A Complete Home Buyer's Guide
10 Steps to Home Ownership

The Wallack Team
with you every
step of the way!

Brought to you by:

The Wallack Team of Russell Real Estate Services
3848 Medina Road, Medina, Ohio 44256
Direct 330-410-0468 Office 330-723-2777

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10 Steps to Home Ownership - Step 1 Are You Ready?

Knowledge and experience are the keys to successful real estate transactions. One of the keys to making the home buying process easier and more understandable is planning. In doing so, you'll be able to anticipate requests from lenders, lawyers and a host of other professionals. Furthermore, planning will help you discover valuable shortcuts in the home buying process.

Do You Know What You Want?
Whether you are a first-time homebuyer or entering the marketplace as a repeat buyer, you need to ask why you want to buy. Are you planning to move to a new community due to a lifestyle change or is buying an option and not a requirement? What would you like in terms of real estate that you do not now have? Do you have a purchasing timeframe?

Whatever your answers, the more you know about the real estate marketplace, the more likely you are to effectively define your goals. As an interesting exercise, it can be worthwhile to look at the questions above and to then discuss them in detail when meeting with local REALTORS®.

Do You Have The Money?
Homes and financing are closely intertwined. (Financing is the difference between the purchase price and the down payment, commonly referred to as debt or the mortgage.) The good news is that over the years new and innovative loan programs have evolved which require a 5 percent down payment or less.

In addition to a down payment, purchasers also need cash for closing costs (the final costs associated with closing the loan).

Not everyone, however, elects to purchase with little or no money down. Less money down means higher monthly mortgage payments, so most homebuyers choose to buy with some cash up front.

As to closing costs, in markets where buyers have leverage, it may be possible to negotiate an offer for a home that requires the owner to pay some or all of your settlement expenses. Speak with your REALTORS® for details.

Is Your Financial House in Order?
You need good credit to get the best loans and interest.

10 Mistakes You Cant Afford

Most advice columns tell you how you should do things. But there are all kinds of things you shouldn't do, either. Here are 10 frequent financial mistakes that consumers routinely make -- and you should avoid.

Don't:

1. **Choose the Wrong Mortgage:** With the advent of instant refinancing, home loans are no longer the lifetime obligations they used to be. Still, you don't want to be saddled for even a short period of time with the wrong one. Investigate all your options, then lay your choices side-by-side and do the math, making sure to compare worst-case scenarios. Be sure to look at initial interest rates, future interest rates and payments (if different), and the possibility of prepayment penalties.

2. **Confuse "Pre-Approved" and "Pre-Qualified" with a Loan Commitment:** These are debatable terms in real estate because not all lenders apply the same definition to each expression. In fact, one leading real estate dictionary contains neither expression because their definitions are uncertain. According to one school of thought, however, when you are "pre-qualified," the lender is making an educated guess about how much you can borrow based

on information you've provided. When you are "pre-approved," the lender has verified everything you have told him or her and is offering to lend you up to a given amount at current interest rates -- under certain conditions. Whether pre-qualified or pre-approved, final clearance and a check at closing -- a loan commitment -- are subject to an appraisal satisfactory to the lender, good title, a last-minute credit check, and other verifications. When meeting with lenders, always ask how they define each term and what additional steps will be required to obtain a loan.

3. **Have Too Much Credit:** Excessive credit is almost as bad as no credit or even bad credit. Even if you pay your bills on time, lenders tend to focus just as much on how much credit you have available to you as they do on timeliness. So being up to your ears in car loans and credit cards is a sure way to be turned down for a mortgage. Postpone any big ticket purchases until after you buy your house, that is, after closing.

4. **Lie on Your Loan Application:** Exaggerating your income on a mortgage application or putting down other untruths can be a federal offense. Lenders rarely prosecute liars. But if they find out later, they can call your loan due and payable. Don't ever sign your name to a loan application that is not completely filled out, either. Loan officers have been known to stretch the truth to get a client approved, but it's the borrower who ends up paying the price, often in the form of monthly loan payments he can't afford.

5. **Hide If You Can't Make Your Payments:** The worst thing you can do is ignore phone calls and letters from your lender when you are behind on your payments. Lenders have many options at their disposal to help keep borrowers from losing their homes to foreclosure. But they can't do anything for you unless they can talk to you about your difficulties. Lenders are the enemy only if you give them no other choice.

6. **Skip a Home Inspection:** Failing to make your purchase contingent on a satisfactory home inspection could be a costly mistake. Independent home inspectors examine houses from stem to stern. They'll be able to tell you whether the roof and/or basement leaks, whether the mechanical systems are in good shape and how long the appliances should last. They can't report on things they can't see, but at least their trained eyes are better than yours. So don't pass just to save $300-$400; that's money well spent.

7. **Hire Just Any Agent to Sell Your House:** All real estate agents are not the same. You want to look for those who specialize in your neighborhood and are top producers. Ask your candidates how they plan to market your house, what you can do to make the place more attractive to prospects and how much you should ask. If you don't like any of the answers, looks elsewhere. And above all, stay away from relatives. Unless Aunt Bessie or Nephew Nick fit the description above, keep looking.

8. **Fail to Check Out a Remodeler:** Never, ever hire a contractor who knocks on your door or says his prices are good for only a few days. Reputable remodelers don't solicit door-to-door, and they don't cut prices just because they happen to be in your neighborhood. Check out a potential contractor thoroughly by calling several of his past clients, your local better business bureau, his bankers and suppliers, and your local consumer affairs agency.

9. **Pay Too Much Upfront:** If a contractor asks for more than a third of the contract price as a down payment, chances are something's wrong. At worst, he's a scam artist who has no intention of returning after he cashes your check. At best, he's undercapitalized and can't afford to purchase materials on his own. Or, in between, he could be using your money to pay workers on another job. Never give a contractor cash, either.

10. **Burn Your Mortgage:** It's a wonderful feeling when you make your last house payment. After all, the place is now yours, all yours. Many people celebrate by holding a mortgage burning party. But they torch the original document. Don't. Make a copy and burn that instead. Keep all your loan docs in a safe place.

How Much Can I Afford?

As you think about applying for a home loan, you need to consider your personal finances. How much you earn versus how much you owe will likely determine how much a lender will allow you to borrow.

First, determine your gross monthly income. This will include any regular and recurring income that you can document. Unfortunately, if you can't document the income or it doesn't show up on your tax return, then you can't use it to qualify for a loan. However, you can use unearned sources of income such as alimony or lottery payoffs. And if you own income-producing assets such as real estate or stocks, the income from those can be estimated and used in this calculation. If you have questions about your specific situation, any good loan officer can review the rules.

Next, calculate your monthly debt load. This includes all monthly debt obligations like credit cards, installment loans, car loans, personal debts or any other ongoing monthly obligation like alimony or child support. If it is revolving debt like a credit card, use the minimum monthly payment for this calculation. If it is installment debt, use the current monthly payment to calculate your debt load. And you don't have to consider a debt at all if it is scheduled to be paid off in less than six months. Add all this up and it is a figure we'll call your monthly debt service.

In a nutshell, most lenders don't want you to take out a loan that will overload your ability to repay everybody you owe. Although every lender has slightly different formulas, here is a rough idea of how they look at the numbers.

Typically, your monthly housing expense, including monthly payments for taxes and insurance, should not exceed about 28 percent of your gross monthly income. If you don't know what your tax and insurance expense will be, you can estimate that about 15 percent of your payment will go toward this expense. The remainder can be used for principal and interest repayment.

In addition, your proposed monthly housing expense and your total monthly debt service combined cannot exceed about 36 percent of your gross monthly income. If it does, your application may exceed the lender's underwriting guidelines and your loan may not be approved.

Depending on your individual situation, there may be more or less flexibility in the 28 percent and 36 percent guidelines. For example, if you are able to buy the home while borrowing less than 80 percent of the home's value by making a large cash down payment, the qualifying ratios become less critical. Likewise, if Bill Gates or a rich uncle is willing to cosign on the loan with you, lenders will be much less focused on the guidelines discussed here.

Remember that there are hundreds of loan programs available in today's lending market and every one of them has different guidelines. So don't be discouraged if your dream home seems out of reach.

In addition, there are a number of factors within your control which affect your monthly payment. For example, you might choose to apply for an adjustable rate loan which has a lower initial payment than a fixed rate program. Likewise, a larger down payment has the effect of lowering your projected monthly payment.

How to Get a Mortgage

Shopping for a mortgage is the first step toward owning a home and perhaps the most daunting, especially if you are not prepared.

Once a simple task that meant comparing fixed rates from among perhaps a dozen or fewer savings and loan companies, the mortgage hunt today is like finding your way through a maze.

There are dozens of loan types and hundreds of loan programs available through thousands of mortgage brokers, bankers, lenders, finance companies, credit unions, even stock brokerage firms.

Contrary to popular belief, finding a mortgage doesn't begin with an application.

Education is a better first choice. Mortgage information sources are as vast as the number of mortgages available. Web sites, topical newspaper articles, mortgage books, consumer seminars and workshops, financial planners, real estate agents, mortgage brokers and lenders are all available to assist you along the way.

First and foremost, you must determine how your mortgage payment will fit your current budget and, to some extent, your future obligations 15 to 30 years down the road.

If you discover too late that you can't afford your mortgage, you'll not only face the possibility of losing the roof over your head, but you could also damage your ability to purchase a home later.

Step 1: Examine Your Finances
If you can afford to buy a home, you must then determine how much mortgage you can afford. Lenders are apt to put your loan application in the best light and qualify you for as much as they are willing to lend, which can be more than you can afford.

It's up to you to take stock of your income and expenses, both current and projected to determine what you can comfortably manage each month. Along with your mortgage payment, don't forget related insurance, taxes, homeowner association dues and any other costs rolled into the mortgage payment.

Step 2: Shopping For a Loan
When you are ready to shop for a loan you have two basic types of mortgage stores to shop -- direct lenders and mortgage brokers.

