

A decorative graphic on the right side of the page features three overlapping blue circles of varying sizes, each with a lighter blue ring around it. Two thin blue lines intersect at the top left, forming a large 'V' shape that frames the circles. The circles are positioned in the upper right and lower right areas of the page.

BEFORE YOU START LOOKINGFOR A HOME

Before you begin the home buying process

Before you begin the home buying process, it is essential to know how much you can pay for a home. Your lender can make this easy for you, by pre-qualifying you before you and your real estate agent begin looking for a home. A prequalification is free and can usually be done in just one visit, or even in one phone call. By getting pre-qualified, you will know what price home you can afford and what your monthly payments will be. The best part of this step is that we put everything in writing.

Questions commonly asked

→ **What real benefits do homeowners have?**

Being a homeowner gives one a sense of stability and permanence. It gives the flexibility to make home improvements that meet your specific needs wherever and whenever you want to. You are not subject to periodic rent increases, and the interest you pay may be deductible from your taxes, in some cases up to 100%. Consult with your tax advisor.

→ **How much of a down payment should I make?**

The amount of down payment that you pay can vary. It depends on what you and your home loan consultant decide is best. It is important that you know that the lower the down payment, the more you will have to pay each month, that it will be more likely that you will have to purchase home loan insurance*, and that your interest payments will be higher as well. *Insurance that prevents the lender against loss if the borrower should default on the home loan.

→ **What is the difference between applying for a loan and getting pre-qualified?**

Before you begin to look for your home, it is important that you visit a home loan lender, who will analyze your assets, debts, and sources of income. Based on the preliminary analysis, they will tell you the amount of loan for which you qualify – this is called a *prequalification*. Once you find the home you want to purchase, you can then formally apply for your loan, and they will ask you to provide the necessary documentation (e.g. paystubs, bank account information, etc.) to verify that the information you provided during your pre-qualification is accurate.

→ **What is a credit report?**

A credit report contains your payment history, shows that you paid your debts on time, if you have ever been late in making payments, or if you have ever failed to make payments. Lenders use the credit report to determine a potential borrower's ability to make timely payments, and to judge whether or not the person would make a good prospect for a loan. If you are thinking about buying a home, you will need to show us that you can make your payments in a prompt and responsible manner. We recommend that if you do not have any purchases on credit, that you at least get a credit card, in order to establish a payment history. You can ask your home loan consultant for suggestions as well.

→ **How much money do I need for a down payment?**

It all depends on how much you want to pay for a home and how much money you have available. If you do not have much money available, there are government programs that have been created to help first-time homebuyers. We offer a variety of loans that can normally accommodate each borrower's needs. Some of these programs have less stringent qualification guidelines, while others require little or no down payment. In many cases, the money needed for the closing can be incorporated into the loan amount, reducing the amount of money a borrower needs to have on hand to purchase a home.

FINDING YOUR DREAM HOME

Selecting a Real Estate Professional

Once you have been pre-qualified, it is time to find a real estate professional to help you find the home of your dreams. A real estate professional is an expert who knows exactly which homes are for sale and which ones can meet your requirements and desires. Show your agent your pre-qualification certificate – with it, your agent will be able to pre-select homes that are in your price range. Additionally, your agent can provide you with information about different Neighborhoods where you might want to live, as well as suggestions that you may not have considered. Your agent can also give you practical advice about what you should look for in a home. And when it is time to make an offer on the home you wish to purchase, your agent will be there to help.

How to select a real estate professional

A real estate professional plays a very important role in the home buying process and should be selected with care. Before selecting your agent, ask for recommendations from family and friends and interview several agents, to have a better idea of what each one is like and what each offers you. The relationship between a real estate professional and a buyer should be one of mutual respect, similar objectives, and, frequently, a written agreement which specifies the terms and conditions of the agent's representation of the buyer.

The ideal real estate professional...

