



Your next home journey begins here.

Homebuyer | Toolkit



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FOR MORE INFORMATION
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IS BUYING RIGHT FOR YOU?

These questions will help you decide whether homeownership is a good idea for you right now. If you answer yes to most of the questions, you may be ready to become a homeowner.

IS YOUR CURRENT LIVING SITUATION NO LONGER WORKING FOR YOU?

Did you recently get married or expand your household? Do you want more space, a yard, or more privacy than you have in your current dwelling? Do you want a place that is yours to do with as you wish? These are all top reasons why renters become homebuyers.

ARE YOUR FINANCES IN ORDER?

Yes, your monthly mortgage payment may be cheaper than your rent, but you will also need funds for a down payment and closing costs, as well as savings for ongoing home maintenance or improvements. Lenders will also look at your overall debt levels for things like student loans or car payments.

ARE YOU READY TO STAY IN JUST ONE AREA?

It's a lot easier to move when you are in a rental than when you are a homeowner. If you don't like to be tied down, or if your job requires you to relocate every few years, it may not be the right time to buy.

ARE YOU COMFORTABLE MOVING IN THE CURRENT HOUSING MARKET?

If your market is hot, finding a new home may take longer to find and prices may be higher than if the market is slower. You'll also want to look at how current mortgage rates impact your buying power. Ask your real estate professional what they see happening locally.

ARE YOU READY TO RECEIVE THE BENEFITS OF HOMEOWNERSHIP?

There are a lot!

- ▶ **Tax Benefits** - You can deduct your mortgage interest, some or all of your state and local taxes, and keep up to \$250,000 or \$500,000 tax free when you sell your home.
- ▶ **Appreciation** - Long-term, real estate has experienced steady growth in value.
- ▶ **Equity** - A portion of your mortgage payment goes toward building your equity. It's almost like paying yourself.
- ▶ **Predictability** - Your principal and interest payments stay stable over time, unlike rents which can increase greatly from year to year.
- ▶ **Freedom** - Your home is yours. You don't need someone else's approval to make it what you want it to be.
- ▶ **Stability** - Living in a home allows you to put down roots in your community, become more involved in local activities, and build lasting relationships.
- ▶ **Pride in Ownership** - They don't call it the American Dream for nothing. Owning your home is a major accomplishment and a milestone that you can be proud of.

10 STEPS TO BUYING A HOME

Homeownership can have tremendous benefits—not just financially, but for stability, predictability, and freedom.



STEP 1 SAVE YOUR DOWN PAYMENT

No, you do not need 20% down to purchase. There are many low down payment loans, but you will need funds for closing costs and prepaids such as appraisals and inspections.



STEP 2 CHECK YOUR CREDIT

Your credit score dictates your loan terms. If you need help repairing or improving your credit, talk to a nonprofit consumer credit agency or your lender.



STEP 3 TAKE A HOMEBUYER EDUCATION COURSE

This is the key to becoming an informed buyer, and possibly accessing down payment and closing cost assistance.



STEP 4 USE A REALTOR®

Ask friends, family, or coworkers for a referral to a REALTOR®. Plan on interviewing several. You'll want to feel comfortable with the person guiding you through one of the most important purchases you'll ever make. Know that each real estate brokerage individually sets their own commission rates that they choose to charge their clients. The rate of real estate commissions is not fixed by law or established by any membership organization with which a broker is affiliated. Commission rates are negotiable between the buyer and the agent's broker and should be considered when choosing a REALTOR®.



STEP 5 GET PRE-APPROVED FOR A MORTGAGE

This step ensures that you are in the best possible position to make an offer on a home once you find one. Your REALTOR® will have several mortgage lenders in their network of real estate professionals.



STEP 6 GO SHOPPING

Think about your list of needs and wants and narrow down the areas you're interested in. Your REALTOR® can help you find opportunities not listed on home search sites, while avoiding out-of-date listings that might show up as "available" online but are no longer on the market. Is the offer of compensation to your agent at the top of your search priority list? If so, your search may narrow depending on what sellers are willing to negotiate for the sale of their home.



STEP 7 MAKE AN OFFER

Your REALTOR® will help you determine the best offer price for the home, walk you through the purchase contract, and provide expert guidance about the negotiation process. Once the offer is accepted, your lender will require a home appraisal to ensure the property is worth the price you've agreed to pay for it.



STEP 8 GET AN INSPECTION

Don't be tempted to skip this step. You want to make sure there are no hidden problems with the home. A general home inspection is most common, but you may want or need supplemental inspections such as radon, fireplace, well and septic, chimney, termite, mold, or structural.



STEP 9 CLOSE THE SALE

Once your inspections are satisfactorily completed and your loan is approved, you will schedule closing with a title company. This is the day when you sign the paperwork to complete the purchase and get your keys.



STEP 10 MOVE IN!

Congratulations on your new home!



FINANCIAL READINESS

Buying your first home can be daunting, but with education and planning, you can feel confident you're making a good decision. This guidance can help you to prepare your finances as you begin your search for your next home—or start the process of becoming a first-time homeowner. Making sure that you're mortgage-ready—that your credit and savings are sufficient—is crucial.

1

CHECK YOUR CREDIT REPORT

Make sure it's accurate and correct any errors immediately. You can get a free credit report from each of the major reporting bureaus annually at www.annualcreditreport.com. If your credit score needs work, reach out to a nonprofit consumer credit counseling agency for free help.

2

START SAVING

You will need to save cash for down payment, closing costs, and pre-paid expenses, such as appraisal and inspections. While it's a myth that you need 20% down to buy a home, keep in mind that the larger the down payment, the better your interest rate is likely to be, and you could avoid paying private mortgage insurance.

3

REDUCE DEBT

Having less debt will improve both your credit score and your debt-to-income ratio, which mortgage lenders use to evaluate your ability to pay.

TIP: **Don't pay off collections or close out paid off credit cards account without talking to a lender first—it could lower your credit score.**

4

TALK TO A LENDER

A mortgage professional will help you determine what kind of loan is best for you, and how much house you can afford. They will walk you through the pre-approval process, which will include looking at paystubs, bank statements, and tax returns.