Direct lenders have money to lend. They make the final decision on your application. Brokers are intermediaries who, like you, have many lenders from which to choose. Lenders have a limited number of in-house loans available. Brokers can shop many lenders for each lenders' store of loans. If you have special financing needs and can't find a lender to suit them, an experienced broker may be able to ferret out the loan you need. Mortgage brokers, however, are paid with a slice of the amount you borrow, some more than others some less. Internet brokers today perhaps receive the smallest cut, sometimes none at all, and can prove to be a real bargain.

Along with shopping the source, you'll also have to shop loan costs, including the interest rate, broker fees, points (each point is one percent of the amount you borrow), prepayment penalties, the loan term, application fees, credit report fee, appraisal and a host of others.

Q&A for Loans and Credit

Buying with a Record of Bankruptcy

Q: What are my possibilities of buying a home, being a first-time buyer with a bankruptcy on my credit report? I am planning to retire from my job soon and would like to know my options because I plan on cashing out on my pension. -- *Howard*

A: A bankruptcy filing stays on your credit record for 10 years. Lenders are very sensitive to your credit history, particularly so about payment delinquencies and bankruptcy filings. But if your bankruptcy was filed a long time ago and you have an excellent payment history since then, you should talk to the lender and argue your case, supporting it with documentation that you are a low risk to them. You can sometimes get a loan within two years after filing bankruptcy.

If you don't have luck with that route, there are two other ways to get a loan. The first is by putting down a huge down payment, say 50 percent of the house sale price. Lenders look upon it favorably when the borrower invests a large sum of their money in a piece of property.

The other way is to take out a sub prime loan, which comes with higher interest rates and more points. Points essentially are interests charged up front by the lender for providing you the loan. One point is 1 percent of the amount of loan. But if you are willing to pay more each month, you can find a lender willing to take the risk that you might default.

Borrowing with Less than Perfect Credit

Q: What could lenders offer a person with a B credit rating and $10,000 down on a $125,000 home? My annual income is $55,000. Any suggestions appreciated. -- *Shondra*

A: At today's interest rates and your income, you would be well qualified for a loan of $115,000. As a rule, most borrowers are expected to spend no more than 28 percent to 33 percent of their monthly income on housing, depending on their other financial obligations. Because you said you have a B credit rating, a lender might look at you less favorably and could ask you to put down more than the 8 percent that you plan to use as a down payment. Or the lender might charge you more points for your loan. Points are fees lenders charge up front to lend you money. One point equals 1 percent of the amount you borrow.

Lenders look at more than just your credit rating, however. They also consider your recent payment history, your cash reserves and other investments. Ask a lender what you can expect.

Guarding Your Credit History

It's one thing to have late payments or delinquencies on your credit report. Everybody has forgotten a payment or two. But it's quite different when somebody else's mistakes cause "dings" on your report.

Fixing such errors is important because unfavorable information on your credit report-accurate or not-affects your ability to borrow money.

The three major credit bureaus-Equifax, Experian, and Trans Union-compile information about you into a report that businesses use to evaluate whether you'd make a good borrower or, in some cases, a good employee. Credit reports tell people where you live, how you pay your bills, whether you've filed for bankruptcy and if you've been arrested.

Let's say you made your monthly payment on your department store credit card on time, but for some reason it is reported as a late payment on your credit report. According to the Fair Credit Reporting Act, both the credit bureau and the department store are responsible for correcting mistakes or incomplete information on your report. But you have to let them know.

Step By Step

To correct an error, write a letter to the credit bureau that produced the erroneous report. Be sure to:

- Provide your complete name and address, stating each item in your credit report that you believe is a mistake and why. Stick to the facts and request that errors be corrected or deleted.

- Include copies-not the originals-of documents that back your claim such as a canceled check or a receipt of payment. Enclose a copy of the credit report and circle items in question.

Next, write a letter to the company or lender where the mistake came from, informing them of your dispute. Remember, include copies of documents that back your claim.

Send both letters by certified mail, return receipt requested, and keep copies for your records. This way you have proof both parties received notice of your dispute.

Credit Bureau Response
The credit bureau must investigate items in question within 30 days (unless they find your dispute is frivolous). They will also forward your dispute to the department store, which must investigate your claim and report back to the credit provider.

If the department store or any other creditor agree there is a mistake, they must notify the other credit bureaus so they can correct the information in their files. If the disputed item cannot be verified, it must be deleted from your files.

When the investigation is done, the credit bureau must give you its results in writing as well as a free copy of your credit report. You can also request that correction notices be sent to anyone having received your report in the prior six months.

Is Your Credit On Target?

Whether you're making a big purchase like a house or a new car, or a less ambitious transaction like applying for a credit card, your prospective lender always runs a credit report on you. But is everyone getting a fair shake when it comes to credit scoring?

Many call credit scoring a simple, objective way to determine one's ability to repay loans—where race, nationality and income are not considered. Others, however, believe certain scoring systems have unequal impact on minority and low-income credit applicants, as these groups are more likely to use non-traditional forms of credit.

Your Score Is Just One Factor
The credit scoring system preferred by most lenders is produced by Fair, Isaac & Company Inc. The company's software lets lenders and credit bureaus generate a credit "score" based on a borrower's credit history. Known as FICO scores, these calculations play a significant role in obtaining mortgage loans.

Fair Isaac won't say exactly how FICO scores are tabulated, but the company does acknowledge which factors it uses for calculating its totals. In order from most to least important, they are: late and delinquent payments, bankruptcies, outstanding debt, length of credit history, new applications for credit, and types of credit in use. It is illegal to include ethnicity, religion, gender, marital status or nationality in determining credit scores.

The Center for Community Change, a Washington D.C.-based housing advocacy group, is critical of FICO scores. Debby Goldberg, acting director of the group's Neighborhood Revitalization Project, says credit scoring raises several questions: Who are the people upon whom the credit scoring systems are built? How do non-traditional sources of credit affect a prospective borrower's ability to handle debt? And what happens when inaccuracies in a credit report are included in the score?

"Because this stuff is proprietary, it's difficult to get answers," Goldberg says. Fair Isaac maintains that FICO scores treat all borrowers equally.

Alternative Systems

However, regulatory agencies are beginning to pay more attention to credit scoring in the mortgage industry. Last year, the Federal Trade Commission began holding public forums on the issue.

Fair Issac appears to be responsive to such concerns.

Goldberg says the U.S. Department of Housing and Urban Development is working on a separate credit scoring system and plans to publish how it works. "That may encourage some of the others to take that same step," she says.

If you're concerned about your credit history, you can order a copy of your credit report , see if there are errors and if so, correct them. You can also ask your lender for your credit score and provide your loan agent with explanations for late payments.

As Goldberg says, "You've got to be your own best advocate."

10 Steps to Home Ownership - Step 2 Get a Realtor

More than 2 million people in the United States have earned real estate licenses. However, real estate is a tough business with a steep dropout rate, and the result is that only a small percentage of those with licenses actively help buyers and sellers.

The National Association of REALTORS® (NAR) includes 1 million brokers and salespeople, individuals bound together with a strong Code of Ethics, extensive training opportunities and a wealth of community information. NAR members are routinely active in PTAs, local government committees and a variety of neighborhood organizations. Being actively involved in community affairs provides REALTORS® with a better understanding of the area in which they are selling.

Why?
Buying and selling real estate is a complex matter. At first it might seem that by checking local picture books or online sites you could quickly find the right home at the right price.

But a basic rule in real estate is that all properties are unique. No two properties -- even two identical models on the same street -- are precisely and exactly alike. Homes differ and so do contract terms, financing options, inspection requirements and closing costs. Also, no two transactions are alike.

In this maze of forms, financing, inspections, marketing, pricing and negotiating, it makes sense to work with professionals who know the community and much more. Those professionals are the local REALTORS® who serve your area.

What should you expect? (Working with a REALTOR®)
Once you select a REALTOR® you will want to establish a proper business relationship. You likely know that some REALTORS® represent sellers while others represent buyers. Each REALTOR® will explain the options available, describe how he or she typically works with individuals and provide you with complete agency disclosures (the ins and outs of your relationship with the agent) as required in your state.

Once hired for the job, the REALTOR® will provide you with information detailing current market conditions, financing options and negotiating issues that might apply to a given situation. Remember: Because market conditions can change and the strategies that apply in one negotiation may be inappropriate in another, this information should not be set in stone. During your time in the marketplace REALTORS® will keep you updated and alert you to each step in the transaction process.

What a REALTOR® Can Do for You

The REALTOR® you work with could be one of your most valuable resources. Unlike many real estate agents who are simply licensed by their state to do business, REALTORS® have taken additional steps to become members of the local board of REALTORS® and have agreed to act under and adhere to a strict Code of Ethics. Plus...

- A REALTOR® can help you determine how much home you can afford. Often a REALTOR® can suggest ways to accrue the down payment and explain alternative financing methods.

- A REALTOR®, in addition to knowing the local money market, also can tell you what personal and financial data to bring with you when you apply for a loan.

- A REALTOR® is already familiar with current real estate values, taxes, utility costs, municipal services and facilities, and may be aware of local zoning changes that could affect your decision to buy.

- A REALTOR® can usually research your housing needs in advance through a Multiple Listing Service--even if you are relocating from another city.

- A REALTOR® can show you only those homes best suited to your needs--size, style, features, location, accessibility to schools, transportation, shopping and other personal preferences.

- A REALTOR® often can suggest simple, imaginative changes that make a home more suitable for you and improve its utility and value.

- A REALTOR® is sensitive to the importance you place on this major commitment you are about to make. Look for a real estate professional to facilitate negotiation of a win-win agreement that will satisfy both you and the seller.

Why Use a REALTOR®?