- a) **Understands your needs and objectives.**
- b) **Is professional and dedicated to doing a good job.**
- c) **Knows the area where you want to live.**
- d) **Knows how much you can spend on a home.**
- e) **Has a valid real estate license or certificate.**
- f) **Has excellent references from other clients.**
- g) **Treats you with the respect that you deserve.**

Making the Search Easy

Location, location, location

To reduce the number of homes that you visit, you should begin by deciding what factors are important to you, such as the approximate cost of the home and the location, and then you can begin to determine more specific details, such as the neighborhood, the characteristics of the home, and the type of dwelling (i.e., condominium, town home, or traditional single-family home). The location is the factor that most affects the value of the home. The majority of homebuyers are prepared to sacrifice certain characteristics and preferences of their home, in order to be able to purchase a home in the area or neighborhood that they most prefer. This is a very important insight, because you can almost always make some adjustments or do some remodeling, such as adding on another room or putting in a pool in the backyard, to have everything you desire in your home. But once you have moved into your home, it does not matter how many improvements you make, you will not be able to move this home from the city to the suburbs, or from the west side to the east side of the city!

What should I look for in my neighborhood?

Here is a list of the top seven questions potential buyers ask about a neighborhood:†

- 1) Does it have good schools?
- 2) Is it a nice neighborhood?
- 3) Is it in a good shopping district?
- 4) Is it near my/my spouse's office/work location?
- 5) Is it near my/my spouse's family and friends?
- 6) Does it have a low crime index/how safe is it?
- 7) Is it close to parks and recreation areas?

What should I look for in a home?

Before you begin searching for a home, it is important that you decide what characteristics you want in your home. Use the handy Evaluation Chart provided on page 20 to note down the desired characteristics of your dream home, and use it to evaluate how the different homes you look at meet your desires. Make several copies of the chart and carry them with you as you search for the ideal home, keeping in mind which characteristics you consider essential in the home you purchase. If you fill in the information as you look at homes, you will be able to remember the pluses and minuses of the different homes you see, and can evaluate the homes fairly, using the same criteria regardless of when you see them.

Suggestions for evaluating the homes you see

Once you have decided which characteristics you want your dream home to have, and in which neighborhoods you are interested in living, you should begin to view homes for sale with your real estate agent. During this period, it is important that you make a thorough evaluation of the properties that you visit. Get accustomed to viewing properties with a critical eye. Inspect each home thoroughly, making sure you look at and evaluate each area that you consider important in your home. Feel free to take pictures or video so that you can remember what you liked or disliked in each home, and make sure that you keep detailed notes on your Evaluation Chart.

Making a Thorough Inspection Prior to Making a Final Decision

When you finally find the home of your dreams, it is very important that you inspect it “from top to bottom,” to make sure you do not fall in love too quickly. Sellers sometimes cover major flaws with paint or wallpaper, so that people who do not do thorough inspections will not notice the damage. These flaws frequently cost a great amount to repair once you have bought the home, so you should do your best to inspect the home very carefully prior to purchasing it. Before making an offer on a home, you should get to know the neighborhood. Visit the area during different times of day and night. Meet your potential neighbors and ask them about the neighborhood. Reconsider the amount you are willing to offer to purchase the home, so that you are really sure that it is worth the price. *Once you have done all of this, you can go ahead and make your offer! Good luck!*

Check the pipes and plumbing

Flush the toilets, turn on all the lights, open all the windows. Ask about the condition of the electrical system, the plumbing, the heating and air conditioning, and any other important features such as the pool, the irrigation system, etc.

Analyze the physical characteristics of the homes you visit

Thoroughly inspect the physical condition of the home, looking for any repairs that need to be made, as well as whether the house is new, several years old, or fairly old. It is also important to feel confident that there are enough bedrooms and extra space to meet your needs. Make sure that you really like the design of the home as well.

It's Time to Make an Offer

When you are ready to make an offer, your real estate agent should prepare a Purchase Contract, which is the document that you will present to the seller, and where you offer a price and any conditions you have for the purchase. Before presenting this document, check to see that your contract includes a clause that stipulates that the purchase depends on a satisfactory professional inspection. Ask your real estate agent to recommend a professional inspector With many years of experience. The inspector should give you a written evaluation of the home and make any repair recommendations that are necessary. If you have any doubts about the inspection, ask for a second one. Once your offer has been accepted, you will need to provide *earnest money (or a good faith deposit)*. This is a cash deposit (several hundred dollars to several thousand depending on the value of the home and the market) towards the down payment that shows your commitment to buying the home. Ask your real estate agent how much money is needed for a deposit, and use your pre-qualification certificate to back up your offer to the seller.

