



*The Home
Buying Process*



**KELLER
WILLIAMS**[®]
R E A L T Y

Prepared especially

for

You the Buyer!

By Amy E. Peters

**Keller Williams Realty
1500 Oxford Dr. Ste 300
Bethel Park, PA 15102
412.831.3800x125
412.576.3880**



TABLE OF CONTENTS

BUYING A HOME

THE HOME BUYING PROCESS

WANTS & NEEDS

FINDING HOMES

 Working with a Realtor

 Fiduciary Duties

FINANCING

OFFER/CONTRACTS

 To Buy & Sell Real Estate

INSPECTIONS

AGENCY RELATIONSHIPS

BUYER AGENCY CONTRACT

Buying A Home

By Amy E. Peters

Shall I buy a new home or a resale home?

Every prospective home buyer is faced with the question of whether to buy a new or resale home, and wonder what the first step should be in making that decision.

Most prospective buyers start with the newspaper, where they are presented with a myriad of very confusing advertising and financial alternatives. The new home builders usually use extensive display ads whereas literally hundreds of small classified ads are run by real estate brokers.

A buyer can spend many hours making telephone calls and driving to see new home projects and resale open houses without ever really knowing what price range they should be looking in and what financing and location would be best.

The key is that the home buyer should consult a Realtor from the start. Your Realtor is trained to ask questions about your lifestyle and financial situation which will help to determine your price range and needs. A Realtor has the materials to save you time and money and will show you homes you can afford to buy. Also, since Realtors are usually paid by the seller or builder, the service is free to you.

Home buyers like new homes because they can generally choose the carpeting and other colors and because the builder usually provides very competitive financing programs. A buyer needs to ask him/herself whether he/she is willing to put in a lawn and fence and purchase draperies to have the new home of his/her choice. The buyer needs to be aware that many builders give a base price that looks attractive in the newspaper ad but by the time they add a fireplace, two car garage and basement, the price may increase by \$10,000 or more.

Resale homes generally give a little more square footage for the money, but the colors and decorating may not appeal to the buyer. The landscaping, draperies and other cost saving benefits are usually included in the price. A resale home loan can generally "close" and a purchaser can move into a resale home in a minimum of 4 to 6 weeks. Expect to wait 2 to 4 months to close and move into a new home.

Be loyal to your Realtor. Your Realtor spends literally hours "behind the scenes" analyzing your needs in terms of financing and individual houses to look at. He or she has spent years in training and education. This is what he or she does for a living. Please allow your agent to have a chance to truly serve your needs. As long as your Realtor is serving your needs in a professional and competent manner, stay with him or her. If you drive through an area you like, call your agent (not the agent whose name is on the sign) for the information. In return for your loyalty, your agent will do everything in his or her power to work to find you your dream home.

A matter of trade-offs. As with any decision, such as which car model to choose from, choosing your new home is a matter of trade-offs. Prioritize your wants and needs in a house. Share that information with your agent. Be assured that you will be able to find a home, close to exactly what you want.

THE HOME BUYING PROCESS

I have designed this package to assist you with the purchase of your new home. I understand the many questions and concerns of home buyers and this information will be helpful. Since purchasing a home is the single largest investment most people make, I will assure you that my goal is to offer you the most professional and informative service available within our market. These are some of the areas I will be covering:

- Brokerage/agency relationships
- Confidential, personal counseling to determine your needs
- Financing options
- Lender selection and loan application
- Selecting neighborhoods and viewing potential homes
- Writing and explaining your contract
- Earnest money deposit
- Title insurance
- Home inspections and/or engineer's inspections
- Warranty services, lead based paint and radon testing
- Closing procedures and closing costs
- Possession of the property

I will be present, if you like, at your loan application with the lender or any other occasions mentioned above to help you with questions or concerns that you may have. Feel free to call me at anytime, since it is extremely important that I understand your personal needs and objectives.

Buyer's Information

Name (s): _____

Address: _____

Home Phone: _____

Business Phone Number: _____

Business Firm Name & Address: _____

Business Phone Number: _____

Business Firm Name & Number: _____

Business Phone Number: _____

Children (s) Names & Age (s)		Pet (s)
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Home Needs and Wants:

Bedrooms _____ Construction _____

Baths _____ Style _____

Age _____ Lot Size _____

Stories _____ Amenities _____

Area (s) _____ Pool (?) _____

Price Range _____ School District _____

Other Must Have's _____

WANTS & NEEDS

WANTS

NEEDS

Preferred Viewing Schedule

How Often? _____

Day(s) of Week? _____

Time Preference? _____

LET ME WORK WITH YOU!