TIP: ALWAYS get pre-approved before looking at homes. It will put you in the best position to make an offer quickly should you need to.

5

SEEK DOWN PAYMENT ASSISTANCE

There are a wide variety of programs available to help first-time buyers with down payment and closing costs. Check with state and local government agencies, such as the Maryland Mortgage Program.

TIP: If you have served in the military or currently work as a police officer, firefighter, EMT, or teacher, you may be eligible for special incentives. Some employers offer financial assistance as well.

WHAT TO KNOW ABOUT CREDIT SCORES

Credit scores range between 200 and 850, with scores above 620 considered desirable for obtaining a mortgage. The following factors affect your score:

► YOUR PAYMENT HISTORY.

Did you pay your credit card bills on time? Bankruptcy filing, liens, and collection activity also affect your history.

► HOW MUCH YOU OWE AND WHERE.

If you owe a great deal of money on numerous accounts, it can indicate that you are overextended. However, spreading debt among several accounts can help you avoid approaching the maximum on any individual credit line.

► THE LENGTH OF YOUR CREDIT HISTORY.

In general, the longer an account has been open, the better.

► HOW MUCH NEW CREDIT YOU HAVE.

New credit—whether in the form of installment plans or new credit cards—is considered more risky, even if you pay down the debt promptly.

► THE TYPES OF CREDIT YOU USE.

Generally, it's desirable to have more than one type of credit—such as installment loans, credit cards, and a mortgage.



HOW TO IMPROVE YOUR CREDIT

Credit scores play a big role in determining whether you'll qualify for a loan and what your loan terms will be. So, keep your credit score high by doing the following:

Check for errors in your credit report.

Thanks to an act of Congress, you can download one free credit report each year at annualcreditreport.com. If you find any errors, correct them immediately.

Pay down credit card bills.

If possible, pay off the entire balance every month. Transferring credit card debt from one card to another could lower your score.

Don't charge your credit cards to the max.

Pay down as much as you can every month.

Wait 12 months after credit

difficulties to apply for a mortgage.

You're penalized less severely for problems after a year.

Don't order items for your new home on credit.

Wait until after your home loan is approved to charge appliances and furniture, as that will add to your debt.

Don't open new credit card accounts.

If you're applying for a mortgage, having too much available credit can lower your score.

Shop for mortgage rates all at once.

Having too many credit applications can lower your score. However, multiple inquiries about your credit score from the same type of lender are counted as one if submitted over a short period of time.

Avoid finance companies.

Even if you pay off their loan on time, the interest is high and it may be considered a sign of poor credit management.



HOMEBUYER EDUCATION

While exciting, homeownership is a long-term financial commitment and a weighty responsibility. It's important to understand exactly what you're getting into before submitting an offer to buy. There are different types of mortgage programs, and depending on the program you select you may be required to take a homebuyer education course.

This might be the case if you're a first-time homebuyer applying for a program that offers down payment or closing cost assistance grants or loans. These courses—which can be completed online or in a classroom—vary between six and eight hours. Upon completion, you'll be given a certificate that will provide you to access special financial incentives.

Here are a few things to know about homebuyer education, which is also referred to as housing counseling:

1

IT HELPS ASSESS WHETHER YOU'RE READY TO PURCHASE A HOME.

A homebuyer's education course provides information on just about every aspect of buying a property from start to finish. You'll not only receive information about financial readiness; you'll also learn about applying for a mortgage, why it's important to use a REALTOR®, home inspections, insurance, the closing process, and being a successful homeowner. By going through a course, you'll learn the good and the bad about ownership, which can help you decide if you're ready for the responsibility.

2

YOU'LL LEARN ABOUT THE DIFFERENT TYPES OF MORTGAGES.

You will need to save cash for down payment, closing costs, and prepaid expenses such as appraisal and inspections. It's a myth that you need 20% down to buy a home, but the larger the down payment, the better your interest rate is likely to be—and you might avoid paying private mortgage insurance.

3

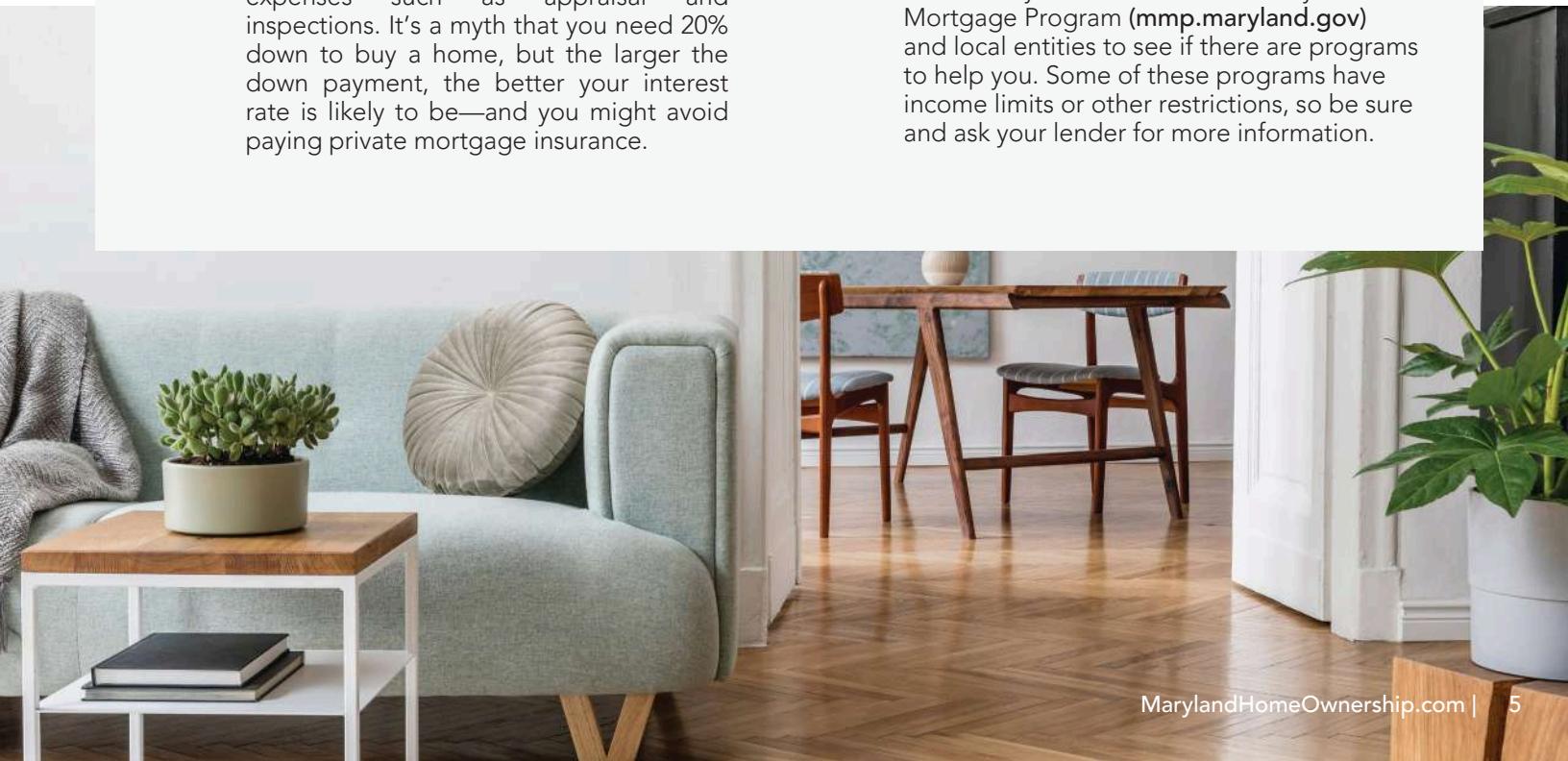
IN SOME CASES, IT'S FREE.

