

— Guide to —

# Buying a Home



## TABLE OF CONTENTS



- 3 USING A WINDERMERE AGENT TO HELP YOU FIND A HOME
- 4 BEGINNING THE PROCESS
- 5 IT'S MORE COMPLICATED THAN JUST FINDING A HOME
- 6 HOW MUCH HOME CAN YOU AFFORD?
- 8 PURCHASE AND SALE AGREEMENT
- 9 FREQUENTLY ASKED QUESTIONS
- 10 HOME INSPECTIONS
- 11 SETTLEMENT—WHO PAYS WHAT
- 12 MOVING TIPS
- 13 PACKING TIPS
- 14 GLOSSARY

## USING A WINDERMERE AGENT TO HELP YOU FIND A HOME



Whatever your reasons for buying, know that finding the right home, in the perfect neighborhood and at a cost that is within your budget, is no small task. That's why many buyers enlist the help of a full-service Windermere agent.

Windermere sales associates are licensed professionals with specialized skills. There are many benefits you receive from working with a professional.

### AS YOUR WINDERMERE AGENT—

- \* I know the local market and can quickly narrow it down to a few areas where you are likely to find your home at the price you want.
- \* I can save you time by doing a lot of the legwork. By knowing your needs, I can eliminate homes that do not meet your criteria.
- \* I will make appointments, preview homes with you and help you determine the pros and cons of each home.
- \* I can help you maximize online home search tools available to you on our industry-leading website [Windermere.com](http://Windermere.com).
- \* I can provide information and make appointments to see almost any property listed for sale. A home does not have to be listed by a Windermere agent in order for me to get detailed information or an appointment to view.
- \* Once you find the home you want to buy, I will guide you through the negotiation, legalities and details of purchasing a home.

## BEGINNING THE PROCESS



Organization is the key to finding the home you want while spending the least amount of time and energy.

Find out how much house you can afford. Do this before you go house-hunting. I can refer you to a loan officer who can assist you with determining how much of a down payment you can afford, along with a monthly payment you can handle. (To help determine how much house you can afford, see pages 6-7 of this booklet.)

Make a list of everything you want in a home. Is a master suite important? How many bathrooms? What about closet space? Do you need a yard for the kids and pets to play in? How about a fireplace or a bay window? Do you prefer a rambler or a multiple-story house? Are schools or access to public transportation important?

Separate the essentials from the items you could do without and put them on the "A" list. Prioritize the rest of the items into a second and third list in order of importance. We'll then go over the lists so that I'm very clear on what you want and need in your home.