All real estate licensees are not the same. Only real estate licensees who are members of the NATIONAL ASSOCIATION OF REALTORS® are properly called REALTORS®. They proudly display the REALTOR "®" logo on the business card or other marketing and sales literature. REALTORS® are committed to treat all parties to a transaction honestly. REALTORS® subscribe to a strict Code of Ethics and are expected to maintain a higher level of knowledge of the process of buying and selling real estate. An independent survey reports that 84% of home buyers would use the same REALTOR® again.

Real estate transactions involve one of the biggest financial investments most people experience in their lifetime. Transactions today usually exceed $100,000. If you had a $100,000 income tax problem, would you attempt to deal with it without the help of a CPA? If you had a $100,000 legal question, would you deal with it without the help of an attorney? Considering the small upside cost and the large downside risk, it would be foolish to consider a deal in real estate without the professional assistance of a REALTOR®.

But if you're still not convinced of the value of a REALTOR®, here are a dozen more reasons to use one:

1. **Your REALTOR® can help you determine your buying power** -- that is, your financial reserves plus your borrowing capacity. If you give a REALTOR® some basic information about your available savings, income and current debt, he or she can refer you to lenders best qualified to help you. Most lenders -- banks and mortgage companies -- offer limited choices.

2. **Your REALTOR® has many resources to assist you in your home search.** Sometimes the property you are seeking is available but not actively advertised in the market, and it will take some investigation by your agent to find all available properties.

3. **Your REALTOR® can assist you in the selection process by providing objective information about each property.** Agents who are REALTORS® have access to a variety of informational resources. REALTORS® can provide local community information on utilities, zoning. schools, etc. There are two things you'll want to know. First, will the property provide the environment I want for a home or investment? Second, will the property have resale value when I am ready to sell?

4. **Your REALTOR® can help you negotiate.** There are myriad negotiating factors, including but not limited to price, financing, terms, date of possession and often the inclusion or exclusion of repairs and furnishings or equipment. The purchase agreement should provide a period of time for you to complete appropriate inspections and investigations of the property before you are bound to complete the purchase. Your agent can advise you as to which investigations and inspections are recommended or required.

5. **Your REALTOR® provides due diligence during the evaluation of the property.** Depending on the area and property, this could include inspections for termites, dry rot, asbestos, faulty structure, roof condition, septic tank and well tests, just to name a few. Your REALTOR® can assist you in finding qualified responsible professionals to do most of these investigations and provide you with written reports. You will also want to see a preliminary report on the title of the property. Title indicates ownership of property and can be mired in confusing status of past owners or rights of access. The title to most properties will have some limitations; for example, easements (access rights) for utilities. Your REALTOR®, title company or attorney can help you resolve issues that might cause problems at a later date.

6. **Your REALTOR® can help you in understanding different financing options and in identifying qualified lenders.**

7. **Your REALTOR® can guide you through the closing process and make sure everything flows together smoothly.**

8. **When selling your home, your REALTOR® can give you up-to-date information on what is happening in the marketplace and the price, financing, terms and condition of competing properties.** These are key factors property sold at the best price, quickly and with minimum hassle.

9. **Your REALTOR® markets your property to other real estate agents and the public.** Often, your REALTOR® can recommend repairs or cosmetic work that will significantly enhance the salability of your property. Your REALTOR® markets your property to other real estate agents and the public. In many markets across the country, over 50% of real estate sales are cooperative sales; that is, a real estate agent other than yours brings in the buyer. Your REALTOR® acts as the marketing coordinator, disbursing information about your property to other real estate agents through a Multiple Listing Service or other cooperative marketing networks, open houses for agents, etc. The REALTOR® Code of Ethics requires REALTORS® to utilize these cooperative relationships when they benefit their clients.

10. **Your REALTOR® will know when, where and how to advertise your property.** There is a misconception that advertising sells real estate. The NATIONAL ASSOCIATION OF REALTORS® studies show that 82% of real estate sales are the result of agent contacts through previous clients, referrals, friends, family and personal contacts. When a property is marketed with the help of your REALTOR®, you do not have to allow strangers into your home. Your REALTOR® will generally prescreen and accompany qualified prospects through your property.

11. **Your REALTOR® can help you objectively evaluate every buyer's proposal without compromising your marketing position.** This initial agreement is only the beginning of a process of appraisals, inspections and financing -- a lot of possible pitfalls. Your REALTOR® can help you write a legally binding, win-win agreement that will be more likely to make it through the process.

12. **Your REALTOR® can help close the sale of your home.** Between the initial sales agreement and closing (or settlement), questions may arise. For example, unexpected repairs are required to obtain financing or a cloud in the title is discovered. The required paperwork alone is overwhelming for most sellers. Your REALTOR® is the best person to objectively help you resolve these issues and move the transaction to closing (or settlement).

How to Choose a REALTOR®

Not all agents or brokers are REALTORS® -- there is a difference.

As a prerequisite to selling real estate, a person must be licensed by the state in which they work, either as an agent/salesperson or as a broker. Before a license is issued, minimum standards for education, examinations and experience, which are determined on a state by state basis, must be met. After receiving a real estate license, most agents go on to join their local board or association of REALTORS® and the NATIONAL ASSOCIATION OF REALTORS®, the world's largest professional trade association. They can then call themselves REALTORS®.

The term "REALTOR®" is a registered collective membership mark that identifies a real estate professional who is a member of the NATIONAL ASSOCIATION OF REALTORS® and subscribes to its strict Code of Ethics (which in many cases goes beyond state law). In most areas, it is the REALTOR® who shares information on the homes they are marketing, through a Multiple Listing Service (MLS). Working with a REALTOR® who belongs to an MLS will give you access to the greatest number of homes.

Using an agent and the obligations that are owed to you

An agent is bound by certain legal obligations. Traditionally, these common-law obligations are to: Put the client's interests above anyone else's; Keep the client's information confidential; Obey the client's lawful instructions; Report to the client anything that would be useful; and Account to the client for any money involved.

NOTE: A REALTOR® is held to an even higher standard of conduct under the NAR’s Code of Ethics. In recent years, state laws have been passed setting up various duties for different types of agents.

The difference between a buyer's and a seller's broker

Suppose you sign an offer to buy a home for $150,000. You really want the property and there's a chance other offers are coming in, so you tell the broker that "We'll go up to $160,000 if we have to. But of course don't tell that to the seller." If you're dealing with a seller's agent, he or she may be duty-bound to tell the seller that important fact. In most states, the seller's agent doesn't have any duty of confidentiality toward you. Honest treatment might require that the agent warn you that "I must convey to the seller anything that would be useful so don't tell me anything you wouldn't tell the seller."

TIP: If you're dealing with seller's agents, it’s a good idea to keep confidential information to yourself. These days many home buyers prefer instead to hire a buyer's broker, one who owes the full range of duties, including confidentiality and obedience, to the buyer. A buyer's broker is often paid by the seller, regardless of the agency relationship.

How to evaluate an agent

In making your decision to work with an agent, there are certain questions you should ask when evaluating a potential agent. The first question you should ask is whether the agent is a REALTOR® . You should then ask:

- Does the agent have an active real estate license in good standing? To find this information, you can check with your state’s governing agency.
- Does the agent belong to the Multiple Listing Service (MLS) and/or a reliable online home buyer’s search service? Multiple Listing Services are cooperative information networks of REALTORS® that provide descriptions of most of the houses for sale in a particular region.
- Is real estate their full-time career?

- Which party is he or she representing--you or the seller? This discussion is supposed to occur early on, at "first serious contact" with you. The agent should discuss your state's particular definitions of agency, so you'll know where you stand.

- In exchange for your commitment, how will the agent help you accomplish your goals? Show you homes that meet your requirements and provide you with a list of the properties he or she is showing you?

10 Steps to Home Ownership - Step 3 Get Loan Approval

Few people can buy a home for cash. According to the National Association of REALTORS® (NAR), nearly nine out of 10 buyers in 1999 financed their purchase, which means that virtually all buyers -- especially first-time purchasers -- required a loan.

The real issue with real estate financing is not getting a loan (virtually anyone willing to pay lofty interest rates can find a mortgage). Instead, the idea is to get the loan that's right for you -- the mortgage with the lowest cost and best terms.

REALTORS® routinely suggest that consumers start the mortgage process well before bidding on a home. Many lenders (the sources of money) and programs can be available through recommendations from local REALTORS®. By meeting with lenders -- either online or face to face -- and looking at loan options, you will find which programs best meet your needs and how much you can afford.

REALTORS® also recommend pre-approvals for another reason: Purchase forms often require buyers to have a pre-approval letter upon submitting a purchase agreement. The purchase agreement also requires you to apply for financing within a given time period, in many cases, seven to 10 days. By meeting with loan officers in advance and identifying mortgage programs, it won't be necessary to quickly find a lender, check credit, and rush into a financing decision that may not be the best option.

What is it?
"Pre-approval" means you have met with a loan officer, your credit files have been reviewed and the loan officer believes you can readily qualify for a given loan amount with one or more specific mortgage programs. Based on this information, the lender will provide a pre-approval letter, which shows your borrowing power. You can visit as many lenders as you like and get several pre-approvals, but keep in mind that each one carries with it a new credit check, which will show up on future credit reports.

Although not a final loan commitment, the pre-approval letter can be shown to listing brokers when bidding on a home. It demonstrates your financial strength and shows that you have the ability to go through with a purchase. This information is important to owners since they do not want to accept an offer that is likely to fail because financing cannot be obtained.

How do you get pre-approval?
Real estate financing is available from numerous sources. Based on your REALTORS® experience, your REALTOR® may suggest one or more lenders with a history of offering competitive programs and delivering promised rates and terms.

The loan officer will carefully review your financial situation, including your credit report and other information. The lender will then suggest programs which most-closely meet your needs. For instance, a first-time buyer may qualify for state-backed mortgage programs with little money down and low interest rates, while a repeat purchaser (someone who has bought a home before) with more equity (money invested in the home) might want to get a 15-year loan and the lower overall interest costs it represents. Typically, first-time buyers opt for the traditional 30-year loan, with either a floating interest rate or a fixed rate of interest over the life of the loan.