Make sure you take a course from a HUD-approved agency. These nonprofit organizations offer their services for free or very low cost. Even if you're familiar with the buying process or are using a mortgage program that doesn't require a homebuyer education course, it's always a good idea to be as informed as possible.

4

ACCESS LOANS AND INCENTIVES THAT CAN MAKE HOMEOWNERSHIP MORE AFFORDABLE.

Many federal, state, and local government agencies, as well as community banks and nonprofit organizations (and sometimes employers), offer special financing options or down payment and closing cost assistance grants and loans for first-time and middle income buyers. Check with the Maryland Mortgage Program (mmp.maryland.gov) and local entities to see if there are programs to help you. Some of these programs have income limits or other restrictions, so be sure and ask your lender for more information.



USE A REALTOR®

A REALTOR® isn't just a real estate agent. They're professional members of the National Association of REALTORS® and abide by its strict Code of Ethics. Not all real estate agents are REALTORS®—make sure you work with one who is. Here are just a few reasons why you should use a REALTOR® to help you with this important decision.

1

ETHICAL TREATMENT

Every REALTOR® must adhere to a strict Code of Ethics, which is based on professionalism and protection of the public. As a REALTOR®'s client, you can expect honest and ethical treatment. A REALTOR®'s first obligation is to you, the client.

2

EXPERT GUIDANCE

Buying a home usually requires dozens of forms, reports, disclosures, and other technical documents. A knowledgeable expert will help you prepare the best deal and avoid delays or costly mistakes.

3

OBJECTIVE INFORMATION

REALTORS® can provide resources for you to research local information on utilities, zoning, schools, and more. They also have objective information about each property. REALTORS® can use that data to help you determine if the property has what you need.

4

EXPANDED SEARCH POWER

Sometimes properties are available but not actively advertised, or are "coming soon" and not yet searchable online. A REALTOR® can help you find opportunities not listed on home search sites and avoid out-of-date listings that might be showing up as available online but are no longer on the market.

5

NEGOTIATION EXPERTISE

There are many factors up for discussion in a deal. A REALTOR® will look at every angle from your perspective, including drafting a purchase agreement that allows enough time for you to, among other tasks, complete inspections of the property before you complete the purchase.

6

UP-TO-DATE EXPERIENCE

Most people buy only a few homes in their lifetime, usually with quite a few years in between each purchase. Even if you've done it before, laws and regulations change. Many REALTORS® handle hundreds of transactions over the course of their career. Also, REALTORS® must complete continuing education every two years to maintain their license.

7

CONNECTIONS

REALTORS® make it their mission to know just about everyone who can possibly help in the process of buying or selling a home. Mortgage lenders, title companies, home inspectors, home improvement contractors—the list goes on—and they're all in your REALTOR®'s network.

8

YOUR ROCK DURING EMOTIONAL MOMENTS

A home is so much more than four walls and a roof. And for most people, property represents the biggest purchase they'll ever make. Having a concerned, objective third party helps you stay focused on the issues most important to you.

QUESTIONS TO ASK WHEN CHOOSING A REALTOR®

HOW LONG HAVE YOU BEEN IN RESIDENTIAL REAL ESTATE SALES? IS IT YOUR FULL-TIME JOB?

Like most professions, experience is no guarantee of skill, but much of real estate is learned on the job and through current knowledge of the local market.

WHAT DESIGNATIONS OR CERTIFICATIONS DO YOU HOLD?

Designations and certifications help define the special skills an agent can apply to your real estate needs. These include specialists for residential sales, buyer representation, relocations, military customers, and seniors, among others.

HOW MANY BUYERS DID YOU REPRESENT LAST YEAR?

HOW MANY OFFERS TO PURCHASE DID YOU HAVE ACCEPTED?

The tactics used to represent a buyer can differ from those used to represent a seller, particularly in markets that favor one side or the other. You want to get a sense that your agent knows the buyer's side of the market.

HOW MANY OF THEM WERE FIRST-TIME HOMEBUYERS? VA?

If you're a first-time homebuyer, using a VA loan, or any other special situation, finding an agent that has experience, or even a specialty, in working with clients like you can be a big relief. Agents that have experience with clients like you can help provide specialized tips and key information, like homeowner programs, which could help you save money and more.

WHAT'S THE AVERAGE VARIATION BETWEEN YOUR INITIAL OFFER AND ACCEPTED SALES PRICE?