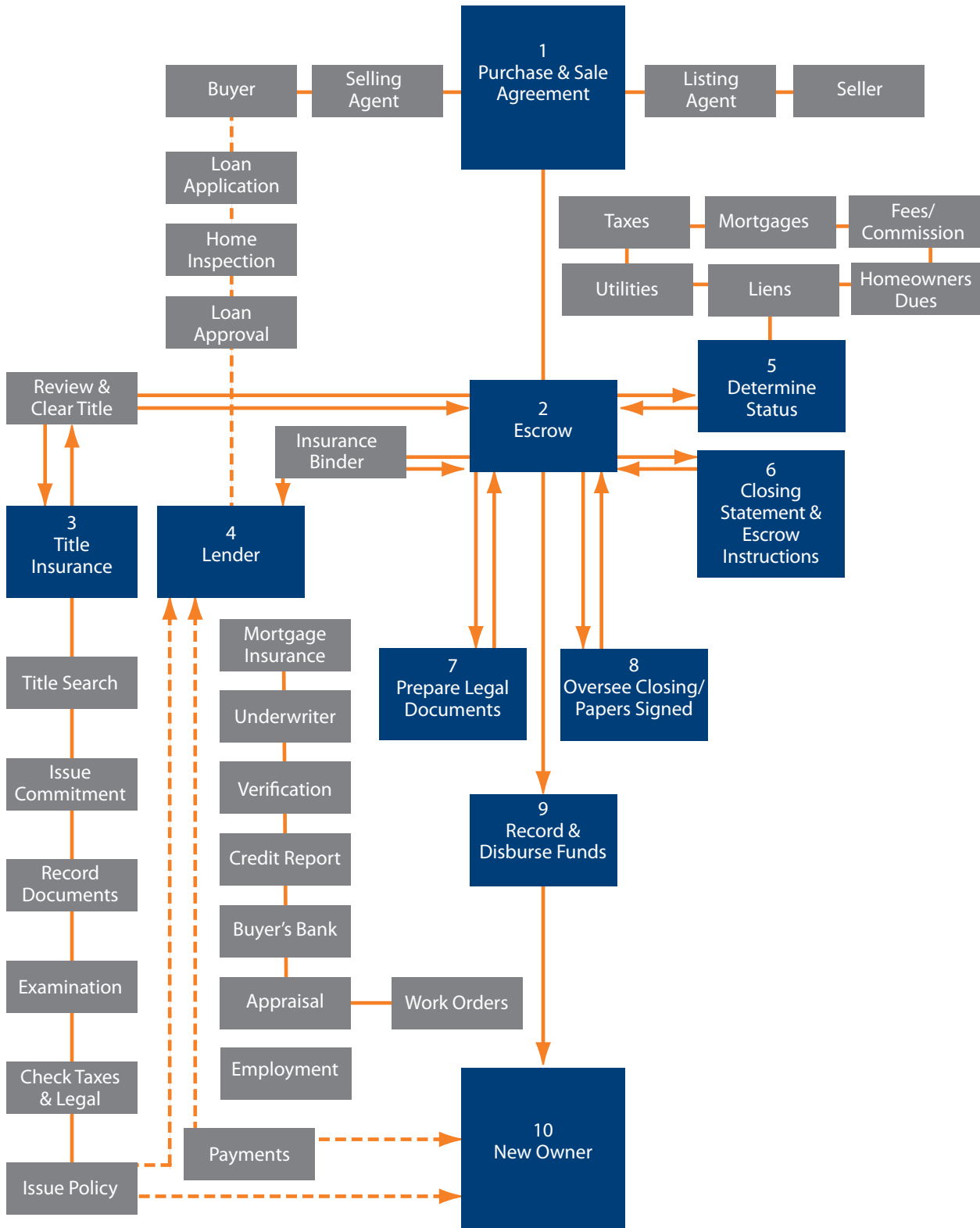
Keep good notes as we look at homes. After a while, it becomes difficult to remember which features belong to which home. I can provide you with a form and rating system to help you compare homes. Some buyers make audio tapes as they go along.

When selecting a home, look beyond cosmetics. Make sure the home is in good physical condition and that you understand the cost of repairs. For more information on how to assess the home's condition, refer to the "Home inspections" information on page 10 of this booklet.

Look at additional homes, even if you love the first one you see. Many times, it takes looking at several homes before you find the one that is really right for you.

As your Windermere agent, I'll check with you regularly, even if you haven't found a house that suits your needs. Keeping in contact with you allows us to establish a good rapport, and helps me learn how to help you effectively. I'll continue to be on the lookout for homes that suit your needs.

IT'S MORE COMPLICATED THAN JUST FINDING A HOME



## HOW MUCH HOME CAN YOU AFFORD?



Before you start looking at homes, it's a good idea to find a target price range that you can afford. A mortgage lender will want to make sure you can handle the down payment, plus a monthly mortgage payment made up of principal, interest, taxes and insurance (PITI).

Interest rates and your personal finances will influence the amount of house you can afford. On the Windermere website, [Windermere.com](http://Windermere.com), you can also find a mortgage calculator for each home listed. But remember, it's always good to talk to a lender before you start shopping for a home. I can refer you to lenders suited to your specific financial needs.

## HOW MUCH HOME CAN YOU AFFORD?



There are a wide variety of loan programs available to buyers. I can give you the names of several mortgage specialists who can review all of your options with you.

In order to plan properly, you need to understand what lenders are looking for from a borrower. There are three factors that help determine if you qualify for home financing:

- \* Your income
- \* Your assets
- \* Your credit history

Most loan programs require you to verify all of your income sources. Your mortgage consultant will let you know what documentation is needed. Typically, you will need to provide pay stubs and your W-2, and if you are self-employed, you may need to provide copies of your tax returns.

The required down payment varies according to the loan program. There are several affordable options for borrowers. Closing costs are associated with finalizing the transaction and include the appraisal fee, loan origination fee, title insurance, escrow services and legal recording of documents. Each loan is different, so it is important to discuss these fees with a mortgage expert.