We share a cooperating relationship with all real estate offices and new home builders within our community. That means that I can show you properties that are listed with KELLER WILLIAMS or any other REALTORS, any New Homes or “For Sales by Owner” homes that are offered in our area.

IF YOU SEE:

Any REALTOR For Sale Sign or Advertisement

Any NEW HOME BUILDER Sign or Advertisement

Any FOR SALE BY OWNER Sign or Advertisement

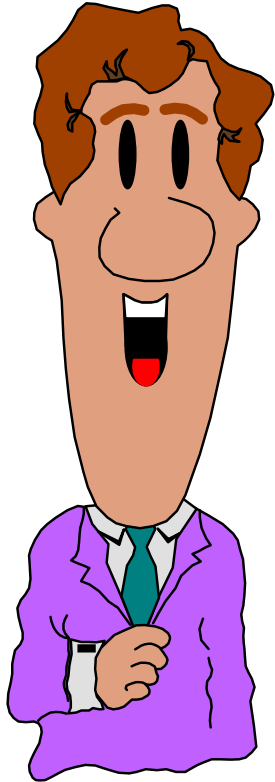


OR HEAR ABOUT A PROPERTY FOR SALE



***CALL ME FOR THE
INFORMATION YOU NEED!***

THE COMMUNICATION AND NEGOTIATION PROCESS



SELLER

**LISTING
AGENT**

**SELLING
AGENT**

BUYER





LOAN APPLICATION

Once the buyer and sellers have agreed on the price and terms of a contract, the next step is the loan application.

First, a preliminary information form is completed with the loan originator. The loan originator's goal is to expedite all necessary paperwork and information as quickly as possible, including ordering a credit report and appraisal of the property. You will need to furnish the lender with the following information:

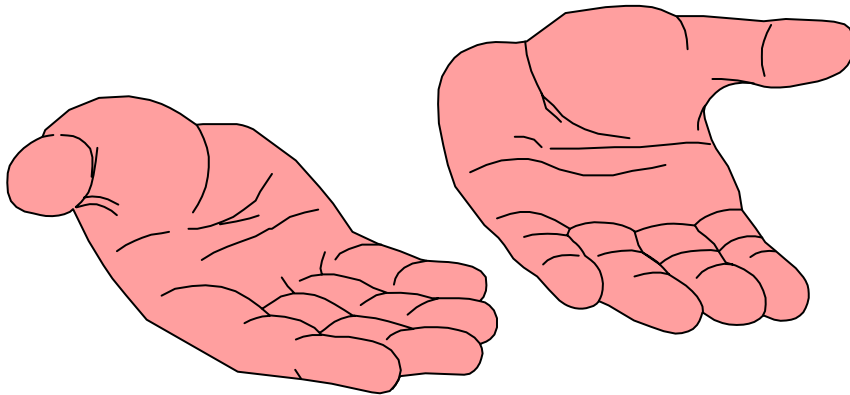
1. Account numbers of creditors (including existing mortgages)
2. Names and addresses of all creditors
3. Bank accounts (both checking and savings)
4. Source of down payment
5. Employment history (two years minimum)
6. Annual income
7. If a veteran, V.A. Certificate of Eligibility

The information you provide the lender is strictly confidential. The application generally takes place at the lender's office or, on occasion, my office. All people who will be on the title as new owners should be present. The application normally takes about one hour and you will be required to pay in advance for your credit report and the appraisal. The credit report is ordered through a credit reporting agency and will cost between \$40 and \$80. The appraisal is required by the lender to determine that the amount of the loan and down payment does not exceed the appraised value of the property and normally ranges from \$300 to \$350. These are the only charges required by the lender prior to the closing. Payment for home inspection, engineer inspection and radon testing may be required at the time they are completed.

Your loan originator understands your concerns and is there to help with the approval of your loan. Feel free to ask any questions at the loan application about anything that you do not understand. Also, you will receive an "estimate of closing costs" at this time, so you won't have any "surprises" at the time of closing.

