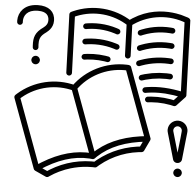
FLORIDA
HOMES & LOANS

# HOMEBUYER Handbook

Your Step-by-Step Guide to Homeownership

## Do Your Homework



Oh sure, everybody wants to jump right into open houses. But before you even set foot into a foyer, you should identify your list of “musts” and “wants.” This list is an inventory of priorities for your search. And there’s so much to decide: Price, housing type, neighborhood, and school district — just to name a few.

If you’re planning to buy a home with a partner (in life or in real estate), fill the worksheet out with them. You want to be on the same page while buying a house. If you’re not, you’ll be less able to give agents or lenders the information they need to help you. And you risk wasting time viewing homes you can’t afford — or don’t even want in the first place

## Start Shopping

Once you know what you’re looking for, the next step is to start looking at listings and housing information online. (This part? You’re going to crush it.)

## Find a Great Agent

Your relationship with your real estate agent is the foundation of the home-buying process. (And your agent = your rock.) He or she is the first expert you’ll meet on your journey, and the one you’ll rely on most. That’s why it’s important to interview agents and find the agent who’s right for your specific needs

## Choose a Lender

Once you’ve found your agent (AKA, your new best friend), ask him or her to recommend mortgage brokers that meet your financial needs. This is another big step, as you’ll be working with your lender closely throughout the home-buying process

## Pick a Loan (It's Not So Bad)

Once you've decided on a lender (or mortgage broker), you'll work with your loan agent to determine which mortgage is right for you. You'll consider the percentage of your income you want to spend on your new house, and you'll provide the lender with paperwork showing proof of income, employment status, and other important financials. If all goes well (fingers crossed) you'll be pre-approved for a loan at a certain amount.
(Sweet.)

## Visit Open Houses, and Look Around

Now that you have both an agent who knows your housing preferences and a budget — and a lender to finance a house within that budget — it's time to get serious about viewing homes. Your agent will provide listings you may like based on your parameters (price range, ZIP codes, features), and will also help you determine the quality of listings you find online. Then comes the fun part: Open houses and private showings, which give you the unique opportunity to evaluate properties in a way you can't online

## Make an Offer

Once you find the home you want to buy, you'll work with your agent to craft an offer that not only specifies the price you're willing to pay but also the proposed settlement date and contingencies — other conditions that must be agreed upon by both parties, such as giving you the ability to do a home inspection and request repairs


## Negotiate, Negotiate, Negotiate

Making an offer can feel like an emotional precipice, almost like asking someone out on a date. Do they like me? Am I good enough? Will they say yes? It's stressful! Some home sellers simply accept the best offer they receive, but many sellers make a counteroffer. If that happens, it's up to you to decide whether you want your agent to negotiate with the seller or walk away. This is an area where your agent can provide real value by using their expert negotiating skills to haggle on your behalf and nab you the best deal.

## Get the Place Inspected

If your offer is accepted, then you'll sign a contract. Most sales contracts include a home inspection contingency, which means you'll hire a licensed or certified home inspector to inspect the home for needed repairs, and then ask the seller to have those repairs made. This mitigates your risk of buying a house that has major issues lurking beneath the surface, like mold or cracks in the foundation. (No one wants that.)

## Ace the Appraisal

When you offer to buy a home, your lender will need to have the home appraised to make sure the property value is enough to cover the mortgage. If the home appraises close to the agreed-upon purchase price, you're one step closer to settlement — but a low appraisal can add a wrinkle. Not one you can't deal with.

## Close the Deal

**When it's all said and done — break out the rosé. You'll have the keys to your new home!**

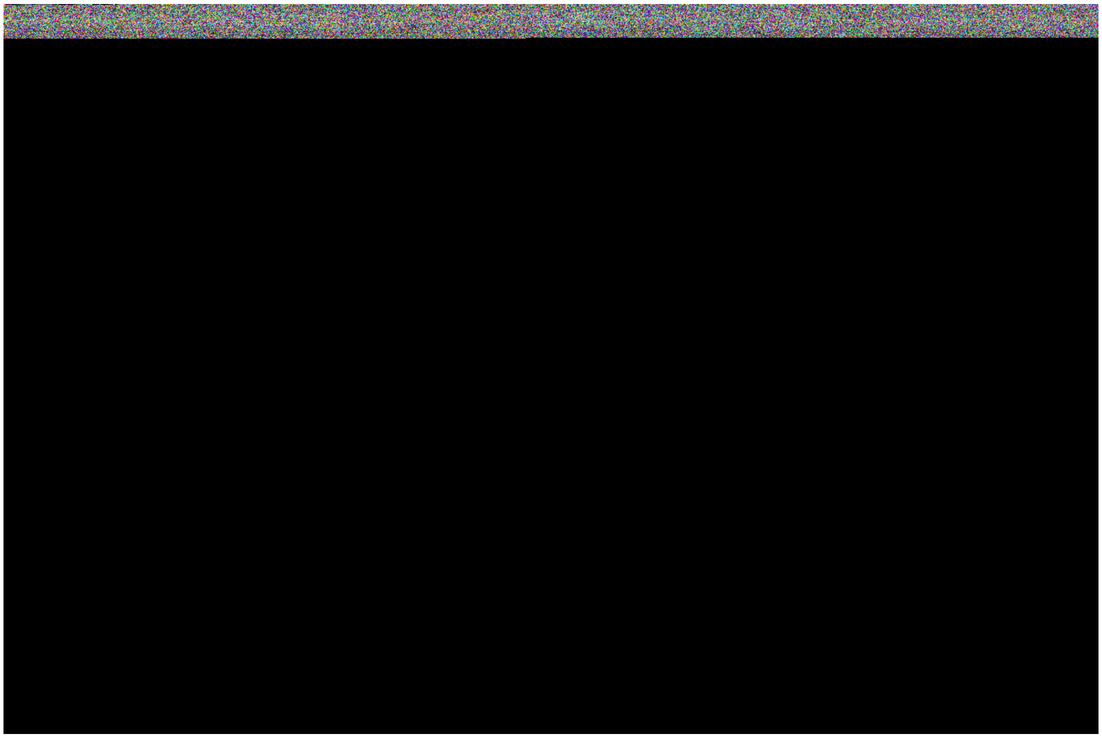
## The Best Properties Aren't Always the Best Looking

A picture, they say, is worth a thousand words. But what they don't say is a picture can also hide a thousand cracked floorboards, busted boilers, and leaky pipes. So while it's natural to focus on photos while browsing, make sure to also consider the property description and other key features. Each realtor.com® listing, for example, has a "property details" section that may specify important information such as the year the home was built, price per square foot, and how many days the property has been on the market. Ultimately though, ask your real estate agent to help you interpret what you find. The best agents have hyper-local  knowledge of the market and may even know details and histories of some properties. If a listing seems too good to be true, your agent will likely know why

***WHAT YOU SHOULD REALLY KNOW ABOUT***
***Browsing for Homes Online It's fun! It's exciting! It's important to take everything with a grain of salt!***

## Treat Your Agent Like Your Bestie

At the end of the day, property sites are like CliffsNotes for a neighborhood: They show you active listings, sold properties, home prices, and sales histories. All that data will give you a working knowledge, but it won't be exhaustive.
To assess all of this information — and gather facts about any home you're eyeing, like how far the local elementary school is from the house or where the closest Soul Cycle is — talk to your real estate agent. An agent who can paint a picture of the neighborhood is an asset. An agent who can go beyond that and deliver the dish on specific properties is a true friend indeed, more likely to guide you away from homes with hidden problems, and more likely to save you the time of visiting a random listing (when you could otherwise be in the park playing with your canine bestie).