Be Careful When Pre-qualifying Online

It's convenient to pre-qualify for a home loan online, but you can hurt your credit if you sign up with too many lenders

While shopping for the best loan terms, you may be tempted to pre-qualify with more than one lender. If so, be careful. Too many pre-qualifications could affect your ability to borrow money.

Every time you apply for a credit card or other type of loan, the lender checks your credit history. These checks show up as inquiries on your credit report, which is maintained by the three main credit reporting agencies: Equifax, Experian and Trans Union.

The Elusive FICO Score: To determine your credit worthiness, many lenders rely on their own credit scoring systems or FICO scores, which are numbers tabulated using software by Fair, Isaac & Company Inc. and information in your credit report. The number of credit inquiries affects your FICO score.

There has been increasing pressure on Fair Isaac from consumer groups and the mortgage industry to release information about how its software works, and Fair Isaac recently released the information its scoring models use in calculating a FICO score.

Pre-Qualification Inquiries: Basically, inquiries are an indicator of credit risk. According to Fair Isaac, the more inquiries on a borrower's credit file, the more likely it is that the borrower will not be able pay his or her bills. The problem is that many homebuyers get pre-qualified more than once while shopping for homes, generating multiple inquiries on their credit reports.

These Don't Count: Fortunately, Fair Isaac has a new policy that helps potential homebuyers who rack up credit inquiries while trying to find the best home loan. According to the policy, Fair Isaac's software will ignore all auto- or mortgage-related inquiries that occur within a 30-day period prior to the date the credit score is tabulated.

For every 14 days prior to this 30-day period, only one inquiry will be counted, no matter how many inquiries were made during a particular two-week period.

The good news is that inquiries have a relatively small impact on a credit score. Late credit payments -- particularly recent ones -- and high debt carry more weight. Nevertheless, there's a possibility that homebuyers who continue to shop for loans over a period of months could ultimately hurt their chances to get a home loan, so it's probably best not to get pre-qualified at every mortgage Web site you visit.

Many mortgage brokers and real estate agents are willing to review your credit report with you and point out any potential problems. If you know or suspect there are lots of inquiries on your credit report, you could also ask your lender how this could affect your credit rating or your ability to borrow.

If you've been turned down for credit, you can also obtain a copy of your credit report from the three agencies. This inquiry is not calculated into your FICO score.

Credit History: A record of an individual's open and fully repaid debts. A credit history helps a lender to determine whether a potential borrower has a history of repaying debts in a timely manner.
Pre-qualification: The process of determining how much money a prospective homebuyer will be eligible to borrow before he or she applies for a loan.

Don't Forget Your Pre-Approval Letter

Here are five reasons why getting a pre-approval letter is a good idea.

Most home buyers know they should get a mortgage pre-approval letter from a lender before they begin seriously shopping for a home. But the reasons for this advice aren't always clear, and buyers sometimes are dismayed by the amount of paperwork involved. Here is some of the reasoning behind the advice:

1. **A pre-approval letter is more reliable than a pre-qualification letter.** Getting a pre-qualification letter is easy. You just call a mortgage broker or lender, provide some basic financial information, then wait a few minutes for the letter to come through your fax machine. Getting a "pre-qual" from a Web site is just as easy. Enter some information, click "submit" and voilà. A pre-approval letter, on the other hand, involves verification of the information. Rather than taking your word on faith, the lender will ask for documentation to confirm your employment, the source of your down payment and other aspects of your financial circumstances. Granted, a pre-approval is more time-consuming (and possibly more stressful) than a pre-qualification The additional due diligence is exactly why the pre-approval carries more weight.

2. **You'll know how much money you can qualify to borrow.** Most home buyers have a rough idea of how much they would feel comfortable paying every month on their mortgage. However, there's no quick-and-dirty way to translate that monthly payment into a specific maximum mortgage amount because other factors -- down payment percentage, mortgage insurance, property taxes, adjustable interest rates and so on -- are part of the calculation. And, you might not be qualified to borrow as much as you think you should be able to borrow, depending on your income, your debts and your credit history.

3. **You'll have more leverage in negotiations with the seller.** Sellers often prefer to negotiate with pre-approved buyers because the sellers know such buyers are financially qualified to obtain the financing they need to close the transaction. A pre-approval letter is an especially favorable point in a close multiple offer situation. And, you might feel more confident about making an offer with a pre-approval letter in hand and the knowledge that you'll be able to obtain a mortgage.

4. **Your real estate agent will work harder on your behalf.** A pre-approval letter signals to your real estate agent that you're a well-qualified buyer who is serious about purchasing a home. The increased likelihood of a closed sale -- and a commission -- will naturally motivate your agent to devote more time and energy to you. In fact, some agents won't even show property to buyers who don't have a pre-approval letter.

5. **A few caveats: Pre-approval letters aren't binding on the lender, are subject to an appraisal of the home you want to purchase and are time-sensitive.** If your financial situation changes (e.g., you lose your job, lease a car or run up credit-card bills), interest rates rise or a specified expiration date passes, the lender will review your situation and recalculate your maximum mortgage amount accordingly.

10 Steps to Home Ownership - Step 4 Look at Homes

Some 6 million new and existing homes are sold each year. There's no shortage of housing options, but with so many choices the challenge becomes finding the property which best meets your needs.

The housing market is complicated because the stock of homes for sale is always in flux. If it were possible to have a complete list of every home for sale at this very moment in a given community, such a list would become obsolete within seconds as new homes become available and properties now for sale are put under contract.

In effect, buyers are looking at a moving target in a marketplace that is never static. Because of this, it is important to know as much as possible about the choices in preferred markets, and the way to do that is by working closely with a local REALTOR® who has a good "lay of the land."

What are you looking for?
A home is more than just a collection of bedrooms and bathrooms. Several properties -- each with four bedrooms, three baths, and the same price -- may well represent radically different designs, commuting distances, lot sizes, tax costs, interior dimensions, and exterior finishes.

Each of us is different and so it's important to list the features and benefits you want in a home. Consider such things as pricing, location, size, amenities (extras such as a pool or extra-large kitchen) and design (one floor or two, colonial or modern, etc.).

Next, it's important to consider your priorities. If you can't get a home at your price with all the features you want, then what features are most important? For instance, would you trade fewer bedrooms for a larger kitchen? A longer commute for a bigger lot and lower cost?

Lastly, consider your needs in several years. If you'll need a larger home, maybe now is the time to buy a bigger house rather than moving or expanding in the future.

Where should you look?
All neighborhoods and communities have a special nature that gives them identity and value. One community may be well known for historic homes while another offers both suburban living as well as easy access to downtown office areas and highways for commuting.

How do you find a house?
You can register to receive daily listings of homes in Medina at www.MedinaCountyMLS.com. Medina County MLS is a free service to help buyers find their dream home. Every day you will be emailed a list of homes for sale and price changes that match your search criteria. The data base is updated every 24 hours for accuracy and up-to-date information on homes as they hit the market. This MLS service also allows you to keep track of all homes of interest by making notes, filing in favorites, deleting, etc.

Some buyers like to search REALTOR.com® by looking at listings on the basis of location or price; others prefer to have local REALTORS® suggest properties; and many buyers prefer all approaches.

Regardless of your choice, it's important to target your search. By using basic measures such as general location and affordability, you can refine your search and focus on homes that offer the most desirable features.

10 Steps to Home Ownership - Step 5 Choose a Home

There's no doubt that choosing a home is a big decision and you want to do it right.

As a buyer, here's what actually happens. A home has been placed on the market for which the seller has established an asking price as well as other terms. In effect, this is an offer. At this point, you have three choices: accept the seller's offer and create a contract; reject it and not make an offer; or suggest different terms and make a counter-offer. If you choose this last option, the seller may accept, reject or make a counter-offer.

No aspect of the home buying process is more complex, personal or variable than bargaining between buyers and sellers. This is the point where the value of an experienced REALTOR® is clearly evident because he or she knows the community, has seen numerous homes for sale, knows local values and has spent years negotiating realty transactions.

Is it THE house?
A house is shelter, but a home is far more. It's where you live, relax, entertain friends, raise families, and work. A home is where you spend much of your life, and so choosing a house is an enormous decision.

How do you know if a house is THE one? Probably the best approach is to look at several homes, something made easy by registering with www.MedinaCountyMLS.com. Medina County MLS will supply you with an up-to-date complete list of homes available to you based on specific search criteria you have supplied. You can easily view a number of homes, make notes, check prices, and take video tours if offered to help you with this process. Once your choices have been narrowed the fun begins. You can now contact your REALTOR® to schedule a private viewing of any homes you may be interested in seeing.

Can you really afford it?
Remember Step 2 - the pre-approval process? Getting pre-approved means you have a very good idea of how much you can borrow, what loan programs will most likely work best in your situation and how much home you can afford.

How reliable is a pre-approval? While pre-approval is not a loan commitment, it's still necessary for lenders to check such items as appraisals and the latest credit reports. Despite fluctuating interest rates, pre-approval nonetheless provides a reasoned, careful analysis of what you can afford. After all, loan officers are routinely paid only when loans are originated. It doesn't make much sense for loan officers to suggest high loan limits that later can't be delivered.

Wait! Are You Buying the Right House?

Don't let your emotions overrule a reasonable assessment of whether a particular home really meets your needs.

Anyone who has ever bought a home remembers the wonderful feeling of finding the right property and falling in love with it. It's an indescribable mixture of comfort, excitement and dreams about to come true. "Can we afford it? Will the sellers accept our offer? How soon can we pick up the keys?" the excited buyers ask. Great vibes are undoubtedly a good sign in deciding to purchase a home. But you shouldn't let your emotions overrule a reasonable assessment of whether a particular home really meets your needs.

Here are a few of the many rational questions you'll want to ask yourself before you rush into a commitment to buy.