All lenders review a borrower's credit history to determine the type of credit used, the amount owed and the borrower's history of repaying debt.

For additional information, there are several mortgage calculators in the "Planning" section of [WindermereMortgageServices.com](http://WindermereMortgageServices.com).

When you speak with your mortgage professional to figure out how much home you can afford, it's also a good idea to get preapproved for a mortgage before we start your home search. This will help us narrow your home search to a price range that's comfortable for you, and being preapproved also makes for a stronger offer in the eyes of sellers.

## PURCHASE AND SALE AGREEMENT



Once you've found the home you want to buy, together we'll complete a purchase and sale agreement. This is the contract in which you and the seller outline the details of the property transfer. The purchase and sale agreement usually consists of the following pages:

- \* Earnest money receipt
- \* Financing addendum
- \* Inspection addendum
- \* Conditions/disclosure addendum
- \* Contingency addendum—when appropriate
- \* Addendum outlining special conditions
- \* Lead-based paint notification—when appropriate

In selected areas, the following forms will also be part of your agreement:

- \* Agency disclosure
- \* Property disclosure form completed by the property seller



## FREQUENTLY ASKED QUESTIONS

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### WHAT IS THE DIFFERENCE BETWEEN PREQUALIFIED AND PREAPPROVED?

These terms refer to your status in the loan approval process. Prequalification is a determination of your probable ability to obtain a loan. To become prequalified, meet with a loan officer or mortgage company. They will help you determine the price you can afford, based on your monthly income and your current debts, as well as the cash you have for a down payment.

Preapproval means that the mortgage lender has already verified and approved your credit and income. Obtaining preapproval early in the process will make your offer more attractive to the seller.

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### WHAT IS EARNEST MONEY?

Earnest money is a “good faith” deposit submitted with your offer to show the sellers that you are serious about purchasing their home. Earnest money is a required part of an offer. There is no set amount that is required, but the amount sometimes makes a difference in the negotiation process. Earnest money eventually becomes part of the purchase, and will show as a credit to the buyers on the settlement statement drawn up by the escrow company.

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### WHAT ARE CLOSING COSTS?

Closing costs are charges paid to various entities during the real estate transaction. They can include escrow fees, document preparation fees, the cost of an inspection, and lender fees.

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### WHAT IS A POINT?

A point is equal to one percent of the loan principal. Some lenders charge points, in addition to interest and fees, at closing.

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### WHAT IS TITLE INSURANCE?

Title insurance protects against loss from any defects in the legal title, liens against the property or other adverse claims. The lender usually requires title insurance.

## HOME INSPECTIONS



When you're ready to complete a purchase and sale agreement on a home, your offer will generally be contingent on a professional inspection of the entire property—including improvements. The home inspector looks beyond the cosmetics to make sure that the home's general systems operate properly. The inspector will also look for large repairs that are needed and report on the condition of the home.

The standard home inspector's report will review the conditions of the home's heating and cooling systems; interior plumbing and electrical systems; the roof, attic and visible insulation; walls, ceilings, floors, windows and doors; foundation, basement and visible structure. The inspector will also look for cracks in cement walls, water stains that indicate leakage and any indication of wood rot.

A home inspection also points out the positive aspects of a home, as well as the maintenance that will be necessary to keep it in good shape.

As your Windermere agent, I'm familiar with home-inspection services and can provide you with a list of names from which to choose. Another good way to find a home inspector is to ask a friend, or perhaps a business acquaintance, who has had a home inspection and can recommend a home inspector they were satisfied with.

Remember, no home is perfect. If problems are found, I will help you negotiate through the process.

## SETTLEMENT—WHO PAYS WHAT



During the negotiation stage of the transaction, a mutually agreed-upon date for closing is determined. “Closing” is when you and the seller sign all the paperwork and pay your share of the settlement fees, and the documents are recorded. Settlement obligations vary widely due to specific contract language, local laws and customs. Prior to closing, the closing agent (usually an escrow or title company or attorney) will complete a detailed settlement statement for both buyer and seller. As your Windermere agent, I can help you understand which of the following typical settlement fees apply to you.

