in your price range.

You get a personal specialist who knows your needs

Just as your accountant, doctor, and mechanic get to know your needs through a steady relationship, your Buyer's Agent gets to know your real estate needs and concerns. This type of relationship is built by open communication at all times and by touring homes with your Agent so he gets a good idea of your feedback and concerns about each home. If you try to jump from agent to agent, you will not receive the best real estate services possible, and you will be violating your agreement to your agent. There is nothing to gain from trying to find and tour homes on your own, and you will save a lot of time when your agent can tell you everything about any home before you see it.

What is the Buyer's Agency Agreement

Entering into a Buyer's Agency Agreement has countless advantages and no disadvantages. When you sign the agreement, you are simply agreeing to "hire" a personal representative who, by law, must represent your best interests to the best of his/her ability. With Rob, you get a professional devoted to protecting your needs to help you make one of the most important investment decisions of your life.

The benefits of Buyer Representation

...are plain and simple, Rob will

- Work solely for you
- Help determine a price range you can afford
- Use advertising & networking methods to find homes for you
- Arrange property showings as your Buyer Agent
- Assist by explaining your Mortgage Financing options
- Evaluate the pros and cons of specific properties seen
- Provide facts and advice to help you make informed decisions
- Pass on information that may enhance your bargaining position
- Advise you of most favorable price and terms to offer
- Structure an appropriate offer with your best interest in mind
- Explain all real estate forms and the Agreement of Sale
- Maintain confidentiality to avoid weakening your position
- Work with you to develop negotiating strategies
- Provide a list of qualified vendors, inspectors, movers, etc.
- Arrange pre-Settlement inspection and attend Closing with you
- Advocate your position from Start to Finish.

Using a Realtor to Purchase New Construction

Why should I use a Real Estate Consultant to purchase a new home?

The advantages of having Rob help you purchase a new home are the same as those for purchasing a resale home...knowledge of the market, help in finding the perfect home quickly, expertise in contract writing/negotiation, and closing assistance. The builder has a professional representative watching out for his needs, and you need the same expert representation.

Buying a new home is a little more difficult and time-consuming than buying a resale. Rob can professionally guide you through this process. Rob has experience working with builders, has access to a database of information about subdivisions, floor plans, etc. Rob is also familiar with new home warranties and builders purchase contracts.

It is very important that your interests be professionally represented when you are entering into a contract for a semi-custom or build-to-suit home. These transactions are complex and the contract details must be exact in order to protect you and to ensure you get exactly the home you want!

Is there any advantage to not using an Agent to purchase a new home?

No. There is no financial advantage for you to buy directly from the builder. Builders have a “single-price” policy, meaning you will be charged the same price whether your interests are represented by an Agent or not. Just as in any resale, the Seller pays your Agent’s fee.

REMEMBER – the Builder requires that your Agent accompany you on your first visit to the Builder’s sales office, or you will lose your right to representation.

About Rob Gerhart

Biography

Rob Gerhart has been a resident of Montgomery County for 26 years. He spent most of his early years living in the Lansdale Borough and attending school in the North Penn District, where he was an active participant in honors classes and the music program. After graduating from North Penn, Rob attended Business and Liberal Arts classes at Montgomery County Community College.

It wasn’t until 2002 that Rob entered the Real Estate industry as a technician with Harleysville-based developer T H Properties, where he was soon promoted as Job Superintendent - overseeing the construction of hundreds of local homes. Rob’s responsibilities included reviewing architectural plans, obtaining building permits, scheduling sub-contractors, coordinating township building inspections, quality control of all facets of construction, creating “punch-lists” and following up, preparing for pre-settlement walkthroughs, and obtaining Final Township Use and Occupancy Certificates. This experience was a jumping off point for Rob – an entrepreneur at heart - to continue his education in the real estate industry.

In the fall of 2004, Rob enrolled in Schlicher-Kratz Real Estate School & earned his license in 2005. During that time he interviewed with all of the major real estate brokerages in the area, which lead him to Keller Williams, Montgomeryville. The Keller Williams Culture of an agent-centric business model was an excellent fit with Rob’s core values. Keller Williams empowers their agents to be partners in the business by allowing them to have a say in the decisions, share in the profits, and most importantly do whatever it takes to serve their clients.

Immediately after joining Keller Williams, Rob took advantage of every training opportunity he could. Knowing that in order to be successful in the business he would need a competitive advantage, Rob has developed an insatiable thirst for knowledge. Several times during his first year Rob received the office award for most training classes attended. Rob has also stepped out of the box and taken the many hours of classes needed to obtain the Graduate Realtor Institute (GRI) designation from the National Association of Realtors. Fewer than 25% of Realtors hold the GRI designation. Rob has also seen the

need for advanced technology training and taken the Internet Certified Professional (e-PRO) course. Most recently Rob has achieved the Accredited Buyer Representative (ABR) designation highlighting his extensive training and experience in representing Buyer's interests in a real estate transaction.

Going above and beyond is in Rob's mission. Aside from his extensive real estate education, he has taken great care to create a positive customer service experience for his clients. When working with Rob, your goals and expectations are of the utmost importance. It is Rob's goal to create "raving fans" in all of his clients and to earn your lifelong referrals. Early in his career, he achieved great success in his business by being named "Rookie of the Year".

Beyond today Rob has impressive goals. Already on his way to earning the highly respected Certified Residential Specialist (CRS) designation, Rob is already more than halfway towards his goal of receiving a Pennsylvania Associate Broker's license. Rob knows that in order to continue his success he must make customer satisfaction his top priority.

Doing a great job for each client and creating a "raving fan" is of the utmost importance to Rob's business, which is why he is referred so often to associates, friends & family.