This is one indication of a REALTOR®'s purchase offer strategy recommendations and selling skills.

WHAT IS THE SIGNIFICANCE OF THE BUYER BROKERAGE AGREEMENT?

The Buyer Brokerage Agreement is required by Maryland law to be signed before any REALTOR® can begin work on finding you a home. It explains the duties of your agent to you as your representative. It helps to set expectations for both parties and lets you trust your agent will be working in your best interest. Your agent agrees to represent you in the home-buying process, and you agree to work with this agent exclusively, protecting both you and the REALTOR®.

Signing this agreement is also when you and your REALTOR®'s Broker will negotiate payment. The REALTOR® will answer questions you might have about how REALTORS® get paid and have a conversation about the possibility of seller-provided compensation.

HOW ARE YOU PAID?

REALTORS® get paid from an agreed-upon percentage of the sales price of the home purchased, a flat rate, or a combination of both. REALTORS® don't get paid until settlement, but what payment they would receive is determined before they perform any work for you. **Commissions are always negotiable.**

You, the buyer, are responsible for paying the REALTOR® at the time of closing. Sometimes the Listing Broker and/or the seller will

offer to cover the Buyer Agent's commission as part of the listing for the home, or as negotiated in the contract of sale. If this is the case, you are only responsible for paying any difference between the agreed-upon commission and what your broker receives from those other sources. Your REALTOR® cannot make more than the agreed-upon commission.

Before you view a home for sale, your REALTOR® will let you know whether the Listing Broker is offering compensation or if the seller will entertain a request by you to compensate your Broker.

WHEN DOES OUR RELATIONSHIP BEGIN? WHEN WILL IT END?

The Buyer Brokerage Agreement starts and ends dates are established by you and the REALTOR® at the time of signing.

WILL YOU REPRESENT ME EXCLUSIVELY? WHAT HAPPENS IF I WANT TO MAKE AN OFFER ON ONE OF YOUR BROKERAGE'S LISTINGS? In Maryland, it is illegal for one **agent** to represent both parties in a transaction. However, your agent's **broker** may be listing a property you're interested in. In this situation, a **different agent** from that company will represent the seller. This is explained in the state form entitled "Understanding Whom Real Estate Agents Represent." If you have not received this form from your REALTOR®, ask for it.

WHAT IF I CHOOSE NOT TO USE A BUYER AGENT? I'M NOT REQUIRED TO DO SO.

You are not required to hire a Buyer Agent, but if you choose to use one, you will have experienced representation to look out for your interests, consult with you on negotiation strategy, or help navigate the complex transaction. When considering whether to use an agent, remember the value a REALTOR® provides, from detailed knowledge of the industry, common pitfalls, and local markets, to recommendations of professionals to help with every facet, from home inspections to lenders. The excitement and stress of finding a new home can create high tension and emotions, so having a REALTOR® to support and advise you can be invaluable.

CAN YOU RECOMMEND SERVICE PROVIDERS WHO CAN HELP ME OBTAIN A MORTGAGE, MAKE HOME REPAIRS, AND SO ON?

Your REALTOR® should be able to recommend more than one provider and tell you if they have a special relationship with any of them.

HOW WILL YOU KEEP ME INFORMED ABOUT THE PROGRESS OF MY TRANSACTION?

The best answer here is a question. A real estate agent who pays attention to the way you prefer to communicate and responds accordingly will ask you how to best keep in touch with you, which will make for the smoothest transaction.

COULD YOU PLEASE GIVE ME THE CONTACT INFORMATION OF YOUR THREE MOST RECENT CLIENTS? Many agents have repeat clients or gain new ones by referrals. Ask their former clients if they would use the agent again in the future.

AGENCY & AGENCY RELATIONSHIPS

UNDERSTANDING BUYER REPRESENTATION

The services you receive and the duties that are owed to you from a real estate agent are based upon what type of relationship you have established. Are you a customer or a client of that agent, and who will the agent be representing in a transaction?

ARE YOU A CUSTOMER OR A CLIENT?

A **customer** is someone who *has not* signed a written brokerage agreement for representation. However, even as a customer, you have certain rights:

- Agents must treat you honestly and fairly.
- Agents must disclose material facts they know or should know.
- If you have discussed being represented, you are owed confidentiality as a prospective client of that brokerage.

A **client** is someone who *has* entered into a written brokerage agreement with a broker. As a client, your agent owes you the following:

- **Loyalty** - A broker or agent must act in your best interests at all times, even if that conflicts with what would benefit them the most.
- **Disclosure** - All relevant and material information that the agent knows about a property, its value and other terms of sale must be shared with you.



- **Confidentiality** - While material facts about a property must be disclosed, your agent will protect any information that might weaken your bargaining position.
- **Diligence** - You have a right to expect that your agent has specialized knowledge and expertise in real estate, and will take all necessary steps to represent you.
- **Accounting** - Your agent will safeguard any money, deeds, or other documents that relate to your transactions or affairs.

WHAT IS YOUR BROKERAGE RELATIONSHIP?

A written brokerage agreement outlines the relationship between a client and a real estate broker. In this agreement, you authorize the broker or their agent to provide certain services to you in a residential real estate transaction. Since 2016, the State of Maryland requires a signed written agency agreement before brokerage services are performed. Some examples of brokerage services include showing a property, consulting with you on negotiation strategies, and helping to complete a purchase offer. Representation can take several forms:

- ▶ **Buyer Agent** - Exclusively represents a buyer in the purchase of real estate.
- ▶ **Seller Agent** - The broker or agent who lists the property for sale and represents the property owner.
- ▶ **Subagent** - An agent from another company that is authorized by the seller's broker to show the home to a buyer. Unlike a buyer agent, this agent represents the seller, not the buyer.
- ▶ **Dual Agent** - Acts as an agent for both the seller and buyer in the same transaction.
- ▶ **Intra-company Agent** - Agent who belongs to the same company as a dual agent, and has been selected by that dual agent to represent the buyer or the seller during the transaction.