### THE BUYER WILL RECEIVE:

- \* Earnest money deposit

### THE BUYER PAYS:

- \* One-half of escrow or legal fees paid to the attorney or escrow company for preparing the closing (In California, the party paying escrow fees varies from county to county)
- \* Document preparation fees
- \* Recording and notary fees
- \* Title search and title insurance (paid by either the seller or the buyer)
- \* Local transfer taxes, if any
- \* Repairs or inspections the buyer has agreed to pay for
- \* Loan fees
- \* Appraisal fees
- \* Credit report fees

## MOVING TIPS

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### SIX TO EIGHT WEEKS BEFORE:



- Use up things that may be difficult to move, such as frozen food.
- Get estimates from professional movers or from truck rental companies if you are moving yourself.
- Once you've selected a mover, discuss insurance, packing, loading and delivery, and the claims procedure.
- Sort through your possessions. Decide what you want to keep, what you want to sell and what you wish to donate to charity.
- Record serial numbers on electronic equipment, take photos (or video) of all your belongings and create an inventory list.
- Change your utilities, including phone, power and water, from your old address to your new address.
- Obtain a change of address packet from the post office and send to creditors, magazine subscription offices and catalog vendors.
- Discuss tax-deductible moving expenses with your accountant and begin keeping accurate records.

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### TWO TO FOUR WEEKS BEFORE:

- If you're moving to a new community, contact the Chamber of Commerce and school district and request information about services.
- Make reservations with airlines, hotels and car rental agencies, if needed.
- If you are moving yourself, use your inventory list to determine how many boxes you will need.
- Begin packing nonessential items.
- Arrange for storage, if needed.
- If you have items you don't want to pack and move, hold a yard sale.
- Get car license, registration and insurance in order.
- Transfer your bank accounts to new branch locations. Cancel any direct deposit or automatic payments from your accounts if changing banks.
- Make special arrangements to move pets, and consult your veterinarian about ways to make travel comfortable for them.
- Have your car checked and serviced for the trip.
- Collect items from safe-deposit box.

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### ONE WEEK BEFORE:

- Talk to your pharmacist about transferring important medical prescriptions.
- Arrange for a babysitter on moving day.
- Return library books and DVDs.

**TWO TO THREE DAYS PRIOR:**

- Defrost your refrigerator and freezer.
- Have movers pack your belongings.
- Label each box with the contents and the room where you want it to be delivered.
- Arrange to have payment ready for moving company.
- Set aside legal documents and valuables that you do not want packed.
- Pack clothing and toiletries, along with extra clothes in case the moving company is delayed.
- Give your travel itinerary to a close friend or relative so they can reach you as needed.

**MOVING DAY:**



**OLD HOME**

- Pick up the truck as early as possible if you are moving yourself.
- Make a list of every item and box loaded on the truck.
- Let the mover know how to reach you.
- Double-check closets, cupboards, attic, basement and garage for any left-behind items.

**NEW HOME**

- Be on hand at the new home to answer questions and give instructions to the mover.
- Check off boxes and items as they come off the truck.
- Install new locks.
- Confirm that the utilities have been turned on and are ready for use.
- Unpack your “first day” box (see below for suggested contents).
- Unpack children’s toys and find a safe place for them to play.
- Examine your goods for damage.

**PACKING TIPS**

**ESSENTIAL PACKING MATERIALS:**

- |                      |                               |                                |
|----------------------|-------------------------------|--------------------------------|
| • furniture pads     | • newspapers or packing paper | • felt-tip markers             |
| • handtruck or dolly | • scissors                    | • cornstarch packing “peanuts” |
| • packing tape       | • utility knife               | • plenty of boxes              |
| • bubble wrap        | • labels                      |                                |

**HANDY ITEMS INCLUDE:**

Pack a “first day” box with items you will need right away.

