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# Buying Your Home



A Comprehensive Guide  
to Finding and Buying  
Your Dream Home

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**RE/MAX**  
Masters

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Homes Viewed

Address

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Important Contacts and Numbers

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*You've made the decision*  
investments you'll ever make in  
You're excited, but at the sa  
questions you may be asking  
home of my dreams? Do I h  
payment? Can I get a home insp

Rest assured, *you are not alone*



resale homes can offer just as much, or even more, opportunity for price appreciation. First, older homes are usually closer to the city, so they are often in convenient areas. Secondly, many older homes actually have better quality construction than today's newer homes. On older homes you're likely to find slate roofs, copper gutters, chimney flashing and hardwood floors. Finally, older neighborhoods are established, which means, "what you see is what you get." You usually won't find a lot of new construction in your neighborhood that could affect the value of your home.

On the down side, older homes may not have the coolest floor plans. The kitchens and bathrooms may be outdated in these homes. Finally, unlike newer homes that are usually maintenance-free, you may incur repair bills after buying older homes. Again, the newer homes have downsides too, including possible poor workmanship, poor location on the fringes of suburbia, unsettled neighborhoods and cookie-cutter appearances (lack of charm). Your real estate professional will help you make the best decision. Both older and newer homes have advantages and disadvantages, but both can be excellent investments.

*Single Family Home vs. Condo.* The answer to this question depends greatly on your lifestyle, but each type of home has different investment potential. If you have a growing family, a condo may not be your best choice. Alternatively, if your family is small, you have few or no children, or your children are grown, of you just don't need the space, a condo may offer you more convenience.

An important consideration is that the largest percentage of buyers end up buying single-family homes. Most families have children and a lot of "stuff" to store, so they want single-family homes. Therefore, these types of homes are often easiest to resell and have higher price appreciation potential. Town homes and condominiums can also be excellent investments. Just make sure you buy one in an area that is likely to see price appreciation.



**Point**

A single percentage of the loan principal, often charged by the lender in addition to various fees and interest.

**Prequalification**

An informal estimate of the financing potential of a prospective borrower.

**Private Mortgage Insurance (PMI)**

Insures repayment of the loan balance to the lender in the event of a default by the borrower. The insurance is similar to that issued by a government agency (such as FHA) except it is issued by a private company. This is usually required for homes financed with less than a 20 percent down payment.

**Term**

The number of years before a loan is paid in full 15-, 20-, 25- and 30-year terms are the most common for home mortgages.

**Title**

The evidence of ownership of a property.

**Title Insurance**

An insurance policy that insures the quality of the title and insures the lien priority of the mortgage.

**Title Search**

A review of all recorded documents affecting a specific piece of property to determine the present condition of the title.

**Underwriting**

The process by which credit and economic factors are used to determine whether a borrower qualifies for a loan.

**VA Financing**

Loans guaranteed by the Department of Veterans Affairs. Sometimes a down payment is not required.

## Get Help

Develop a relationship with your Realtor as your Buyer's Agent. It's the agent's duty to track many of the day-to-day details that involve the lender, the inspector, the appraiser, the seller, or the seller's agent. It's important for you to know what an agent does, who is represented, and how the system works. As a buyer, you pay nothing to the agent. We are paid from the listing agent's proceeds.

**Unlike a listing agent, whose first duty is to the seller, a Buyer's Agent is working for only you.**

The most important thing you can do is to have someone on your side looking out for your best interests. Your own agent will critique the property with an eye towards how well it meets your needs and will point out any drawbacks you should know about. So whether you decide to work with me or not, pick an agent you feel comfortable with and enlist the services of that agent as a buyer's agent. Then you become a client with all the rights, benefits, and privileges created by this agency relationship, and you're no longer just a shopper. So to get the best buy on a property, I always recommend that you hire your own agent and stick with him/her.

**Stop Calling Ads**

Please note - ads are sometimes created to make the phone ring! Many of the homes have some drawback that's not mentioned in the ad, such as traffic noise, power lines, or litigation in the community. What's not mentioned in the ad is usually more important than what is.

For this reason, you should be very careful when reading ads. Remember that the person writing the ad is representing the seller and not you! The most important thing you can do is having someone on your side looking out for your best interests. Your own agent will critique the property with an eye towards how well it meets your needs and will point out any drawbacks you should know about. So, pick a Realtor you feel comfortable with and enlist the services of that him/her as a buyer's agent. Then you become a client with all the rights, benefits, and privileges created by this agency relationship, and you're no longer just a shopper.

Did you know that many homes are sold WITHOUT A SIGN ever going up or an AD EVER BEING PUT IN THE PAPER? These "great

deals" go to those people who are committed to working with one agent. When an agent hears of a great buy, whom do you think she's going to call? Her client, who she has a legal obligation to work hard for, or someone who just called on the phone and said "keep your eyes open"?