Price
Your lender says you can afford to buy the home you adore, but are you comfortable with the monthly payments you'll be obligated to make? Is the down payment within your means? Will you have enough cash to pay transaction costs and moving expenses? If the house needs major repairs, remodeling or redecorating can you save the necessary funds within a reasonable time period?

Condition
Along with price, the condition of the home should be a top consideration. Does the home need a new roof? Extensive upgrading of the electrical wiring? New plumbing? Is the home disaster-ready (e.g., bolted to the foundation in earthquake country)? A fixer-upper home with lots of potential can be a great find or a money pit. Will you be able to meet the financial challenges and live with the mess and inconvenience while the home is being brought up to your expectations?

Size and configuration
Is the house the right size for your needs and does it have the right combination of bedrooms, bathrooms and other living areas? Is that small closet less den really big enough for your child's bedroom? Is one bathroom adequate and if not, what are the real costs and headaches of adding a second one? Does the kitchen have enough cupboard and countertop space? Is the garage wide enough and deep enough for your vehicles? Will your piano really fit in that alcove near the staircase?

Comfort
Does the house have a central heating system? A central air-conditioning system? Are those climate controls important to you? Are the windows large enough and positioned to create cross ventilation? If the house has two stories, are you comfortable with the idea of walking up and down stairs every day? Is there a downstairs bathroom (and bedroom, if needed) for guests who can't navigate the stairs?

Style
Is the design and architecture of the house too modern or too traditional for your preferences in furniture and home furnishings?

Resale potential
People move to a new home every seven years, on average. If you wanted to sell your home or were forced by unexpected circumstances to sell it, how easy would it be to find a ready, willing and able buyer?

Features
Some buyers fall in love with pricey home amenities that seem attractive and desirable at the time, but later prove to be more headache and less pleasure than the buyers anticipated. Do you really want a swimming pool? High-maintenance ornamental trees? Commercial-grade built-in kitchen appliances? Expensive hardwood floors? Some homes are easier to visit than they are to own.

How to Choose a Home

Here are some tips to help determine which house is best for you.

Once you've settled on a couple of neighborhoods for your search, it's time to pick out a few homes to view. Your wish list can remind you which features are absolute requirements and which amenities you'd like to have if possible. When narrowing down your home search, consider:

- Types of homes
- Home purchase considerations
- Home comparison chart
- What to do when you’ve found the right home for you

Types of homes

In addition to single family homes (one home per lot), there are other forms of home ownership:

Multifamily homes: Some buyers, particularly first-timers, start with multiple family dwellings, so they'll have rental income to help with their costs. Many mortgage plans, including VA and FHA loans, can be used for buildings with up to four units, if the buyer intends to occupy one of them.

Condominiums: With a condo, you own "from the plaster in" just as you would a single house. You also own a certain percentage of the "common elements" -- staircases, sidewalks, roofs and the like. Monthly charges pay your share of taxes and insurance on those elements, as well as repairs and maintenance. A homeowners association administers the development.

Co-ops: In a few cities, cooperative apartments are common. With those, you purchase shares in a corporation that owns the whole building, and you receive a lease to your own apartment. A board of directors supervises management. Monthly charges include your share of an overall mortgage on the building.

Home purchase considerations

Most buyers' first consideration, after neighborhoods are chosen, is the number of bedrooms. As you begin to view homes, keep the following purchase and resale considerations in mind:

- Weigh your needs, budget and personal tastes in deciding whether you want a home that’s a newly constructed home, an older home or a home that requires some work -- a "fixer-upper."
- One-bedroom condos are more difficult to resell than two-bedroom ones.
- Two-bedroom/one-bath single houses generally have less appeal than houses with three or more bedrooms, and therefore less appreciation potential.
- Homes with "curb appeal" (a well-maintained, attractive, and charming view-from-the-street appearance) are the easiest to resell.
- When resale is a possibility, don't buy the most expensive house on the street, or anything that is unusual or unique. The best investment potential is traditionally found in a less expensive, more moderately sized home on the street.

Home comparison chart

While house-hunting, it's a good idea to make notes about what you see because viewing several houses at a time can be confusing. Use a home comparison chart to help you keep track of your search, organize your thoughts and record your impressions.

When you've found the right home

Before you begin the home buying process, resolve to act promptly when you find the right house. Every REALTOR® has stories to tell about a couple who looked far and wide for their dream home, finally found it, and then revealed that "we always promised my Dad we'd sleep on it, so we'll make an offer tomorrow." Many times the story has a sad ending -- someone else came in that evening with an offer that was accepted.

Resolve at this point that you will act decisively when you find the house that's clearly right for you. This is particularly important after a long search or if the house is newly listed and/or under-priced.

How Much Can I Afford?

As you think about applying for a home loan, you need to consider your personal finances. How much you earn versus how much you owe will likely determine how much a lender will allow you to borrow.

First, determine your gross monthly income. This will include any regular and recurring income that you can document. Unfortunately, if you can't document the income or it doesn't show up on your tax return, then you can't use it to qualify for a loan. However, you can use unearned sources of income such as alimony or lottery payoffs. And if you own income-producing assets such as real estate or stocks, the income from those can be estimated and used in this calculation. If you have questions about your specific situation, any good loan officer can review the rules.

Next, calculate your monthly debt load. This includes all monthly debt obligations like credit cards, installment loans, car loans, personal debts or any other ongoing monthly obligation like alimony or child support. If it is revolving debt like a credit card, use the minimum monthly payment for this calculation. If it is installment debt, use the current monthly payment to calculate your debt load. And you don't have to consider a debt at all if it is scheduled to be paid off in less than six months. Add all this up and it is a figure we'll call your monthly debt service.

In a nutshell, most lenders don't want you to take out a loan that will overload your ability to repay everybody you owe. Although every lender has slightly different formulas, here is a rough idea of how they look at the numbers.

Typically, your monthly housing expense, including monthly payments for taxes and insurance, should not exceed about 28 percent of your gross monthly income. If you don't know what your tax and insurance expense will be, you can estimate that about 15 percent of your payment will go toward this expense. The remainder can be used for principal and interest repayment.

In addition, your proposed monthly housing expense and your total monthly debt service combined cannot exceed about 36 percent of your gross monthly income. If it does, your application may exceed the lender's underwriting guidelines and your loan may not be approved.

Depending on your individual situation, there may be more or less flexibility in the 28 percent and 36 percent guidelines. For example, if you are able to buy the home while borrowing less than 80 percent of the home's value by making a large cash down payment, the qualifying ratios become less critical. Likewise, if Bill Gates or a rich uncle is willing to cosign on the loan with you, lenders will be much less focused on the guidelines discussed here.

Remember that there are hundreds of loan programs available in today's lending market and every one of them has different guidelines. So don't be discouraged if your dream home seems out of reach.

In addition, there are a number of factors within your control which affect your monthly payment. For example, you might choose to apply for an adjustable rate loan which has a lower initial payment than a fixed rate program. Likewise, a larger down payment has the effect of lowering your projected monthly payment.

10 Steps to Home Ownership - Step 6 Make an Offer

REALTOR® groups, working with legal counsel, have developed forms that are appropriate for realty transactions in specific communities. Such documents include numerous sale conditions and their wording should be carefully reviewed to assure that they reflect the terms you want to offer. REALTORS® can explain the general contracting process in your community as well as his or her role.

While much attention is spent on offering prices, a proposal to buy includes both the price and terms. In some cases, terms can represent thousands of dollars in additional value for buyers -- or additional costs. Terms are extremely important and should be carefully reviewed.

How much?
You sometimes hear that the amount of your offer should be x percent below the seller's asking price or y percent less than you're really willing to pay. In practice, the offer depends on the basic laws of supply and demand: If many buyers are competing for homes, then sellers will likely get full-price offers and sometimes even more. If demand is weak, then offers below the asking price may be in order.

How do you make an offer?
The process of making offers varies around the country. In a typical situation, you will complete an offer that the REALTOR® will present to the owner and the owner's representative. The owner, in turn, may accept the offer, reject it or make a counter-offer.

Because counter-offers are common (any change in an offer can be considered a "counter-offer"), it's important for buyers to remain in close contact with REALTORS® during the negotiation process so that any proposed changes can be quickly reviewed.

How many inspections?
A number of inspections are common in residential realty transactions. They include checks for termites, surveys to determine boundaries, appraisals to determine value for lenders, title reviews and structural inspections.

Structural inspections are particularly important. During these examinations, an inspector comes to the property to determine if there are material physical defects and whether expensive repairs and replacements are likely to be required in the next few years. Such inspections for a single-family home often require two or three hours, and buyers should attend. This is an opportunity to examine the property's mechanics and structure, ask questions and learn far more about the property than is possible with an informal walk-through.

The Bottom Line on Contract Negotiation
Ask these questions before you decide to go ahead with a contract.

The natural focal point of a real estate purchase contract is the selling price of the home, but the price isn't the only factor that determines the net bottom line for both the buyer and the seller. Is a bargain for the buyer really a bargain if he or she is paying all the transaction costs? Is a top price for the seller really a top price if the buyer wants all the furniture to be included in the purchase price? Or if the buyer they can't come up with the down payment or qualify for a mortgage?

Before you decide to go ahead with a great price, here are five other bottom-line points to consider:

1. **What are the estimated transaction costs and who will pay for what?** Typical costs include the brokers' commission, a home inspection, a termite inspection, escrow or attorney's fees, a title search, an owner's title insurance policy, transfer taxes and recording fees. The price tags on these items vary greatly around the country. Who pays for what is a matter of both local custom and negotiation.

2. **How much money is the buyer putting into escrow and how soon?** A big deposit -- called "earnest money" -- and a substantial down payment are generally seen as a sign that the buyer is serious about completing the transaction. From the seller's point of view, the more money the buyer places in escrow and the sooner the money is transferred, the better.