EQUAL HOUSING OPPORTUNITY

The sale or purchase of a home is one of the most significant events in a person or a family's life. It is more than a transaction. It shapes the hopes, dreams, aspirations, and economic destiny of those involved. Federal, state, and local laws, along with the REALTOR® Code of Ethics, protect people from discrimination when they are renting or buying a home, getting a mortgage, or engaging in other housing-related activities.

REALTOR® COMMITMENT TO EQUAL OPPORTUNITY

The term REALTOR® identifies a licensed real estate professional who is a member of the National Association of REALTORS®. REALTORS® conduct their business in accordance with a strict Code of Ethics. Article 10 of the Code provides that REALTORS® shall not deny equal professional services to anyone because of their race, color, religion, sex, handicap, familial status, national origin, sexual orientation, or gender identity. A request that a REALTOR® act in a discriminatory manner in the sale, lease, or rental of property cannot legally or ethically be fulfilled by a REALTOR®.

FAIR HOUSING RIGHTS AND RESPONSIBILITIES

The homeseeker, the homeseller, and the real estate professional have rights and responsibilities under the federal Fair Housing Act, as well as other federal, state and local laws.

FOR THE HOME BUYER

The Fair Housing Act protects people from discrimination when they are renting or buying a home, getting a mortgage, or engaging in other housing-related activities. You have the right to expect that housing will be available to you without discrimination or other limitations based on race, color, religion, sex, handicap (disability), familial status (presence of children under 18 in the household), or national origin. Additionally, when working with a REALTOR®, you can expect that your housing search will be free from discrimination based on sexual orientation or gender identity. State and local laws may add further protections.

This includes the right to expect:

- Equal professional service from your real estate practitioner;
- The opportunity to consider a broad range of housing choices and neighborhoods;
- Fair and equal treatment in the terms and conditions for home sale and rental, including in the financing, appraising or insuring of housing;
- Reasonable accommodations in rules, practices and procedures for persons with disabilities; and
- To be free from harassment or intimidation for exercising your fair housing rights.



FURTHER ASSISTANCE

If you believe you have been discriminated against in a housing transaction, you may file a complaint for investigation by a public or private agency. In Maryland, this organization is the Maryland Commission on Civil Rights. www.mccr.maryland.gov: REALTOR® associations will accept complaints alleging violations of the Code of Ethics from a person who alleges discriminatory treatment by a REALTOR® in the purchase or rental of housing. REALTOR® associations have a responsibility to enforce the Code of Ethics through professional standards procedures and corrective action in cases where a violation of the Code of Ethics is proven to have occurred.

MORTGAGE APPLICATION CHECKLIST

Every lender requires documents as part of the process of approving a mortgage loan. Here are documents you're generally required to provide.

W-2s and tax returns — or business tax returns if you're self-employed — for the last two or three years for every person signing the loan.

30 days' worth of pay stubs for each person signing the loan.

Two to four months of bank or credit union statements for both checking and savings accounts.

Addresses where you've lived for the last two to three years, with names of landlords if appropriate.

Brokerage account statements for two to four months, as well as a list of any other major assets of value, such as a boat, RV, or stocks or bonds not held in a brokerage account.

Your most recent 401(k) or other retirement account statement.

Documentation to verify additional income, such as child support or a pension.

Copies of driver's license and social security card for all borrowers.



PREPARE FOR HOUSE-HUNTING

KNOW THAT THERE'S NO "RIGHT" TIME TO BUY.

If you find the perfect home now, don't risk losing it because you're trying to guess where the housing market and interest rates are going. Those factors usually don't change fast enough to make a difference in an individual home's price.

DON'T ASK FOR TOO MANY OPINIONS.

It's natural to want reassurance for such a big decision, but too many ideas from too many people will make it much harder to make a decision. Focus on the wants and needs of the people who will actually be living in the home.

ACCEPT THAT NO HOUSE IS EVER PERFECT.

If it's in the right location, the yard may be a bit smaller than you had hoped. The kitchen may be perfect, but the roof needs repair. Make a list of your top priorities and focus in on things that are most important to you. Let the minor ones go. Also, accept that a little buyer's remorse is inevitable and will most likely pass.

DON'T TRY TO BE A KILLER NEGOTIATOR.

Negotiation is definitely a part of the real estate process, but trying to "win" by getting an extra-low price or refusing to budge may cost you the home you love.

REMEMBER YOUR HOME DOESN'T EXIST IN A VACUUM.

Don't get so caught up in the physical aspects of the house itself that you forget about important issues such as noise level, access to amenities, and other aspects that also have a big impact on your quality of life.

PLAN AHEAD.

Don't wait until you've found a home to get approved for a mortgage, investigate insurance, or consider a moving schedule. Being prepared will make your bid more attractive to sellers.

CHOOSE A HOME FIRST BECAUSE YOU LOVE IT; THEN THINK ABOUT APPRECIATION.

A home is still considered a great investment, but its most important role is as a comfortable, safe place to live.

MAKING AN OFFER ON A HOME

Are sellers looking for the highest sales price? Not always. There are other aspects to your offer that may be just as important as the bottom line:

FAIR HOUSING

Buyers and sellers are subject to the same federal, state, and local fair housing laws as real estate agents. These prohibit discrimination against potential buyers based upon certain characteristics, which include race, color, religion, sex, national origin, disability, familial status, marital status, sexual orientation, gender identity, and source of income. These should not play any role in having your offer accepted.

CONTINGENCIES

These are conditions in the contract that allow you to terminate the purchase if they are not met. Common contingencies include home inspections, appraisal, financing, or selling your current home. Some contingencies are optional, but some, like receiving Condo or HOA documents or having certain inspections, may be required by law or the lender. Your agent will help you determine which documents to include based upon your needs and likelihood of seller acceptance.

CLOSING DATE

While buyers may suggest a closing date based upon their financing terms or their preferred moving date, you should also consider how that timing works for the seller. If you are flexible on when you move but the sellers aren't, timing the closing to their needs can make your offer more attractive.

