

HOME BUYER'S HANDBOOK



**WOODY HOGG
AND
ASSOCIATES**
The Real Estate Firm

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Each office independently Owned and Operated

Whether you're Selling or Buying Choose...

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"I love referrals, if you know someone looking to sell or buy a home, please pass my card along or contact me and I will get in touch with them, Thank You!"

Home Buyer's Handbook

The Start

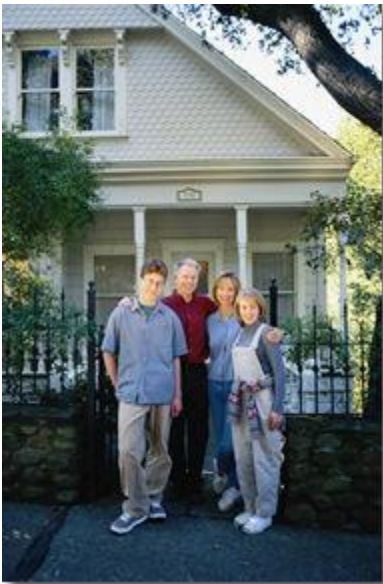
More Than the American Dream

Buying a home is probably the biggest investment you will make in your lifetime. But it's not just a dollars-and-cents investment. It's an investment in your life - in creating a sense of stability and identity for you and your family. And regardless of how times change, owning a home remains the cornerstone of the American dream.



Making the Dream a Reality

A decision as important as this deserves careful planning. This buyer's handbook is offered to prepare you for the home-buying process --- from finances to house hunting to moving. It outlines the common steps in the home-buying process. But your best resource is your professional Real Estate Agent. Call anytime.



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Costs & Finances

How Much House Can You Afford?

Knowing your price range brings your house hunting into focus. Since most people will borrow money to make their house purchase, it helps to look at your finances as the lenders will.



The amount of money a lender will loan for your house purchase depends primarily on how much you can afford for the monthly payment and how much you can invest in the downpayment.

- Monthly payments consist of the principal and interest on the mortgage loan, as well as property taxes and homeowner's insurance. These four costs are often abbreviated as PITI.
- Generally, lenders figure that the buyer shouldn't pay more than 28% of gross income for PITI, or 36% for both PITI and monthly long-term debts such as car payments, credit card payments, school loan payments, child support and alimony payments.
- The larger the downpayment, the less you need to borrow, which means a lower monthly payment. The obvious source of money for your downpayment is either your savings or the proceeds from the sale of a home you already own. But there are other sources that you may not have considered. Talk with your lender about acceptable downpayment sources.
- Conventional loans require a downpayment as low as 5% of the purchase price of the home. You will be required to buy private mortgage insurance (PMI) with a downpayment of less than 20% or in special higher risk situations. This insurance protects the lender in case of default and allows the lender to approve a larger mortgage amount than would otherwise be approved.

There is a multitude of financing options. You can go to mortgage bankers, savings and loans, or commercial banks. There are conventional mortgage, adjustable rate mortgages, balloon mortgages and assumable mortgages. Mortgages are available from the Federal Housing Administration, Veterans Administration and other organizations.

Your agent monitors mortgage rates and programs and will provide information to help you find the right mortgage.

The demands of an increasingly mobile and educated home-buying public have made lenders respond more quickly to mortgage applications. While application processing time can still vary greatly among financial institutions, our mortgage companies and lenders have made a commitment to providing timely service to ERA Woody Hogg & Associates buyers.

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Finding the Right Home

House Hunting Begins at Home

The search for your dream home begins in your present home. By asking yourself key questions about what you like in your present home, you'll save time in the house-hunting process.



- What style of home do you like - two story, ranch, split-level, something else?
- What size of home do you need - number of bedrooms, baths?
- What are your priorities in home features - garage, gourmet kitchen, fireplace, first-floor family room, formal dining room or other feature?
- What natural features outside the home are most significant to you - woods, hills, streams, lakes, others?