Also, all too often, buyers waste hours in front of their computer combing through online real estate sites. Problem is, these homes are usually not the best deals. Save your time. Spend it on things that are important to you . . . family, friends, work, etc. Your agent will notify you when the right homes become available.

## Get Your Finances In Order

*Review your credit report.* A free credit report can be obtained by visiting [www.freecreditreport.com](http://www.freecreditreport.com). Poor credit will make you a much larger risk in a lender's eyes and a larger risk means higher interest rates and higher monthly mortgage costs. Make a point of paying your credit card payments, auto loans, rent, and other payments on time, all the time, and in full. In addition, keep your credit card balances low...below 30% of your available credit; otherwise banks may see high balances as a sign of weakness in managing your money.

*Save Money.* Put off trips, buying on credit, obtaining new debt and luxuries until after you're in your new home. You'll need money for a down payment, a credit report run by the bank, an appraisal, a home inspection, homeowners insurance, closing costs, moving and other expenses. Your Realtor can help you mitigate some of these costs, but be prepared.

*Don't Make a Major Purchase.* You've just found out your credit is A+. That's great news, because a new car would look fantastic in the driveway of your new home. But hang on--if you are depending on a mortgage to move in, you'd best wait until after closing to buy the car. An increase in your debt to income ratio reduces the amount of monthly income available for your mortgage payment. If you tack on a higher car payment, the bank might decide you cannot afford the home. Using cash to purchase the car could also create a problem, since banks consider cash reserves when approving your mortgage. If you must make a major purchase before closing, talk to your loan officer before doing it.

*Don't Change Jobs Unless It's Necessary.* Lenders like to see a

An opinion of real estate value based upon a factual analysis. Legally, an estimation of value by a disinterested person of suitable qualifications.

### Assessed Value

The established value of a property for tax-assessment purposes. This value may or may not reflect market value.

### Closing

Usually the last step in buying a home. Documents are signed, the balance of the loan costs are calculated, funds are disbursed and the transaction is complete.

### Closing Costs

Expenses incidental to a purchase of real estate, such as loan fees, title fees, appraisal fees, etc.

### Contingency

A condition that must be satisfied before a contract can be binding.

### Earnest Money

A deposit of money accompanying an offer to buy property to show good faith, generally returned to the buyer at closing.

### FHA

FHA financing means the Federal Housing Administration has insured the repayment of the loan to the lender. Because there is less risk involved for the lender, a smaller down payment is often possible.

### Home Inspection

A formal survey of a home's structure, mechanical systems, and overall condition, generally performed by an inspector or contractor.

### Market Value

A price that is established for a property by existing economic conditions such as property location, size, etc.

### PITI

A common real estate acronym meaning "Principal, Interest, Taxes, and Insurance."

is challenging, but millions of people do it each year, and you can too. With the help of your Realtor, *anything* is possible!

## Terms To Know

### Agency

A mutual-consent legal relationship in which a buyer engages an agent in the sale or purchase of property.

### Agent

A licensed person who represents the seller or buyer.

### Application Fee

This is the fee charged by the lender to cover a portion of the costs of processing a loan application.

### Appraisal



consistent job history. They aren't usually as nervous if you change jobs within the same field, but it's better to stay put until the keys to the house are in your hand.

*Get Pre-Approved* by your lender so that you have an idea how much you can borrow and what you can afford. With a pre-approved loan, you'll have more clout as the seller considers your offer. Make sure you are in the strongest negotiating position possible. Price is only one bargaining chip in the negotiations, and not necessarily the most important one. Often other terms, such as the strength of the buyer or the length of escrow, are critical to a seller. I used to recommend that buyers get "pre-qualified" by a lender. This means that you spend a few minutes on the phone with a lender who asks you a few questions. Based on the answers, the lender pronounces you "pre-qualified" and issues a certificate that you can show to a seller. Sellers are aware that such certificates are WORTHLESS, and here's why! None of the information has been verified! Oftentimes, unknown problems surface. Some of the problems I've seen include recorded judgments, child support payments due, glitches on the credit report due to any number of reasons both accurate and inaccurate, down payments that have not been in the clients' bank account long enough, etc. So the way to make a strong offer today is to get "*pre-approved*". This happens AFTER all information has been checked and verified. You are actually APPROVED for the loan and the only loose end is the appraisal on the property. This process takes anywhere from a few days to a few weeks depending on your situation. It's VERY POWERFUL and a weapon I recommend all my clients have in their negotiating arsenal.