*Just remember: You're probably not going to find that "perfect home" while browsing listings on your smartphone.*
*Instead, consider the online shopping experience to be an amuse bouche to the home-buying entree – a good way for you to get a taste of the different types of homes that are available and a general idea of what else is out there.*

## For every journey, there is a guide.

Then there's the all-too-real journey of buying a home. For that, you have an Oprah of your own: your real estate agent — a licensed professional who's familiar with local home values and neighborhood perks, understands real estate trends, can write an offer on your behalf, and who negotiates with home sellers so you don't have to.

Think of your agent as a therapist/consultant for your home search. A collaborator. A co-conspirator. A mentor. Someone who amps up your confidence and counsels you through big decisions (teamwork makes the dream work, after all). And, someone who wants you to find a house you can be happy in because they're invested in your happiness.

If the housing market doesn't line up with your needs and budget, your agent will go back to the drawing board with you. They interpret raw housing data through the filter of your unique search, then tell you what's important and why. They help you map the path to your goal, and connect you with trusted experts who can get you into your dream home. (Cue selfie of you drinking wine in your new living room. First like on Instagram? Probably your agent.)

That's a lot of responsibility. And a lot of pressure. There's obviously a lot at stake: money and time, of course, but also your happiness. So reach out to an agent sooner in the process rather than later, and you'll be on the fast track to picking out paint swatches for your new kitchen

## How to Be a Savvy Open House Guest

In all seriousness, going to open houses (and scheduled private showings) is one of the most exciting parts of the home-buying experience. Beyond the voyeuristic thrill, visiting houses allows you to assess things that you just can't see online.
Anyone who has taken a super-posed selfie knows that a picture doesn't always tell the whole truth. Professional listing photos can make small rooms look spacious, make dim rooms bright, and mask other flaws of a home — but you don't know any of that until you actually see the house yourself. You can tour houses at any point, but it can be helpful to first discuss your needs and wants with your partner (if you have one), do some online research, and talk with your agent and your lender. That way, you — and your agent
— can take a targeted approach, which saves you time and can give you an edge over your buying competition.
So, before you start viewing, follow these tips to get prepared. Ah, the open house. A chance to wander through other people's homes and imagine yourself knocking out walls and gut
rehabbing their kitchens. This is what dreams are made of (or at least episodes of HGTV).

**There are four ways to know when a house is available for viewing**:
Ask your agent. He or she will have details on specific properties and can keep you informed of open houses that fit your criteria.
Use listing websites. A number of property sites let you search active listings for upcoming open houses. On realtor.com®, for instance, when searching for properties, scroll over the "Buy" tab and click the "Open Houses" link to see upcoming ones in your area

Scroll social media. On Instagram, for example, you can search the hashtag #openhouse, or similar tags for your city (#openhousedallas, for example), to discover open houses. Many real estate agents and brokerages also post open house announcements on Instagram, Facebook, and Twitter; find ones from your area and start following.
Drive around. Cruise through the neighborhoods you're interested in — it's a good way to get a sense of the area amenities — and look for open house signs.

## Get There Early (and Say Hi to the Neighbors)

If you're seriously interested in a home, show up to the open house early. That way you'll beat the rush, and the agent showing the house (AKA the host) will have time to focus on you and your questions. And don't be shy! Many home buyers hop from one open house to the next without talking to the listing agent.

But chatting up the host can help you learn information that you wouldn't get by only touring the premises. If a house seems like a match, take a walk around the neighborhood. Strike up conversations with the neighbors to get an insider's perspective on what life in that community is really like – families, singles, what the vibe on the block is like, and whether the homeowner's or condo association (if there is one) is easy to work with.

## Ask Lots of Questions, But Avoid TMI

To make the most of your open house visits, have a list of questions in mind for the host – and take notes while you're there, so you can keep track of what you learned. At the same time, remember this: Your interaction with the host could be the beginning of negotiations with them. If you end up making an offer, you'll use the information you've gathered to inform your bid. (They'll also remember that you were an engaged yet courteous person, which can't hurt your cause.)

Equally important: Oversharing could hurt your negotiating power.

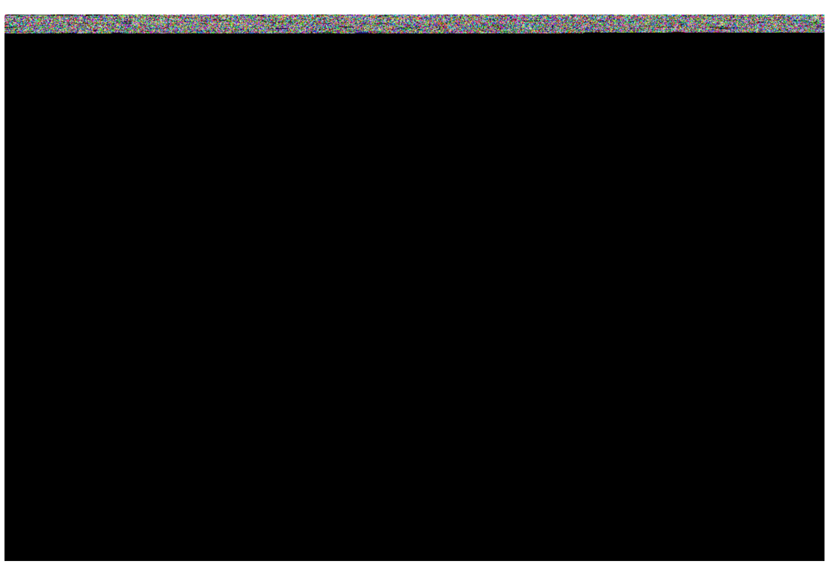
Be careful about what information you share with the agent hosting the event. This person works for the seller – not you. The host can and will use stats they've gleaned about you to counter, reject, or accept an offer

**YOUR STRESS-FREE GUIDE TO Shopping for Home Loans**
**With this super-simple breakdown of loan types, you won't get overwhelmed — you'll find the right mortgage.**

First things first: To pick the best loan for your situation, you need to know what your situation is, exactly. Will you be staying in this home for years? Decades? Are you feeling financially comfortable? Are you anxious about changing loan rates?  Next: You'll want to have an understanding of the different loans that are out there. There are lots of options, and it can get a little complicated — but you got this. Here we go

## Mortgages Are Fixed-Rate or Adjustable, and One Type Is Better for You

Let's start with the most common type of mortgage, that workhorse of home loans — the fixed-rate mortgage.
A fixed-rate mortgage: Lets you lock in an interest rate for 15 or 30 years. (You can get 20-year loans, too.)
That means your monthly payment will stay the same over the life of the loan. (That said, your property taxes and insurance premiums will likely change over time.) It's ideal when: You want long-term stability and plan to stay put.
Here's what else you need to know about fixed-rate mortgages:
• A 30-year fixed-rate mortgage offers a lower monthly payment for the loan amount (for this reason, it's more popular than the other option, the 15-year).
• A 15-year fixed-rate mortgage typically offers a lower interest rate but a higher monthly payment because you're paying off the loan amount faster



## Now let’s get into adjustable-rate, the other type of mortgage you’ll be looking at.

An **adjustable-rate mortgage (ARM)**:
• Offers a lower interest rate than a fixed-rate mortgage for an initial period of time — say, five or seven years — but the rate can fluctuate after the introductory period is over, depending on changes in interest rate conditions. And that can make it difficult to budget.
• Has caps that protect how high the rate can go. It’s ideal when: You plan to live in a home for a short time or you expect your income to go up to offset potentially higher future rates.
Here’s what else you need to know about adjustable-rate mortgages:
• Different lenders may offer the same initial interest rate but different rate caps. It’s important to compare rate caps when shopping around for an ARM.
• Adjustable-rate mortgages have a reputation for being complicated. As the Consumer Financial Protection Bureau advises, make sure to read the fine print.
A general rule of thumb: When comparing adjustable-rate loans, ask the prospective lender to calculate the highest payment you may ever have to make. You don’t want any surprises.