Choosing Your Home

Contact an ERA Woody Hogg & Associates Real Estate sales associate to help you find the right home through the use of a Multiple Listing Service (MLS). This exclusive, computerized real estate information system allows you to look at homes on the market, inside and out. ERA Woody Hogg & Associates is a member of every mayor MLS in the state of Virginia, as well as, the Outer Banks of North Carolina.

Your ERA Woody Hogg & Associates Real Estate associate will explain how he or she will represent you in the home buying process.

Many people "decide with emotion and justify with facts." Your new home has to feel right, but it has to work right, too. You can evaluate many of the physical features yourself by systematically looking for certain details, outside, inside and throughout the house.

Structural and Mechanical Systems

Inspect the quality of materials and craftsmanship.

- Are exposed beams and joists in good condition?
- Do basement walls have any large cracks that may indicate a shifting foundation?
- Are there any mildew stains that indicate dampness or flooding?
- If the basement is not heated, is the ceiling insulated? Is the attic well-insulated?
- Is there any evidence of water damage from a leaky roof?
- Are floors springy or are they even and solid?
- Are walls (especially at door frames and windows) free from large cracks?
- Do all doors and windows work smoothly? Are bathroom fixtures in good condition?
- Does the faucet's water flow remain steady when toilets are flushed?
- Does water drain well?
- Are there enough well-placed electrical outlets in the room?
- Does the service to the house match its electrical needs?
- Is the capacity and recovery time of the water heater adequate for your family?

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- Does the water heater show signs of rust?
- Do kitchen appliances seem to be in good condition (if included in the sale)?
- Will your appliances (if you're bringing them with you) fit in the present space?
- Do the heating and/or air-conditioning unit(s) appear to be well-serviced?
- Is the fan quiet?

Outside details

Be very observant as you look around outside the house.

- Is the outdoor lighting adequate?
- Are the sidewalks and driveway in good condition?
- Will water drain off of the sidewalks and driveway?
- Are there any noticeable sags or dips in the roof?
- Are the shingles in good condition?
- Are the gutters in good condition, with tight seams and downspouts that point away from the house?
- Do the foundation walls have any cracks larger than 1/4-inch wide?
- Is the house's exterior surface in good condition?
- Are there cracks where materials meet at two walls or at windows and walls?
- Do windows, doors and the chimney sit square and plumb?
- Do outdoor electrical outlets have ground fault current interrupters to prevent shock?
- Is the lot sloped for proper drainage?
- Are there low spots near the house?
- Does the landscaping appear healthy?
- Are large trees at least 30 feet from the house?

Inside details

Make a sketch of the floor plan.

- How many finished/unfinished rooms and bathrooms are on each floor?
- Does the main entry lead people directly to the living room or make them wonder which way to go?
- Are eating areas (including any located outdoors) easily accessible from the kitchen?
- Does traffic through the kitchen flow outside of the work area?
- Are the stove, sink and refrigerator arranged in an efficient working layout?
- Are there built-in appliances like a dishwasher, garbage disposal or trash compactor?
- Do open appliance doors block doorways, cabinets or each other?
- Is there adequate counter and cupboard space?
- Are bathrooms accessible without having to cross a bedroom or other living space?
- Is there adequate counter and storage space in the bathroom?
- Do bedrooms have two uninterrupted wall surfaces for easy furniture arrangement?
- Is there adequate closet/storage space?

A professional housing inspector can make sure the house and major mechanical systems are in sound condition. An inspector's report can help you make an informed decision and is well worth the cost.

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Financial details

Your sales associated will answer questions about the specific house you are seriously considering. These questions may include:

- What types of financing can be considered?
- Will the seller finance the mortgage for you?
 - If so, what are the terms?
- Is the mortgage presently held on the house assumable?
 - If so, what are the current interest rate and terms?

