



HOME BUYER'S HANDBOOK

The process of buying is similar for all homebuyers. But no two transactions are the same! You need a real estate advocate to guide you safely through the transaction. From determining just how much home you can afford, inspections, to the contract agreement, the following provides you with an overview of the specific steps that you will encounter in the process of purchasing a new home.

Decisions

Be sure you have pulled your credit reports (you can do that through links on my site) to make sure your credit is in order prior to seeking any loans. Ascertain that there is no negative information on your reports in error. This is more common than you might think! Clear up any mistakes! Massachusetts allows you to obtain a free credit report from the three credit agencies once a year. Do this annually even if you AREN'T buying a house! Guard your credit score, it's a valued asset.

How Much Can We Afford?

Lenders use established formulas for helping determine what price home you can afford to purchase. Depending upon the lender and the type of loan, you will be required to come up with 5 to 20 percent of the purchase price as a down payment on your new home. There are also 3.5% FHA financing options available. Lenders then apply slightly different formulas for determining your "total monthly housing costs" in order to establish your qualifications for securing a home loan. Some lenders figure in basic amounts for maintenance and utilities in addition to your Principal, Interest, Taxes and Insurance (P.I.T.I.) plus association dues, and any other fixed costs. Generally, lenders allow no more than 25 to 35 percent of your gross monthly income for P.I.T.I., and as much as 45 percent for both your P.I.T.I. and monthly debt payments combined. (P.I.T.I. represents the principal, interest, taxes and insurance that you will pay on your mortgage loan.) There are also some great programs that you may qualify for under the "Mass Housing" program. Just ask your lender about the parameters and if you qualify. It can mean lower interest rates and costs.

Two formulas used by a variety of lenders are:
 (P.I.T.I.) 25-35%

----- = Or Less

Gross Monthly Income

P.I.T.I. + All Monthly Debts 45%

----- = or Less

Gross Monthly Income

For more specific figures and details, ask me for names of trusted mortgage lenders who can give you a no-obligation pre-approval with just one phone call. You will need to present a pre-approval letter with any offer you submit. A pre-approval letter represents a more in-depth step than just a pre-qualification letter.

House Shopping

What Type Of Home Do We Want?

You may know exactly what you want in terms of the structure of your new home. Perhaps you've already chosen a single story ranch style over a two-story condominium or a townhouse. Or, you may be open to several options and you'll "know it when you see it." Single-family homes come in a variety of styles including but not limited to:

Cape Cod Ranch
Contemporary Raised Ranch
Colonial Split Level
Modern Bungalow
Multiple-family dwellings generally fall into one of the following categories:
Condominium Own-Your-Own
Planned Unit Development Co-op

Where do you want to Live?

Selecting a neighborhood that is compatible with your comfort and lifestyle is the next consideration. A variety of concerns will play into your decision about which neighborhood is right for you and your family. Check out my site for specific neighborhood, school and town information.

You may consider:

- Overall appearance
- People who live in the neighborhood
- Proximity to schools, churches, shopping, employment and highways
- Availability of services
- Recreational and exercise areas and equipment
- Property taxes
- Zoning and building regulations

The Offer to Purchase Contract

When you've made the decision to purchase a particular property, I will assist you in presenting an offer to purchase to the seller. Your offer to buy involves submitting a signed real estate contract that specifically states the terms and conditions upon which you would like to purchase the property. Your offer will generally be accompanied with a good faith deposit check normally ranging from \$500-\$1000 for the seller. Should the seller decline your offer, your good faith deposit is returned to you. If it's accepted, those funds are credited toward the home purchase. You will also need to have a pre-approval letter from a lender showing that you qualify for the financing you need to purchase this property at that price. The seller may accept your offer as presented, or employ the option to "counter" your offer with slightly different terms, price, financing, or other conditions. Once both you and the seller have agreed to the terms of purchase, you have both signed the document within the stated time parameters, and you have been notified of the seller's acceptance (usually when you receive an actual copy of the contract) the document becomes a valid sales contract. This is a legal binding document.

NOTE: It may happen that you and the seller cannot reach a mutual agreement. In that case, the seller will refuse to sign your offer and no contract will be entered.

Inspections

Home inspections are scheduled to occur within a 10-day period (or sooner) and may include home, pest, radon, lead, and mold. If I am representing you as a buyer's agent, I am able to recommend to you trusted home inspectors. A full state listing of home inspectors can be provided to you as well. Always be certain that your home inspector is state certified.