TITLE INSURANCE

When property is being sold or refinanced, the lender and the buyer need a preliminary title commitment that will indicate exactly what recorded liens and encumbrances and recorded easements are currently in effect on the property. The title commitment will also indicate the vested owner of record and any restrictions on the use of the subject property. Title insurance is recommended on all property in Pennsylvania and is normally a buyer's cost. However, most lenders require a policy showing the lender as a lien holder on that property. These charges will be incurred at the time of settlement as a part of your closing costs. When the sale or loan of the property is final, the title company records the necessary documents and then will issue a title insurance policy to the new buyer and the lender showing clear title to the subject property.

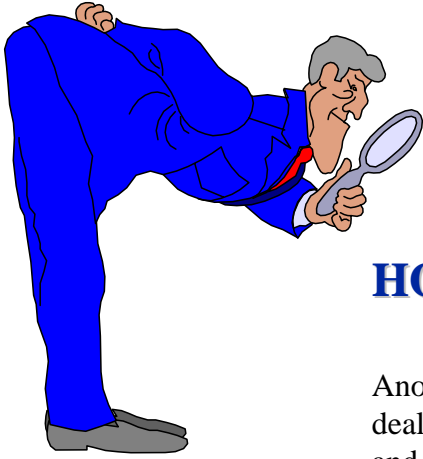


EARNEST MONEY DEPOSIT

So you will not be placed in an uncomfortable position when you purchase a property, an understanding of the earnest money deposit is of the utmost importance. At the time a written offer is initiated, you will be required by the seller to include a personal check, cashier's check or cash. The amount is deposited into the escrow account upon acceptance and will remain in escrow until the time of closing. This amount is credited to the buyer as partial down payment and represents your intent to purchase the property. If the offer is not accepted, this amount is returned to you. Also, in the event that you do not qualify with the lender for a new loan, the earnest money is refunded to you, provided the sellers are given notice regarding the lenders' disapproval.

STRUCTURAL, ENGINEER'S INSPECTION

If you are purchasing a resale property, you may consider having a structural and/or engineer's inspection. There are several companies from which to choose and I will be able to suggest them to you. This inspection will determine the condition of the structure and foundation and any defects that may need to be corrected. The cost of this service generally runs from \$250 and higher, depending on the size of the house & other inspections you may desire.



HOME INSPECTION

Another type of inspection is a "home inspection". This type of inspection deals with the mechanical aspects of a house and include: appliances, water and plumbing lines, electrical, heating and ventilating, bath and kitchen fixtures, crawl spaces, basements, garages, roofs, attics and general maintenance of the home. This inspection may also include the structural aspects and compares to this inspection in cost.

WARRANTY SERVICE

Either the purchasers or the sellers may buy a home warranty policy that will protect against repairs or replacement of certain appliances, heating, plumbing or electrical items. As with most insurance companies, the coverage can vary and you may want to consult with a warranty services company to determine exactly what is covered and the cost of the policy. Normal cost under \$395 and higher, depending on the warranty level desired.



RADON TESTING

Radon is a radio active gas which occurs in nature. You cannot see, smell, or taste it. Exposure to radon increases the risk of developing lung cancer. Special equipment is needed to detect radon and normally cost \$125 and higher, depending on the number of monitors needed. I recommend this testing be done in all cases.

FIDUCIARY DUTIES
AGENT TO BUYER/SELLER

LOYALTY

OBEDIENCE

DISCLOSURE

CONFIDENTIALTY

REASONABLE CARE & DILIGENCE

ACCOUNTING

CANNOT ACT FOR EITHER PARTY
WITHOUT DISCLOSURE & CONSENT

GLOSSARY

ADJUSTABLE RATE MORTGAGE (ARM): A mortgage on which the interest rate is adjusted periodically based on a pre-selected index. Also known as a variable rate mortgage.

APPRAISAL: An estimate or opinion of the value of property, made by a qualified professional called an “Appraiser”.

ASSUMPTION: The act of acquiring title to property which has an existing mortgage, and agreeing to be personally liable for the terms and conditions of the mortgage including the payments. Assuming a loan can usually save the buyers money since this is an existing mortgage debt, unlike a new mortgage which closing costs and possibly higher market interest rate charges will apply.

CLOSING: The meeting between the buyer, seller and lender or their agents where the property and funds legally change hands. Also called settlement.

CLOSING COST: Usually includes an origination fee, discount point, appraisal fee, title search and insurance, survey, taxes, deed recording fee, credit report charge and other costs assessed at settlement.