- |                    |                                      |                             |
|--------------------|--------------------------------------|-----------------------------|
| • scissors         | • instant coffee or tea, soft drinks | • shelf liner               |
| • utility knife    | • pencil and paper                   | • paper plates              |
| • local phone book | • soap                               | • snacks                    |
| • coffee cups      | • bath towels                        | • toilet paper              |
| • teakettle        | • trash bags                         | • children’s toys and books |

## GLOSSARY

ADJUSTABLE-RATE MORTGAGE (ARM)	interest rates on this type of mortgage are periodically adjusted up or down depending on a specified financial index
AMORTIZATION	a method of equalizing the monthly mortgage payments over the life of the loan, even though the proportion of principal to interest changes over time. In the early part of the loan, the principal repayment is very low, while the interest payment is very high. At the end of the loan, the relationship is reversed
ANNUAL PERCENTAGE RATE	the actual finance charge for a loan, including points and fees, in addition to the stated interest rate
APPRAISAL	an expert opinion of the value or worth of a property
ASSESSED VALUE	the value placed on a property by a municipality for purposes of levying taxes. It may differ widely from appraised or market value
BALLOON PAYMENT	a large principal payment due all at once at the end of some loan terms
CAP	a limit on how much the interest rate can change in an adjustable-rate mortgage
CERTIFICATE OF TITLE	a document, signed by a title examiner, stating that a seller has an insurable title to the property
CLOSING	the deed to a property is legally transferred from seller to buyer, and documents are recorded
CLOSING COSTS	see “Settlement” or refer to “Settlement—who pays what” in this guide
COMMISSION	a fee (usually a percentage of the total transaction) paid to an agent or broker for services performed
COMPARATIVE MARKET ANALYSIS (CMA)	a survey of the attributes and selling process of comparable homes on the market or recently sold; used to help determine a correct pricing strategy for a seller’s property
CONTINGENCY	a condition in a contract that must be met for the contract to be binding
CONTRACT	a binding legal agreement between two or more parties that outlines the conditions for the exchange of value (for example: money exchanged for title to property)
DEED	a legal document that formally conveys ownership of a property from seller to buyer
DOWN PAYMENT	a percentage of the purchase price that the buyer must pay in cash and may not borrow from the lender
EQUITY	the value of the property actually owned by the homeowner: purchase price, plus appreciation, plus improvements, less mortgages and liens
ESCROW	a fund or account held by a third-party custodian until conditions of a contract are met

FIXED-RATE MORTGAGE	interest rates on this type of mortgage remain the same over the life of the loan. Compare to “adjustable-rate mortgage”
FIXTURE	a recognizable entity (such as a kitchen cabinet, drape or light fixture) that is permanently attached to a property and belongs to the property when it is sold
HAZARD INSURANCE	compensates for property damage from specified hazards such as fire and wind
INTEREST	the cost of borrowing money, usually expressed as a percentage rate
LIEN	a security claim on a property until a debt is satisfied
LISTING CONTRACT	an agreement whereby an owner engages a real estate company for a specified period of time to sell a property, for which, upon the sale, the agent receives a commission
MARKET PRICE	the actual price at which a property sold
MARKET VALUE	the price that is established by present economic conditions, location and general trends
MORTGAGE	security claim by a lender against a property until the debt is paid
MULTIPLE LISTING SERVICE (MLS)	a system that provides to its members detailed information about properties for sale
ORIGINATION FEE	an application fee(s) for processing a proposed mortgage loan
PITI	principal, interest, taxes and insurance, forming the basis for monthly mortgage payments
POINT	one percent of the loan principal. It’s charged in addition to interest and fees
PREPAYMENT PENALTY	a fee paid by a borrower who pays off the loan before it is due
PRINCIPAL	one of the parties to a contract; or the amount of money borrowed, for which interest is charged
PRORATE	divide or assess proportionately
PURCHASE & SALE AGREEMENT	a contract between buyer and seller that outlines the details of the property transfer; or refer to “Purchase and sale agreement” in this guide
SETTLEMENT	all financial transactions required to make the contract final. See “Settlement—who pays what” in this guide.
TITLE	a document that indicates ownership of a specific property
TITLE SEARCH	detailed examination of the entire document history of a property title to make sure there are no legal encumbrances



Windermere offers you an unsurpassed full-service network to help you reach your real estate goals. Our associates are up-to-date on the latest market trends, thanks to Windermere's nationally renowned education program.

Windermere prides itself on being an industry leader with innovative marketing programs. Our sales associates are knowledgeable about diverse marketing approaches, to help them effectively meet the needs of both buyers and sellers.

If you would like more information about Windermere or any of its programs, please ask your Windermere sales associate or visit our website at [Windermere.com](http://Windermere.com).