## Conventional loans:

• Offer some of the most competitive interest rates, which means you'll likely pay less in interest over the period of the loan.
• Typically you can get one more quickly than a government loan because there's less paperwork.
Who qualifies? Typically, you need at least a credit score of 620 or above and a 5% down payment to qualify for a conventional loan.
Here's what else you need to know about conventional loans:

If you put less than 20% down for a conventional loan, you'll be required to pay private mortgage insurance (PMI), an extra monthly fee designed to mitigate the risk to the lender that a borrower could default on a loan. (PMI ranges from about 0.3% to 1.15% of your home loan.) The upshot: The lender has to cancel PMI when you reach 22% equity in your home, and you can request to have it canceled once you hit 20% equity.

Most conventional loans also have a maximum 43% dept-toincome (DTI) ratio, which compares how much money you owe (on student loans, credit cards, car loans, and other debts) to your income – expressed as a percentage

## Government loans:

• Include loans secured by the Federal Housing Administration (**FHA**), U.S. Department of Veterans Affairs (**VA**), and the U.S. Department of Agriculture (**USDA**) Rural Development.
• Are meant to stimulate the housing market and enable folks who may be unable to qualify for conventional loans to still become homeowners

If you've had trouble qualifying for a mortgage because of income limitations or credit **FHA loans** are used by a broad swath of people, including those with lower credit scores and income-
• You can get an FHA loan with a downpayment of 3.5% if you have a minimum credit score of 580. You can still qualify with a credit score below 580 — even with no credit score — but the down payment and other requirements will be much higher.
• FHA loans conform to loan limits set by county; these limits typically range from $294,515 to $679,650 in high-cost areas. You can view the FHA mortgage caps for your county at hud.gov.
• If you get an FHA loan, you must pay an upfront mortgage insurance premium (MIP) and an annual premium of 0.85%. Currently, the MIP is 1.75% of the loan amount — so, $1,750 for a $100,000 loan.
This premium can be paid upfront at the mortgage closing, or it can be rolled into the monthly mortgage payment.

## VA Loans

If you’re in the military, a veteran, or a veteran’s spouse:
• VA loans offer active or retired military (or a veteran’s surviving spouse) a mortgage with a 0% down payment.
• VA loans also can have more lenient credit requirements — typically around a minimum 620 credit score — and lower DTI requirements.
• The VA only allows lenders to charge 1% maximum to cover the costs of originating and underwriting the loan, so you save money at closing. There is, however, an additional upfront, one-time funding fee of 2.15%.
• VA loan eligibility: http://www.benefits.va.gov/homeloans/ VA loans also don’t charge borrowers mortgage insurance — potentially helping you save a significant chunk of cash on your monthly payment.
Given the benefits, a VA loan is often the best mortgage option for people who qualify

## USDA Loans

If your income is limited and you live in a small or rural town:
USDA loans are mortgages for limited-income home buyers in towns with populations of 10,000 or less, or that are “rural in character,” meaning that some areas that now have bigger populations are grandfathered in.
You can see whether your town is eligible on the USDA’s website (https://eligibility.sc.egov.usda.gov)
• Down payments can be as low as 0%.
• USDA mortgages also have more lenient credit score requirements than conventional loans.
• Income limits to qualify depend on location and household size.
• USDA loans charge an upfront mortgage insurance fee of 1% of the loan amount and annual mortgage insurance premium of 0.35%.
• And USDA loan borrowers must buy a “modest home” — a property with a market value deemed reasonable for the area, though the USDA does not set specific price limitations. Only a select number of lenders offer USDA loans.

If your job is to help people:
Niche programs, like **the Neighbor Next Door** htttps://www.hudhomestore.com) from HUD, allow teachers, law enforcement officers, first responders, and government workers — as much as 50% off the list price — on eligible homes in revitalization districts. Note: Downpayment assistance programs offer qualified buyers such things as grants and interest-free loans. Start with your state's housing finance agency (*https://www.ncsha.org/housing-help*) to find options.

## Now You Know the Basics. It's Time to Call for Backup

Speaking of your lender: Ultimately, you'll be working with your loan officer or broker to narrow down these choices, and to find a loan that works for you and your finances. (Just another reason why it's important to choose a lender you're comfortable with.)
Your real estate agent should be able to offer some insight, too. And because they don't earn a paycheck from your loan selection, their advice about mortgages should be impartial

To get **pre-approved**, you must also authorize a lender to pull your credit.
• Borrowers with credit scores of 760 or higher can typically qualify for the lowest interest rates.
• Borrowers with credit scores below 580 can still qualify for FHA loans, but they'll have to make at least a 10% down payment. The lower the score, the tighter the requirements become

## Ah, the offer!

Cinematically speaking, this is the iconic moment — we'd forgive you if you imagined, say, putting a hand on your agent's shoulder and whispering (in your best Vito Corleone) that you're going to make them an offer they can't refuse.

In reality, it's not that simple (or dramatic). Your offer marks the beginning of a back-and-forth between you and the seller, typically with real estate agents advising you both.

The more intentional you are about your offer, the better your chances of making a successful bid. Follow these 10 steps, and you'll be well prepared — that's a true story. ("The Godfather" again. We couldn't resist.)

**Make an Offer Like a Boss**

**These 10 money- and time-saving steps can help you craft a winning bid.**

### 1 Know Your Limits

Your agent will help you craft a winning offer. You can trust your agent's advice on price, contingencies, and other terms of the deal: It's a mutually beneficial relationship. The more collaborative you are with your agent, the more quickly you'll be able to move. But ultimately, it's you who decides what the offer will be — and you who knows what your financial and lifestyle limits are. Buying a home means mixing strong emotions with business savvy, so now is also a good time to reflect on your "musts."

- Have a top limit to your offer price because you're also saving for retirement and love beach vacations? Stick to it.
- Want a vegetable garden or to paint your home's exterior purple? Make sure your homeowners association rules permit it.
- Besides reading HOA rules, find out how much the HOA has in reserves to cover common area repairs. You don't want to be slapped unexpectedly with a special assessment.
- Want a dog-friendly community? Make sure there are no pet weight limits preventing you from cohabitating with your (extra-large) canine bestie

## ② Learn to Speak "Contract"

Essentially, an offer is a contract. The documents and wording vary across the country. In the spirit of due diligence, take time to review sample offer forms before you've found a house (LawDepot.com has purchase agreements for each state). If you're high-maintenance, a real estate attorney can explain the documents to you so you're familiar with their vocabulary when you're ready to pull the trigger on an offer with your agent. Your agent will have offer forms for your state.

