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Home Buying Guide

Thank you for the opportunity to let us represent you in the purchase of your new home. I think of my clients as individuals with specific needs. With this in mind, my team and I strive to give you exceptional service. In response to the more challenging market we have experienced over the years, we have become more determined and assertive with marketing and technology. This has allowed us to be very successful in securing results for our clients.

This is absolutely the very best time to be a buyer. Timing is everything and here are 4 reasons to confirm your decisions to buy.

- ❖ Interest rates are at historic low. Expect to get a great mortgage with a rate below 5%.
- ❖ Prices are still low and you are buying into an appreciating market.
- ❖ Sellers are motivated to get their homes sold as more inventory is coming on the market.
- ❖ The first step to purchasing a home is to select the right Realtor® to effectively and profitably represent your interests.

Thank you for the privilege of allowing me or one of my professional team members to show you the best possible listings available.

ENCLOSED PLEASE FIND:

1. The Home Buying Process
2. Preparing for the Lender
3. Do's & Don'ts During the Loan Process
4. Preapproval Myths
5. Buyer Plan of Action
6. What to Expect from this Market
7. What to Expect When Writing an Offer
8. Questions to ask your Realtor®
9. Buyer Questionnaire



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Home Buying Process

Step 1 – Is now the right time?

- ❖ How long are you planning on living in your next home?
- ❖ Consider the benefits/drawbacks to owning a home.

Step 2 – Get preapproved for a mortgage

- ❖ How much can you afford?
- ❖ What are the different loan programs available? (FHA, VA, Conventional, USDA)
- ❖ Make sure your credit is in good shape

Step 3 – Find your dream home!!!

- ❖ What kind of home do you want? (Detached, Condo, 1 or 2 story)
- ❖ How many bedrooms and bathrooms?
- ❖ Are school districts important?

Step 4 – The escrow process

- ❖ The home inspection
- ❖ Reviewing disclosures
- ❖ Ordering the appraisal
- ❖ Securing financing

Step 5 – Closing

- ❖ The final walk through
- ❖ Schedule the move
- ❖ Changing over utilities



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Preparing for the Lender

Personal Information

- Full names of all purchasers as they are to appear on title.
- Social security numbers of all purchasers.
- Present residence address for all purchasers
- Previous address for all purchasers going back 2 years if they have not resided in the present home for two years.
- Home, office, cell phone numbers.

Employment Information

- Present Employer: Name, address and a contact person to send employment verification form.
- Explanation for any gap during 2 year history
- Relocation letter for any transferees – giving date, salary, new location, and any relocation benefits.
- Previous Employer: Name, address, and a contact person going back 2 years if not in present job for 2 full years.
- Present Salary: Year to date pay stub and last 2 years' W-2's
- If any variable income, commission, part-time income, bonus, overtime, interest income, etc. is being used to qualify: 2 years' signed federal tax returns and W-2's and/or 1099's
- If self-employed: 2 years' signed federal individual and corporate returns (if applicable). Also a profit and loss statement and balance sheet.
- Diploma or transcript if student during 2 year period.

Other Income

- Rental Income: Copy of lease which is current and at least one year in length.
- Alimony and Child Support (only is used for qualification): Copy of divorce decree and property settlement (ratified) setting out terms. Proof of payment will also be requested at application.
- Income from Notes Held: A copy of the ratified note.
- Retirement, Social Security and Disability Income: Copy of award letter and latest check showing amount of present payment. Copy of end of year statement if applicable.



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Preparing for the Lender (cont)

Assets:

- **Bank accounts:** Name of bank, address, account numbers, types of accounts and present balances. With checking, use average balances.
- **Copy of two most recent statement of all accounts.**
- **Stocks and Bonds:** Copy of certificates or copy of recent (within 30 days) broker statement listing the holdings.
- **Life Insurance:** Cash value, only if being used for down payment.
- **Vehicles:** Year, make, and value. Copy of title if under 4 years old with no outstanding lien.
- **Real Estate:** Address and market value. If free and clear, deed of release, deed or mortgage payoff.
- **Present Home:** Copy of sales contract, settlement sheet and/or lease.
- **Gift Letter:** Form will be provided by financial representative. Donor Capacity must be verified. Receipt of funds must be shown in account.

