

# The Knowledge Resource FOR First-Time Home Buyers



## **Your Agent Is the Best Guide**

Save Time, Money, and Frustration

## **The Keys to Homeownership**

Unlock the American Dream

## **Is Buying the Right Choice?**

Advantages of Owning a Home

## **Tired of Renting? Need Tax Deductions?**

What a Difference a Deduction Makes

## **Build Equity**

Money in Your Pocket

## **Before You Start Looking for a Home...**

Define Your Lifestyle

## **Home Buying**

One Step at a Time

## **How Much Home Can You Afford?**

Your Loan Consultant Can Help You

# Your Agent Is the Best Guide

*Working with a real estate professional can save you endless amounts of time, money and frustration.*

## Checklist

Here's a list of what you can expect from your agent:

- Your agent should understand your price range and type of house you are interested in before he or she starts showing you houses.
- Your agent can provide you with the facts you need to make your own purchase decisions.
- Your agent can act as a knowledgeable representative when you make an offer and negotiate the price.
- Your agent should be able to advise you on obtaining financing for your home.



A good agent knows the housing market inside and out and will help you avoid a wild goose chase. He or she can help you purchase a home whether it is his or her own listing or listed by another agent or is being sold by the owner directly. Your agent may be aware of homes that are available through sources that you

wouldn't be able to find on your own. These professionals also know home prices and can advise you on the value of specific homes.

Most importantly, a real estate professional will guide you through the complex process of buying a home. The maze of financial options, legal documents, disclosure requirements, inspections and a host of other details are simplified by the use of an experienced specialist.

In addition, agents are often your best source for general information about a community; specific information about schools, churches, stores; and tips on house inspectors and comparable prices. Perhaps you're wondering how much an agent is going to charge you for all this help. Well, the good news is that normally it won't cost you a cent.

Agents receive payment by a commission that the seller pays. However, that doesn't affect the dedication or the spirit of teamwork that your agent will put into helping you find and buy the home of your dreams. After all, his or her success depends on your success.

## How to find your new home faster. Be specific.

- Tell your agent what you can afford.
- Let your agent know exactly what you're looking for in a house.
- Be as specific as possible at all times with your agent so that he or she can better serve your needs.



# The Keys To Homeownership

Welcome to *First-Time Home Buyers – The Most Comprehensive Guide for Beginners*. Inside you'll find the basic information that will help you begin the home-buying process:

## Before you start looking for a home

- What kind of home do you want? Need?
- What can you afford?
- How do you apply for a home loan and when?
- Do you have mortgage approval?
- Do you understand mortgage options?



## You're ready to start looking

- How to look for a home
- Home buyer's checklist
- How to find a good agent



## Now that you've found your home

- Making an offer
- The home inspection
- Homeowner's insurance
- What are closing costs?
- The closing
- Keeping your paperwork organized
- Glossary of mortgage terms
- Common real estate terms



# Is Buying the Right Choice?

## Advantages of Owning a Home



In spite of the risks and responsibilities, millions of people enjoy the rewards of homeownership. There are many reasons to take this significant step.

### **A home is a sound long-term investment.**

When you carefully choose a home you can afford, the potential payoff is great. Each month when you pay your mortgage, you're building equity by reducing the amount that you owe your lender. The longer you stay in your house, the more equity you will have. Unlike most things you buy, a home will generally increase in value as time passes, building more equity. Remember, however, there is no guarantee that your home's value will appreciate.

### **Homeownership offers great tax advantages.**

Mortgage interest and real estate taxes are usually tax deductible. This allows you to subtract part of your housing-related expenses from your income, which could reduce your tax bill significantly.

### **A first home often leads to a better second home.**

As you build up equity in your current home, it is usually easier to move up to an even nicer home in the future.

### **You are better able to plan your housing costs.**

Rent increases are unpredictable and usually beyond your control. One thing is certain: over time, rent will increase, while the cost of homeownership is much more predictable.

### **You gain the satisfaction and security of ownership.**

You can decorate and improve your home according to your own needs and desires. Owning a home may give you a new sense of pride in your surroundings and encourage you and your family to plant deeper roots in your community.

