

10 Commonly asked Questions about buying a Home!

Q1. *How is owning a home a good investment?*

A1. Two of the best reasons are: Appreciation (#1) & Interest Deduction (#2). And don't forget pride in ownership!

A2. Real Estate is an Asset that will appreciate in value, although some locations and types of property appreciate more than others. Long term is the key to any good investment.

A3. Once you become a homeowner you can deduct the mortgage interest on your property from your personal income taxes. In most cases this also allows you to use the long form 1040 to itemize your deductions. The 1040 allows you to take several additional and legitimate tax deductions that are not available on the short "EZ" form.

Q2. *When we call an agent to see a home we like, will that agent represent us?*

A2. Not in your typical situation. If you call the listing agent, they've already contracted with the sellers to represent them. The typical agent is actually a sub-agent to the seller and represents them and their best interest as well. Unless you have a written Buyer Brokers Agreement, assume that the agent is not on your team. You should not tip your hand and allow that agent to see your playing or negotiation strategy! Only when you have entered into a Buyer Broker agreement will that agent advise you on market value and other important buying and negotiation decisions that are in your best interest, and not their seller's.

Q3. *Should we find just one Real Estate Agent to work with when looking for a home?*

A3. If you want the best service, **YES**. You may even want that agent to negotiate on your best behalf, and work for you as a Buyers Agent or Buyer Broker. This will not cost you more, but may save you thousands more. I am qualified and experienced in Buyer Representation.

Q4. *How do we find an Agent to work for us?*

A4. The same way you would find an Agent to sell your home -- you interview Agents until you find one you are comfortable and confident with. Then and only then should you enter into a Buyer Broker Contract. Then that Agent is working for you, to find your dream home. This does not require you to pay the agent a large deposit, but obligates you to negotiate for the sellers to pay the fee for you.

Q5. *We are currently in a lease. When should we start to look for our house?*

A5. You want to give yourself at least 60-90 days prior to the expiration of your lease to find your new home. If your lease is almost up now, you can probably continue it on a month to month basis. Contact your landlord. Even if you are only thinking about buying, now is a good time to get pre-qualified to determine your comfort and qualifying ranges.

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Q6. We found our dream home and made an offer. The sellers did not accept our offer, but countered it. Are we bound or committed by the changes?

A6. No. Only if you agree to the change. State law requires that you must accept their counter offer and initial the change on the contract. Then it must be returned to the sellers, going full circle. Then you are legally bound to the contract.

Q7. What happens when we've negotiated a contract on a house and then get denied the loan ?

A7. A scary situation! The typical contract will have a provision releasing you from the contract and receiving your earnest money back from the listing firm, as long as you fulfilled the terms of the contract, and in good faith applied for and cooperated in providing all the information required for the lenders to make the loan. To avoid this you should be pre-qualified and pre-approved for the loan.

Q8. How much home can we afford or qualify for now that we have two incomes?

A8. It's a simple formula that varies with each type of loan. We will need to know information like your gross income from all sources as well as all your debts. Then we can determine what type of loan and how much you qualify for. Remember, you may very well qualify for more than you're comfortable paying on a monthly basis. Don't make yourselves house poor. (Let Cathy & I work with you to determine your comfort range, as well as your qualifying range)

Q9. When will we need to pay the down payment, deposit and closing fees? And, how much money will we need on hand to purchase a home?

A9. This is another great reason to have your own agent -- to help you with your specific situation. If you don't have enough savings for the down payment and closing cost, we will plan our strategy to negotiate for closing cost, instead of maybe a lower price. Depending on the loan type, the down payment will vary, and that is normally paid at settlement but must be verified prior to that day. You will need an earnest money deposit to show good faith and go with the offer to purchase, typically between \$100 - \$500. In addition, you'll need to pay for the appraisal and credit check at loan application, about \$350 - \$400. This is required within five days of contract acceptance. If you choose to have an independent home inspection, they range from \$175 - \$250. The only check that needs to be certified is the check you bring to closing.

Q10. What if we don't qualify for a home right now, do we have other options?

A10. Yes, you can purchase a home by assuming the existing loan from the previous owners. There are two types of assumptions, qualifying and non-qualifying. You'll need to pay the owners for their Equity in the property, and then assume the remaining loan balance and payments. This may require more cash out of your pocket than the traditional "New Financing" method, however, your loan balance may be less.