Choosing a Neighborhood

In many ways, choosing a house is easier than choosing a neighborhood. The neighborhood determines the value of the house. An old real estate maxim says there are three criteria that determine a property's market value: "location, location, location." The fact is that two identical houses built across town from each other can bring a sale price thousands of dollars apart. Your sales associate can give you information about market values of houses in various locations. But you must research to determine the right neighborhood for you.

- What are your preferences? Consider distance from work, shopping, schools, public transportation and recreation.
- When you drive around a neighborhood, consider the overall impression.
 - Are other properties near the house you're considering well-maintained?
 - Are business properties mixed in with residences?
 - Are there apartments and condominiums, or only single-family houses?
 - Are there parks, greenbelts, strip malls or outdoor spaces?

While you will form an overall impression by driving by, walking around and talking with other residents in the neighborhood, your sales associate can give you factual information about zoning covenants. These impact such things as allowable commercial and industrial uses, on-street parking availability, and the styles of houses that can be built in the future.

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Negotiating the Purchase

Writing the Offer

When you've selected the house you want to buy, your next step is to submit a signed real estate offer to purchase. Your sales associate will take you through a step-by-step process to make the purchase.

- You know the seller's asking price, but you need to decide how much you'll offer. Consider factors like the length of time the house has been on the market, reasonableness of the price, availability of financing and other costs.
- Decide how much earnest money to offer. Determine what happens to this deposit. Usually, it is held by a third party until the sale is closed or the contract is broken. When the sale is closed, it is applied to the downpayment or closing costs. But if you fail to buy the house after the seller has accepted your offer, the seller has the right to keep this earnest money. Decide the type of deed you want. You'll most likely specify that the seller convey the property with a general warranty deed that transfers ownership rights (title) to you.
- Specify your desired closing date and possession date. Allow yourself enough time to obtain financing.
- You may want to include a contingency plan for closing and occupancy in case you can't secure possession on the agreed date. This may include provisions such as a daily rent-back agreement for "post-settlement occupancy" by the seller.
- Decide what items you want to buy with the house. Items often specified in the offer to buy include appliances, light fixtures, chandeliers, window coverings and swing sets.
- Determine what special provisions should be included for items such as property taxes, hazard insurance and utility bills.
- Require the seller to conduct a title search to prove the title is clear. The title should show no substantial claims or liens against the property.
- Determine if you want the seller to provide a homeowner's warranty on the property.

Presenting the Offer

Your sales associate will present the offer to the seller or the seller's agent. The seller will either accept, reject or counter your offer with changes in the terms. Should the seller return with a counteroffer, you may agree to the terms and sign or make a counteroffer.

When both the seller and buyer agree to the terms and sign the document, it becomes a valid contract.

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Obtaining Financing

Once you learn the seller has accepted your offer, your key job is to obtain financing. If you have already been pre-approved, you're well on your way to having all the needed information and documentation organized. Here's a list of information you will need to provide for most loan applications.



10 Things Most Lenders Request

1. The amount of money you wish to borrow and the length of time you will need the money.
2. Your current address and, if you've been at that address less than two years, your previous address.
3. Your Social Security number.
4. Your present employer's address, and if you've been at your present job less than two years, your former employer's address.
5. Copies of your pay stubs. Your gross monthly income.
6. Copies of monthly bank statements.
7. A list of your assets - real estate, personal property, paid-up life insurance.
8. A complete list of outstanding debts and the account numbers.
9. A copy of the sales contracts for the property you wish to finance.
10. A written statement clarifying any problems with the loan application.

With this information, the lender will follow these steps to process your application:

- Verify the facts.
- Request and review your credit report.
- Make a property appraisal.
- Review your application.
- Determine whether to make the loan.

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Things You Should Ask the Lender

- What types of mortgage loans does the financial institution offer?
- Is the mortgage open-ended?
- Can you borrow up to the amount of principal you've paid to make home improvements?
- What is the interest rate?
- If the rate drops, what is the cost to refinance at a lower interest rate?
- Will mortgage insurance be required for loans other than FHA-insured or VA-guaranteed mortgages?
- How much principal must be paid before the insurance requirement is dropped?
- What are the premiums and are the premiums refundable if you prepay the mortgage?
- What reserve, such as those for property taxes or hazard insurance, are required?
- How long must you pay into these reserves?
- At some point, will you pay these costs directly?
- What fees will be charged at closing, including points, loan origination, abstracts, attorney's fees, appraisals, termite inspections reports or credit reports?