*Examine the different financial options open to you.* Your Realtor can recommend several lenders right for you. Don't settle for the first lender you come across. Contact at least three lenders and compare rates. Also consider FHA, VA, and state-backed loan programs that require little down and have liberal qualification standards. Your Realtor can explain these options to you.

*Get a good-faith estimate.* Your mortgage lender is required to provide you with a good-faith estimate of closing costs within three days of receiving your application. They need to provide it in writing. If you don't have to pay loan application fees, you may want to compare lenders and compare closing costs.



*Don't let yourself* be house poor. If you max yourself out to buy the biggest home you can afford, you'll have no money left for maintenance or decoration or to save money for other goals.

Income Plus Lifestyle Equals Mortgage Payment - Honestly discuss your income level and living expenses. Take into account future considerations like: children, add-ons, amenities or fix-ups. Your dream home is certainly worth a sacrifice but don't mortgage your entire future.

*Lock in your rate.* One of the most stressful parts of the loan process is watching rates inch up and down each day and trying to figure out when to lock in your rate. Once you do lock in, be sure to get a written statement that outlines your interest rate and length of the lock.

*Look for gifts and grants.* According to the National Association of Realtors, 22% of all first-time buyers receive gifts from relatives and friends. Some companies offer grants and other incentives to employees who are buying a first home. Community groups may also have programs and financing in place for first-time buyers, while the federal government has established special programs for teachers and police officers.

*Consider taxes.* Keep in mind that in addition to your mortgage payment you will have to pay taxes and insurance. Sometimes this is NOT included in your mortgage payment, so when you get your loan, make sure it includes an escrow account for taxes and insurance. When you buy a home mortgage, interest is generally deductible from income taxes. This means while monthly housing costs may be larger when you own than when you rent, what you save in taxes can make up some or all of the difference.

*Down Payment.* The down-payment amount varies depending on the value of the home you choose and your mortgage lender. In some cases, first-time homebuyers can purchase a home with no money down. Although it varies from state to state, most offer government-funded programs for first-time buyers that help people buy a home with no down payment. Your real estate professional will be able to explain the different options available to you.

*Closing Costs.* First-time buyers often forget to consider the closing costs when making an offer on a home. Paying closing fees of up to

year of purchase. Your Realtor can negotiate this into your offer to purchase. A home warranty can save you thousands of dollars in repairs, and can often be obtained for a very nominal annual fee. A standard warranty covers the electrical, plumbing, heating and air conditioning systems as well as major home appliances. A home warranty can save you thousands of dollars in repairs, and often be obtained for as little as \$350.00 for one year. A typical home warranty covers the electrical, plumbing and heating systems as well as major home appliances.

*Do a Final Walk-Through.* Visit the property after all the furnishings have been moved out to be sure there are no surprises. Be absolutely positive the property was left exactly as you had agreed upon in the contract. Many times, things are unintentionally overlooked that could have been spotted in a final walk-through. *Before you sign do a final walk- through and be sure the property was left per contract.*

*Plan For Flexibility.* Closing dates are not written in stone. Allow for contingencies and have a back-up plan. If you or the sellers need a little more time to conclude the final arrangements, don't let these delays upset or frustrate you. These types of circumstances are not uncommon in a real estate transaction.

*Shop for homeowners' insurance* as soon as your offer is accepted. The National Association of Realtors recently cautioned homebuyers to not take homeowners insurance for granted. You and your spouse may have a clean claims history and a stellar credit history - something insurance companies use to determine whether they will insure you - but it's not just you they're looking at. If the house you're eyeing has had claims, there's a chance they won't insure you, especially if it's a water-related claim.

## Ask, Ask, and Ask Again!

Above all, remember that there are no silly questions. Make sure you understand and are comfortable with every aspect of the transaction. Your real estate professional can be an invaluable asset in helping you make educated decisions so that your first-home purchase is a rewarding experience.

Ask as many questions as you like. Being a first-time homebuyer



*Check out all your costs and expenses before you sign.* Utilities, taxes, insurance, maintenance and homeowner dues, if applicable. Make sure all utilities are on (gas, electricity, and water), so you can inspect everything in working order. Ask lots of questions and be very detail conscious.

Ask your REALTOR® for a market analysis of the home, in comparison to similar homes in the neighborhood or throughout the city, before you make an offer. A house is not just the place where you live, it is also an investment. Take the time to view several homes before you make an offer so you know exactly what is on the market. Be certain you are making a wise investment.

*Don't ask* too many people for opinions. It will drive you crazy. Select one or two people you trust to turn to if you feel you need a second opinion.