CONCESSIONS AND CONVEYANCES

Depending on market conditions, buyers may ask the seller to contribute compensation for buyer's brokers and/or funds for closing costs, like taxes or fees. A buyer may also ask for certain items—appliances, furniture, decor, etc.—to convey with the home. Keep in mind that the seller will deduct their value from the offer price to know their true "selling price."

FINANCING

Showing that you can pay for the house can be just as important as the amount you pay. The sellers will want to see that you are pre-approved for a mortgage, and will look at the the amount offered as a down-payment and earnest money deposit, which can show how serious you are about buying your home.

EXPIRATION DATE

A buyer may include a clause in their purchase offer that requires the seller to respond to your offer by a certain date. Once that date passes, the buyer is no longer required to follow through with the purchase.



MULTIPLE OFFERS

You might not be the only party interested in purchasing the property. Your REALTOR® can let you know what competition you have, if any, and what will make your offer stand out.

COUNTER-OFFERS

Sometimes a seller won't accept your offer exactly as it was submitted. They may ask you to increase the price, remove contingencies, or change the timing of closing. Your agent can help you with any negotiations with the seller.

THE APPRAISAL PROCESS

An appraisal is a written document that shows an opinion of how much a property is worth. Once you are under contract, your lender will send out an appraiser to make sure the purchase price is in line with the property's value.

APPRAISALS HELP GUIDE MORTGAGE TERMS.

The appraised value of a home is an important factor in the mortgage loan process. Although lenders may use the sale price to determine the amount of the mortgage they will offer, they generally only do so when the property is purchased for less than the appraisal amount. Also, the loan-to-value ratio (or LTV) ratio compares the size of the loan you're requesting to take out compared to the appraised value) helps lenders figure out how much money may be borrowed to purchase the property and under what terms. If the LTV is high, the lender is more likely to require the borrower to purchase private mortgage insurance.

APPRAISED VALUE IS NOT A CONCRETE NUMBER.

Appraisals provide a professional opinion of value, but they aren't an exact science. Appraisals may differ quite a bit depending on when they're done and who's doing them. Also, changes in market conditions can dramatically alter appraised value.

APPRAISED VALUE DOESN'T REPRESENT THE WHOLE PICTURE OF HOME PRICES.

There are special considerations that appraised value doesn't take into account, such as the need to sell rapidly.

APPRAISERS USE DATA FROM THE RECENT PAST.

Appraisals are often considered somewhat backward looking, because they use sold data from comparable properties (often nicknamed "comps") to help come up with a reasonable price.

THERE ARE USES FOR APPRAISED VALUE OUTSIDE OF THE PURCHASE PROCESS.

For buying purposes, appraisals are usually used to determine market value or factor into the pricing equation. But other appraisals are used to determine insurance value, replacement value, and assessed value for property tax purposes.



HOMEOWNERS INSURANCE

A homeowners insurance policy will protect you against certain losses and damage to your new home and is generally required by lenders prior to closing. Some lenders will collect the money you owe for homeowners insurance as part of your monthly mortgage payment and place it in an escrow account, paying the insurer on your behalf when the bill is due.

COVERAGE EXCLUSIONS

Most insurance policies do not cover flood or earthquake damage as a standard item. You may need to buy these types of coverage separately.

DOLLAR LIMITATIONS ON CLAIMS

Even if you are covered for a risk, there may be a limit on how much the insurer will pay. For example, many policies limit the amount paid for stolen jewelry unless items are insured separately.

REPLACEMENT COST

If your home is destroyed, you'll receive money to replace it only to the maximum of your coverage, so be sure your insurance is sufficient. This means that if your home is insured for \$150,000 and it costs \$180,000 to replace it, you'll still receive only \$150,000.

ACTUAL CASH VALUE

If you choose not to replace your home when it's destroyed, you'll receive replacement cost minus the depreciation. This is what's referred to as actual cash value.

YOUR LIABILITY

Generally, your homeowner's insurance covers your liability for accidents that happen to other people on your property, including medical care, court costs, and awards by the court. However, there is usually an upper limit to the amount of coverage provided. Be sure that amount is sufficient, especially if you have significant assets.





TITLE INSURANCE

Title insurance protects your ownership right to your home, both from fraudulent claims against your ownership and from mistakes made in earlier sales, such as misspellings of a person's name or an inaccurate description of the property. In some states it is customary for the seller to purchase the policy on your behalf.

YOUR MORTGAGE LENDER WILL REQUIRE IT.

Title insurance protects the lender (and the secondary markets to which they sell loans) from defects in the title to your home—which could include mistakes made in the local property office, forged documents, and claims from unknown parties. It ensures the validity and enforceability of the mortgage document. The amount of the policy is equal to the amount of your mortgage at its inception. The fee is typically a one-time payment rolled into closing costs.

THERE ARE TWO DIFFERENT POLICIES TO CONSIDER PURCHASING.

The first policy, the one your lender will require, protects the lender's investment. You may also purchase an owner's policy that provides coverage up to the purchase price of the home you are buying.

YOU HAVE THE RIGHT TO CHOOSE YOUR PROVIDER.

You can shop around for a lower insurance premium rate at a wide variety of sites online. You should first request quotes from a few companies and then reach out and speak to them. Ask about hidden fees and charges that could make one quote seem more attractive than another. Also, find out if you're eligible for any discounts. Discounts are sometimes available if the home has been bought within only a few years since the last purchase as not as much work is required to check the title. You can also ask your lender or real estate professional for advice or help with getting quotes. Make sure the title insurance company you choose has a favorable Financial Stability Rating with Demotech Inc.

EVEN NEW CONSTRUCTION NEEDS COVERAGE.

Even if your home is brand-new, the land isn't. There may be claims to the land or liens that were placed during construction that could negatively impact your title.

HOME INSPECTION

Some items should always be examined.

STRUCTURE

The home's "skeleton" should be able to stand up to weather, gravity, and the earth that surrounds it. Structural components include items such as the foundation and the framing.

EXTERIOR

The inspector should look at sidewalks, driveways, steps, windows, doors, siding, trim, and surface drainage. They should also examine any attached porches, decks, and balconies.

ROOFING

A good inspector will provide very important information about your roof, including its approximate age, roof draining systems, buckled shingles, and loose gutters and downspouts. They should also inform you of the condition of any skylights and chimneys as well as the potential for pooling water.