How do I determine the real value of the home?

Before you make an offer, you need to determine how much the home is really worth. Your real estate agent can help you by providing information about other homes in the neighborhood that have recently sold. This way, you can compare the selling prices of the different homes to feel confident that you are offering a fair and sufficient amount. There are also a number of other services available on the Internet that can provide estimated property values and recent sales within the general area.

The Closing/Settlement

The closing (or settlement) is the meeting at which you sign all the paperwork and make the payments needed to become an official homeowner. The title company, which issues the title insurance, usually provides a forum for the exchange of documents and the releasing of funds during the closing. In several Western states, the closing is known as an “escrow closing,” and the title or escrow company acts as a third party for the benefit of the buyer and the seller.

Prior to the closing meeting, your title company, Escrow Company or attorney will review with you a copy of the HUD-1 Settlement Statement. This document will provide the final total for your closing costs. It establishes the total funds you must bring to closing. Once the loan is approved, we will call you to come in and sign the closing documents, as well as the final documentation required to make you a homeowner. There are many documents that need to be signed prior to receiving the keys to your home. For this reason, a closing typically takes one or two hours. The three most important documents you will sign are the note, the mortgage (deed of trust), and the deed. The mortgage (promissory) note represents your promise to pay the lender according to the agreed terms, including the dates on which your home loan payments must be made and the location to which payment must be sent. The mortgage, also known as a deed of trust or a security instrument, is a contract that makes your home the security on the loan or guarantees its repayment. And the deed is the document that transfers the ownership of the property from the seller to the buyer. You will also need to obtain a certified or cashier's check to pay the closing costs. Once these documents are signed and the closing costs are paid, you are a homeowner! Go ahead and call the movers! Moving in to your own home is an unforgettable experience. Perhaps you will soon be enjoying your own home together with your family and friends. We know that the American dream is not just a dream!

AFTER MOVING IN

What You Need to Know

How to make your monthly loan payments

Within a few days of the closing and the receipt of your loan, you will receive a letter from your lender with monthly payment instructions and an explanation of your responsibilities as a borrower.

When making a payment, make sure you...

- Send your payment so that it arrives on or before the first of each month.
- Never send cash in the mail.
- Write down your account number on your check or money order.

What your monthly payment includes

Your monthly payment includes the principal payment, interest, and private mortgage insurance (PMI), if required. In the majority of cases, your monthly payment will also include federal (property) taxes and liability (homeowners) insurance so that you do not have to worry about making these payments on time. You will receive a detailed description of your monthly payment in the instructions that we will mail to you.

What to do if you have problems making your payment

The first thing that you should do is call the lender. Representatives are there to listen to you and to try to help however possible. But remember, it is very important to make your payments on time and for exactly the amount due, if you want to protect your credit. And if in the future you decide to buy another home, a good credit history will be very useful.

What to do if your home is damaged

If your home is damaged by a fire or by some other occurrence that is covered in your insurance policy, call your insurance agent and fill out a claim immediately. A claims adjustor will do an inspection of the property to determine the cash value of the damages. Once this has occurred, the insurance company

will make out a check, jointly issued to you and to the lender. Call the lender's claims department to ask about the proper procedure for funds distribution.

Your other obligations as a borrower

Your loan or deed of trust requires that you maintain your property in a good state. This requirement exists to protect your investment and to increase the value of your property, if you decide to sell it one day. When you make any repairs or improvements, make sure to always use licensed contractors.

Additional costs

When you buy a home, be prepared for certain additional costs that all homeowners have, such as monthly mortgage payments, annual property tax payments, homeowner's insurance, electricity, gas, trash collection, water and sewer service, home maintenance and gardening. On considering all the above buying a home quite an easy work when people think and implement ideas in a smarter way.