# Tired of Renting? Need Tax Deductions?

*Buy Now!*

## What a difference a deduction makes

Is the federal income tax mortgage interest deduction really a useful tool by which the government can promote homeownership?

Home buyers, particularly those on the verge of making the transition from renting to owning, but also those in the trade-up market, frequently seek information about how the mortgage deduction actually works.

The chart presented here clearly indicates what a big difference the deduction makes. The chart is for general illustration purposes because individual circumstances vary.

### RENT VS. OWN How the Mortgage Interest Deduction Helps Homeowners

John and Jane have a combined income of \$50,000 a year. They purchased a home in January, 1992, for \$150,000, putting 10% down and financing the remaining \$135,000 with a 30-year, 9% mortgage.

Their monthly principal and interest payments amount to \$1,086 a month. Here's how tax deductions will save them cash in the first year and in years to come.

(Figures are for illustration only. Your figures may differ.)

	<b>As Renters</b>	<b>As Buyers</b>
	<b>\$50,000</b>	<b>\$50,000</b>
Income		
Itemized Deductions		
State Income Tax	1,500	700
Other Taxes - DMV	300	300
Contributions & Other	500	500
Interest Payments		12,110
Points (2)		2,700
Real Estate Taxes		1,800
Total Itemized Deductions	2,300	18,110
Deduction Used (standard or itemized)	6,000	18,110
Exemptions (2)	4,600	4,600
Taxable Income	39,400	27,290
Federal Income Taxes	6,378	4,091
<b>Tax Savings:</b>	<b>Federal</b>	<b>2,287</b>
	<b>State</b>	<b>800</b>
<b>Total Tax Savings: First Year</b>		<b>3,087</b>
<b>First Year - Monthly</b>		<b>250</b>
<b>Annual (after 1st year)</b>		<b>2,600</b>



# The Rent You Pay ... Could Build Equity in Your Own Real Estate

Per Month	10 Years	15 Years	20 Years	25 Years	30 Years
\$300	\$61,453	\$124,341	\$227,811	\$398,050	\$678,146
350	71,696	145,065	265,779	464,392	797,171
400	81,398	165,788	303,748	530,733	904,195
450	92,180	186,511	341,116	597,075	1,017,220
500	102,422	207,235	379,684	663,417	1,130,244
550	112,665	227,959	417,652	729,758	1,243,268
600	122,907	248,682	455,621	798,100	1,356,293
650	133,149	269,405	493,590	862,442	1,469,317
700	143,391	290,129	531,558	928,783	1,582,341
750	153,634	310,853	569,527	995,125	1,695,366
800	163,576	331,576	607,495	1,061,467	1,808,390
850	174,118	352,280	645,464	1,127,808	1,921,415
900	184,360	373,023	683,432	1,194,150	2,034,439
1000	194,603	393,766	759,369	1,326,833	2,260,488

Do you realize how much you pay in rent over a period of years? In addition to the monthly payment, you should figure in the amount you would have accumulated had you invested your payments and earned 10 percent interest. This gives you a total picture of what is happening to your money. The rent you pay adds up to a sizeable sum.

Using this chart, find your per month rental payment to discover how much money you are “giving away” in rent and interest over 10, 15, 20 or 30 years ... money which could be used to build equity in your own real estate!



## Before you start looking for a home...

**What kind of home do you want? Need?** Before you get out there and start looking at houses, it's a good idea to determine not only what you want in a house but also, more importantly, what you need. It focuses your house-hunting and saves valuable time trudging through houses you wouldn't dream of living in.

You can use the worksheet on the next page to list your wants and needs, but first, here are some things to think about as you set your priorities:

**Where do you want to live?** Close to where you work? Close to your extended family, or as far from them as possible? Do you need schools? How important is it to be close to shopping, hospitals, entertainment, community amenities, and how about traffic? Looking for a house really starts with looking for a neighborhood. Deciding where you want to live will save you a lot of time as well as miles on your odometer, and is key to narrowing your search.

**How long do you expect to live in your first house?** For instance, if you plan on living in your first home for only a few years and intend to move

before you have children, proximity to schools may not be an issue, but resale value probably will be. On the other hand, if you plan on staying for ten years or more and having a family, schools and square footage will be priorities.