My Motto

Experience...Knowledge...Results

My Mission

To help the people I work with achieve their dreams. I will accomplish this by consistently providing unparalleled customer service and the highest level of dedication by adhering to my core values of honesty, integrity, and excellence.

My Qualifications

Accredited Buyer Representative (ABR)

A real estate buyer's representative represents the buyer who is purchasing property in a real estate transaction. Research by the National Association of REALTORS has shown that when a buyer's representative is used, the prospective buyer found a home one week faster and examined three more properties than consumers who did not use a buyer's representative.

The buyer's representative works for, and owes fiduciary responsibilities to, the real estate buyer and has buyer's best interests in mind throughout the entire real estate process. A buyer's representative will:

- Evaluate the specific needs and wants of the buyer and locate properties that fit those specifications.
- Assist the buyer in determining the amount that they can afford (pre-qualify), and show properties in that price range and locale.
- Assist in viewing properties -- accompany the buyer on the showings, or preview the properties on behalf of the buyer to insure that the identified specifications are met.
- Research the selected properties to identify any problems or issues to help the buyer make an informed decision prior to making an offer to purchase the property.
- Advise the buyer on structuring an appropriate offer to purchase the selected property.
- Present the offer to the seller's agent and the seller on the buyer's behalf.
- Negotiate on behalf of the buyer to help obtain the identified property -- keeping the buyer's best interests in mind.
- Assist in securing appropriate financing for the selected property.
- Provide a list of potential qualified vendors (e.g. movers, attorneys, carpenters, etc.) if these services are needed.

Most importantly, fully-represent the buyer through-out the real estate transaction.

Why should you look for the ABR designation before looking for a home? These three letters after a REALTOR's name tell you that you will be working with buyer representative who is committed to your best interests. The ABR Designation is awarded by REBAC to those REALTORS who have met the specific educational and experiential criteria needed to provide the high level quality service required by REBAC (Real Estate BUYER'S AGENT Council).

Internet Certified Specialist (e-PRO)

When you're on the Internet, you don't have time to waste on endless searches for useful real estate information. You want to get things done quickly and without hassle. So chances are you'd like a real estate agent who

- Answers e-mail promptly and professionally.
- Respects your on-line privacy.
- Offers home listings and other Internet tools to help you find or market a home.

Enter the e-PRO.

An e-PRO is a REALTOR® who has successfully completed the e-PRO training program for real estate professionals. Endorsed by the National Association of REALTORS®, the e-PRO course teaches

professionals the nuts and bolts of working with real estate on-line: Web sites, e-mail, on-line tools, and most of all, what today's consumer really wants.

What does all this mean to you? There are several benefits of working with a certified Internet professional.

More privacy

Are you reluctant to give out contact information through the Web for fear of being pestered or spammed? e-PROs understand. They've learned the Web isn't just a place to do business; you need information from someone you can trust.

That's why e-PROs respect your privacy. They respond quickly to your questions, but don't send you unwanted communication. And they protect your personal information.

Less hassle

Tired of struggling to find information? e-PROs are more likely to have access to the latest Internet utilities, making your life easier. The result: you get more information, more easily. With electronic files, you have less paperwork to deal with. And since your agent uses e-mail, you can even eliminate phone tag. The e-PRO streamlines your entire transaction, from showing to closing.

Less expense

An e-PRO's access to advanced technology can save you considerable expense. You have more tools to find or market your home, so you're likely to get a better price. With on-line home tours, you reduce in-person showings—and the costs involved. And by using e-mail, you save money on long-distance calls and fax charges.

Relocating? An e-PRO is ideal for you. With the tools to do your research electronically, you can make a decision on a home the first day you're in town—or without traveling at all. You and your family save on travel costs. And after you've decided to buy, monitoring the sale by e-mail saves you even more.

Should you use an e-PRO? Yes—especially if you're an Internet user. In this fast-paced age, technology has become a necessity. An e-PRO is someone who has recognized and responded to the needs of the new consumer. If you choose an e-PRO, it's a safe bet you'll get the kind of service you want—and need.

Graduate Realtor Institute (GRI)

Buying property is a complex and stressful task. In fact, it's often the biggest single investment you will make in your lifetime. At the same time, real estate transactions have become increasingly complicated.

New technology, laws, procedures and the increasing sophistication of buyers and sellers require real estate practitioners to perform at an ever-increasing level of professionalism.

So it's more important than ever that you work with an agent who has a keen understanding of the real

estate business. The GRI program has helped the best and the brightest in the industry achieve that level of understanding.

GRI's are:

- Nationally recognized as top performers in the real estate industry
- Professionally trained
- Knowledgeable
- Dedicated to bringing you quality service

A GRI can make a difference

When you see the letters "GRI" after an agent's name, you can count on receiving the knowledge and guidance you need to make your transaction go smoothly. In short, you can count on getting the best service available from a real estate professional.

Rob's Customer Service Commitment

1. *Provide you with 10+ customer service during the entire buying process.*
2. *Organize and schedule your home search process.*
3. *Discuss the benefits and drawbacks of each home in relation to your specific needs.*
4. *Provide you with ongoing updates on available homes.*
5. *Help you to compare homes and make a decision.*
6. *Advise you on the terms and issues of the offer and fill out the purchase order contract.*
7. *Present your offer and negotiate on your behalf.*
8. *Coordinate and supervise the preparation of all closing documents and guide you through the closing process.*
9. *Help you resolve any closing issues.*
10. *Coordinate move-in and assist with any post closing issues.*

PLEDGE OF PERFORMANCE

Because I am committed to preparing you to be an educated buyer, I will:

-give you the most vital information available on homes
-keep you aware of changes in the real estate market
-arrange a tour of areas, schools, and key points of interests
-provide neighborhood information on municipal services, school, churches, etc.
-check applicable zoning and building restrictions
-collect pertinent data on values, taxes, utility costs, etc.
-point out strengths and weaknesses of all properties you choose to view
-explain forms, contracts, escrow, and settlement procedures
-discuss loan qualification and processing