The Offer to Purchase Contract

Normally, within 10 days, a Purchase and Sale Contract is signed outlining in detail the contract to purchase detailing any agreements between the parties including the dates that you agree to apply for and to secure the financing needed to finance the property. You may wish to retain legal counsel to review or to draft the document on your behalf. This is a legal binding document. This is signed following the completion of all inspections with an additional deposit known as "earnest funds" accompanying the document. Earnest funds can range widely from 1-10% depending on what the Offer to Purchase agreement has outlined. These funds are held in escrow by the listing agency and credited toward your purchase by the closing attorney. This will be reflected on the HUD Settlement Statement at closing.

Financing Your New Home

The next immediate step is to secure financing for the property with the lender of your choice. I can provide for you a list of trusted lenders who have years of experience in assisting buyers just like you! They can walk you through the process in layman's terms. There are a vast array of programs designed to

meet your every need. These lenders will meet with you either in person or by phone at your convenience. Just ask!

Comparing Available Loans

Competition among lenders is vigorous. Your search for the best loan may include discussion with representatives for mutual savings banks, savings and loans, private lenders, mortgage bankers, finance companies, credit unions and mortgage loan brokers. It is important to take accurate notes when speaking with each lender's representative in order to effectively compare loan availability, interest rates, terms, loan origination fees, discount fees or points charged, appraisal fees, down payment requirements, income requirements, and other specific items that lenders may request.

Applying For the Loan

Most lenders require the same basic information from you. Your complete loan application may include details about:

- Total monthly income including alimony, child support, bank retirement, interest, dividend or trust income, etc.
- Assets such as cash in banks, stocks, bonds, other property owned, vested interest in retirement plans, life insurance, automobiles, etc.
- Anticipated housing costs
- Credit references
- Employment history

The lender will carefully review the information provided by you in order to determine the risk in lending you money to purchase a home. Be sure and guard your credit rating—lenders recheck your credit immediately prior to closing to be sure you still qualify for your loan. Wait until AFTER closing to make those major furniture or car purchases. This affects your credit rating!

Appraisal

Your mortgage lender will order an appraisal (your cost) to establish that the value of the property meets the criteria for the financing you are seeking.

Homestead Act

The Homestead Act allows homeowners to protect the interest in their property from outside parties under certain conditions. See my site for additional information on this subject. You should determine if you would like to file for the Homestead Act when closing on your property. The closing attorney or your personal attorney can easily prepare this paperwork for you.

Insurance and Taxes

Two decisions will be required of you regarding insurance. The first is homeowner's insurance. You will be required by the lender to adequately insure the property. Check with your auto insurance provider as they often offer discounts for multiple policies. You will be required to prepay one year in advance and to provide at closing an insurance binder showing that you have paid in full. You will also need to put two months of insurance payments into an escrow account. The lender will normally be making your insurance payments from your escrow account. If the property you have selected is in a designated Flood Plain, please note that the lender will require that you obtain a separate Flood Insurance policy. Buying a home in a flood plain will add to your monthly costs, so keep that in mind when searching for a property in coastal Massachusetts. The second decision is Title Insurance. In Massachusetts, the closing attorney is required to search the title to the property to certify that the buyer has a good, clear and marketable title. The buyer pays the fees for the title examination and certification as well as the title policy insurance that protects the lender's interest. However, you will also be given the opportunity to purchase your own policy that protects you as well. This entirely optional, but it's good protection. This is a ONE-TIME policy purchase. Your lender will also require you to place into your escrow account two months of property taxes. The lender will be making your property tax payments from your escrow account. This is how the lender insures that both the taxes and insurance are being maintained on the property in which they have a financial interest.

Closing the Contract

The day prior to closing, a final walk through can be conducted to insure that the property condition is as outlined in the Purchase and Sale. Also, the closing attorney will notify you of the final amount that you will be required to bring to closing in the form of a cashier's check. The cashier's check should be made out TO YOU. You will then sign it over to the attorney at the table. This is a security measure. Always bring your checkbook, just in case there are minor adjustments at the table. You will also need to provide photo identification as well.

At the closing, you and the seller will each have completed the conditions and met the terms pursuant to your contractual agreement and the title to the property will be conveyed to you. I, in addition to the closing attorney or other settlement assistant, will have helped you through the myriad steps of closing, including handling of the many details such as:

- Loan approval
- Inspection of the property
- Possible repairs
- Securing free and clear title and title insurance
- Payment of all current taxes
- Pay-off existing seller's loan
- Payment of insurance
- Document preparation and recording
- Ultimate transfer of funds, title, keys and paperwork

Following the closing, you will receive a final settlement statement called a HUD for your records that clearly illustrates all the fees paid by you to close the contract.

WELCOME HOME!

Don't worry, this isn't goodbye. After closing, should you have need of any resources related to real estate including referrals for contractors, painters, landscapers, floor refinishers, handyman, etc., just call! I maintain a list of trusted professionals on your behalf. I want to be your real estate advocate for life!