

YOUR HOME-BUYING GUIDE

A Complete Guide to the Home-Buying Process

Compliments of

The OCR Group
(888) 240-1253



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You need an experienced Realtor...

Who are we?

Tom O'Connor:

I was born in Pennsylvania and raised just north of Philadelphia. After college, I moved to North Carolina and had my first taste of southern living. NC was also where I joined Microsoft who took me on a whirlwind tour of the IT industry and the United States. In 1991, I moved to Texas to continue my work with Microsoft in various management roles. After a few years, I relocated to Seattle but never fully bought into the “no sunshine” thing and searched every possibility for the opportunity to return to the DFW area. I returned 2 years later where I finished my IT career as a Business Analyst. In 2002, I left Microsoft and began my real estate career specializing in residential and investment properties. I joined the Keller Williams Realty team - Flower Mound in 2006. My knowledge of the real estate market, the DFW area and the sales process has proven to be invaluable to my clients.

I have called Flower Mound my home for eleven years. I am married with four children. Daniel and Scott are both currently attending college. While my younger children, Drew and Katey, are both seniors in high school. My wife, Bridget, is a native Texan. She grew up in Waco but she has lived in the DFW area for over twenty years. She has a passion for education and is currently employed as an elementary principal.

Ivonne A. Ochoa

I was born in Bogota, Colombia where I spent the first few years of my life. I came to live in the United States when I was eight years old. I was raised in West New York, NJ where I lived for another eight years. While putting myself through college, I worked in several different fields some of which include Dental Assistant, Post Closing Department in a mortgage company, and finally as an Assistant Administrative Manager in an accounting firm. As I was about to finish my Computer Programming Degree, I was fortunate to start working as a Jr. Quality Assurance Analyst for Pershing who at the time was a Division of DLJ. It later became a Division of the Bank of New York. It was during this time that my husband and I became interested in Texas Real Estate. We purchased some property in the Houston Area where we thought of moving to eventually. Then in late 2003, shortly after completing my fifth anniversary with Pershing, my husband was offered the opportunity to transfer to the DFW area. We have called Argyle our home since then and it has been the best decision that we have ever made.

I am married to a wonderful man named Juan Carlos and have two great boys Kevin and Andy. My oldest son, Kevin is 5 years old and is in Kindergarten and Andy, my youngest son, just turned 4. I was taught and raised with the belief that family is the biggest treasure in life and I have not only lived by that belief in my personal life but also in my Real Estate life. My focus in my Real Estate business is to make sure that your family is as happy and satisfied with your home as I am with mine.

In addition to the above mentioned, I would like to point out that I am also fluent in Spanish. Therefore, if you have any questions or concerns that you would like to have explained in Spanish I will be more than happy to help you with your concerns. Thank you for taking the time to visit our website and we promise that you will be pleased with our A+ Customer Service and Satisfaction policy.

Our dedication to you:

Our focus is on your complete satisfaction. In fact, we work to get the job done so well, you will want to tell your friends and associates about it. We will always have time for and appreciate repeat customers and referrals.

Good service speaks for itself.

We look forward to the opportunity to earn your business too.

You need a successful Real Estate Company

Often, we judge the caliber of people by the company they keep – this is why we would like to tell you a little bit about Keller Williams Realty and our office within the Keller Williams system.

Keller Williams® Realty was founded in Austin, Texas in 1983 with the specific premise that buyers and sellers deserve the best service for their real estate needs. For more than 17 years that founding premise has been a major factor in the continued growth of Keller Williams® across North America. Two visionaries lead Keller Williams® Realty – Gary Keller, founder and Chairman of the Board, and Mo Anderson, Chief Executive Officer.

Because each Keller Williams® Market Center has grown within its respective community, Keller Williams® real estate agents have intimate knowledge of each community's character, mood, and growth potential. Due to the fact that the majority of Keller Williams® Associates live in the communities and neighborhoods they serve, they are eager and capable of tackling unique challenges that families encounter when selecting new homes.

At Keller Williams® Realty, we are Real Estate Consultants. We are not agents. We are not salespeople. What this means is that we build fiduciary relationships with our clients. A fiduciary is someone who represents your best interests.

We are a profit sharing company where associates are in partnership relationships with the owners; this means that everyone at Keller Williams® Realty wants your home to sell because everyone benefits.