Because I am committed to helping you save time, I will:


-provide ready access to all MLS listed properties
-assist you as needed on all unlisted properties
-help you select for viewing only those homes that fit your needs
-show you homes only in the price range most suited to your finances
-provide you a list of qualified lenders, home inspectors, and other services providers

Because I am committed to helping you find the best value, I will:

-prepare studies of property values in chosen areas
-perform a market analysis on chosen properties
-discuss financing alternatives
-see that you get a complete estimate of all costs involved
-advise on offers on properties
-write and present you purchase agreement to the seller
-negotiate on your behalf



Because I am committed to you—my buyer—I will do all of this plus:

-keep your personal information confidential at all times
-stay in touch with you from the day you start your search until the day you move in
-coordinate all aspects of the sale and closing
-be reimbursed with a commission only when we have a successfully closed transaction



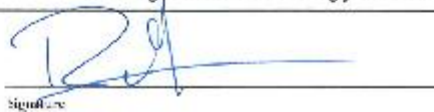
**KELLER
WILLIAMS**
REAL ESTATE®

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Your satisfaction is my highest priority. If at any time you are dissatisfied with my services you may notify me in writing and I will release you from our Business Relationship Agreement.

I look forward to becoming your REALTOR for life.



Signature

Get Pre-Approval for Financing.

You wouldn't head to a cash-only farmer's market or craft fair without knowing how much cash you had in your wallet. So why would you start shopping for the biggest purchase of your life, a new home, without knowing how much you could spend?

Fortunately, knowing how much you can spend is easy: Get pre-approved for a mortgage before you start any serious home-shopping.

Pre-Approval vs. Pre-Qualification

Don't confuse loan pre-approval with pre-qualifying for a loan. Lenders will often pre-qualify a would-be buyer based on what you tell them about your income, employment and basic credit information, like how much you currently owe on credit cards or other loans. The lender is not agreeing to loan you money or committing to an interest rate. But the process can tell you whether it makes sense to move forward in your home search.

Loan pre-approval is a more formal process. You'll need to provide the lender a lot of information about yourself, especially about your spending and saving habits. Prospective lenders will generally make inquiries into your credit history and obtain your credit score.

If you get pre-approved, you'll receive a letter telling you the maximum loan you can get and the interest rate you'll qualify for. In some cases, you can lock the interest rate in. Be sure you understand whether the interest rate is locked and when you can lock it when you get the pre-approval.

That pre-approval letter gives you a lot of power as a home buyer. Use it wisely.

Different Mortgage Options

Variety in mortgage offerings may ultimately be a boon to borrowers, but, at least at the start of the mortgage-shopping process, variety holds the potential for plenty of confusion. Here's a guide to some of the basics.

5 types of mortgages

1. 30-year fixed rate
2. One-year adjustable-rate, or ARM
3. Hybrid
4. Interest-only
5. Payment-option loans

Always be aware that some lenders, in their desire to offer something the competition doesn't have, may offer loans that mix features in new -- and potentially confusing -- ways.

30-year fixed rate mortgage

The traditional mortgage remains a favorite of borrowers. Although the interest rate is generally higher than the starting rates on other

loan types, your interest rate and payment will remain fixed for 30 years with this type of loan, and that's a boon to planning your long-term finances.

A variety on this is a fixed-rate loan with a term of 15 or 20 years. Required monthly payments on these loans will be significantly higher than on a 30-year fixed, but you will build equity faster and, in the long term, pay much less in interest. Most lenders allow you to prepay principal on a 30-year loan, so you can retire the debt earlier. Some lenders also offer 40-year terms, which lowers the monthly payment, but stretches out your indebtedness significantly and boosts the total amount you will have spent on interest.

One-year adjustable-rate mortgage, or ARM

This is the original variety of an adjustable rate mortgage, commonly referred to as an ARM.

A one-year ARM has a 30-year term, but your interest rate will adjust every year. The interest rate will be determined by the **index** that your loan is pegged to, typically one-year Treasury rates or the LIBOR index (an acronym for the London Interbank Offered Rate) or the COFI index (Federal Reserve Cost of

Funds Index). LIBOR and COFI indexes also are used frequently for mortgages that adjust their interest rates more frequently than once a year.

Important ARM factors

- Index
- Margin
- Caps
- Frequency of rate adjustment
- Annual and life-of-loan caps
- Payment caps

To determine your new interest rate each year, the lender will add a specific **margin**, say 2.75 percentage points, to that index. However, borrowers are protected from wild run-ups in interest rates by two important **caps** that are called for in most loan documents. Typically, your rate can rise (or fall -- it does happen) by no more than 2 percentage points each year, and over the life of the loan it can rise by no more than 6 percentage points. Most ARMs start with below-market "teaser" rates, so

you should expect your interest rate will rise at its first and possibly second anniversary.

With any ARM, it is important to note **how frequently the interest rate can adjust** (it can be as frequently as every month with some varieties), plus the index and the margin used to set the new interest rate. Always check for **annual and life-of-loan caps** on the interest rate. If the loan documents talk about **payment caps** -- that means your interest rate changes are unlimited. If you pay only the capped payment, you might not be paying enough to cover the interest that is actually being charged on the loan. That unpaid interest gets added to your loan balance, a practice called negative amortization. Your loan balance grows even as you're making the required monthly payment, and that's a risky financial practice.

Hybrid mortgages

Sometimes called a "three-year fixed" or a "five-year fixed," these loans incorporate some of the features of fixed- and adjustable-rate loans. For example, a basic "3/27 hybrid" loan will offer you a rate that is fixed for the first three years and then converts to a one-year ARM for the remaining 27 years of the full 30-year term.