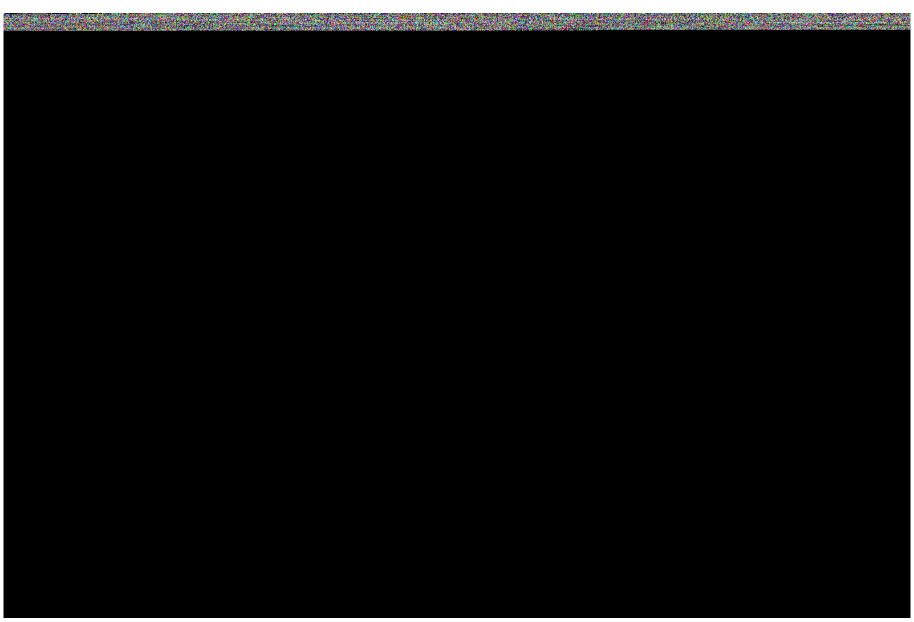
## ③ Set Your Price

Homes always have a listing price. Think of it as the seller's opening bid in your negotiation to buy a home. As the buyer, your offer will include an offer price. This is the first thing home sellers look at when they receive a bid. Your agent will help you determine whether the seller's listing price is fair by running comps (or comparables), a process that involves comparing the house you're bidding on to similar properties that recently sold in the neighborhood. Several factors can also affect your bargaining position and offer price. For example, if the home has been sitting on the market for a while, or you're in a buyer's market where supply exceeds demand, the seller may be willing to accept an offer that's below the list price. Or if the seller has already received another offer on the home, that may impact the price you're willing to offer. Your agent will help you understand the context here.

## ④ Figure Out Your Down Payment

To get a mortgage, you have to make a down payment on your loan. For conventional loans (as opposed to government loans), making a 20% down payment enables borrowers to avoid having to pay private mortgage insurance (PMI), a monthly premium that protects the lender in case the borrower defaults on the loan.
But 20% isn't always feasible — or even necessary. In fact, the median down payment was 10% in 2017, according to the National Association of REALTORS®. Your lender will help you determine what the best down payment amount is for your finances. Depending on the type of loan you get, you may even be able to put down as little as 0% on your mortgage. You might qualify for one of the more than 2,400 down payment assistance programs nationwide. Many of them make funds available to households earning as much as 175% of area median income. In other words, middle-income households.

And the savings can be substantial: Home buyers who use down payment assistance programs save an average of $17,766 over the life of their loan, according to real estate resource RealtyTrac. Find out more about down payment assistance programs (https://downpaymentresource.com) in your state. You can use an online mortgage calculator to see how different down payments would affect your mortgage premiums and how much you'll pay in interest

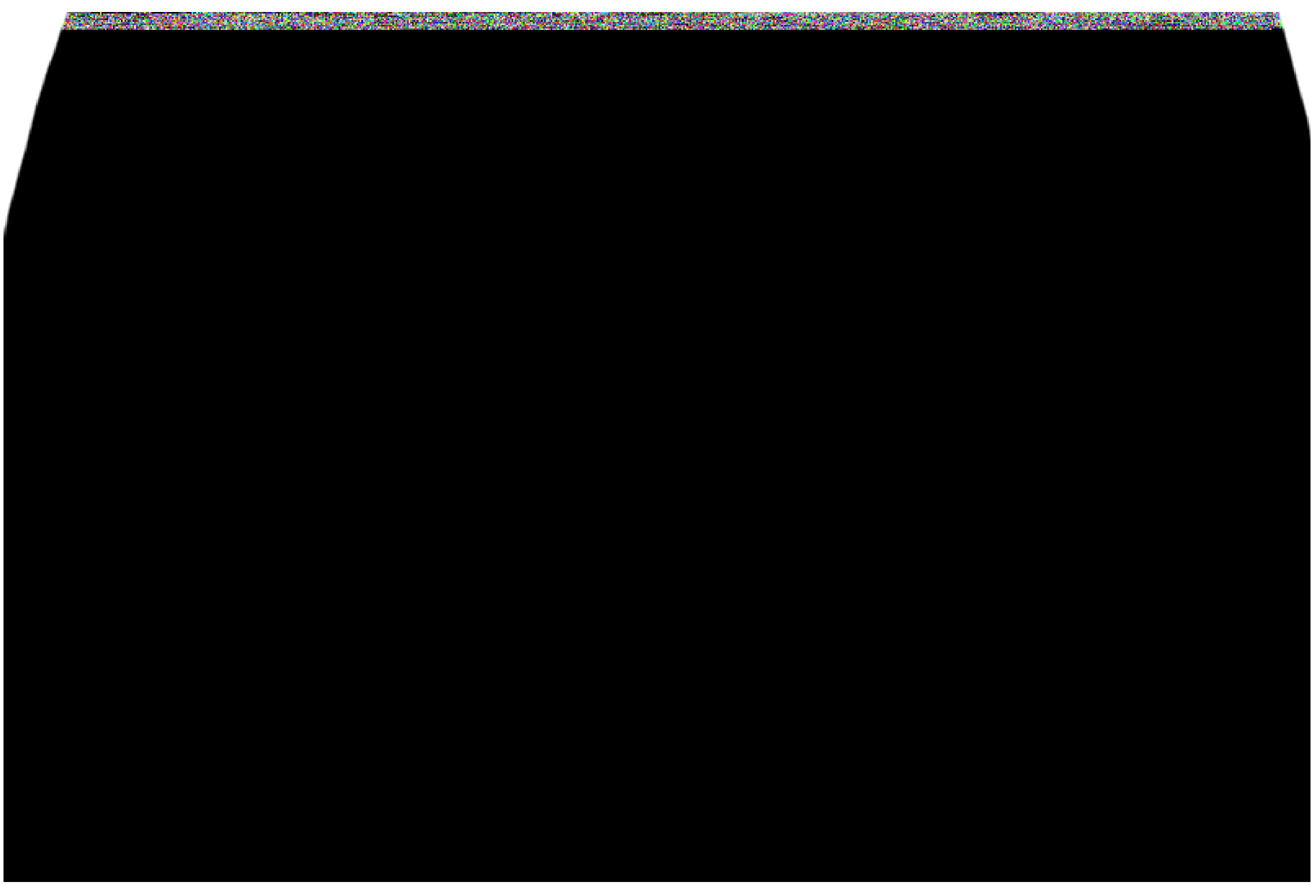


## ⑤ Show the Seller You're Serious: Make a Deposit

An EMD – short for earnest money deposit – is the sum of money you put down as evidence to the seller that you're serious (read: earnest) about buying the house. If the seller accepts your offer, the earnest money will go toward your down payment at closing. However, if you try to back out of the deal, you might have to forfeit the cash to the seller.

A standard EMD is 1% to 3% of the sales price of the home (so, that would be $2,000 to $6,000 on a $200,000 loan). But depending on how hot the market is where you live, you may want to put down more earnest money to compete with other offers.

In most cases, the title company is responsible for holding the earnest money in an escrow account. In the event the deal falls through, the title company will disperse the funds appropriately based on the terms of the sales contract. Title companies also check for defects or liens on a seller's title to make sure it can be transferred cleanly to you



## 6 Review the Contingency Plans

Most real estate offers include contingencies — provisions that must be met before the transaction can go through, or the buyer is entitled to walk away from the deal with their EMD. For example, if an offer says, "This contract is contingent upon a **home inspection**," the buyer has a set number of days after the offer is accepted to do an inspection of the property with a licensed or certified home inspector.

If something is wrong with the house, the buyer can request the seller to make repairs. But most repairs are negotiable; the seller may agree to some, but say no to others. Or the seller can offer a price reduction, or a credit at closing, based on the cost of the repairs. This is where your real estate agent can offer real value and counsel on what you should ask the seller to fix.

Just remember to keep your eye on the big picture. If you and the seller are bickering over a $500 repair to the hardwood floors, keep in mind that's a drop in the bucket in relation to the size of the bid.