The Keller Williams culture is based upon a belief system that is summed up by this acronym: WI4C2TS:

W in-Win	or no deal
I ntegrity	do the right thing
C ommitment	in all things
C ommunication	Seek first to understand
C reativity	ideas before results
C ustomers	always come first
T eamwork	together everyone achieves more
T rust	begins with honesty
S uccess	results through people

Why you need a Realtor?

As a licensed real estate professional we provide much more than the service of helping you find your ideal home. Realtors are expert negotiators with other agents, seasoned financial advisors with clients, 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 buying your home.

- As a knowledgeable Realtor, we can save you endless amounts of time, money, and frustration.
- As a knowledgeable Realtor, we know the housing market inside and out and can help you avoid the “wild goose chase.”
- As a knowledgeable Realtor, we can help you with any home, even if it is listed elsewhere or if it is being sold directly by the owner.
- As a knowledgeable Realtor, we know the best lenders in the area and can help you understand the importance of being pre-qualified for a mortgage. We can also discuss down payments, closing costs, and monthly payment options that suit you.
- As a knowledgeable Realtor, we are an excellent source for both general and specific information about the community such as schools, churches, shopping, and transportation - - plus tips on home inspections and pricing.
- As a knowledgeable Realtor, we are experienced at presenting your offer to the homeowner and can help you through the process of negotiating the best price. We bring objectivity to the buying transaction, and we can point out the advantages and the disadvantages of a particular property.

And the best thing about me as your Realtor is that all this help normally won't cost you a cent. Generally, the seller pays the commission to the Realtor®.

Understanding Agency...

In Texas,

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.

Buyers 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.

Sellers 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 Buyer's Agency Agreement

By default, real estate agents work for the sellers and have the sellers' best interest in mind. The main goal is to separate the buyer from as much cash as possible during a real estate transaction. Not a bad team to have on your side... if you were a seller. Is that fair to you, the buyer?

The Buyers Agency Agreement is a legal contract between the buyer (you) and the Agent (us). The contract guarantees that YOUR interests are represented and cannot be compromised by passing along information about you to the seller. Sound better?

The agreement allows us, as YOUR representatives to:

- Represent you as a true client, not just as a customer.
- Show you all the homes on the market that meet your needs, including any For Sale by Owner properties we are aware of which meet your buyer profile.
- Keep your negotiating and financial position confidential.
- Provide data and analysis of comparable sales and market conditions to help you formulate an offering price and negotiating strategy.
- Help you write an offer and negotiate with only your interests in mind.
- Point out positive and negative aspects of each property so you can make a fully informed purchase decision.
- Research any seller or property and provide you with strategic insight.
- Provide reliable sources of lenders, inspectors, attorneys, insurance agents, and other professionals.
- Provide you with anonymity if desired.

Quite simply, the Buyers Agency Agreement allows us to work contractually in your best interest, not the seller's. And having your own representation doesn't have to cost you a penny more...don't let anyone tell you otherwise!

The Advantages of a 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. All of this personal service is available, in most cases, at absolutely **NO COST TO YOU!** The Seller's Agent is responsible for paying your Buyer's Agent fee. With me, you get a professional devoted to protecting your needs to help you make one of the most important investment decisions of your life – and, in most cases, you don't even have to pay the fee!

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.

We have devoted our 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. We 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. We 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 us is that you will have professionals 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. We have 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/she 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.