Similarly, a "5/25 hybrid" offers a fixed rate for the first five years and then converts to a one-year ARM for the remaining 25 years. These loans can be a money-saver for borrowers who are all but certain that they will move within three or five years and thus don't need to pay extra for an interest rate that is fixed for a longer period.

Watch the adjustments and caps

Some varieties of these loans, however, will adjust the interest rate every six months -- or even more frequently -- once the fixed-rate period ends. Pay close attention to those details -- and to whatever

interest-rate caps will protect you from rapid changes -- before agreeing to apply for the loan, and again when reviewing your loan documents. Once again, look for interest-rate caps instead of payment caps, because the latter could cause your indebtedness to grow over time.

Interest-only mortgages

As the name implies, these loans, usually an ARM or a hybrid, allow a borrower to make interest-only payments during the first five years or so. After that, borrowers are expected to repay principal and interest in order to pay off the loan within the remaining 25 years of its term.

Borrowers can be in for a big payment shock once the interest-only period ends because they have to pay off the entire amount borrowed in only 25 years, compared to the typical 30. Rising interest rates will exaggerate that shock. Typically this type of loan works best for a borrower who is certain he or she will be selling the home or refinancing within the interest-only period and is simply seeking to keep his or her house payment temporarily at its rock-bottom low. If combined with a low down payment, these can be very risky loans for borrowers because they may not find it as easy to refinance out of this loan as they had anticipated, especially if the value of their home has not grown enough to give them a good equity stake.

Payment-option loans

They come by different names, usually incorporating the words option or choice. These loans offer borrowers a choice of two or three payments each month, but their complexity grows right along with those choices.

4 ways to make mortgage payment with option loans

1. Make full payment of principal and interest.
2. Pay more than a full payment.
3. Pay only the interest due for the month.
4. Pay only a portion of the interest.

The first two choices are fairly straightforward: You can pay the full amount of principal and interest owed that month, just as you would with a traditional mortgage, or you can choose to pay even more and pay off a 30-year-loan on a 15-year schedule. However the other two choices can get borrowers in over their heads if they aren't careful. In any given month, a borrower can opt to pay only the interest that is due that month, or the borrower can choose an even smaller minimum payment, an amount that covers none of the principal and only part of the interest that is owed. To make things even more complicated, these loans often have interest rates that adjust as frequently as every month. And payment caps could allow your minimum payment to rise by as much as 7.5 percent in a given year.

Risk factors

If borrowers choose to make the minimum payment frequently, these loans can set the borrower up for a huge payment shock after just a few years. At the end of five years, or whenever the borrower's outstanding loan balance has grown to 10 percent or 15 percent above their original loan amount, the loan will be recast. That means the lender will draw up a new payment schedule designed to get the loan paid off on time, and the minimum payments can grow dramatically. There are no caps on how high the payment can go at these recast periods. Only the most financially sophisticated borrowers (perhaps those few who already understand from personal experience how hedge funds and arbitrage work) should consider these very complicated mortgages.

Sticking points on any type of mortgage

There are two other options that can be added on to almost any loan, and it's worth your time to look for them in the fine print.

Prepayment penalties, which can amount to six months of interest, restrict borrowers from refinancing out of a mortgage within the first few years. Some even apply if you were to sell the home. Avoid them unless the lender is giving you a very deep discount on the interest rate as compensation.

Also check for balloon payments. These can be called for in some ARMs that have easy terms in the early years. If your loan calls for a balloon payment, that is payment of all the money outstanding, at year 10, you'd better have good plans lined up for refinancing that loan -- or a lot of cash on hand.

How Much Home Can You Afford?

There are three key factors that you will need to consider when determining how much home you can afford. These factors are the down payment, the closing costs associated with your transaction, and your ability to qualify for a mortgage.

Down Payment Requirements:

Most loans today require a down payment of between 3.5% and 5.0% depending on the type and terms of the loan. If you are able to come up with 20-25% down payment, you may be eligible to take advantage of special fast-track programs and possibly eliminate mortgage insurance.

It is often thought that bigger is better when it comes to down payments. In many cases, this may be true. However, the arithmetic will differ from case to case. A bigger down payment means smaller monthly payments and lower interest expense for as long as you remain with a mortgage. This can be an important factor for many people. But if you can put your available funds to work for you so that they can earn more than the interest rate on your loan, you could be dollars ahead with a smaller down

payment. Also, a smaller down payment may allow you to keep you extra cash liquid and available for an emergency.

Closing Costs:

Don't forget to think ahead carefully. In addition to the down payment on your dream home, you will be required to pay fees for loan processing and other closing costs. These fees must be paid in full in cash at the time of the final settlement, unless you are able to include these in your financing. Typically, total closing costs will be approximately 5% of the purchase price. A more detailed schedule is included herein in the section detailing your closing.

Qualifying for the Mortgage:

Most lenders require that your monthly payment range between 25-28% of your gross monthly income. Your mortgage payment to the lender includes four items....the PITI. These items are discussed in detail on the page entitled, "Predicting Your Monthly Payment (The PITI)." Remember, when you buy a home all interest is tax deductible, so you will qualify for a major tax advantage that will effectively increase your take-home pay. Your total monthly PITI and all debts (from installments to revolving charge accounts) should range between 33-38% of your gross monthly income. This is a general rule of thumb, but other key factors specifically determine your ability for a home loan. These factors are:

INCOME: History of employment, stability of income, potential for future earning, education, vocational training and background, and any secondary income such as bonuses, commissions, child support, etc.

CREDIT REPORT: History of debt repayment, total outstanding debt and total available credit. If you have concerns about your credit report, consider contacting one of the major credit bureaus for a copy of your file: TRW (1-800-422-4879), Trans Union (1-602-933-1200), and CSC Credit (1-800-759-5979).