PLUMBING

They should thoroughly examine the water supply and drainage systems, water heating equipment, and fuel storage systems. Drainage pumps and sump pumps also fall under this category. Poor water pressure, banging pipes, rust spots, or corrosion can indicate larger problems.

ELECTRICAL

You should be informed of the condition of service entrance wires, service panels, breakers and fuses, and disconnects. Also take note of the number of outlets in each room.

HEATING AND AIR CONDITIONING

The home's vents, flues, and chimneys should be inspected. The inspector should be able to tell you the water heater's age, its energy rating, and whether the size is adequate for the house. They should also describe and inspect all the central air and through-wall cooling equipment.

INTERIORS

Your inspector should take a close look at walls, ceilings and floors; steps, stairways, and railings; countertops and cabinets; and garage systems. These areas can reveal leaks, insect damage, rot, construction defects, and more.

VENTILATION/INSULATION

Inspectors should check for adequate insulation and ventilation in the attic and in unfinished areas such as crawl spaces. Insulation should be appropriate for the climate. Without proper ventilation, excess moisture can lead to mold and water damage.

FIREPLACES

They're charming, but fireplaces can be dangerous if they're not properly installed. Inspectors should examine the vent and flue, and describe solid fuel-burning appliances.



HOME HAZARDS

RADON

A colorless, odorless gas that can seep into your home from the ground, radon is often referred to as the second most common cause of lung cancer, behind smoking.

- ▶ **What to look for:** Basements or any area with protrusions into the ground offer entry points for radon. The Environmental Protection Agency publishes a map of high-prevalence areas. A radon test can determine if high levels are present.

ASBESTOS

A fibrous material once popular as fire-resistant insulation, asbestos was banned in 1985. However, it's often found in the building materials, floor tiles, roof coverings, and siding of older. If disturbed or damaged, it can enter the air and cause severe illness.

- ▶ **What to look for:** Homes built prior to 1985 are at risk of having asbestos in their construction materials. Home owners should be careful when remodeling because disturbing insulation and other materials may cause the asbestos to become airborne.

LEAD

This toxic metal used in home products for decades can contribute to several health problems, especially among children. Exposure can occur from deteriorating lead-based paint, pipes, or lead-contaminated dust or soil.

- ▶ **What to look for:** Homes built prior to 1978 may have lead present. Look for peeling paint and check old pipes. To get a HUD-insured loan, buyers must show a certificate that their older home is lead-safe.

OTHER HAZARDOUS PRODUCTS

Stockpiles of hazardous household items — such as paint solvents, pesticides, fertilizers, or motor oils — can create a dangerous situation if not properly stored. They can easily spark fires and can cause illness or even death if ingested, even in small amounts.

- ▶ **What to look for:** Check all the corners, crawl spaces, garages, or garden sheds in the home. If these products are found, make sure you ask for their removal and get a disposal certificate prior to closing.

GROUNDWATER CONTAMINATION

When hazardous chemicals are disposed of improperly, they can seep through the soil and enter water supplies. A leaking underground oil tank or septic system can contribute to this.

- ▶ **What to look for:** Homes near light industrial areas or facilities may be at risk, as are areas once used for industry that are now residential.

SETTLEMENT & CLOSING

You are in the homestretch! Here are the last steps to take to complete your purchase:

1

CONTINGENCIES

Any contingencies outlined in the contract must be satisfied in the required timeframes. Before you close on the purchase, you will determine (if applicable) whether your new home appraised for the purchase price, if you received approval for your mortgage, and whether the home passed any required inspections.

2

MAKE REQUIRED REPAIRS

Depending on the results of any inspections, and what the contract states, the seller may need to make some repairs to the property or have it treated for pests.

3

UTILITIES

To avoid reconnection fees and disruptions in service, you will need to set up new accounts with your power and water providers, and set up your cable and internet services.

4

FINAL WALK-THROUGH

Shortly before settlement, the buyers will make a visual inspection of the property to make sure that it is in the same condition agreed to in the contract, that systems are in working condition, and that any repairs have been made. The seller's belongings should be removed from the property, and it should be in clean condition.

5

TRANSFERRING FUNDS

Buyer may need to bring money, like their downpayment or closing costs, to settlement in order to complete the sale. Be sure to confirm any wiring instructions with the settlement company and your agent, by phone or in-person, to avoid becoming a victim of wire fraud.