3. **Is there a mortgage financing contingency and how specific is it?** The mortgage escape clause is a must for buyers, unless they're paying all cash for the home. Without this contingency, buyers can be legally obligated to purchase the home even if they can't obtain financing. Further, an open-ended statement that says the buyer will obtain a loan "at the prevailing rate of interest" leaves the buyer completely exposed to interest rate fluctuations. A statement that says the loan must be at an interest rate "not to exceed xx percent" and on specified terms is preferable.

4. **What furniture, fixtures and appliances, if any, are being sold with the property?** Technically, anything that's permanently affixed to or installed in the home is real property. Everything else is the seller's personal property. This distinction is a narrow one and it naturally leads to a fair amount of confusion. Are built-in appliances real property or personal property? What about a shelving system? A chandelier? Window coverings? Potted plants in the backyard? Sellers who intend to remove anything that's attached to the home should have that spelled out in the contract. And the same goes for buyers who expect to acquire any of the furniture or other movables.

5. **What will happen if either side breaches the contract?** Unless an unmet contingency triggers the abandonment of the contract, it's a binding legal document. Buyers who fail to perform can lose their deposit money. Sellers who try to back out can be sued for "specific performance," which forces the sale of the home to the buyer. Many contracts also specify that disputes must be brought in small-claims court or presented for arbitration or mediation.

Tip: Ask your real estate agent to go over the standard contract with you before you receive or make a purchase offer. That way, you'll know what to expect and be prepared to negotiate the best deal you can get.

The Basics of Making an Offer

A written proposal is the foundation of a real estate transaction.

Oral promises are not legally enforceable when it comes to the sale of real estate. Therefore, you need to enter into a written contract, which starts with your written proposal. This proposal not only specifies price, but all the terms and conditions of the purchase. For example, if the sellers said they'd help with $2,000 toward your closing costs, be sure that's included in your written offer and in the final completed contract, or you won't have grounds for collecting it later.

REALTORS® usually have a variety of standard forms (including Residential Purchase Agreements) that are kept up to date with the changing laws. When you use a REALTOR® these forms will be available to you. In addition, REALTORS® cover the questions that need to be answered during the process. In many states certain disclosure laws must be complied with by the seller, and the REALTOR® will ensure that this takes place.

If you are not working with a REALTOR®, keep in mind that you must draw up a purchase offer or contract that conforms to state and local laws and that incorporates all of the key items. State laws vary, and certain provisions may be required in your area.

After the offer is drawn up and signed, it will usually be presented to the seller by your REALTOR®, by the seller's REALTOR® if that's a different agent, or often by the two together. In a few areas, sales contracts are typically drawn up by the parties' lawyers.

What the offer contains

The purchase offer you submit, if accepted as it stands, will become a binding sales contract (known in some areas as a purchase agreement, earnest money agreement or deposit receipt). It's important, therefore, that it contains all the items that will serve as a "blueprint for the final sale." These purchase offer items include such things as:

- Address and sometimes a legal description of the property
- Sale price
- Terms -- for example, all cash or subject to your obtaining a mortgage for a given amount
- Seller's promise to provide clear title (ownership)
- Target date for closing (the actual sale)
- Amount of earnest money deposit accompanying the offer, and whether it's a check, cash or promissory note, and how it's to be returned to you if the offer is rejected -- or kept as damages if you later back out for no good reason
- Method by which real estate taxes, rents, fuel, water bills and utilities are to be adjusted (prorated) between buyer and seller
- Provisions about who will pay for title insurance, survey, termite inspections and the like
- Type of deed to be given
- Other requirements specific to your state, which might include a chance for attorney review of the contract, disclosure of specific environmental hazards or other state-specific clauses
- A provision that the buyer may make a last-minute walk-through inspection of the property just before the closing
- A time limit (preferably short) after which the offer will expire
- Contingencies, which are an extremely important matter and discussed in detail below

Contingencies

If your offer says "this offer is contingent upon (or subject to) a certain event," you're saying that you will only go through with the purchase if that event occurs. The following are two common contingencies contained in a purchase order:

- The buyer obtaining specific financing from a lending institution. If the loan can't be found, the buyer won't be bound by the contract.
- A satisfactory report by a home inspector "within 10 days (for example) after acceptance of the offer." The seller must wait 10 days to see if the inspector submits a report that satisfies you. If not, the contract would become void. Again, make sure that all the details are nailed down in the written contract.

Negotiating tips

You're in a strong bargaining position -- meaning, you look particularly welcome to a seller -- if:

- You're an all-cash buyer; or
- You're already pre-approved for a mortgage; and
- You don't have a present house that has to be sold before you can afford to buy.

In those circumstances, you may be able to negotiate some discount from the listed price. On the other hand, in a "hot" seller's market, if the perfect house comes on the market, you may want to offer the list price (or more) to beat out other early offers.

It's very helpful to find out why the house is being sold and whether the seller is under pressure. Keep these considerations in mind:

- Every month a vacant house remains unsold represents considerable extra expense for the seller;
- If the sellers are divorcing, they may just want out quickly; and
- Estate sales often yield a bargain in return for a prompt deal.

Earnest money

This is a deposit that you give when making an offer on a house. A seller is understandably suspicious of a written offer that is not accompanied by a cash deposit to show "good faith." A REALTOR® or an attorney usually holds the deposit, the amount of which varies from community to community. This will become part of your down payment.

Buyers: the seller's response to your offer

You will have a binding contract if the seller, upon receiving your written offer, signs an acceptance just as it stands, unconditionally. The offer becomes a firm contract as soon as you are notified of acceptance. If the offer is rejected, that's that, and the sellers could not later change their minds and hold you to it.

If the seller likes everything except the sale price, or the proposed closing date, or the basement pool table you want left with the property, you may receive a written counteroffer, with the changes the seller prefers. You are then free to accept or reject it or to even make your own counteroffer. For example,

"We accept the counteroffer with the higher price, except that we still insist on having the pool table."

Each time either party makes any change in the terms, the other side is free to accept or reject it, or counter again. The document becomes a binding contract only when one party finally signs an unconditional acceptance of the other side's proposal.

Withdrawing an offer

Can you take back an offer? In most cases the answer is yes, right up until the moment it is accepted, or even in some cases, if you haven't yet been notified of acceptance. If you do want to revoke your offer, be sure to do so only after consulting a lawyer who is experienced in real estate matters. You don't want to lose your earnest money deposit, or find yourself being sued for damages the seller may have suffered by relying on your actions.

For sellers: calculating your net proceeds

When an offer comes in, you can accept it exactly as it stands, refuse it (seldom a useful response), or make a counteroffer to the buyers with the changes you want. In evaluating a purchase offer, you should estimate the amount of cash you'll walk away with when the transaction is complete. For example, when you're presented with two offers at once, you may discover you're better off accepting the one with the lower sale price if the other asks you to pay points to the buyer's lending institution. Once you have a specific proposal before you, calculating net proceeds becomes simple. From the proposed purchase price you can subtract:

- Payoff amount on present mortgage;
- Any other liens (equity loan, judgments);
- Broker's commission;
- Legal costs of selling (attorney, escrow agent);
- Transfer taxes;
- Unpaid property taxes and water bills;
- If required by the contract: cost of survey, termite inspection, buyer's closing costs, repairs, etc.

Your present mortgage lender may maintain an escrow account into which you deposit money to be used for property tax bills and homeowner's insurance premiums. In that case, remember that you will receive a refund of money left in that account, which will add to your proceeds.

For sellers: counteroffers

When you receive a purchase offer from a would-be buyer, remember that unless you accept it exactly as it stands, unconditionally, the buyer will be free to walk away. Any change you make in a counteroffer puts you at risk of losing that chance to sell. Who pays for what items is often determined by local custom. You can, however, arrive at any agreement you and the buyers want about who pays for:

- Termite inspection;
- Survey;
- Buyer's closing costs;
- Points to the buyer's lender;
- Buyer's broker;
- Repairs required by the lender; and
- Home Protection Policy/Warranty.

You may feel some of these costs are none of your business, but many buyers -- particularly first-timers -- are short of cash. Helping them may be the best way to get your home sold.

Negotiating to Yes

These tips can help you turn a negotiation into a win-win agreement.

Negotiating a purchase agreement is perhaps the trickiest aspect of any real estate transaction. Most home buyers and home sellers want to arrive at a win-win agreement, but that's not to say either side would regret getting a bigger "win" than the other. Successful negotiating is more than a matter of luck or natural talent. It also encompasses the learned ability to use certain skills and techniques to bring about those coveted win-win results.

Here are six tips and suggestions to turn negotiation into agreement:

1. **Start with a fair price and a fair offer.** There's no question that significantly overpricing your home will turn off potential buyers. Likewise, making an offer that's far lower than the asking price is practically guaranteed to alienate the sellers. Asking and offering prices should be based on recent sales prices of comparable homes.

2. **Respect the other side's priorities.** Knowing what's most important to the person on the other side of the negotiating table can help you avoid pushing too hard on hot or sensitive issues. For example, a seller who won't budge on the sales price, might be willing to pay more of the transaction costs or make more repairs to the home, while a buyer with an urgent move-in date might be willing to pay a higher portion of the transaction costs or forgo some major repairs.

3. **Be prepared to compromise.** "Win-win" doesn't mean both the buyer and the seller will get everything they want. It means both sides will win some and give some. Rather than approaching negotiations from an adversarial winner-take-all perspective, focus on your top priorities and don't let your emotions overrule your better judgment.

4. **Meet in the middle.** Can't decide who will pay the recording fee? Can't agree on a close-of-escrow date? Arguing over cosmetic repairs? Splitting the difference is a time-honored and often successful negotiation strategy. Pay half the fee. Count off half the days. Fix half the blemishes.

5. **Leave it aside.** Politicians and corporate executives are famous for their "for future discussion" agreements. If you have a major sticking point that's not material to the overall contract (e.g., the purchase of furniture or fixtures), finish the main agreement, then resolve the other difficulties in a side agreement or amendment. This technique allows both sides to recognize and solidify basic areas of agreement, then move ahead toward a fair compromise on other terms and conditions. Summarizing the points of agreement in writing is another helpful strategy.

