



Buyer's Guide

Things to consider when buying a home.

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5 Reasons to Own A Home

Tax benefits

The U.S. Tax Code lets you deduct the interest you pay on your mortgage, your property taxes, and some of the costs involved in buying a home.

Appreciation

Historically, real estate has had a long-term, stable growth in value. In fact, median single-family existing-home sale prices have increased on average 5.2 percent each year from 1972 through 2014, according to the National Association of REALTORS®. The recent housing crisis has caused some to question the long-term value of real estate, but even in the most recent 10 years, which included quite a few very bad years for housing, values are still up 7.0 percent on a cumulative basis. In addition, the number of U.S. households is expected to rise 10 to 15 percent over the next decade, creating continued high demand for housing.

Equity

Money paid for rent is money that you'll never see again, but mortgage payments let you build equity ownership interest in your home.

Savings

Building equity in your home is a ready-made savings plan. And when you sell, you can generally take up to \$250,000 (\$500,000 for a married couple) as gain without owing any federal income tax.

Predictability

Unlike rent, your fixed-rate mortgage payments don't rise over the years so your housing costs may actually decline as you own the home longer. However, keep in mind that property taxes and insurance costs will likely increase.



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How to Prepare to Buy a Home

Talk to mortgage brokers.

Many first-time home buyers don't take the time to get prequalified. They also often don't take the time to shop around to find the best mortgage for their particular situation. It's important to ask plenty of questions and make sure you understand the home loan process completely.

Be ready to move.

This is especially true in markets with a low inventory of homes for sale. It's very common for home buyers to miss out on the first home they wish to purchase because they don't act quickly enough. By the time they've made their decision, they may find that someone else has already purchased the house.

We're your trusted partner.

We'll work with you to understand your goals and are ready and able to guide you through the home buying process. Our home buyer specialists do this everyday for our clients.

Make a good offer.

Remember that your offer is very unlikely to be the only one on the table. Do what you can to ensure it's appealing to a seller.

Factor maintenance and repair costs into your buying budget.

Even brand-new homes will require some work. Don't leave yourself short and let your home deteriorate.

Think ahead.

It's easy to get wrapped up in your present needs, but you should also think about reselling the home before you buy. The average first-time buyer expects to stay in a home for around 10 years, according to the National Association of REALTORS®' 2013 Profile of Home Buyers and Sellers.

Develop your home/neighborhood wish list.

Prioritize these items from most important to least.



Select where you want to live.

Compile a list of three or four neighborhoods you'd like to live in, taking into account nearby schools, recreational facilities, area expansion plans, and safety.

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How to Prepare to Finance a Home

Develop a budget.

Instead of telling yourself what you'd like to spend, use receipts to create a budget that reflects your actual habits over the last several months. This approach will better factor in unexpected expenses alongside more predictable costs such as utility bills and groceries. You'll probably spot some ways to save, whether it's cutting out that morning trip to Starbucks or eating dinner at home more often.

Reduce debt.

Lenders generally look for a debt load of no more than 36 percent of income. This figure includes your mortgage, which typically ranges between 25 and 28 percent of your net household income. So you need to get monthly payments on the rest of your installment debt—car loans, student loans, and revolving balances on credit cards—down to between 8 and 10 percent of your net monthly income.

Save for a down payment.

Designate a certain amount of money each month to put away in your savings account. Although it's possible to get a mortgage with 5 percent down or less, you can usually get a better rate if you put down a larger percentage of the total purchase. Aim for a 20 percent down payment.

Establish a good credit history.

Get a credit card and make payments by the due date. Do the same for all your other bills, too. Pay off entire balances as promptly as possible.

Decide what kind of mortgage you can afford.

Generally, you want to look for homes valued between two and three times your gross income, but a financing professional can help determine the size of loan for which you'll qualify. Find out what kind of mortgage (30-year or 15-year? Fixed or adjustable rate?) is best for you. Also, gather the documentation a lender will need to preapprove you for a loan, such as W-2s, pay stub copies, account numbers, and copies of two to four months of bank or credit union statements. Don't forget property taxes, insurance, maintenance, utilities, and association fees, if applicable.

Seek down payment help.

Check with your state and local government to find out whether you qualify for special mortgage or down payment assistance programs. If you have an IRA account, you can use the money you've saved to buy your first home without paying a penalty for early withdrawal.



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The Home Appraisal Process

The home appraisal process is just a formality when buying real estate, right? You've found the house you love and put in a good offer, and it was accepted! It's time to break out the Dom Pérignon White Gold? Sorry, not yet. If you've applied for a mortgage, your home-to-be still has to undergo a comprehensive appraisal of its worth—and an unfavorable home appraisal can kill a real estate deal. Yikes! It can be a nerve-racking ordeal, but it's actually good for you. Allow us to demystify the process.