Buyer Services

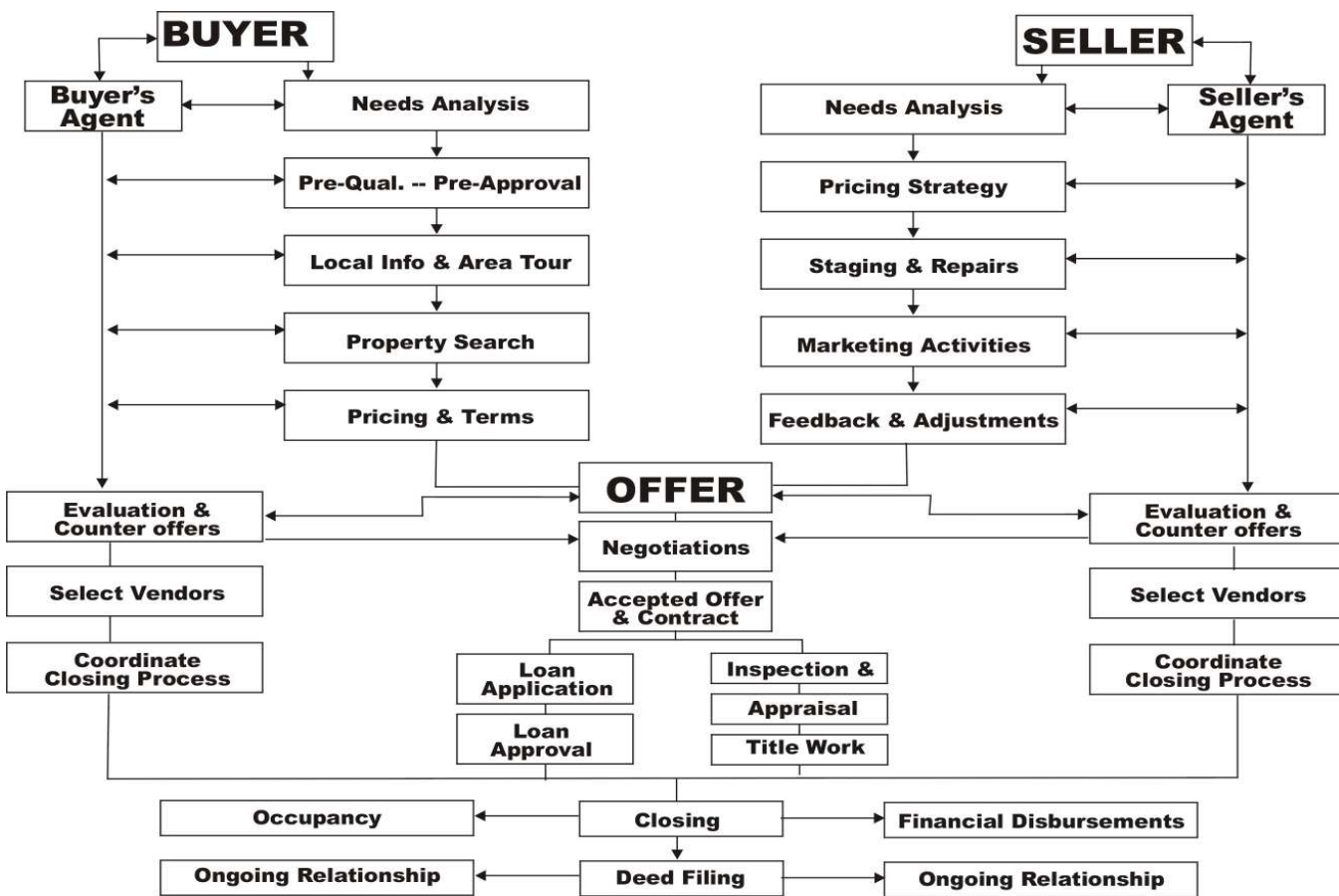
As your Buyer Representatives, We will:

- Conduct an initial counseling session to assist you in determining your specific needs and desires.
- Conduct an on going search of a wide spectrum of available housing, including the Multiple Listing Services, homes for sale by owner, new homes, and properties available through relocation management companies and lending institutions.
- Schedule appointments and accompany you on property showings.
- Provide mortgage qualification assistance to facilitate the mortgage application process.
- Provide a professional market analysis and tax research on any homes selected for possible purchases for the factual data on recent comparable sales that will assist you in the offer and negotiation process.
- Assist in analyzing all gathered information prior to a purchase offer.
- Assist you in preparing a purchase offer. Provide assistance in selecting qualified companies and individuals for property inspections.
- Provide professional representation in negotiations with your home purchase.

- Schedule appointments to provide access to the property for inspectors, appraisers, etc.
- Monitor the post-contract, pre-closing process, to assure that all necessary documentation is complete and available for closing.
- Accompany you to the closing and review figures and documentation for accuracy.
- Be available to you after the closing to assist with any unresolved or unforeseen challenges.

The Home Buying Process

We have designed this packet to assist you with the purchase of your new home. We assure you that it is our goal to provide you with the most professional and informative service available. We are always just a phone call away! With that said, here is the typical home buying process.



Did we scare you off yet? It is not really as complicated as it looks. With an experienced Realtor you can breeze through the steps and get into your new home with as little effort as possible. Let me try to break this down to a few simple steps.

Find a Realtor you can trust...

The first step in the home buying process is to find an experienced Realtor that you can trust and sign a Buyer's Agent Agreement. This guarantees, by the laws of the state, that your needs are met professionally and represented throughout the entire process of buying your home.