## Don't Be Naïve

*If It's Not In Writing, It Doesn't Exist.* Don't settle for verbal agreements. All promises and discussions are to be in writing. Don't make any assumptions or believe any assurances. If the seller says he'll replace the carpet or leave his washer and dryer, get it in writing. Even the best intentions can be misinterpreted. Have your real estate professional keep an ongoing log (in writing) of all discussions, and get the seller's written approval for all agreements.

*Insist on a home inspection as part of any offer you make.* A professional home inspector will examine the house's major systems and let you know if there are any problems or defects. A professional inspection can help you understand the condition of the property and the repair bills you are likely to face in the next few years. Look for an inspector who is a member of the American Society of Home Inspectors. Members are required to have completed at least 250 paid professional home inspections and passed two written exams that test the inspector's knowledge. Your Realtor can make several good recommendations. Inspect, Inspect and Inspect- Go over the inspection report with a fine tooth comb. Make sure the report was done by a professional organization. For condo purchases, go over the by-laws, and association fees. Don't take anything for granted... inspect everything!

*Get a Home Warranty* from the seller to cover defects within one

10 percent of the home sale amount is not unusual. Add that to the down payment

## Do Your Homework

Decide when the best time for you to move. When is your lease up? When are the kids out of school?

*Think long-term.* Are you looking for a starter house with the idea of moving up in a few years, or do you hope to stay in this home longer? This decision may dictate what type of home you'll buy as well as the type of mortgage terms that suit you best.

*Decide What You Need and Want.* Before you get to actually looking at homes, take the time to establish your needs and wants. Make a careful assessment of what you absolutely must have in your new home compared to what would just be nice. Decide specifically what features you want in a home. Be as specific as possible when determining your needs prior to purchase. Look at your needs, the needs of your household members, and your preferences in terms of commuting, shopping, recreation, and other factors that are important to you. It will save you much time and concern to do this before looking rather than getting into a new home only to discover that it doesn't meet your needs. Your Realtor can assist you with this task, and narrow down your choices to arrive at your perfect home.

*Play the Game of Nines.* Before house hunting, make a list of nine things you want in the new place. Then make a list of the nine things you don't want. I call this "NINE OF THIS AND NONE OF THAT". You can use this list as a scorecard to rate each property that you see. The one with the biggest score wins! This helps avoid confusion and keeps things in perspective when you're comparing dozens of homes. When house hunting, keep in mind the difference between "SKIN AND BONES". The BONES are things that cannot be changed such as the location, view, size of lot, noise in the area, school district, and floor plan. The SKIN represents easily changed surface finishes like carpet, wallpaper, color, and window coverings. Buy the house with good BONES, because the SKIN can always be changed to match your tastes. I always recommend that you imagine each house as if it were vacant. Consider each house on its underlying merits, not the

## For More Help

Visit [www.geraldynbrock.com](http://www.geraldynbrock.com)

- Get Free Special Reports
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  - What's A Buyer's Agent?
  - Six Ways To Beat The Stress
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- Preferred Partners
  - Get a Loan Officer
  - Get an Insurance Agent
  - Get a Home Inspector
- Mortgage Calculator
  - Figure Out Monthly Payments
  - Will Estimate Taxes & Insurance Automatically!



seller's decorating skills.

*Find out where the "deals" are.* Your agent probably knows of several sellers in your market that are selling due to "special circumstances". Perhaps one seller in the neighborhood you want to live is getting divorced. Maybe another one is being relocated by her or his company and needs to sell fast. How will you know if a seller in the neighborhood lost her job and is willing to sell for thousands below list? Work with your agent on this!

## Let's Start Looking!

Now the really fun part begins.

*Be Picky.* But don't be unrealistic. There is no perfect home. Your agent should show you everything available that meets your requirements. Don't make a decision on a house until you feel that you've seen enough to pick the best one. Go to the Multiple Listing computer with your agent to make sure that you are getting a complete list. In the late 1980's, homes were selling quickly, usually a few days after listing. In that kind of market, agents advised their clients to make an offer ON THE SPOT if they liked the house. That was good advice at the time. Today there isn't always this urgency, unless a home is drastically under priced, and you'll know if it is. Don't forget to check into the school districts of the area you're considering. Information is available on every school; such as class sizes, % of students that go on to college, SAT scores, etc. You can get this information from your Realtor.

*Imagine the Property Vacant.* Your furnishings and decorations will be the ones filling this new residence. Don't be swayed by beautiful furniture ... it leaves with the owner.

*View Several Homes.* See at least 3-5 properties. Don't move on the first property you see but... don't move too slowly either. With your agent's help, you'll be able to view enough properties to get a good overall perspective of your market. And when you find the right property, all the legwork will be worth it. This doesn't mean look at every house available on the market, but look at enough properties to get a good feeling that you aren't just making an impulse buy. When you find the right home, all the work you do in this process will pay off.