In addition to the aforementioned home inspection contingency, other common contingencies include:

- A **financing contingency**, which gives home buyers a specified amount of time to get a loan that will cover the mortgage.
- An **appraisal contingency**, where a third-party appraiser hired by the lender evaluates the fair-market value of the home to ensure the home is worth enough money to serve as collateral for the value of the mortgage.
- A **clear title contingency**, where the buyer's title company verifies that the seller is the sole owner of the property and can legally convey ownership to the buyer.
- A **home sale contingency**, where the transaction is dependent on the sale of the buyer's current home.

Though contingencies can offer protection to buyers, they can also make offers less appealing to the seller because they give buyers legal ways to back out of the sale without any financial repercussions. So, if you're going up against multiple offers, making an offer with fewer contingencies can potentially give you an edge over the competition. In other words: A chill offer is an attractive offer. But keep in mind you have to be comfortable with the risks that come with this strategy. If you don't have a financing contingency, for example, and you can't get a mortgage, you'd likely lose your earnest money deposit since you're on the hook. (An outcome that's decidedly un-chill for you.)

## 7 Read the Fine Print About the Property

The sales contract states key information about the property, such as the address, tax ID, and the types of utilities: public water or private well, gas or electric heating, and so on. It also includes a section that specifies what personal property and fixtures the seller agrees to leave behind, like appliances, lighting fixtures, and window shades. The seller provides prospective buyers with a list of these items before they submit an offer. This can be another area of negotiation.Carefully reviewing the property description also helps you know, for example, if the seller plans to take that
unattached kitchen island with them when they move. (Stranger things have happened.)

## 8 Make a Date to Settle

A 30- to 60-day settlement period is common because it gives the typical home buyer time to complete a title search and obtain mortgage approval, but settlement periods can vary. Some sellers, for example, prefer a longer period so they have more time to move or look for their next house. Being flexible, with respect to the closing date, could give you more negotiating power in another area of the deal.
One thing that's the same no matter where you live is that you'll have a three-day period prior to settlement to review the Closing Disclosure, or CD — a five-page form that states your final loan terms and closing costs. Once the sales contract is signed, the parties can change the settlement date if they both sign an addendum specifying the new day.

## Brace Yourself for a Counteroffer

If you're making a lowball bid or going up against multiple offers, the seller may decide to make you a counteroffer — a purchase agreement with new terms, such as a higher sales price or fewer contingencies. At that point, it's up to you to accept the new contract, make your own counteroffer to the sellers, or walk away.Don't panic: The next part of our guide walks you through the counteroffer process, and it offers strategies to give you more negotiating power.

**8 SIMPLE RULES FOR**
**Negotiating Your Offer and Getting That House**
**You and your agent are going to use everything you've learned to seal the deal**

*Here's the dream:*

Your offer is perfect, you don't need to negotiate, and you can spend the next few weeks addressing more pressing home-ownership questions, like "Why is it called wainscoting?" and "Do I want a new couch in blush or emerald green?"

And it could happen. Many sellers accept the best offer they receive, and for a variety of reasons.But sellers are also known to reject offers for a variety of reasons. Or make counteroffers. This is especially likely if you bid low, or when you're up against multiple competing offers. If you do receive a counteroffer, it's up to you to decide whether you want to accept the new contract, negotiate the terms, or walk away.

In cases such as these, look to your agent. He or she is your spirit guide. If you decide you want to negotiate — that is, make a counteroffer to the seller's counteroffer — your agent will use their negotiating skills to help get you the best deal. This is what agents do every day.

But you're not just going to sit there. If you understand what negotiating tactics your agent may deploy — they depend on the local market and your position — you can back them up. And cheer them on.

**Here are eight rules every buyer should know before they — and their agent — start negotiating:**

When you receive a counteroffer, you should respond quickly — ideally within 24 hours. The longer you wait, the more space you leave for another buyer to swoop in and nab the property. Also? If a seller senses hesitation, they may decide to withdraw their counteroffer before you even have a chance to respond.

## #2 Raise Your Price (Within Reason)

While you obviously don't want to overpay for a house, you may have to up the ante — especially if you initially made a lowball offer. Lean on your agent's expertise to determine how much money you should add to the sales price to make it more enticing to the seller.
Then, through their powers of persuasion, your agent can make the counteroffer look even more attractive by pointing out similarly priced "comps" — recently sold homes in your area that are comparable in terms of square footage and features. As your agent negotiates, it can feel like things are escalating quickly. It's stressful. You may feel a sudden urge to do whatever it takes to win.

Before you go overboard, there are two things you must keep in mind:
1. You can't exceed the monetary confines of the pre-approved mortgage you received from your lender.
2. You shouldn't overextend your budget.

Because your counteroffer has to be an amount you're comfortable spending on a home. You want that new house and to keep living your life. Plus: You're not out of options yet.

## #3 Increase Your Earnest Money Deposit

Increasing your earnest money deposit (EMD) — the sum of money you put down to prove to the seller you're serious (i.e., "earnest") about buying the house — is another way to show the seller you have more skin in the game. A standard EMD is typically 1% to 3% of the sales price of the home. Making a counteroffer with a 3% to 4% deposit could be what you need to persuade the seller to side with you.

## #4 Demonstrate Patience About Taking Possession

Depending on the seller's timetable, changing your proposed possession date – the date you take over the property – could butter them up, too. If the seller wants to stay in the home for a few days after closing, try offering a later possession date. You could also draw up a "rent-back" agreement, meaning the seller pays you rent for staying in the home for a set period of time after the closing date.

## #5 Let Go of a Few Contingencies – With Care

*Want to give your counteroffer an even bigger boost?*

Reduce the number of contingencies you're asking for. It's your way of saying, "Hey, look, I have fewer ways to back out," which gives the seller more reassurance that the deal will close.

But be selective: Some contingencies are too important to give up. A home-inspection contingency – the right to have a home inspection and request repairs – gives you an out if you spot major problems with the home (and protects you from buying a total money pit).

You might waive a termite inspection if you're in a state where the risk is lower. But ultimately, waiving contingencies depends on your market, your loan program requirements, your risk tolerance, and the circumstances of the house in question. And if you waive contingencies and then you find a problem, the seller isn't responsible for fixing it.

## #6 Ask for Fewer Concessions

At a mortgage settlement, home buyers have to pay closing costs for taxes, lender's fees, and title company fees. Closing costs vary by location, but you can expect to shell out between 3% and 4% of the home's sales price. The seller pays an additional 1% to 3%. (SmartAsset.com and Nerdwallet.com have simple calculators you can use to get a rough idea of what your closing costs might be.)

When making an initial offer, you have the option to ask the seller for concessions – a settlement paid in cash to help you offset your share of the closing costs. (This move is less feasible if you're going up against multiple offers.) Concessions effectively lower the seller's net proceeds from the sale. Making a counteroffer that removes the concessions you would have otherwise received at settlement puts cash back in the seller's pocket – and can improve your bid.