Help your Realtor understand your needs and desires

A critical part of the process is to make sure that you and your Realtor are on the same wavelength. It will do neither one of you any good if you have your heart set on a 3 bedroom contemporary house and your Agent is showing you only 4 bedroom colonials. Take the time upfront to discuss your needs and desires with you Agent – and don't leave the meeting until everyone is on the same page.

Get Pre-Approved for your mortgage

This is another crucial step in the process. By working with a mortgage lender early in the home buying process you know exactly what you can afford, what you can borrow, what will be required from you during the process and most important you will receive a Pre-Approval letter from the lender. With this letter in hand you position yourself as a qualified home buyer who is serious about making the purchase. When it comes time to make an offer we will attach this letter to the offer and make the statement that we are ready to deal. In many cases this positions you above other offers the seller may receive.

Starting your home search

The next step is obviously looking at various homes that fit your requirements. We will work around your schedule to help you find your dream home.

Let's make an offer

Be careful, this is a BIG Step! When you find your dream home, you should present a competitive offer immediately. But remember, an offer is an offer - it is not a contract. In most cases the seller will counter your offer with different terms. This is where the negotiations begin. We have extensive experience in contract negotiations and will ensure you get just what you want for a fair price and a transaction in your best interest. The five areas we typically negotiate are; Price, Terms, Inclusions, Possession and Contingencies.

The Contract

When the seller accepts your offer, you go “under contract.” You want to make sure every detail is handled accurately and immediately. We will ensure your home closes properly and on time.

Inspections

Typically in your contract it is stated that you have a period of time to complete your inspections of the property and you have the option to walk away from the deal for any reason. This is called an “Option Period” and in most cases you pay the seller a nominal non-refundable fee for this option. Timing is of the essence. We need to schedule inspections as soon as possible to give us enough time, if necessary, to renegotiate the terms of the contract or make a sound decision to walk away. We will work closely with you and your inspectors to make sure we thoroughly understand the condition of the property and the options available to us.

Closing

There are several critical steps involved before you head to the closing table but most are handled by the loan officers and the Title Company. We will work with the principles in each case to ensure the closing happens when and how expected. The closing typically happens in a conference room at the Title Company but can also be done through courier services and notary publics. We will make every effort to attend the

closing with you in case any last minute issues come up. Don't forget to bring your cashiers check for the required funds.

Taking possession

Most folks believe once you get through closing the house is yours. Well, if everything goes as planned that is correct. However, I know of cases where this does not happen. To give you an example, suppose you were borrowing money from a bank headquartered in New York. You schedule your closing for 4pm Friday afternoon in Texas. Everything goes as planned, you sign all the papers and at the end you expect to be handed the keys to your new home – in fact you have the moving truck outside with all your furniture just waiting to be moved in. Not so fast. You have no funds. The bank in New York closed an hour ago and they won't open until Tuesday because Monday is a Holiday. Unless you have a large amount of cash in your back pocket you're spending the weekend in a hotel. We want to make sure we don't get caught up in this. Closing **and** funding is when you get the keys. Plan early and never around a weekend.

Types of Property Ownership

The way you hold title to your property can have a dramatic impact on your estate planning process. Be sure you know how your land, home, bank accounts, stocks and bonds, life insurance policies, and pension plans are owned.

You have five primary ways to hold title to your assets.

Sole Ownership

Sole ownership means you own the asset by yourself. You can sell the property or give it away without asking anyone's permission. You can distribute the property after your death to your beneficiaries in a will, as long as you recognize your spouse's marital interest. If you do not have a will, the property will go to your heirs as specified by state law.

Joint Tenancy with Rights of Survivorship

JTWROS means you own an equal share of the property with one or more other persons. When you die, your ownership share in the property automatically passes to the other surviving owner(s). The surviving joint tenants get your share of the property even if you say in your will that you want that property to go to someone else.

Tenancy by the Entirety

Only husbands and wives have this form of joint ownership. In some states, only real estate can be held in tenancy by the entirety. Neither spouse can sell or mortgage property owned in this way without the other's approval. When one spouse dies, the other spouse automatically receives full title.

Tenancy in Common

Under T/C, you own shares in property with one or more persons, who are called tenants. When you die, your share passes directly to your heirs, or to others specified in your will. It does not pass to the other tenants. You can sell or give away your share as you wish without getting permission from the other tenants.