ASSETS: Cash on hand, other liquid assets such as savings, checking, CDs, stocks, etc.

PROPERTY: The home you are buying must be appraised to determine that it has adequate value and is marketable to ensure it will secure the loan.

Predicting Your Monthly Payment (The PITI)

Your monthly payment (PITI) is the sum of four items – the principle on the loan (P), the interest on the loan (I), property taxes (T), and homeowner's insurance (I). To predict your monthly payment for a 30-year fixed rate loan, use the following table to determine the principal and interest part of the payment. Simply divide the loan amount by 1,000 and then multiply that figure by the appropriate interest rate factor from the table below. To that sum add $1/12^{\text{th}}$ of the amount of your yearly taxes and $1/12^{\text{th}}$ the amount of your yearly insurance.

For example: If your mortgage loan amount is \$150,000 and the interest rate is 7%, your monthly “PI” would be:

$$\frac{\$150,000}{1,000} = 150$$

$$150 * 6.65 = \$997.50$$

Then add your monthly insurance premium (approximately \$25-\$75) and your property tax to your principal and interest and this is your monthly payment.

PRINCIPAL AND INTEREST PAYMENT TABLE	
If your interest is:	Your PI Factor is:
6.00%	6.00%
6.50%	6.32%
7.00%	6.65%
7.50%	6.99%
8.00%	7.34%
8.50%	7.69%
9.00%	8.05%
9.50%	8.41%
10.00%	8.78%
10.50%	9.15%
11.00%	9.52%
11.50%	9.90%
12.00%	10.29%
12.50%	10.67%
13.00%	11.06%

Hazard Insurance covering your home for its contract value is required by your mortgage lender. You are at liberty to choose any insurance company and agent you wish. Ask your agent to quote you a policy for insurance coverage.

All property owners must pay general real estate taxes. These taxes are also called “ad valorem” taxes because the amount of the taxes varies, according to the value of your property. General real estate is levied for the operations of various governmental agencies and municipalities. Other taxing bodies may include school districts, drainage, water, sanitary, and recreation districts.

Each agency or municipality determines how much money is needed for the budget. They receive these funds through mills levied against properties in their counties. The state limits how much the mill levy can increase each year without voter approval. Each mill is equal to one-thousandth of one dollar (\$.001) of assessed value or \$1 for every \$1,000 of assessed value.

The actual tax is calculated by multiplying the assessed value by the current mill levy. County and Local taxes are calculated on a calendar year (January-December). School taxes are calculated on a fiscal year (July-June).

Properties are valued or assessed by the county assessor. The land and buildings are usually assessed separately. If an owner feels the assessed value of their property is incorrect, they can present their objection through the local taxing authority on an annual basis.

Determine Your Needs and Wants

Now that you know how much you can afford to spend on your next home, it is time to decide what kind of home to buy.

The Neighborhood

There are many factors to consider when selecting a neighborhood that is right for you. Below are just a few of the many factors -- You may think of others that are important to you. Please write them on your Requirements List so they do not get forgotten.

Neighborhoods have characteristic personalities designed to best suit single people, growing families, two-career couples, or retirees. Investigate to determine that the neighborhood in which you choose to look for a home matches your lifestyle and personality.

Scout it out!

It is important that you scout the neighborhood in person. You live in more than your house. Talk to people who live there. Drive through the entire area at different times of the day, morning, afternoon, evening, and late at night, as well as going during the week and on weekends. Look carefully at how well other homes in the area are being maintained; are they painted, are the yards well cared for; are parked cars in good condition, etc.

Factors to Consider

Look for things like access to major thoroughfares, highways, and shopping. Listen for noise created by commerce, roads, railways, public areas, schools, etc. Smell the air for adjacent commerce or agriculture. Check with local civic, police, fire, and school officials to find information about the area. Research things like soil and water. Look at traffic patterns around the area during different times of the day and drive from the area to work. Is the neighborhood near parks, churches, recreation centers, shopping, theaters, restaurants, public transportation, schools, etc.? Does the neighborhood belong to a Homeowner's Association?

Don't Get Swept Away When Shopping

When touring homes you will find that there are many beautiful homes on the market. There are two things you must do before looking at homes.

Complete this list below. Please take a moment to decide what features are “Requirements” (location, basement, number of bedrooms, eating space, architectural style, garage, etc...) and which features are “Extras” (fireplace, walk-in closets, wet bar, pool, siding, vaulted ceilings, deck, landscaping, etc...) . There are many different features in homes that range from necessary to luxury. It is easy to get caught up in the excitement of a beautiful home loaded with amenities. It is important that you select a home that truly meets all or most of your requirements first and foremost!

Needs	Wants

Touring Homes for Sale

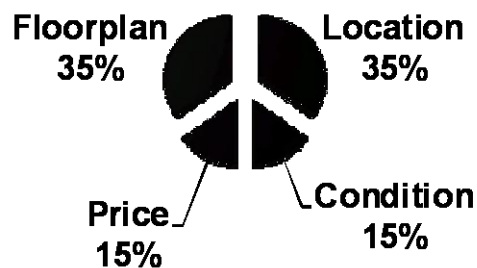
Now that you know what you are looking for you can go out and find it! Rob will take your criteria and create a search profile on the Multiple Listing Service (MLS). Listings will be automatically emailed to you as they become available.

Save Some Time

In order to save you time make a list of the homes you like the best and take a drive. Often the first impression is the best impression so you can tell a lot about a home from its curb appeal. Narrow you list down to the 5-7 homes you like the most.

Selecting the Right Home

If the home is in a neighborhood you like and the floor plan meets your needs, the home is probably right for you. That leaves two factors, Price and Condition. If the condition is less than move in ready, negotiating the price can make up for the sweat equity needed. For a home in great condition a price on



the high end of the comparables would certainly be justified.