Appraisals estimate a home's value with fresh eyes

Just because you and the sellers have agreed on a price doesn't mean it's a done deal—your lender needs to be on board, too. After all, it's the lender's real estate investment as well. To get a mortgage, you'll need a home appraisal because the home serves as collateral for your lender. If for some reason you end up unable to make your mortgage payments, the lender will have to foreclose on your home, then sell the property to recoup its costs. So your mortgage lender will have to know the value of your home before handing over that large chunk of change.

While the home appraisal process is somewhat similar to getting comps—as you did to determine a fair price—the appraiser delves in deeper to determine the home's exact value. An appraiser will investigate the condition, the square footage, location, and any additions or renovations. From there, he or she will appraise the home and determine its value.

Off-site, the appraiser may also evaluate the current real estate market in the neighborhood to help determine the value of the property. Usually, the lender or financing organization will hire the appraiser. Because it's in the best interest of the lender to get a good home appraisal, the lender will have a list of reputable pros to appraise the home. Whoever takes out the mortgage pays for the home appraisal, unless the contract specifies otherwise. Then the buyer pays the fee in the closing costs. If a seller is motivated, he may pay for the home appraisal himself to back his asking price, which benefits the buyer by reducing closing costs.

You'll get a copy of the home appraisal, too

An appraiser sets out to determine if the home is actually worth what you're planning to pay. You might be surprised by how little time that takes; the appraiser could be in and out of a home in 30 minutes, and that's not a reason to panic.

An appraiser doesn't have the same job as a home inspector, who examines every little detail. While they'll pay particular attention to problems with the foundation and roof, the home appraisal process includes noting the quality and condition of the appliances, plumbing, flooring, and electrical system. With data in hand, they make their final assessment and give their report to the lender. The mortgage company is then required by law to give a copy of the appraisal to you.



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Home Inspection: What You Should Know

A home inspection can be a terrifying process to newbie buyers:

What if the house you adore has major problems hiding beneath that shiny new coat of paint? If you lie awake haunted by visions of mold or "foundation issues," it's time to take a deep breath. Here's everything you need to know about home inspections, and how (as scary as they might seem) they exist to protect you from a very bad deal.

Here are some insights into how to make the most of this all-important step. OK, exhale.

Hire a top-notch home inspector

While it may be tempting to hire any run-of-the-mill home inspector to get the job done—particularly if the price is right—the inspection is no time to cut corners. After all, buying a home is an enormous investment. "Everyone does themselves a disservice when they shop by price alone," says a national home inspector. "Plenty of inspectors don't know what they're doing and set up shop because it's easy to do."

So, first, check your local requirements: Many states require an inspector to have a license or insurance, and not having either is a big, waving red flag. Even if insurance is not mandated, you're better off choosing an inspector who is insured, which protects both of you against errors and omissions. Membership in a professional trade organization, such as the National Association of Home Inspectors, indicate the inspector is up-to-date on the latest developments in the field—another giant plus.



Attend the home inspection

Even though you will receive a written report after the home inspection, you should attend the inspection while it's being done. It provides a valuable opportunity to learn all about the inner workings of your would-be new home. "I much prefer it when buyers are there so we can discuss the home in person," says the inspector. "It's much easier to explain the ramifications of an issue when we're standing in front of it." Plus, it sure beats deciphering a 10-page report about HVAC or plumbing problems.

So, don't be afraid to ask questions. Really stick your nose into the home inspection. You and your inspector will be looking at all sorts of things you might have skipped during your showings, like the attic and crawl space, and under the sinks. Don't be scared to delve into the details. Even the best home will receive a laundry list of to-do's and potential problems, and fixing them will be much easier with a hands-on understanding of the issues involved. Consider it free (and invaluable) fix-it advice.



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What to Watch for on Your Final Walk-Through of a Home

You're this close to owning a new home, you can almost taste it. The closing paperwork is prepared, your new digs passed the inspection, and—wonder of wonders—you're even happy with your loan. Homeownership is just on the other side of the hill.

As long as the final walk-through goes all right.

OK, take a breath—there's no need to panic. The vast majority of walk-throughs reveal no problems at all, and even if they do, most issues are easily fixed. Still, it can be an awkward, stressful process that can make you want to reach for the Xanax, especially for first-time buyers. Learn what to look for on your last trip through the house before the sellers hand over the keys. Your new keys!