If you are married, your share of T/C property does not automatically go to your spouse. Instead, your portion of the property will go to your heirs. Who your heirs are will depend on state law and your family circumstances. Probate takes place even if you made it clear in a will that your spouse should inherit the

property. Spouses who have children from previous marriages often use this form of title. It ensures that property passes as the parent intended.

Community Property

Nine states treat the property of married couples differently from the other 41 states. These states are called "Community Property" states. The Community Property states are

- Arizona
- California
- Idaho
- Louisiana
- Nebraska
- New Mexico
- Texas
- Washington
- Wisconsin

If you are married and live in a community property state, these property-ownership rules apply:

- If you acquired property before you were married, this property belongs to you alone even after you are married.
- Any property you accumulate during your marriage is considered to be community property. You and your spouse own an equal, one-half interest in this property.
- If you receive personal gifts or inheritance after you are married, that property continues to be owned separately by you.

Remember: Beneficiaries are the persons or organizations you mention in your will. Heirs are the people the law says will get your estate.

We are providing this information to you as a guide only. **We strongly recommend that you discuss this with an Attorney.**

Your Home Search

A home is about more than the number of bedrooms or bathrooms. It's about how you feel when you walk through the door. Creating a list of the desired features and amenities for your new home and understanding your lifestyle will help me target the properties that meet your criteria. Please be as specific as possible because by doing so this will insure that we fully understand your needs and wants. Once we have established these items we can go off and start looking for your dream home. Please take the time to review and complete the following worksheets.

Your Lifestyle:

What makes you comfortable in your current home? Is there anything in particular you'd like to duplicate?

What is your primary reason for searching for a new home?

Do you have children? What are their ages, interests and activities?

Do you entertain a lot? What areas of your home will you primarily use to entertain?

How long do you expect to live in the new home?

Do you have any pets that stay in the house or outside?

Would you consider yourself to be more casual or formal?

When you imagine your dream home, what do you see? What images come to mind?

Your Contact Information and Your Ideal Home

Name: _____

Address: _____

Contact Information:

Home: _____ Work: _____ Cell: _____

Home: _____ Work: _____ Cell: _____

Email: _____ Email: _____

Preferred method of contact: _____

How did you hear about us?

Open House: _____ Advertisement: _____ Yard Sign: _____

Called 800#: _____ Personal Referral: _____

If personal referral please list who: _____

How long have you been looking for a home? _____

How soon would you like to move?

Immediately: _____

1-3 mos.: _____

6-12 mos.: _____

3-6 mos.: _____

1 yr. or more: _____

Are you currently working with any other agents? _____

Have you signed a buyer representation agreement with another agent? _____

Do currently you: Own or Rent: _____

Do you have to sell your home or complete a lease before buying? _____

Have you talked with a lender: _____ If yes, who? _____

Are you Pre-Approved or Pre-Qualified for your mortgage: _____

What is your ideal price range or monthly payment? _____

What cities / subdivisions are you interested in? _____

Is there a particular school or school district you would prefer? _____

Choosing the right neighborhood is as important as Choosing the Right House!

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 out the Neighborhood!

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.

Neighborhood 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?

Using a Realtor to Purchase a New Home

Why should I use an Agent to purchase a new home?

The advantages of having us 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. I can professionally guide you through this process. I have experience working with builders and have access to a database of information about subdivisions, floor plans, etc. I am 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. The negotiations however can be quite extensive. Just as in any resale, the Seller pays your Agent's fee.

REMEMBER – the Builders require that your Agent accompany you on your first visit to the Builder's sales office, or they WILL NOT PAY your representative's fee!

This article originally appeared in the *Denver Post*

“Should You Use a Realtor When Buying a New Home? YES!”

Think of planning a trip to Europe without the help of a travel agent...or how about buying insurance without an insurance agent? Then imagine being involved in a major league business dispute, and you're representing yourself in front of the judge and jury. If you depend on people in the service industry for travel needs, filing a claim for hail damage to your roof, or handling legal matters, then why would you want to represent yourself in the most expensive and probably most important purchase of your lifetime...your new home?

It is a common conception that buying a new home directly from the builder, without the assistance of a Realtor, will save you money. Not so! The price of a new home is the same whether you have a Realtor or not. Since this is the case, common sense would tell you to utilize a professional to help you with contract negotiations, researching loans, or helping you to decide which lot is best suited for you!