These factors will vary greatly depending on a great number of variables. During your consultation, Rob will help determine your specific goals and select homes that meet your criteria.

Re-evaluate as Necessary

Most home buyers will only see 5-7 homes before they find the right one. If you feel that the homes you are seeing do not meet your needs, you may want to relook at your criteria. Often as you go out and tour different homes you will find that you like things you didn't even know about!

Making an Offer

Now that you've found your dream home, it's time to make an offer. Rob will help you determine the offer price by reviewing recent sales of homes that are similar in size, quality, and conveniences and amenities. He will advise you on how to create an offer that will have the best chance of being accepted.

Negotiating to Buy

Once your offer is made you may need to negotiate with the seller to reach an agreement. Keep in mind almost everything is negotiable when you are buying a house. This can give you a great deal of leverage in the buying process, that is, if you have adequate information and you use it in an appropriate manner.

Some things you may negotiate:

- * Price
- * Financing
- * Closing costs
- * Repairs
- * Appliances and fixtures
- * Inspections
- * Occupancy time frame

Counter offers happen frequently. Remain in close contact with your real estate agent so you can quickly review any changes from the seller. Remember...bargaining is not a winner-take-all deal. It is a business process that involves compromise and mutual respect.

Your Offer Was Accepted, Now What?

After your offer is accepted, Rob will help you coordinate the activities and service providers and serve as your advocate when working with them. You will also receive a “To-Do” list covering all of the steps that happen between the offer and the settlement. As your buyer’s agent, Rob will be there every step of the way to make sure your transaction is a smooth one.

Please note: During the loan and home-buying process, you will be asked to supply documentation, respond to phone calls requesting information, schedule dates into your calendar, etc....

Please respond quickly to these requests so that your transaction does not encounter problems.

TO DO:

- ✓ Loan Application
- ✓ Second Deposit is due
- ✓ Set inspection date and time
- ✓ Written notice due – all items from the inspection that you wish to be repaired
- ✓ Negotiation of inspection repair items complete
- ✓ Mortgage Commitment Date
- ✓ Insurance: (You are required to arrange for insurance coverage and to inform your mortgage company of your agent’s name and phone number).
- ✓ Other Contingencies
- ✓ Settlement Date

The Home Inspection

Is an inspection necessary?

You have the right to request an inspection of any property you are thinking of purchasing by a professional inspector of your choice. You should always exercise your option to have the physical condition of the property and its inclusions inspected. Many of the more severe and expensive problems such as mechanical, electrical, structural and plumbing are not noticeable to the untrained eye. If repairs are needed, negotiate these in your contract offer. A professionally conducted home inspection followed by a written evaluation is becoming standard procedure in home buying because of increased buyer awareness and savvy.

Are inspectors licensed?

Since an increasing number of buyers are requesting property inspections, there has been a rapid increase in the number of people entering the inspection field. Choose your inspector carefully.

What does an inspection entail?

A qualified inspector will follow Standards of Practice in conducting their inspection. The inspection consists of a physical inspection of the home with the purchaser present, followed by a written report detailing their findings. They report on the general condition of the home's electrical, heating, and air systems, interior plumbing, roof, visible insulation, walls, ceilings, floors, windows, doors, foundation, and visible structure. The inspection is not designed to criticize every minor problem or defect in the home. No home is perfect. It is intended to report on major damage or serious problems that require repair for the well being of the home and that might require significant expense.

Buyer education is necessary

The primary purpose of the inspection is to educate the buyer to make an informed purchasing decision. The inspector should allow and even encourage the buyer to attend the home inspection. A good home inspector knows how the home's many systems and components work together and how to minimize the damaging effects of sun and water. The buyer's attendance of the inspection provides them with an overall idea of possible future repair costs and maintenance

routines. This is valuable information, which could increase the life span, and perhaps the future selling price of the home.

Continuing education is important for inspectors

A competent home inspector is familiar with the latest construction materials, home building techniques, and professional equipment. Consumers should research whether prospective home inspectors actively monitor the changes in construction and real estate in order to keep their business practices current and professional. Members must meet annual continuing education requirements for this purpose.

Time and fee guidelines for the inspection

The time necessary to properly inspect a home, as well as the fee charged by an inspector, varies according to market location, the size and age of the home, and the individual inspection company. However, you can expect that it will take an average of two to three hours to competently inspect a typical one-family, three-bedroom home, with an average cost of \$400-\$600. Rob will make every effort to attend the inspection with you.

Beware of false claims

Consumers must be cautious in evaluating some of the claims made by people hoping to fill the growing demand for home inspection services. Many new companies request only an application fee. Some claim to offer certification but do not require exams or proven credentials. Still others boast engineering licenses as assurance of competence, even though the engineering license has nothing to do with home inspecting.

Inspection extras

Some inspectors may be qualified to provide other types of services with their inspection that go beyond the scope of the ASHI standards.

Mortgage Application

Within the appropriate timeline you must apply for your mortgage.

Loan Application Checklist

General:

- Picture ID with social security number of borrower and co-borrowers.
- Payment to cover the application fee.
- Name and complete address of all landlords for the past two years.

Income:

- Employment history for the past two years including names, addresses, phone numbers, and length of time with company.
- Copies of your most recent pay stubs and W-2 forms (past two years).
- Verification of other income (social security, child support, retirement).
- If self-employed, you need copies of the past two years signed tax returns including all schedules, and a signed profit and loss statement of the current year. Retirees need tax returns for the past two years.
- If you have rental property income, bring a copy of all lease agreements.