**What don't you like about where you're currently living?** Making a list of what you definitely do not want in a home will help you weed out houses without having to waste your valuable time looking at them.

**It may seem obvious, but take a good look at your lifestyle.** Do you entertain a lot? Then you'll want a home that lends itself to that. Do you work from home? You'll need a home with a place to create an office. Are you a gardener? Then lot size is a priority.

Keep these things in mind as you make your list of wants and needs. Remember, your list should be flexible in case you can't find a home in your price range with all the amenities you want. It's a good idea to put the list in order of importance. For instance, an eat-in kitchen may be more important to you than a fireplace.

# Home Buying: One Step at a Time

- 1.** **Select an agent and establish a relationship**  
I am a full-time, professional agent with extensive market knowledge. We will work closely together to find the right home for you.
- 2.** **Initial consultation with your agent to evaluate your needs and resources**  
Once I determine your needs, I will help you evaluate financial institutions and loan programs in order to make a wise choice. We will meet to discuss your needs and analyze your resources.
- 3.** **Identify property to buy**  
I will show you homes based upon the criteria that we establish. The more precise and direct you are, the more successful our search will be.
- 4.** **Determine Seller's motivation**  
Once you have found the home that you wish to purchase, I will do the necessary research to help you structure an effective offer.
- 5.** **Write offer to purchase**  
I will draft the Purchase Agreement for you, advising you on protective contingencies, customary practices, and local regulations. At this time, you will need to provide an "earnest money" deposit, usually from 1 to 3% of the purchase price (the deposit is not cashed until your offer has been accepted by the Seller).

## *A tip from me:*

Arrange for movers now. I will offer suggestions so you can shop for the best price.





# Home Buying: One Step at a Time

6.

## Offer Presentation

I will present your offer to the Seller and the Seller's agent. The Seller has three options: he or she can accept your offer, counter your offer, or reject your offer. My personal knowledge of your needs and qualifications will enable me to represent you in the best way possible.

7.

## Seller's Response

I will review the Seller's response with you. My negotiating skills and knowledge will benefit you in reaching a final agreement.

8.

## Open Escrow

When the Purchase Agreement is accepted and signed by all parties, I will open escrow for you. At this time your earnest money will be deposited. The escrow company will receive, hold and disburse all funds associated with your transaction.

9.

## Contingency Period

This is the time allowed per your Purchase Agreement to obtain financing, perform inspections, and satisfy any other contingencies to which your purchase is subject. Typical contingencies include:

- Approval of the Seller's Disclosure Statement
- Approval of the Preliminary Report from the Title Company
- Loan approval, including an appraisal of the property
- Pest inspection and certification

10.

## Homeowner's Insurance

I will coordinate between your Insurance Agent and the Escrow Officer to make sure your policy is in effect at the close of escrow.

11.

## Down Payment Funds

You will need a Cashier's Check or money transfer several days prior to the closing date of escrow.

12.

## Close Escrow

When all of the conditions of the Purchase Agreement have been met, you will sign your loan documents and closing papers. You will deposit the balance of your down payment and closing costs in escrow and your lender will deposit the balance of the purchase price. The Deed will then be recorded at the County Recorder's office and you will take ownership of your home.