Phyllis Sinclair, a broker associate, has been on both sides of the fence. For 10 years she represented builders as an on-site salesperson. During the past three years she has represented both buyers and sellers in resale and the purchase of new homes. Sinclair sums up new homes sales as, “A one price policy...buyers receive all of the services and don't pay them any extra, but they also don't receive any discounts. I always felt concern for buyers who weren't associated with a Realtor, as they didn't have the support system they deserve in such a major lifetime transaction.”

In our current, fast-paced real estate market, there are many new home communities to choose from. You need to ask yourself some pertinent questions when looking for a new home. Is this a good builder? Does he have a solid reputation, years in business, etc.? How does the quality of his product compare to that of other builders? What are the existing inventories of the various builders? How do builder models meet your needs (floor plans, square footage, and location)? If I sell in a few years, what upgrades should I include to be competitive?

When you find the answers to these questions, ask yourself if the time spent in researching these answers was time well spent – put a dollar value on your time. Real estate professionals can be a valuable asset in collecting information in areas which may affect your decision on the purchase of a new home.

If builders rely on real estate professionals to sell their homes, then why wouldn't you, the buyer, take the same precautions in assuring yourself the best service and expertise in making this important decision?

No matter where you find homes that attract your attention...

In a local real estate magazine

Via the Internet

Other agents' FOR SALE sign

Other agents' OPEN HOUSE

From a friend

A "For Sale by Owner" sign

Other agents' exclusive listing

...

We can sell any of them to you!

Most importantly, we can negotiate any offers for you. **But, if you view a property with someone else, we can not represent you.** If you see a sign, an open house, or even hear about a property, call us first and we will provide you with all the information on that property and make all the necessary arrangements for viewing.

The Mortgage and Loan Process

How Much Home Can You Afford?

When you are ready to begin looking at various houses to find your dream home, you need to prepare all of the necessary materials to present to the lender. Your lender will tell you exactly what you can afford so that you do not spend time looking at “too much” home. There are three key factors that you will need to consider when determining how much home you can afford. These are 1.) the down payment, 2.) your ability to qualify for a mortgage, and 3.) the closing costs associated with your transaction.

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 range between 2-5% of your mortgage loan.

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 – PITI; Loan Principal (P), Loan Interest (I), Property Taxes (T) and Homeowners Insurance (I). 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 eligibility 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, talk with your lender. In most cases he/she can work with you to clear any concerns.

- **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

Don't let any of this discourage you. There are mortgage programs and city or county grant programs available that can help you overcome some of the credit challenges. For example, the City of Lewisville has grant money available to first time homeowners. If you qualify you can receive up to \$18,000 towards the purchase of your new home. Also, the Federal Housing Authority, under their Genesis Gift Program, will allow the seller to contribute money towards your down payment and/or closing costs. Bottom line is there are many avenues available to assist you in getting into your dream home. You just have to have the right home buying team on your side to work with you on your options.

Pre-Qualification and Pre-Approval

Many buyers apply for a loan and obtain approval before they find the home they want to buy. Why?

Pre-qualifying will help you in the following ways:

- Generally, interest rates are locked in for a set period of time. You will know in advance exactly what your payments will be on offers you choose to make.
- You won't waste time considering homes you cannot afford.

Pre-approval will help you in the following ways:

- A seller may choose to make concessions if they know that your financing is secured. You are like a cash buyer, and this may make your offer more competitive.
- You can select the best loan package without being under pressure.

How much home can you afford?

There are three key factors to consider:

- The down payment
- Your ability to qualify for a mortgage
- The closing costs associated with your transaction.

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 a 20-25% down payment, you may be eligible to take advantage of special fast-track programs and possibly eliminate mortgage insurance.

Closing costs:

You will be required to pay fees for loan processing and other closing costs. These fees must be paid in full at the final settlement, unless you are able to include them in your financing. Typically, total closing costs will range between 2-5% of your mortgage loan.

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 the following items:

- The principal on the loan (P)
- The interest on the loan (I)
- Property taxes (T),
- The homeowner's insurance (I).

Calculating your PITI

Your total monthly PITI and all debts (from installments to revolving charge accounts) should range between 33-38% of your gross monthly income. These key factors determine your ability to secure a home loan: Credit Report, Assets, Income, and Property Value.

Use the following to chart to determine your monthly principal and interest payments at various interest rates for either a 15 or 30-year term.