Liabilities:

- **Credit Cards:** account numbers and outstanding balances.
- **Loans (Auto, Mortgage, Personal, Student, etc.):** Name of institution, address, account numbers, outstanding balances, monthly payments, months left on loan. Copy of next payment coupon. 12 months' statements or canceled checks for present mortgage.
- **Alimony and Child Support:** Copy of Ratified Decree and property settlement setting out terms.

VA Loans:

- **Certificate of Eligibility:** to obtain certificate, you will need a DD-214 (Separation of Service) or if in the service, you will need a Statement of Service signed by Commanding Officer or Personnel Officer (certificate must be updated prior to application).
- **If in service, you will need Authorization to Live Off Base (DD-1717 from Housing Office) and Transfer Orders (if applicable).**



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Do's & Don'ts During the Loan Process

There are certain “Do's and Don'ts which may affect the outcome of your loan request. These remain in effect before, during and after loan approval up until the time of settlement when your loan is funded and recorded. Many times credit, income and assets are verified the hour before you have signed your final loan documents.

Here is a list that you should comply with.

MAKE SURE THAT YOU DO NOT:

Do any of the things that may alter your credit and may risk you obtaining your loan. Also, these things may put you in default of your Sales Contract, may put your earnest money deposit at risk, and may put you at risk of being sued.

DO NOT quit your job or change jobs. If this is likely, consult with your loan officer and call your agent should this occur.

DO NOT allow anyone to make an inquiry on your credit report except your lender.

DO NOT apply for credit anywhere else except with your lender. This causes more “hits” on your credit rating which can reduce your credit score.

DO NOT change bank accounts or transfer money within your existing accounts.

DO NOT co-sign for anyone, for any reason, for anything.

DO NOT purchase or attempt to purchase anything else on credit such as another car, truck, boat, furniture or other real estate.

DO NOT charge any abnormal amounts to your current credit cards or credit lines.

DO NOT send in late payments, or incur late fees for anything.

DO NOT wait longer than the time frame given per your contract to provide all necessary paperwork and information to your lender when requested.

MAKE SURE YOU DO:

DO keep all accounts current, including mortgages, car loans, credit cards, etc.

DO contact both your lender and your agent anytime a question may arise.

DO make all payments on or before due dates on all accounts, even if the account is being paid off with your new loan.

DO return phone calls from your agent, loan officer, settlement company, or anyone else involved in your transaction within 2 hours of a message.



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Will Mortgage Pre-Approvals Hurt My Credit Score?

This is a very common Myth buyers have regarding getting preapproved. Getting preapproved is 100% a benefit to you as the buyer because it will give you confidence to write offers and prevent any heart ache down the road. In a competitive market like ours a good agent and a smart seller will not even consider looking at a financed offer without a preapproval letter.

Credit Bureau Scoring

Credit bureaus use a subtle formula that they don't publicize how they crunch your credit history down into a single credit score. One of the things that can cost you points on your credit score is to have a bunch of inquiries coming in very close to each other. So, should you worry about what mortgage pre-approvals will do to your credit reports? Probably not. The “Ding” for One Inquiry is Very Small.

The most a single inquiry on your credit report will cost you is five points. Often, your score, which can range from 300 to 850, will suffer even less than that. Unless you are seeking a new mortgage and are right on the cusp between a good credit score and a fair credit score, five points shouldn't make any difference in your loan terms.

Making the Mortgage Process Easier

All of the credit bureaus understand the complex timing of getting a mortgage. Therefore, they have instituted measures to avoid reflecting pre-approval inquiries on credit reports. For instance, if you are shopping around for the best rate, and several mortgage companies make credit inquiries about you within 45 days of each other, all of those inquiries will be bundled into a single event with a miniscule effect on your credit report. Your credit report also does not include any credit inquiries made within 30 days prior to your loan application. It is, therefore, nearly impossible that the mortgage process of pre-approval will cause enough damage to your credit score to hurt your mortgage terms, so don't worry if your real estate agent asks to see your letter of pre-approval. Getting pre-approved for the mortgage you want won't hurt you.



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Buyer Plan of Action

In this market it takes a proactive and aggressive approach to find you the best home at the best price. Every buyer has access to the homes for sale in the Multiple Listing Service through various free websites such as Zillow or Trulia. **The reason why more buyers choose to work with us than any other agent is what we do above and beyond the multiple listing service to find our clients the best home at the best deal.**

Some of the ways we help you are:

Set you up on an automated email that will immediately let you know when a new listing has hit the market.