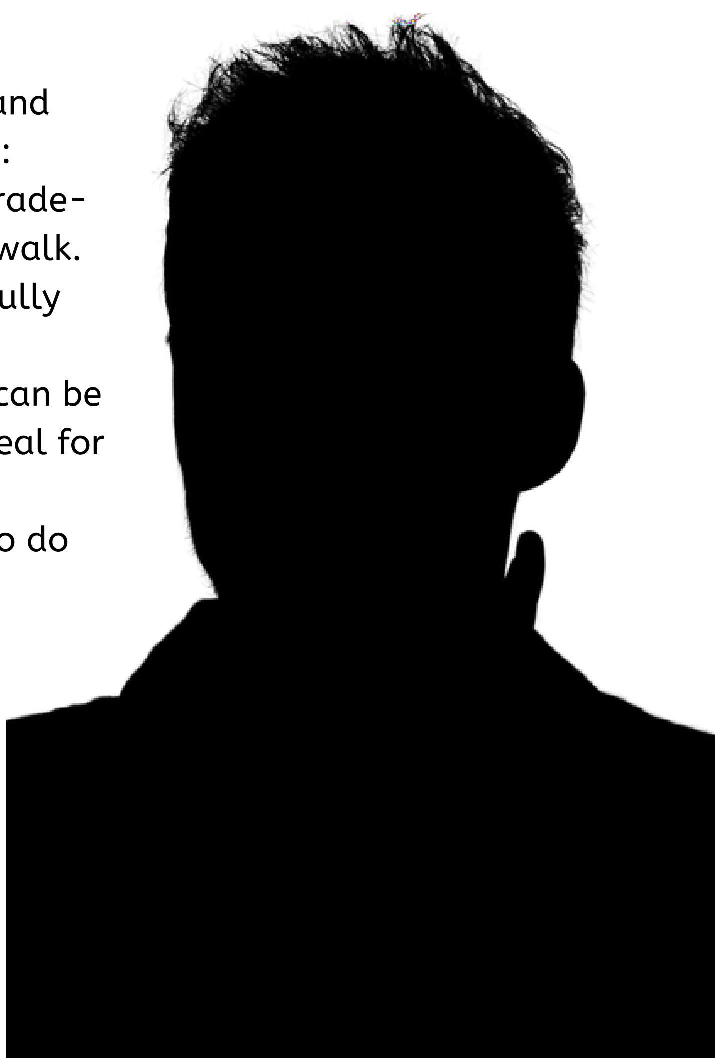
## #7 Pick Up the Cost of the Home Warranty

Sometimes sellers offer prospective buyers a home warranty. This is a plan that covers the cost of repairing major home appliances and systems, like the air conditioner or hot water heater, if they break down within a certain period (typically a year after closing).

A basic home warranty costs about $300 to $600 a year, according to Angie's List. If it seems like waiving the home warranty can sweeten negotiations, but you still want the peace of mind of having one, tell the seller they don't need to cover it — then buy it yourself.
Just keep in mind, whether you or the seller buy the warranty, you'll need to pay the service fee (typically between $50 and $100) if something does, indeed, need to be repaired while under warranty.
Also, FYI: A home warranty is entirely separate from homeowners insurance. Homeowners insurance — the security blanket that covers your home's structure and possessions in the event of a fire, storm, flood, or other accident — is required if you take out a mortgage. It can cost anywhere from $300 to $1,000 per year.

## #8 Know When to Walk

When negotiating with a seller, trust your gut — and your agent. If he or she says a deal is bad for you: Listen. And if you don't want to make any more trade-offs — and the seller won't budge — it's smart to walk. That can be a tough decision to make, and rightfully so! Negotiating is tough. It's draining.
And losing something you've worked hard to get can be disappointing. But don't worry. There's a better deal for you out there. And after those strong feelings of frustration pass, you'll realize: Now I know how to do this.



## WHAT TO EXPECT
## During a Home Inspection

*From finding an inspector to dealing with surprises — this is your guide to getting a house checked out*

The first thing you need to know about home inspection: You'll feel all the feels
There's the excitement — the inspection could be the longest time you're in the house, after the showing.
Right behind that comes … anxiety. What if the inspector finds something wrong? So wrong you can't buy the house?
Then there's impatience. Seriously, is this whole home-buying process over yet?
Not yet. But you're close. So take a deep breath. Because the most important thing to know about home inspection: It's just too good for you, as a buyer, to skip. Here's why

### A Home Inspector Is Your Protector

An inspector helps you make sure a house isn't hiding anything before you commit for the long haul. (Think about it this way: You wouldn't even get coffee with a stranger without checking out their history.)
A home inspector identifies any reasonably discoverable problems with the house (a leaky roof, faulty plumbing, etc.). Hiring an inspector is you doing your due diligence. To find a good one (more on how to do that soon), it helps to have an understanding of what the typical home inspection entails

An inspection is all about lists. Before an inspection, the home inspector will review the seller's property disclosure statement. (Each state has its own requirements for what sellers must disclose on these forms; some have stronger requirements than others.) The statement lists any flaws the seller is aware of that could negatively affect the home's value.The disclosure comes in the form of an outline, covering such things as:

- Mold
- Pest infestation
- Roof leaks
- Foundation damage
- Other problems, depending on what your state mandates

During the inspection, an inspector has three tasks -- to: 1. Identify problems that he or she can see 2. Suggest fixes 3. Prepare a written report, usually with photos, noting observed defects This report is critical to you and your agent — it's what you'll use to request repairs from the seller. (We'll get into how you'll do that in a minute, too.)

## The Inspector Won't Check Everything

Generally, inspectors only examine houses for problems that can be seen with the naked eye. They won't be tearing down walls or using magical X-ray vision, to find hidden faults.Inspectors also won't put themselves in danger. If a roof is too high or steep, for example, they won't climb up to check for missing or damaged shingles. They'll use binoculars to examine it instead.

They can't predict the future, either. While an inspector can give you a rough idea of how many more years that roof will hold up, he or she can't tell you exactly when it will need to be replaced. Finally, home inspectors are often generalists. A basic inspection doesn't routinely include a thorough evaluation of:

- Swimming pools
- Wells
- Septic systems
- Structural engineering work
- The ground beneath a home
- Fireplaces and chimneys

When it comes to wood-burning fireplaces, for instance, most inspectors will open and close dampers to make sure they're working, check chimneys for obstructions like birds' nests, and note if they believe there's reason to pursue a more thorough safety inspection. If you're concerned about the safety of a fireplace, you can hire a certified chimney inspector for about $125 to $325 per chimney; find one through the Chimney Safety Institute of America (https://www.csia.org).

## It’s Your Job to Check the Inspector

Now you’re ready to connect with someone who’s a pro at doing all of the above. Here’s where — once again — your real estate agent has your back. He or she can recommend reputable home inspectors to you.
In addition to getting recommendations (friends and relatives are handy for those, too), you can rely on online resources such as the American Society of Home Inspectors’ (ASHI) Find a Home Inspector tool (https://www.homeinspector.org/), which lets you search by address, metro area, or neighborhood.

You’ll want to interview at least three inspectors before deciding whom to hire. During each chat, ask questions such as:

• Are you licensed or certified? Inspector certifications vary, based on where you live. Not every state requires home inspectors to be licensed, and licenses can indicate different degrees of expertise.
• How long have you been in the business? Look for someone with at least five years of experience — it indicates more homes inspected.
• How much do you charge? The average home inspection costs about $315. For condos and homes under 1,000 square feet, the average cost is $200. Homes over 2,000 square feet can run $400 or more. (Figures are according to HomeAdvisor.com.)
• What do you check, exactly? Know what you’re getting for your money.
• What don’t you check, specifically? Some home inspectors are more thorough than others.
• How soon after the inspection will I receive my report? Home inspection contingencies require you to complete the inspection within a certain period of time after the offer is accepted — normally five to seven days — so you’re on a set timetable. A good home inspector will provide you with the report within 24 hours after the inspection.
• May I see a sample report? This will help you gauge how detailed the inspector is and how he or she explains problems.

Sometimes you can find online reivews of inspectors on sites like Angie’s List and Yelp, too, if past clients’ feedback is helpful in making your decision

## Show Up for Inspection (and Bring Your Agent)

If the seller agrees to make all of your repair requests:
He or she must provide you with invoices from a licensed contractor stating that the repairs were made. Then it’s full steam ahead toward the sale

It’s inspection day, and the honor of your — and your agent’s — presence is not required, but highly recommended. Even though you’ll receive a report summarizing the findings later on, being there gives you a chance to ask questions, and to learn the inner workings of the home.