INTEREST RATE FACTORS PER \$1,000					
Interest Rates	Term 15 Years	Term 30 Years	Interest Rate	Term 15 Years	Term 30 Years
4	7.40	4.77	8	9.56	7.34
4 ¼	7.52	4.92	8 ¼	9.70	7.51
4 ½	7.65	5.07	8 ½	9.85	7.69
4 ¾	7.78	5.22	8 ¾	9.99	7.87
5	7.91	5.37	9	10.14	8.05
5 ¼	8.04	5.52	9 ¼	10.29	8.23
5 ½	8.17	5.68	9 ½	10.44	8.41
5 ¾	8.30	5.84	9 ¾	10.59	8.59
6	8.44	6.00	10	10.75	8.77
6 ¼	8.57	6.16	10 ¼	10.90	8.96
6 ½	8.71	6.32	10 ½	11.05	9.15
6 ¾	8.85	6.48	10 ¾	11.21	9.33
7	8.99	6.65	11	11.36	9.52
7 ¼	9.13	6.82	11 ¼	11.52	9.71
7 ½	9.27	6.99	11 ½	11.68	9.90
7 ¾	9.41	7.16	11 ¾	11.84	10.09

1. Find the appropriate interest rate from the chart above.
2. Look across the column to the appropriate term to determine your interest rate factor.
3. Multiply the interest rate factor by your loan amount in \$1,000s

AN EXAMPLE

Interest Rate = 6 ½
 Desired term = 15 years
 Interest rate factor per \$1,000 = 8.71
 Mortgage = \$200,000
 Monthly Principal & Interest = \$1,742 (8.71 x 200)

Add your monthly insurance premium and 1/12 of your annual property tax to your principal and interest to determine your total monthly payment.

I am providing this information as a guide. **I strongly recommend that you discuss this with your Lender.**

Home Warranties

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 us for more details about home warranty packages.

Inspections

If you are purchasing a resale property, we highly recommend that you have a professional home inspector conduct a thorough inspection. The inspection will include the following:

- Appliances
- Plumbing
- Electrical
- Air conditioning and heating
- Ventilation
- Roof and Attic
- Foundation
- General Structure

The inspection is not designed to criticize every minor problem or defect in the home. It is intended to report on major damage or serious problems that require repair. Should serious problems be indicated, the inspector will recommend that a structural engineer or some other professional inspect it as well.

Your home cannot “pass or fail” an inspection, and your inspector will not tell you whether he/she thinks the home is worth the money you are offering. The inspector’s job is to make you aware of repairs that are recommended or necessary.

The seller may be willing to negotiate completion of repairs or a credit for completion of repairs, or you may decide that the home will take too much work and money. A professional inspection will help you make a clear-headed decision. In addition to the overall inspection, you may wish to have separate tests conducted for termites or the presence of radon gas.

In choosing a home inspector, consider one that has been certified as a qualified and experienced member by a trade association.

I recommend being present at the inspection. This is to your advantage. You will be able to clearly understand the inspection report, and know exactly which areas need attention. Plus, you can get answers to many questions, tips for maintenance, and a lot of general information that will help you once you move into your new home. Most important, you will see the home through the eyes of an objective third party.

What every buyer should know before purchasing

1. Property taxes and qualified interest are deductible on an individual’s federal income tax return.
2. A portion of each amortized mortgage payment goes to principal which is an investment.
3. A home is one of the few investments that you can enjoy by living in it.
4. A Realtor can usually show you any home whether it is listed with a company, a builder, or even a For Sale by Owner home.
5. Working with a Realtor to purchase a For Sale by Owner home can be very advantageous because someone is looking out for your best interest.
6. Your Real Estate professional can provide you with a list of items you’ll need to complete your loan application so you’ll be prepared.
7. A homeowner can exclude up to \$500,000 of capital gain tax if married and filing jointly or up to \$250,000 if single or filing separately. The home must have been the taxpayer’s principal residence for the previous two years.
8. Beginning with May 07, 1997, there is no longer a requirement to purchase another home more expensive than the one sold. Homeowners are free to buy up or down with no tax consequences assuming their gain is less than the allowable amounts.
9. Ask the Real Estate professional if they are familiar with the neighborhoods where you want to live.
10. Ask the Real Estate professional whom he/she is representing in the transaction.
11. Ask the Real Estate professional what he/she will do to keep you informed.
12. Your Real Estate professional should provide you with the highest level of service and advice.