6. **Ask for advice.** Successful REALTORS® tend to be experienced negotiators. They've seen what works and what doesn't in countless real estate transactions, and they've established a track-record of bringing buyers and sellers together. Consult your REALTOR® about negotiating strategies, win-win compromises and creative alternatives.

Terms and Conditions

It's important to read the entire real estate purchase agreement before you sign it.

There's a lot to consider before you sign a real estate purchase agreement. If the terms and conditions of the deal aren't acceptable, you might want to pause and think twice, even if the purchase price is more than satisfactory. After all, the price will be moot if the transaction never closes. The typical residential real estate purchase contract is complicated, densely written and packed with legal jargon, but don't use that fact as an excuse for not reading the entire contract. Take your time and read slowly. Ask questions about anything you don't understand. Be flexible and willing to negotiate.

The following five points are among the many items that merit attention:

1. **What are the cutoff dates for inspections and approvals of the inspection reports?** A typical contract provides an opportunity for the buyer to hire all manner of experts to check out the condition of the home. From the buyer's perspective, the more time that's allowed for these once-overs, the better. Sellers, on the other hand, usually want the inspections to be completed and signed off as soon as possible.

2. **2. Who is responsible for making repairs, if any, as a result of the inspections?** The fact that the buyer orders one of more inspections of the home for informational purposes doesn't obligate the seller to make repairs or modifications as a result of those inspections. In practice, however, inspection reports often are used to negotiate repairs of major problems or safety or environmental hazards that may be noted. The purchase contract should provide some guidance for these negotiations.

3. **Is the seller making any representations or warranties regarding the condition of the property?** In some contracts, the seller warrants that specified major components of the home (e.g., the roof or central heating or cooling system) are in good repair and working order at the close of escrow. Buyers should understand which components of the home are guaranteed and which are being sold "as-is."

4. **Will a home warranty plan be purchased?** A home warranty plan is a sort of limited insurance policy covering the basic major systems and appliances in the home. It may seem like a prize for the buyers, but it's equally important for the sellers and the real estate broker representing the sellers. In fact, these warranty plans are so popular among real estate agents that many of them will pick up the tab for the program in order to insulate themselves from irate buyers.

5. **When is escrow scheduled to close?** Pay attention to this date! If you're selling your home, you'll be expected to move out completely before the property changes hands. You'll want to make sure the closing date doesn't fall before you're able to move into your next residence. If you're buying a home, you'll be able to pick up the keys on the day escrow closes. You'll want to make sure you don't give up your prior residence too soon. Don't cut the dates too close. Many escrows end up closing a day or two later than the contract states--but that can happen only with the mutual agreement of the buyer and seller.

Home Inspections Avert Future Headaches

Suppose you bought a house and later discovered, to your dismay, that the stucco exterior concealed a nasty case of dry rot. Or suppose that winter when you fired up the furnace, you discovered a cracked heat exchanger leaking gas into your home.

The best way to avoid unpleasant surprises like these is to arrange for a home inspection before you buy. A good home inspection is an objective, top-to-bottom examination of the home and everything that comes with it. The standard inspection report includes a review of the home's heating and air-conditioning systems, its plumbing and wiring, the roof, attic, walls, ceilings, floors, windows and doors, the foundation and the basement.

Getting a professional inspection is crucial for older homes because age often takes its toll on the roof and other hard-to-reach areas. Problems can also be the result of neglect or hazardous repair work, such as a past owner's failed attempt to install lights and an outlet in a linen closet.

But a home inspection is also a wise investment when buying a new home. In fact, new homes frequently have defects, whether caused by an oversight during construction or simply human error.

Reasonable Fixes: Home inspections cost about $250 to $350, depending on the size of the house and where in the country the home is located. Inspection fees tend to be higher in urban areas and cities than in rural areas. Real estate agents can usually recommend an experienced home inspector. You can find one through a friend or the Yellow Pages under "Building Inspection" or "Home Inspection." The American Society of Home Inspectors, a professional trade group, also has a database of qualified inspectors on its Web site.

Some builders may try to dissuade you from getting a home inspection on a home they've built. They may not necessarily be trying to hide anything because most builders guarantee their work and will fix any problems in your new home before you move in. Some builders, in fact, will offer to do their own inspections. But if you'd prefer a more objective appraisal, insist on an outside inspection.

Self-Education: Education is another good reason for getting an inspection. Most buyers want to learn as much as they can about their purchase so they can protect their investment. An examination by an impartial home inspector helps this learning process.

Ask if you can follow the home inspector on his or her rounds. Most inspectors are glad to share their knowledge, and you'll be able to ask plenty of questions.

Homebuyers usually arrange for an inspection after signing a contract or purchase agreement with the seller. The results may be available immediately or within a few days. The home inspector will review his or her findings with you and alert you to any costly or potentially hazardous conditions. In some cases, you may be advised not to purchase the home unless these problems are remedied.

You could elect to include a clause that makes your obligation contingent upon the results of the inspection. If major problems are found, you can back out of the deal. If costly repairs are warranted, the seller may be willing to adjust the home's price or the contract's terms. But when only minor repairs are needed, the buyer and seller can usually work out an agreement that won't affect the sale price.

Hiring a Home Inspector

Finding the right person isn't as easy as it may seem.

Years ago, home inspections were unheard of in residential real estate transactions. Instead, buyers simply relied on their own impressions of the home and the representations of the seller's real estate agent. Today, the process is dramatically different. Most real estate purchase contracts give the buyer fairly broad rights to order one or more professional inspections of the home before completing the purchase.

The right to have inspections comes with the challenge of hiring diligent and competent inspectors. Finding the right person isn't as easy as it may seem because in most states, just about anyone with an official-looking checklist and a flashlight can set up shop as a home inspector. The exception to this free-for-all is that special training is required to perform inspection or remediation work for such potentially hazardous materials as asbestos and lead-based paint.

A good real estate agent should be willing and able to recommend several well-qualified home inspectors. The tricky part is selecting the best candidates among the group. Here are six of the many factors to consider:

1. **Qualifications.** Ask open-ended questions about the inspector's training and experience as it relates to home inspections. The inspector should have some training in construction and building maintenance standards and a track-record of experience in the home inspection business. Depending on the location and age of the home, you may need to hire an inspector who's qualified to deal with asbestos, lead-based paint or other potentially hazardous substances. You may also need to hire a geologist or structural engineer.

2. **Scope.** Ask the inspector which components of the property are -- and are not -- included in his or her inspection. Will the inspector check out the roof? How about the swimming pool? The built-in appliances?

3. **Sample report.** Ask the inspector to provide a sample of his or her checklist or inspection report. Does the report include a narrative description or just check-off boxes? Is the information presented and explained clearly and completely? Does the report highlight any problems that could present a safety hazard?

4. **References.** Ask the inspector for the names and telephone numbers of several homeowners who have used his or her services. Call those people and ask them whether they were satisfied with the report and other services they received. Be sure to talk to some people who have owned their home for a few months or longer. Some problems overlooked by an inspection can take a while to surface.

5. **Memberships.** Many good inspectors don't belong to a national or state association of home inspectors. However, all else being equal, an association membership is often a plus. These groups provide their members with training and certification programs and up-to-date information about industry practices and inspection standards.

6. **Errors and omissions.** Even top-notch inspectors are only human and can make errors or overlook problems they probably should have noticed. Ask about the company's policy in such situations. Does the company have insurance for errors and omissions? Does the company or individual inspector stand behind the report? Many companies ask customers to sign a waiver limiting the company's liability to the cost of the inspection.

10 Steps to Home Ownership - Step 7 Get Funding

Often the cost of real estate financing is routinely greater than the original purchase price of a home (after including interest and closing costs). Because financing is so important, buyers should have as much information as possible regarding mortgage options and costs.

REALTORS® can provide mortgage information, discuss financing options and recommend loan sources.

What kind of loan?
There are thousands of loans available out there from a variety of lenders, but in general, the mortgage you choose will likely be determined by at least several key factors:

- How much down? Loans with 5 percent down or less are now widely available.

- If you place less than 20 percent down, lenders will want the mortgage guaranteed by an outside third party such as the Veterans Administration (VA), the Federal Housing Administration (FHA) or a private mortgage insurer (PMI, or private mortgage insurance, is required by lender to protect against any mortgage defaults). More than 2.5 million VA, FHA and PMI loans are generated each year.

- How's your credit? The best rates and terms are only available to those with solid credit. To get the best loans, make a point of paying credit cards, installment payments, rent and mortgage bills in full and on time.

- Are you a first-time buyer? It might seem that "first-time buyer" means someone who has never owned property before, but under most state programs, the term refers to those who have not owned property within the past three years. State-backed first-timer programs often feature smaller down payments and below-market interest rates. For details, speak with your REALTOR®.

How do you get a loan?
To obtain a loan you must complete a written loan application and provide supporting documentation. Specific documents include recent pay stubs, rental checks and tax returns for the past two or three years if you are self-employed. During the prequalification procedure, the loan officer will describe the type of paperwork required.

Where do you get a loan?
Mortgage financing can be obtained from mortgage bankers, mortgage brokers, savings and loan associations, mutual savings banks, commercial banks, credit unions, and insurance companies.

What is a Mortgage?

Likely the largest debt you'll ever take on, a mortgage is a loan to finance the purchase of your home. Your home is collateral for the loan, which is also a legal contract you sign to promise that you'll pay the debt, with interest and other costs, typically over 15 to 30 years.

If you don't pay the debt, the lender has the right to take back the property and sell it to cover the debt. To repay the debt, you make monthly installments or payments that typically include the principal, interest, taxes and insurance, together known as PITI.

Principal -- The principal is simply the sum of money you borrowed to buy your home. Before the principal is financed you can give the lender a sum of cash called a down payment to reduce the amount of money that will be financed.