Block out two to three hours for the inspection. The inspector will survey the property from top to bottom. This includes checking water pressure; leaks in the attic, plumbing, etc.; if door and window frames are straight (if not, it could be a sign of a structural issue); if electrical wiring is up to code; if smoke and carbon monoxide detectors are working; if appliances work properly. Outside, he or she will look at things like siding, fencing, and drainage

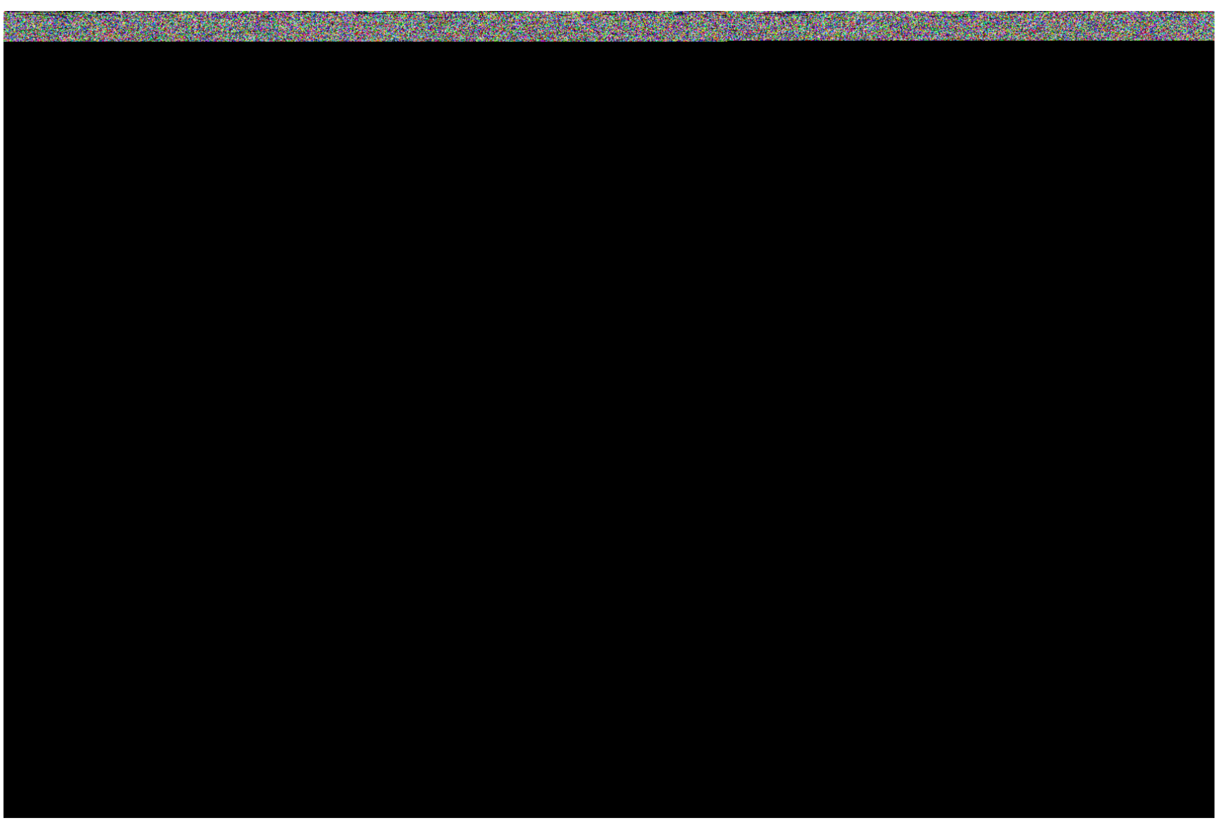
## Get Ready to Negotiate

Once you receive the inspector’s report, review it with your agent.
Legally, sellers are required to make certain repairs. These can vary depending on location. Most sales contracts require the seller to fix:
• Structural defects
• Building code violations
• Safety issues
Most home repairs, however, are negotiable. Be prepared to pick your battles: Minor issues, like a cracked switchplate or loose kitchen faucet, are easy and cheap to fix on your own. You don’t want to start nickel-anddiming the seller.
If there are major issues with the house, your agent can submit a formal request for repairs that includes a copy of the inspection report. Repair requests should be as specific as possible. For instance: Instead of saying “repair broken windows,” a request should say “replace broken window glass in master bathroom.

If the seller agrees to make all of your repair requests:
He or she must provide you with invoices from a licensed contractor stating that the repairs were made. Then it’s full steam ahead toward the sale

If the seller responds to your repair requests with a counteroffer:
He or she will state which repairs (or credits at closing) he or she is willing to make. The ball is in your court to either agree, counter the seller’s counteroffer, or void the transaction. At the end of the day, remember to check in with yourself to see how you’re feeling about all of this. You need to be realistic about how much repair work you’d be taking on. At this point in the sale, there’s a lot of pressure from all parties to move into the close. But if you don’t feel comfortable, speak up.
The most important things to remember during the home inspection? Trust your inspector, **trust your gut**, and lean on your agent — they likely have a lot of experience to support your decision-making

***That’s something to feel good about.***



# HEY, BUYERS:
# These Home Appraisal Tips Are for You
## What to expect, when to negotiate, and how to deal when things don't go your way.

Most people have deeply personal reasons for wanting to buy a home. Maybe it's the bathroom that feels like a dreamy, modern spa. Or that two-tiered deck just made for parties.

Your lender doesn't care about the freestanding tub. Or the built-in outdoor fire pit. Their only concern is that the house you buy is worth as much as the value of your mortgage. To them, a house isn't a home. It's collateral. (Harsh, but true.) If someday, for some reason, you can't make your mortgage payments, the lender can foreclose on the home and sell it to recoup all or some of its costs. (Even harsher, but also true.)

For that reason, a home must be valued at, or above, the agreed-upon purchase price, and this has to happen before you can close on a house.

That's where a home appraiser comes in.

## A Home Appraiser Is Neutral (Like Switzerland)

After you sign a home purchase agreement (the contract between you and the seller about the terms of the pending sale), and before your lender approves your loan, the home you're buying must pass an appraisal — an assessment of the property's value by an unbiased third party: the appraiser.

An appraiser is a state-licensed or -certified professional. Their job is to assess an opinion of value — how much a house is worth. The appraiser is on no one's side. They don't represent you or the seller; instead, this person is a contractor chosen by your lender through an appraisal management company (AMC), a separate, neutral entity that maintains a roster of appraisers.

Appraisers survey a house in person, using five main criteria to determine the value of a home:

- Location
- Age
- Condition
- Additions or renovations
- Recent sales of comparable homes

## Be Prepared to Pay for the Appraisal — or to Negotiate

Generally speaking, the home buyer is responsible for paying for the appraisal — and the fee is typically wrapped into your closing costs. However, who pays for appraisal is negotiable. It never hurts to see if the seller is willing to cover it. How much money are we talking about? The average professional home appraisal will run between $287 and $373, according to estimates by the home-professionals resource HomeAdvisor.com. Costs can vary depending on the square footage and quirks of the house, with higher appraisal prices for larger or more unique homes.

## Appraisals Take a While, So Be Patient

Typically, a purchase agreement has a “home appraisal contingency” requiring that the appraisal be completed within 14 days of the sales contract being signed. Because it takes appraisers some time to visit your house and write a report — up to a week, or longer in a busy housing market — your lender will order the appraisal immediately after you sign the purchase agreement.

# So, You Have a Valuation. Here's What It Means — and What to Do Next....

When the appraisal is finished, the appraiser issues a written report with his or her opinion of the value of the home. To produce the report, they use their analysis of the property and data from comparable homes, as well as review the purchase offer. The report will outline their methodology and also include photographs that they've taken of the property, inside and out.

You and your lender will both receive a copy of the report. Three things could happen next:

• If the appraiser's valuation matches the price you and the seller agreed to for the home: Your lender will proceed to underwrite your loan. Great news: This is the final step in your loan-getting process!