Normally, the costs of closing will be 3 percent to 6 percent of the mortgage loan.

CONVENTIONAL LOAN: A mortgage not insured by FHA or guaranteed by VA or Farmers Home Administration (Fm HA).

CREDIT REPORT: A report documenting the credit history and credit status of a borrower’s credit standing.

DEED OF TRUST: In many states, this document is used in place of a mortgage to secure the payment of note.

DISCOUNT POINTS: See points.

EARNEST MONEY: Money given by a buyer to a seller as part of the purchase price to bind a transaction or assure payment.

EQUITY: The difference between the fair market value and current indebtedness, also referred to as the owner’s interest.

ESCROW: Refers to neutral third party who carries out the instructions of both the buyer and seller to handle all of the paperwork of settlement or “Closing”. Escrow may also refer to an account held by the lender into which the homebuyers places money for tax and insurance payments.

FHA LOAN: A loan insured by the Federal Housing Administration open to all qualified home purchasers. While there are limits to the size of FHA loans, they are generous enough to handle moderate-priced homes almost anywhere in the country.

FHA MORTGAGE INSURANCE: Insurance, paid by the borrower, that protects the lender against loss if the borrower should default on the mortgage payments and foreclosure should become necessary. This insurance is required on all FHA loans.

GOOD FAITH ESTIMATE: A written estimate of all loan charges made by a lender to proposed borrower. The estimate is a requirement of RESPA and must be provided to a borrower within three days of receipt of application.

HAZARD INSURANCE: A contract whereby an insurer, for premium, agrees to compensate the insured or loss of a specific property due to certain hazards, (I.e., fire, windstorm, etc.).

HUD: DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT: A department of the Federal government under whose auspices the FHA is operated. The department provides control over government programs designed to provide housing and the improvement of housing standards.

MARKET VALUE: The highest price that a buyer would pay and the lowest price a seller would accept on a property. Market value may be different from the price a property could actually be sold for at a given time.

MORTGAGE : A formal document executed by an owner or property, pledging that property as security for payment of a debt.

MORTGAGEE: The Lender.

MORTGAGOR: The borrower or homeowner.

NOTE: The instrument signed by the borrower promising to pay the debt and secured by the Deed of Trust.

ORIGINATION FEE: The fee charged by a lender to prepared loan documents, usually computed as a percentage of the face value of the loan.

PITI: Principal, interest, taxes and insurance. Also called monthly housing expense.

POINTS (LOAN DISCOUNT POINTS): Prepaid interest assessed at closing by the lender. Each point is equal to 1 percent of the loan amount. (e.g., two points on a \$100,000 mortgage would cost \$2,000.).

PREPAIDS: Expenses necessary to create an escrow account or to adjust the seller's existing escrow account. Can include taxes, hazard insurance, private mortgage insurance and special assessments.

PRIVATE MORTGAGE INSURANCE (PMI): Insurance written by a private mortgage insurer, (rather than by the FHA) that protects against loss caused by a borrower's default. Normally required when the down payment transaction is less than 20%.

RECORDING FEES: Money paid to the lender for recording a home sale with the local authorities, thereby making it part of the public records. (I.e., warranty deed, trust deed).

RESPA: Short for the Real Estate Settlement Procedures Act. RESPA is a federal law that allows consumers to review information on known or estimated settlement costs after application and again prior to or at settlement. The law requires this information to be furnished after application.

RECORDING FEES: Money paid to the lender for recording a home sale with the local authorities, thereby making it part of the public records. (i.e., warranty deed, trust deed).

SURVEY: A map of description of land, showing the precise location of any improvements on the site, as well as the location of easement, right-of-way or encroachments.

TITLE: A document evidencing an individual's right to/or ownership in property.

TITLE INSURANCE: A policy, usually issued by a title insurance company, by which the insuring company agrees to indemnify and protect the insured against loss arising from defects, (i.e., forged documents, incorrect legal interpretations, misfiled instruments, ect.). The insuring company also agrees to defend the insured in court against any law suits that may arise from these defects.

VA LOAN: A long-term low or no-down payment loan guaranteed by the Veteran's Administration. Restricted to individuals qualified by military service or other entitlements.

VA FUNDING FEE: A fee charged by the VA to defray administrative costs. The fee is currently one percent of the loan amount and is required on all VA loans.

AMY E. PETERS

Helping You Make Good Decisions!