Call of FBSO's in your behalf. If we see a FSBO that we think might be a good home for you, we won't drive by it and hope you don't see it but call and get information and then relay this information to you.

Call the Expired, Cancelled, Withdrawn Listings – these are homes that were on the market at some point in the past couple of years and for whatever reason did not sell. Often times these sellers would still like to sell their home without having to go through hassle of fully marketing the home.

We have a large Database of clients who we actively keep in communication with and have many clients who with the right buyer would be happy to sell their home but just don't want to go through the hassle of marketing or may know someone that might be getting ready to sell their home and just hasn't put it on the market yet.



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What to Expect From This Market

Navigating this market can be very complex at times. In your search for a home you mostly come across three different types of sellers. Each one will have different closing timeframes, negotiation styles, pricing strategies, and timeframes for accepting your offer. Without knowing the different characteristics of the different types of sellers it can be very frustrating out there as a buyer.

Traditional Sales – these are sellers who have equity in their homes and are usually looking to close in 30 – 45 days. When writing an offer on a traditional sale you will usually negotiate directly with the seller through their agent.

Foreclosures – these are the homes which have been foreclosed on and taken back by the bank also known as REO's (Real Estate Owned) or “bank owned”. Like the traditional sale the bank will want to close within 30 - 45 days upon accepting your offer. The banks are motivated to sell these homes quickly and will typically price them slightly below market value to get multiple offers and create a bidding war to drive the price up. Even though you may pay over the asking prices these can still be great values. These properties are sold “AS IS” and the banks will make no repairs and give no warranties. The buyer can have a home inspection and sometimes are responsible for having the utilities turned on. Before an offer can be submitted to a bank for negotiation a preapproval or proof of funds letter must be presented.

Short Sales – these are sellers who owe more than what they can sell their home for and therefore have to negotiate with their bank to receive a lesser amount. Typically the negotiation process with the bank can take 4-6 months to get an offer approved and the price is subject to change during this time. There is also a chance that the bank will reject the seller's request for a short sale and instead foreclose on it. In most cases, short sale properties are sold “AS IS” and a preapproval letter or proof of funds letter is required to begin negotiations. In short sales the banks will not take multiple offers so there is never a bidding war. Only one offer can be submitted and the bank will not allow any other offers to be submitted until the first offer is completed.



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What to Expect When Writing an Offer

Here are some things to consider to ensure your offer gets accepted:

- What type of Sale is it?
 - Foreclosure, Short Sale, Traditional Sale
- Is it priced right for the market?
 - What is the buyer activity?
 - Are there offers on the home?
 - What other homes are for sale in the neighborhood?
 - What has sold recently in the area?
 - How long has it been on the market?
- What is the seller's motivation?
 - Are they price driven or are there other terms that are important to them such as a lease to purchase?
 - How long do they need to closing?
- Do you need concession for closing costs?
 - Closing costs such as attorney's and title fees, appraisal and lender fees usually cost between 1 and 3% of the sales price.
 - Do you need help with prepaid items such as insurance and taxes?
- Are there multiple offers on the property?
 - This is not uncommon for homes priced right for the market and in great condition.
 - Often times the seller will ask for your "highest & best" offer. In other words, what is the highest price you will offer that if another buyer offered more you would not have any regrets because you gave it your best shot.



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Questions to Ask Your Realtor

1. Will I receive updates on Real Estate activity in my area, including price changes, new listings on the market, and houses that have come back on the market?
2. Will I be able to adjust my search criteria on my own through your web-site?
3. Are you a full-time realtor or part-time?
4. Are you a single agent or do you work with a team?
5. Do you specialize in working with buyers or sellers?
6. Besides the MLS what other sources do you use to find homes for sale?
7. How many homes have you sold this year?
8. How many homes have you sold over the last 5/10/15 years?
9. Do you have a dedicated Transaction Manager watching over my file during the buying process?
10. What is your availability to show me houses?
11. Do you have experience working with short sales and foreclosures?
12. Do you have a list of vendors that can help me with repairs?
13. Will you keep in touch with me after the sale or will I have to search for another Realtor when it comes time to sell my home?