Assets:

- Copies of all bank and credit union statements for the past three months.
- Copies of all stock/bond certificates and/or the past three statements from all investment and retirement accounts.
- Prepare a list of household items and their values.
- Copies of title documents for all automobiles, boats, motorcycles, etc.
- Face amount, monthly premiums and cash values of all life insurance policies. (Cash value may be used for closing costs or down payments. You need documentation from the carrier indicating cash value).

Creditors:

- Credit cards (account numbers, current balances, and monthly payments).
- Installment loans (car, student, etc.). Same details as for credit cards.
- Mortgage loans (property address, lender with address, account numbers, monthly payment and balance owed on all properties presently owned or sold within the last two years). Bring proof of sale of properties sold.
- Child care expense/support (name, address, and phone number).

Other:

- Bankruptcy – bring discharge and schedule of creditors.
- Adverse credit – bring letters of explanation.
- Divorce – bring Divorce Decrees, property settlements, quit claim deeds, modifications, etc. for all divorces by yourself or your spouse.
- VA only – bring Form DD214 and Certificate of Eligibility.
- Retirees – bring retirement and/or Social Security Award Letter.

Home Warranty Protection

New Home Warranties

When you purchase a newly built home, the builder usually offers some sort of full or limited warranty on things such as the quality of design, materials, and workmanship. These warranties are usually for a period of one-year from the purchase of the home.

At closing, the builder will assign to you the manufacturer's warranties that were provided to the builder for materials, appliances, fixtures, etc. For example, if your dishwasher were to become faulty within one year from the purchase of your newly built home, you would call the manufacturer of the dishwasher – not the builder.

If the homebuilder does not offer a warranty, BE SURE TO ASK WHY!

Resale Home Warranties

When you purchase a resale home, you can purchase warranties that will protect you against most ordinary flaws and breakdowns for at least the first year of occupancy. The warranty may be offered by the Seller as part of his overall package or by some Realtors who have access to programs that will ensure the buyer against any defects in the home. Even with a warranty, you should have the home carefully inspected before you purchase it.

A home warranty program will give you peace of mind, knowing that the major covered components in your home will be repaired if necessary. Ask Rob for more details about home warranty packages.

Now we CLOSE your Transaction!

What is a Real Estate “Closing?”

A “closing” is the meeting the Buyer, Seller, and their agents (optional), and representative from the lending institution and title company wherein the actual transfer of title to the property occurs. The purchase agreement or contract you have signed describes the property, states the purchase price and terms, sets forth the method of payment, and usually names the date and place where the closing or actual transfer of the property title and keys will occur. This meeting is also referred to as the settlement.

The title company transferring ownership of the property to you will prepare a new deed. Your lender will require you to sign a document, usually a promissory note, as evidence that you are personally responsible for repaying the loan. You will also sign a mortgage or deed of trust on the property as security to the lender for the loan. The mortgage or deed of trust gives the lender the right to sell the property if you fail to make the payments. Before you exchange these papers, the property may be surveyed, appraised, or inspected, and the ownership of title will be checked in county and court records.

What Should I do to Prepare for the Closing?

As previously mentioned, you should have already conducted any inspections, etc. you wish to have done on the property.

There are two kinds of title insurance. A lender or mortgagee’s title insurance policy protects only the lending institution. Lenders require this type of insurance and require the borrower to pay for it. That does not mean that the borrower will receive its protection. An owner’s policy is necessary to protect the owner against loss.

You will also be required to pay all fees and closing costs in the form of “guaranteed funds” such as a Cashier’s Check. You will be notified of the exact amount by your agent or escrow officer at closing.

What is an Escrow Account?

An escrow account is a neutral depository for funds that will be used to pay expenses incurred by the property, such as taxes, assessments, property insurance, or mortgage insurance premiums which fall due in the future. You will pay one-twelfth of the annual amount of these bills each month with your regular mortgage payment. When the bills fall due, they are paid by the lender from the special account. At closing, it may be necessary to pay enough into the account to cover these amounts for several months so that funds will be available to pay the bills as they fall due. You may also be required to refund items prepaid by the Seller. For example, if the Seller has paid the special assessments or taxes for that year, you may be required to refund the value of the months remaining the year when you take possession of the property. An escrow fee is usually charged to set up the account.

We're Moving!

Now that you have a new address, send out all your change of address notices.

Complete your Change of Address notices and mail them to the following. Keep in mind that the post office will forward your mail for 30 days but they do expect that you are sending notices to everyone who sends you mail.

- Post Office
- Friends and relatives
- Magazine and mail order subscriptions
- Professional organizations of which you are a member
- Clubs, social or civic organizations with mailings
- Charge accounts, insurance carriers, and creditors
- Driver's bureau to receive tag notices
- Voter Registration officials

Don't forget the needs of your furry friends!

Do not transport your pets much farther than they have safely traveled in the past without consulting your veterinarian. To transport animals by air, you need an airline-approved animal carrier. A moving company can inform you of any state regulations for pet entry, vaccination or quarantine procedures. Ask about regulations, licenses, tags, etc. for pets. Also, do not forget to obtain a copy of your pet's medical records.

Keep detailed records – some moving expenses are tax deductible!

Keep detailed records of all moving expenses if your move is job related. Many expenses, including house-hunting trips, are tax deductible. If your move is 35 miles or more from your home, you can deduct your family's travel expenses, including meals and lodging; the cost of transporting furniture, other household goods and personal belongings; food and hotel bills for up to 30 days in the new city if you have to wait to move into your new home; and the costs associated with selling your old home or leasing your new home.

Note: There is a ceiling on deductions which is outlined in detail in the IRS's Publication 521, "Tax Information on Moving Expenses," available free from the IRS offices.

When you close on your new home, you should complete the following:

Ask your bank about electronically transferring your funds to a bank in your new area. Discuss branch options and arrange for check cashing in your new location.

Close out your safety deposit box.

Obtain travelers checks for traveling funds and for funds while you are settling into your new location.