Within three days of applying for the loan, your lender should issue you a good faith estimate of the fees charged for closing. This estimate may not include deposits for hazard insurance or property taxes.

What to Expect

- Loan origination fees are a percentage of the loan that cover the lender's administrative costs. The loan discount, referred to as points (with each point equaling 1% of the loan), is extra interest paid to the lender to make up the difference between market interest and the interest of the loan.
- Survey, appraisal or inspection charges that the lender incurs to establish the value and condition of the house.
- Assumption or transfer fees on assumable mortgages.
- Charges to title/abstract searches, and recording and transfer charges.
- Mortgage interest, the first year's hazard insurance and the first year's mortgage insurance (if required) that are paid to the lender in advance.
- Reserved deposits that are used by the lender to pay for hazard insurance, property taxes and mortgage insurance are also paid at closing.

Other fees may include a variety of services, such as document preparation, notary services, handling the schedule and warranties.

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The Closing

Inspections

Several professionals may come into the home-selling process after the offer is accepted, including:

- a home inspector (if hired by the buyer)
- a termite inspector
- an appraiser
- attorneys who are affiliated with the buyer's lending institution

Loan Processing

If the buyer is financing the purchase of your house, the process will typically take 30 to 60 days. On the chance that a buyer's financing will not be given final approval, you should keep the house in good "showing" condition.

Your Property Title

As part of the contract process, you must prove to the buyer that you have a clear title on the house - that you own the property, and that there are no legal claims against it. Proof of title is provided by:

- The abstract of title being continued and certified by the abstractor as complete and accurate.
- The attorney representing the buyer and/or financial institution then searches the title and issues an opinion that the title is clear.

Your Details

Your sales associate or attorney can help you gather the paperwork that the contract requires. Some of the details you'll probably need to handle include:

- Notifying your lender that you will be paying off the mortgage and asking for a statement of what you owe. Your outstanding balance will be subtracted from the amount you receive from the seller.
- Having any fix-up work done according to the contract so that final inspections may take place.
- Gathering all warranties and instruction books for your home's appliances or major systems to give to the buyer.
- Once you have a closing date established, notifying the utility, telephone, water and other services to advise them on your final billing date.

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Buyer's Final Inspection

A walk-through inspection several days prior to settlement allows the buyer to determine if conditions of the contract are satisfied. The buyer should have inspected and noted any defects during the contract negotiation and prior to signing the sales agreement. It is up to the buyer to perform the inspection. The buyer should be accompanied by the selling and/or the listing agent. The seller may or may not be present, but should make sure that utilities are on so that equipment can be operated.

Signing Papers and Passing Keys

At the settlement (closing), the home seller should bring all warranties on equipment (or leave them in an obvious place in the house) and instructions on equipment maintenance or operation. Be sure to bring all keys and electric door openers.

The real estate agent will explain the settlement sheets to you. These outline the closing costs to you. Typical costs for the seller include:

- State deed transfer tax
- Termite inspection
- Loan discount fee
- Mortgage balance pay-off
- Interest on the mortgage up to the date the mortgage is paid-off
- The real estate agent's commission
- Pro-rated taxes and homeowner's association dues, if applicable
- Homeowner's warranty

If property or homeowner's insurance have been in escrow with your lender, you'll receive any money that is accumulated in that escrow account for bills not yet due. You'll actually receive these funds at or after settlement.

The seller, the buyer and the agents receive a copy of the settlement sheets.

The listing broker's closing department will actually disburse money after all the funds are in hand, the new lender has reviewed the papers, the title has been examined and the deed recorded.

Congratulations!
Sold and Settled!

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