6

DELAYS

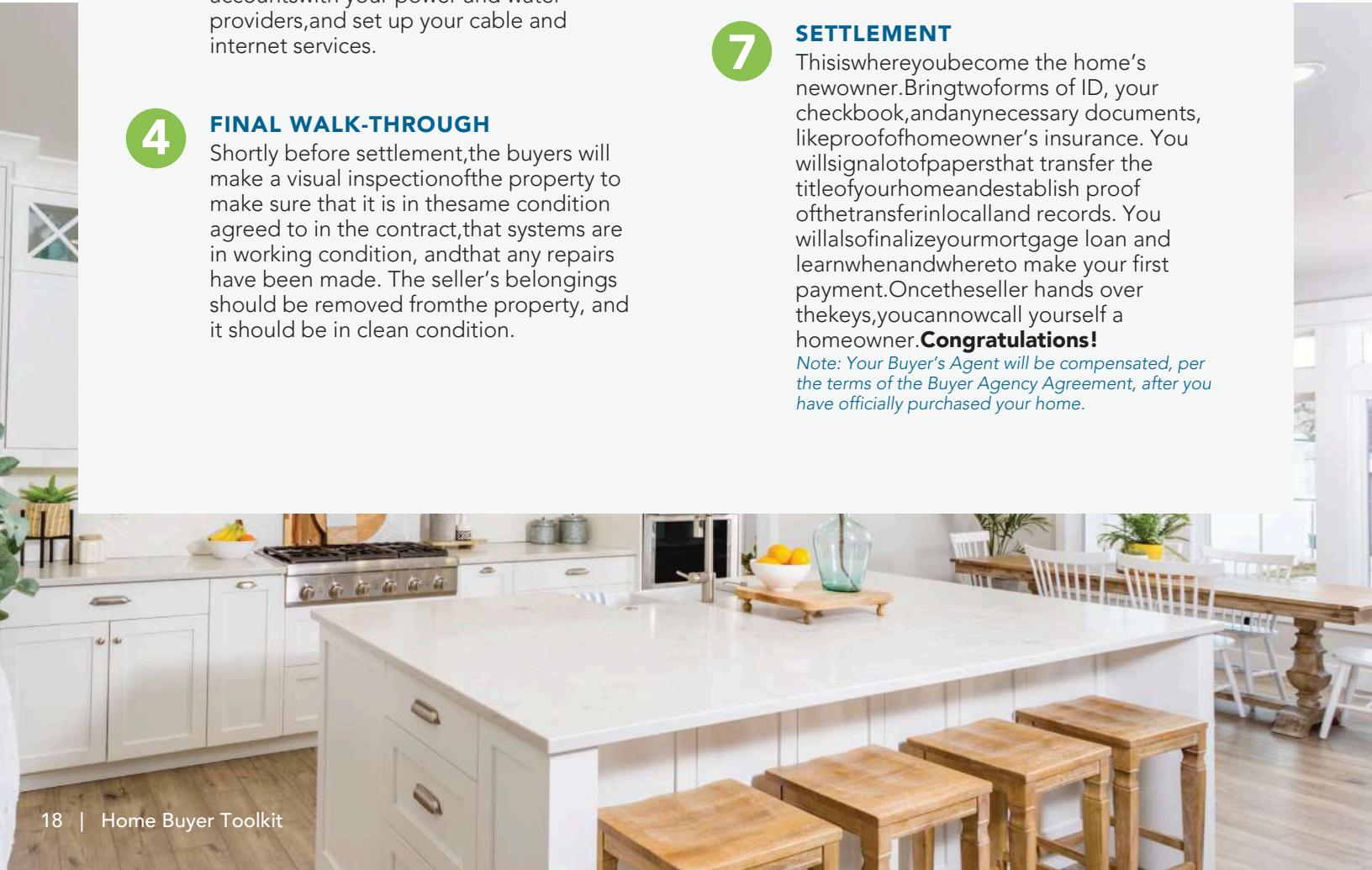
Not every home sale closes on time. There could be issues uncovered during the inspection that take longer to repair than expected, the title search may have uncovered an issue that needs to be resolved, or underwriting for the mortgage loan is delayed. Don't panic! Your REALTOR® and settlement company will keep you informed of next steps.

7

SETTLEMENT

This is where you become the home's new owner. Bring two forms of ID, your checkbook, and any necessary documents, like proof of homeowner's insurance. You will sign a lot of papers that transfer the title of your home and establish proof of the transfer in local land records. You will also finalize your mortgage loan and learn when and where to make your first payment. Once the seller hands over the keys, you can now call yourself a homeowner. **Congratulations!**

Note: Your Buyer's Agent will be compensated, per the terms of the Buyer Agency Agreement, after you have officially purchased your home.



FINAL WALK-THROUGH CHECKLIST

Closing time is hectic, but you should always make time for a final walk-through to make sure that your home is in the same condition you expected it would be. Here's a detailed list of what to check for on your final walk-through.

Basement, attic, and every room, closet, and crawl space have been checked. Sheds and outbuildings, too.	<input type="checkbox"/>
Requested repairs have been made.	<input type="checkbox"/>
Receipts for paid bills and warranties (if applicable) are in hand.	<input type="checkbox"/>
No major, unexpected changes have been made to the property since last viewed.	<input type="checkbox"/>
All items included in the sale price —draperies, lighting fixtures, etc.—are still on site.	<input type="checkbox"/>
Screens and storm windows are in place or stored onsite.	<input type="checkbox"/>
All appliances are operating (dishwasher, washer/dryer, oven, etc.).	<input type="checkbox"/>
Intercom, doorbell, and alarm are operational.	<input type="checkbox"/>
Hot water heater is working.	<input type="checkbox"/>
Heating and air conditioning systems are working.	<input type="checkbox"/>
No plants or shrubs have been removed from the yard.	<input type="checkbox"/>
Garage door opener and other remotes are available.	<input type="checkbox"/>
Instruction books and warranties on appliances and fixtures, if available.	<input type="checkbox"/>
All debris and personal items of the sellers have been removed , and home is in "broom swept" condition.	<input type="checkbox"/>
Make sure toilets flush and sinks operate as intended.	<input type="checkbox"/>

MOVE PREPARATION CHECKLIST

Every lender requires documents as part of the process of approving a mortgage loan. Here are documents you're generally required to provide.

Update your mailing address at usps.com or fill out a change-of-address form at your local post office.

Change your address with important service providers, such as your bank(s), credit companies, magazine subscriptions, and others.

Create a list of people who will need your new address. Whether you plan on sending formal change-of-address notices in the mail or just e-mailing the family members, friends, and colleagues who should be informed, a list will ensure no one gets left out.

Contact utility companies. Make sure they're aware of your move-in date, and arrange for service at your new home if the service provider will remain the same.

Check insurance coverage. The insurance your moving company provides will generally only cover the items they transport for you. Ensure you have coverage for any items you'll be moving yourself.

Unplug, disassemble, and clean out appliances. This will make them easier to pack, move, and plug in at your new place.

Check with the condo board or HOA about any restrictions on using the elevator or particular exits or entrances for moving, if applicable.

Pack an "Open First" box. Include items you'll need most, such as toilet paper, soap, trash bags, chargers, box cutters, scissors, hammer, screwdriver, pens and paper, cups and plates, water, snacks, towels, and basic toiletries.

If you're moving a long distance, obtain copies of important records from your doctor, dentist, pharmacy, veterinarian, and children's schools.

E-mail a copy of your driving route to a family member or friend.

Empty your safe deposit box.



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Parts of this toolkit were adapted from material from the National Association of REALTORS® and additional buyer and seller resources.

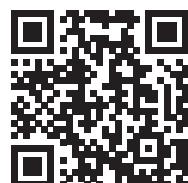
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