Ask your insurance agent to transfer coverage to your new home. Make sure all coverage (life, health, automobile, personal belongings, etc.) is in force while you are en route.

Schedule a moving company to assist you or begin notifying people who are helping you of your planned move date.

Begin depleting your store of canned and frozen foods. Defrost your freezer and use charcoal to dispel odors.

Now that you have a new address, you can begin transferring or canceling home services:

Electric
Telephone
Cable
Gas

Make arrangements for canceling home deliveries and services such as the following. Arrange for service at your new address.

Newspaper

Magazines

Your Realty Team Roster

The following is a roster of the members of YOUR real estate team. Please keep this book with you throughout the home-buying process. It is also very helpful if you keep it for future reference.

Keller Williams Real Estate

601 Bethlehem Pike · Building B · Suite 100

Montgomeryville, PA 18936

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	Office 215-631-1900
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Mortgage Company:	Cornerstone Financial Mortgage
Loan Officer:	Eric Baitinger
Phone:	215-631-1940
Mobile:	267-249-2618
Email Address:	Eric@CornerstoneFinancialMortgage.com
Insurance Company:	State Farm
Agent:	Steve Lieter
Phone:	215-855-3421
Fax:	215-362-3880

Title Company:	Greater Montgomery Settlement Services
Escrow Agent:	Mary Beth DiNunzio
Phone:	215-641-8000
Fax:	215-641-8010

Real Estate Glossary

Acceptance: the date when both parties, seller and buyer, have agreed to and completed signing and/or initialing the contract.

Adjustable Rate Mortgage: a mortgage that permits the lender to adjust the mortgage's interest rate periodically on the basis of changes in a specified index. Interest rates may move up or down, as market conditions change.

Amortized Loan: a loan that is paid in equal installments during its term.

Appraisal: an estimate of real estate value, usually issued to standards of FHA, VA and FHMA. Recent comparable sales in the neighborhood is the most important factor in determining value

Appreciation: an increase in the value of a property due to changes in market conditions or other causes. The opposite of depreciation.

Assumable Mortgage: purchaser takes ownership to real estate encumbered by an existing mortgage and assumes responsibility as the guarantor for the unpaid balance of the mortgage.

Bill of Sale: document used to transfer title (ownership) of PERSONAL property.

Cloud on Title: any condition that affects the clear title to real property.

Consideration: anything of value to induce another to enter into a contract, i.e., money, services, a promise.

Deed: a written instrument, which when properly executed and delivered, conveys title to real property.

Discount Points: a loan fee charged by a lender of FHA, VA or conventional loans to increase the yield on the investment. One point = 1% of the loan amount.

Easement: the right to use the land of another.

Encumbrance: anything that burdens (limits) the title to property, such as a lien, easement, or restriction of any kind.

Equity: the value of real estate over and above the liens against it. It is obtained by subtracting the total liens from the value.

Escrow Payment: that portion of a mortgagor's monthly payment held in trust by the lender to pay for taxes, hazard insurance and other items as they become due.

Fannie Mae: nickname for *Federal National Mortgage Corporation* (FNMA), a tax-paying corporation created by congress to support the secondary mortgages insured by FHA or guaranteed by VA, as well as conventional loans.

Federal Housing Administration (FHA): an agency of the *U.S. Department of Housing and Urban Development* (HUD). Its main activity is the insuring of residential mortgage loans made by private lenders. The FHA sets standards for construction and underwriting but does not lend money or plan or construct housing.

FHA Insured Mortgage: a mortgage under which the *Federal Housing Administration* insures loans made, according to its regulations.

Fixed Rate Mortgage: a loan that fixes the interest rate at a prescribed rate for the duration of the loan.

Foreclosure: procedure whereby property pledged as security for a debt is sold to pay the debt in the event of default.

Freddie Mac: nickname for *Federal Home Loan Mortgage Corporation* (FHLMC), a federally controlled and operated corporation to support the secondary mortgage market. It purchases and sells residential conventional home mortgages.

Graduated Payment Mortgage: any loan where the borrower pays a portion of the interest due each month during the first few years of the loan. The payment increases gradually during the first few years to the amount necessary to fully amortize the loan during its life.

Lease Purchase Agreement: buyer makes a deposit for future purchases of a property with the right to lease property in the interim.

Lease with Option: a contract, which gives one the right to lease property at a certain sum with the option to purchase at a future date.

Loan to Value Ratio (LTV): the ratio of the mortgage loan principal (amount borrowed) to the property's appraised value (selling price). Example – on a \$100,000 home, with a mortgage loan principal of \$80,000 the loan to value ratio is 80%.

Mortgage: a legal document that pledges a property to the lender as security for payment of a debt.

Mortgage Insurance Premium (MIP): the amount paid by a mortgagor for mortgage insurance. This insurance protects the investor from possible loss in the event of a borrower's default on a loan.

Note: a written promise to pay a certain amount of money.

Origination Fee: a fee paid to a lender for services provided when granting a loan, usually a percentage of the face amount of the loan.

Private Mortgage Insurance (PMI): see *Mortgage Insurance Premium*.

Second Mortgage / Second Deed of Trust / Junior Mortgage / Junior Lien: an additional loan imposed on a property with a first mortgage. Generally, a higher interest rate and shorter term than a “first” mortgage.

Settlement Statement (HUD-1): a financial statement rendered to the buyer and seller at the time of transfer of ownership, giving an account of all funds received or expended.

Severalty Ownership: ownership by one person only. Sole ownership.

Tenancy In Common: ownership by two or more persons who hold an undivided interest without right of survivorship. (In event of the death of one owner, his/her share will pass to his/her heirs.

Title Insurance: an insurance policy that protects the insured (buyer or lender) against loss arising from defects in the title.