Interest -- Usually expressed as a percentage called the interest rate, interest is what the lender charges you to use the money you borrowed. As well as the given rate, the lender could also charge you points, and additional loan costs. Each point is one percent of the financed amount and is financed along with the principal.

Principal and interest comprise the bulk of your monthly payments in a process called amortization, which reduces your debt over a fixed period of time. With amortization, your monthly payments are largely interest during the early years and principal later.

In addition to your principal and interest, your mortgage payment could include money that's deposited in an escrow or trust account to pay certain taxes and insurance.

Generally, if your down payment is less than 20 percent, your lender considers your loan riskier than those with larger down payments. To offset that risk, the lender sets up the escrow account to collect those additional expenses, which are rolled into your monthly mortgage payment.

Taxes -- The taxes are property taxes your community levies based on a percentage of the value of your home. The tax is generally used to help finance the cost of running your community, say to build schools, roads, infrastructure and other needs. You must pay property taxes even if you don't need an escrow account and even after your mortgage is paid off.

Insurance -- Lenders won't let you close the deal on your home purchase if you don't have home insurance, which covers your home and your personal property against losses from fire, theft, bad weather and other causes. Even if you pay cash for your home, you should buy home insurance unless you can afford to repair or rebuild your home if it's damaged or destroyed.

If your home is in a federally designated high flood risk zone within a flood plain and you are signing for a federally insured loan, federal law mandates that you must buy flood insurance. If you are not in a high flood risk zone, you still may buy the coverage.

If you put less than 20 percent down on your home purchase, most lenders will also charge you private mortgage insurance (PMI) premiums. The coverage doesn't protect you, it protects the lender from you defaulting on the mortgage. Without the coverage, many buyers could not otherwise afford to buy a home. Effective for loans written on or after July 29, 1999, lenders must automatically cancel PMI when your mortgage balance shrinks to 78 percent of the home's original purchase price.

10 Steps to Home Ownership - Step 8 Get Insurance

No one would drive a car without insurance, so it figures that no homeowner should be without insurance.

The essential idea behind various forms of real estate insurance is to protect owners in the event of catastrophe. If something goes wrong, insurance can be the bargain of a lifetime.

What kind and how much?
There are various forms of insurance associated with home ownership, including these major types:

Title insurance: Purchased with a one-time fee at closing, title insurance protects owners in the event that title to the property is found to be invalid. Coverage includes "lenders" policies, which protect buyers up to the mortgage value of the property, and "owners" coverage, which protects owners up to the purchase price. In other words, "owners" coverage protects both the mortgage amount and the value of the down payment.

Homeowners' insurance provides fire, theft and liability coverage. Homeowners' policies are required by lenders and often cover a surprising number of items, including in some cases such property as wedding rings, furniture and home office equipment.

Flood insurance: Generally required in high-risk flood-prone areas, this insurance is issued by the federal government and provides as much as $250,000 in coverage for a single-family home plus $100,000 for contents. Local REALTORS® can explain which locations require such coverage.

Home warranties With new homes, buyers want assurance that if something goes wrong after completion the builder will be there to make repairs. But what if the builder refuses to do the work or goes out of business?

Home warranties bought from third parties by home builders are generally designed to provide several forms of protection: workmanship for the first year, mechanical problems such as plumbing and wiring for the first two years, and structural defects for up to 10 years.

Home warranties for existing homes are typically one-year service agreements purchased by sellers or buyers. In the event of a covered defect or breakdown, the warranty firm will step in and make the repair or cover its cost.

Insurance policies and warranties have limitations and individual programs have different levels of coverage, deductibles and costs. For details, speak with your REALTORS®, insurance brokers and home builders.

Where to look.
Check with home insurance companies and such policies are also available from insurance brokers. Check with your current insurance provider for your car. Some insurance companies offer large discounts if you choose them for all your insurance needs.

How do you get insurance?
The time to obtain insurance and warranty coverage is at closing, so speak with a REALTOR® or insurance broker prior to closing. Be sure to ask about limitations, costs, deductibles and "endorsements" (additional forms of coverage that may be available).

10 Steps to Home Ownership - Step 9 Closing

Go to any local courthouse and you can find property records detailing real estate ownership in your community -- sometimes records that date back hundreds of years.

These records are important because they provide today's owners with proof that they have good, marketable and insurable title to the property they are selling. Equally important, such records enable buyers to provide proof of ownership when they sell.

The closing process, which in different parts of the country is also known as "settlement" or "escrow," is increasingly computerized and automated. In many cases, buyers and sellers don't need to attend a specific event; signed paperwork can be sent to the closing agent via overnight delivery.

In practice, closings bring together a variety of parties who are part of the "transaction" process. For example, while the history of property ownership has been checked, it's possible that the records contain errors, unrecorded claims or flaws in the review itself, thus title insurance is necessary. At closing, transfer taxes must be paid and other claims must also be settled (including closing costs, legal fees and adjustments). In most transactions, the closing agent also completes the paperwork needed to record the loan.

What to expect.
Settlement is a brief process where all of the necessary paperwork needed to complete the transaction is signed. Closing is typically held in an office setting, sometimes with both buyer and seller at the same table, sometimes with each party completing their papers separately.

Whatever the case, the result is that title to the property is transferred from seller to buyer. The buyer receives the keys and the seller receives payment for the home. From the amount credited to the seller, the closing agent subtracts money to pay off the existing mortgage and other transaction costs. Deeds, loan papers, and other documents are prepared, signed and filed with local property record offices.

What you need to do.
One of the best parts of settlement is that buyers and sellers need to do very little.

Before closing, buyers typically have a final opportunity to walk through the property to assure that its condition has not materially changed since the sale agreement was signed. At closing itself, all papers have been prepared by closing agents, title companies, lenders and lawyers. This paperwork reflects the sale agreement and allows all parties to the transaction to verify their interests. For instance, buyers get the title to the property, lenders have their loans recorded in the public records and state governments collect their transfer taxes.

Who Represents You?

One of the hot topics facing the world of real estate right now is the issue of agency. Some would have you believe that it really doesn't affect you, the buyer, and that nothing much has changed. But they are wrong.

The topic of agency is important to you because it answers the most basic and fundamental question that can be asked of any real estate professional: Who do you represent in this transaction?

Until that question is answered, you may be left with the impression that all agents who work with buyers actually represent those buyers, and that you have somebody going to bat for you in this transaction. Well, the issue of agency is important because without it, we can never be sure who represents who.

Here's the scenario:

You meet a really nice agent at an open house named Bonnie. Even though Bonnie's house is not right for you, she tells you she has others to show you that fit your needs exactly. You spend an hour or so with Bonnie looking at a half dozen homes and talking about your needs and your wants. During the course of the conversation, you volunteer that you have $100,000 cash to spend and that you will not go over $100,000 purchase price no matter what. Then you find the perfect house. Asking price is $100,000 but you decide to offer $92,500 based on recent sales in the area. During negotiations, the seller asks Bonnie directly how much cash you have and how high will you go? What does Bonnie say?

Here's the answer: Unless you have signed a "Buyer Agency Agreement" with Bonnie making her your buyer agent, she is most likely acting as a sub-agent to the listing broker who represents the seller. If that is the case, she has a fiduciary obligation to the seller to disclose to him any information she has that might "promote or protect his interest" in the transaction. Guess what? Bonnie has that information.

The Seller, now having knowledge of your financial position, counters at a full $100,000. He knows you can afford it and that this price falls within your desired range. He also knows that you have seen a number of other homes and that his is the one you want.

Regardless of what eventually happens in this scenario, it can hardly be called an even playing field. So, how can you protect yourself from a possible disclosure required of a seller's agent?

1. Make sure that the agent you are working with has agreed, in writing, to represent you as a "Buyer's Agent." This will mean signing a buyer brokerage agreement in which you promise to work only with that particular agent for a specific period of time, often 90 days. It also means that you promise not to buy from anybody else, even FSBOs, without involving your buyer's agent. In almost every case, the commission will still come from the seller, but your agent must present the offer.

2. Never say anything to anybody unless you would be willing to have that information repeated into a seller's ear. Assume that everybody, and I mean everybody, is working for a seller unless you have specifically hired them to work for you. And even then, be discreet. During the second world war, the military promoted a phrase designed to stop idle gossip: Loose lips sink ships! You would do well to adopt that philosophy in your home-buying as well.

10 Steps to Home Ownership - Step 10 What Next?

You've done it. You've looked at properties, made an offer, obtained financing and gone to closing. The home is yours. Is there any more to the home buying process?

Whether you're a first-time buyer or a repeat buyer, there are several more steps you'll want to take.

Those papers you received at settlement are extremely valuable, so hold on to them! In the short-term they can help establish tax deductions for the year in which the property was purchased. In the future, such papers will be important for tax purposes when the property is sold, and in some cases, for calculating estate taxes.

Also at closing, determine the status of the utilities required by the home, items such as water, sewage, gas, electric and oil service. You want utility bills to be paid in full by owners as of closing and you also want services transferred to your name for billing. Usually such transfers can be done without turning off utilities. REALTORS® can provide contact numbers and related information.

About two weeks after closing, contact your local property records office and confirm that your deed has been officially recorded. Such records are public notices that show your interest in the property.

Moving in
It is generally understood that sellers will leave homes "broom clean" when moving out. This expression does not mean "vacuumed" or "spotless." Broom clean makes sense because it means the house is ready to be painted and cleaned.

Your home, your money
For most owners a home is the largest single asset they hold, so it makes sense to protect that asset.

Many owners make a photo or video record of the home and their possessions for insurance purposes and then keep the records in a safety deposit box. Your insurance provider can recommend what to photograph and how to secure it.

You want to maintain fire, theft and liability insurance. As the value of your property increases such coverage should also rise. Again, speak with your insurance professional for details.

Lastly, enjoy your home. Owning real estate involves contracts, loans, and taxes, but ultimately what's most important is that homeownership should be a wonderful experience. Enjoy!