# House Hunting Priorities Worksheet

<b>APPROXIMATE PRICE RANGE:</b>	
Minimum:	Maximum:
Minimum Number of Bedrooms:	
Minimum Number of Baths:	
Minimum Square Footage of Home:	
<b>GENERAL HOME FEATURES:</b>	
<input type="checkbox"/> Newer Home (0-5 yrs)	<input type="checkbox"/> Older Home (75+ yrs)
<input type="checkbox"/> Single Story	<input type="checkbox"/> Two ore More Stories
<input type="checkbox"/> Cabin Style	
<b>INTERIOR FEATURES:</b>	
<input type="checkbox"/> Central Air	<input type="checkbox"/> Fireplace
<input type="checkbox"/> Bedroom on 1st Floor	<input type="checkbox"/> Bathroom on 1st Floor
<input type="checkbox"/> Family Room	<input type="checkbox"/> Breakfast Area
<input type="checkbox"/> Recreation Room	<input type="checkbox"/> Great Room
<input type="checkbox"/> Library/Study	<input type="checkbox"/> In-Law/Guest Suite
<input type="checkbox"/> Laundry Room	<input type="checkbox"/> Basement
<input type="checkbox"/> Finished Basement	
<b>EXTERIOR FEATURES:</b>	
<input type="checkbox"/> Swimming Pool	<input type="checkbox"/> Spa
<input type="checkbox"/> Tennis Court	<input type="checkbox"/> Patio or Deck
<input type="checkbox"/> 2 or More Car Garage	<input type="checkbox"/> Irrigation System
<input type="checkbox"/> Attached Parking Facilities	<input type="checkbox"/> Mature Planting
<b>LOT FEATURES:</b>	
<input type="checkbox"/> 1/2 or More Acres	<input type="checkbox"/> 1 or More Acres
<input type="checkbox"/> 2 or More Acres	<input type="checkbox"/> 5 or more Acres
<input type="checkbox"/> 10 or More Acres	<input type="checkbox"/> 20 or More Acres
<input type="checkbox"/> Waterfront Property	<input type="checkbox"/> Fenced Yard
<b>COMMUNITY AMENITIES:</b>	
<input type="checkbox"/> Swimming Pool	<input type="checkbox"/> Clubhouse
<input type="checkbox"/> Security Features	<input type="checkbox"/> Hospitals



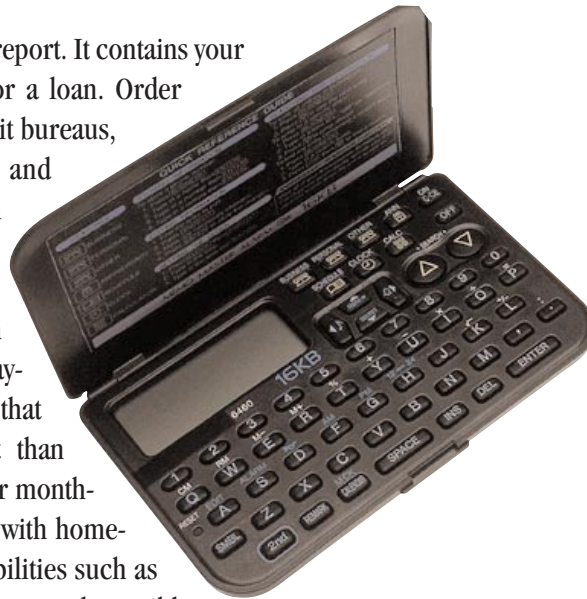
## How much home can you afford?

Few things are more frustrating than falling in love with a house only to discover it's not affordable. How do you know what you can afford? By knowing how much money you qualify to borrow. Use the following worksheet and your calculators to determine your price range.

Your loan consultant, however, will help determine exactly how much you can qualify for, but there are two things you'll want to consider before applying with a lender.

**How's Your Credit?** Check your credit report. It contains your credit score, which is vital for qualifying for a loan. Order your credit report from the three major credit bureaus, check them carefully for discrepancies and errors and have each bureau clear them from your report.

**Monthly Payment.** Calculate how much of a monthly payment you're comfortable paying. You may qualify for a loan amount that would require a higher monthly payment than you'd like to pay. Sit down and figure out your monthly expenses in a new home. Remember that with homeownership you will incur financial responsibilities such as maintenance, improvements, taxes, insurance and possibly association fees.



# Home Affordability Worksheet

It's important to determine things like your monthly payment, how much you can afford to borrow, how much house you can afford to buy and much more. Here's the type of information you'll need to have on hand.



<b>LOAN TYPE YOU'RE CONSIDERING</b>	
Down Payment	
Mortgage Term (in years)	
Monthly Payment Desired	
<b>MONTHLY INCOME</b>	
Wages Before Taxes or Deductions	
Investment Income Before Taxes	
Other Income	
<b>EXISTING MONTHLY PAYMENTS</b>	
Auto Loans	
Student Loans	
Credit Cards and Other Loans	
<b>OTHER MONTHLY DEBT</b>	
Alimony	
Child Support	
<b>TAXES &amp; INSURANCE YOU EXPECT TO PAY</b>	
Yearly Property Tax	
Yearly Property Insurance	

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