• If the appraiser's valuation is higher than what you're paying for the home: Congratulations! You've gained immediate equity. How, you ask? Let's say, for example, you're paying $200,000 for the house. If the appraiser says it's worth $250,000 — jackpot. That's an instant $50,000 in equity. (Keep in mind, this is very rare.)

• If the appraisal is lower than what you've agreed to pay for the home: Your lender won't give you a loan for more than the appraised value. If you and the seller agreed on $200,000, for example, but the appraisal is $190,000, that creates a $10,000 shortfall. So what happens next?

Don't despair — not yet. If you're faced with a low appraisal, there are several ways the deal can still go through...

## If an Appraisal Is Low, You Can Still Make It Work

Before we talk strategy, some reasons why appraisals come in lower than expected:
• The seller overvalued the price of the home.
• The appraiser isn't familiar with the neighborhood.
• The appraiser overlooked pending sales data.
• The appraiser had trouble finding comparable homes, or missed comparable homes, so they compared your home with properties outside the neighborhood.
• Home prices in the area are changing so fast that the listing agent's price no longer reflects the market.
• The appraiser rushed the job.

If the appraisal comes in low, your agent will offer recommendations about how to proceed. In general, your best strategy is to persuade the seller to lower the sales price, or to split the difference between the home's appraised value and the price with you. This is when you can rely on your agent — and their negotiating skills — to go to bat for you.

You can also appeal the appraisal assessment. You'll work with your agent to research comparable homes that support the sales price you agreed upon with the seller and present this information to your lender, who will forward it to the appraiser for a re-evaluation of the home's value. Ultimately, though, it's up to the appraiser to decide whether to revise their valuation of the property.Alternately, you can ask your lender for a second appraisal, though there are caveats:You'll have to pay for it out of pocket (or persuade the seller to foot the bill). You're more likely able to challenge an appraisal for a conventional loan than a government loan. And you'd need solid facts to back it up in either case. There's no guarantee that it will be higher and meet the sales price.The last option: You can come up with the cash yourself to cover the difference between the home's price and the appraised value.

If you don't want to take that route (and who could blame you?), a purchase agreement's home appraisal contingency gives you the ability to walk away from the deal scot-free, and with your earnest money deposit in hand.
But today, let's assume it all works out.

With the appraisal behind you, you'll be one step closer to closing on that house

# I N   C LO S I N G :
## How to Seal the Home-Buying Deal
## Sign that paperwork. Write those checks. Get those keys

The closing. It all comes down to this. The grand finale.

***Once you have the keys, the house is yours. (Cue: Air horn sound!***

Nice work getting this far. You're almost a homeowner! Let's run through some questions you may have as you cross the finish line

### What Does "Closing" Mean?

The close or settlement is when you sign the final ownership and insurance paperwork and get the home's keys.The closing process technically begins when you have signed a purchase and sale agreement. That agreement should specify a closing date. Typically — from the signing date to the closing date — closing takes four to six weeks. During this time, purchasing funds are held in escrow, where your money is safe until the deal is officially done.

### What's a Closing Disclosure?

Lenders must provide borrowers with a Closing Disclosure, or CD, at least three days before settlement. This form is a statement of your final loan terms and closing costs.

You have three days to review the CD. Compare it to the Loan Estimate you received shortly after you applied for the loan. For info on Closing Disclosures and Loan Estimates and to find sample forms, visit: (https://www.consumerfinance.gov.) The point of this formal review process is to ensure there are no surprises at the closing table. If there's a significant discrepancy between the Loan Estimate and CD, notify your lender and title company immediately. Depending on what the underlying issue is, the closing has to stop and a new closing disclosure must be sent out  with a new three-day review period.  There are a couple things on the LE that can't change by the time you get the CD — namely interest rate and lender fees.Some items can change by only 10% (fees paid to local government to record the mortgage might be one); and others can change without limit, like prepaid interest, because it can't be predicted at the start of the loan process.

## When Will the Final Walk-Through Happen

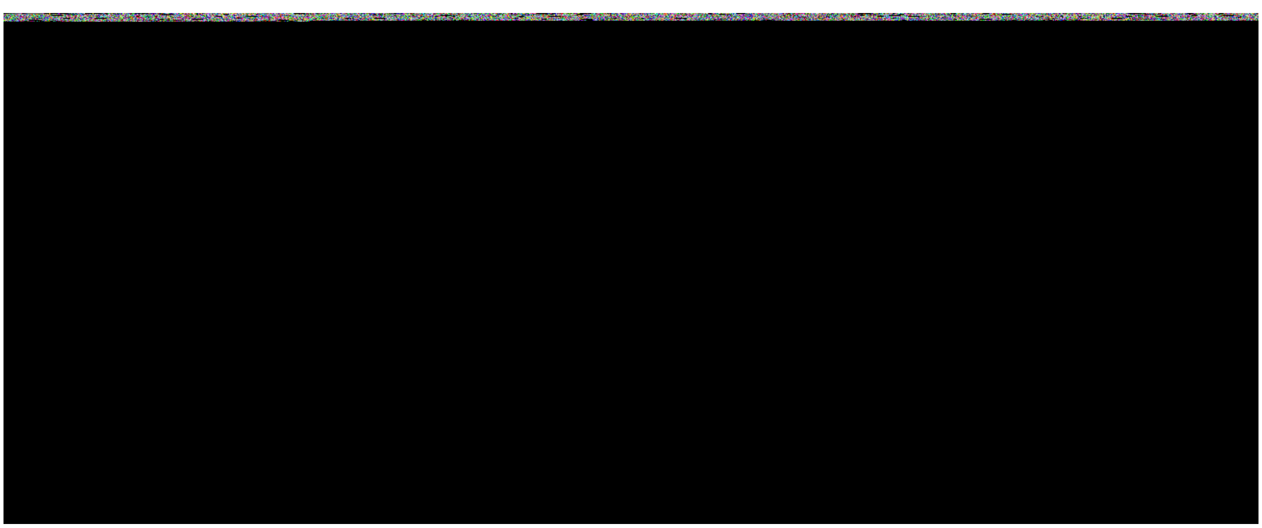
Most real estate sale contracts allow the buyer to walk through the home within 24 hours of settlement to check the property's condition. During this final inspection, which usually takes about an hour, you and your agent will make sure any repair work that the seller agreed to make has been completed.

During the walk-through, you'll also double-check that everything in the house is in good working order. Be sure to:

- Run water in all the faucets and check for leaks under sinks.
- Test appliances.
- Check the garage door opener.
- Flush toilets.
- Open and close all doors.
- Run the garbage disposal and exhaust fans.

If the home is in good shape — woo-hoo! Your next stop is the closing table. If anything is amiss, your agent will contact the listing agent and, in most cases, negotiate to get the seller to compensate you at closing — typically in the form of a personal check — for the costs of fixing the problems yourself.

Worst-case scenario: You have to delay closing to resolve problems. In the unlikely event that happens, your agent will help you address the issue.



## Who's Invited to The Closing?

Certain people will be there. Who, exactly, depends on your state. Typically, you will be joined by:

- Your agent
- The seller
- The seller's agent
- A title company representative
- Your loan officer
- Any real estate attorneys involved in the transaction

The closing usually takes place at the title company, attorney's office, or the buyer's or seller's agent's real estate office. FYI: Some states, like California, don't require an in-person, sit-down closing because they've enacted  legislation that allows for electronic closings with remote notaries.
Nonetheless, as the home buyer, you'll have to sign what might seem like a mountain of paperwork — including  the deed of trust, promissory note (promising the lender you'll pay back the loan), and other documents. That cramp in your wrist will be worth it once everything is done

## How Much Will I Pay for Closing Costs?

If you've heard people vent frustration with the process of buying a home, then you've likely heard complaints about unexpected costs at closing. Let's unpack what you should expect so you're not surprised, too. Closing costs can vary widely by location and your home's purchase price. Costs are split between you and the seller, but as the buyer you'll cover the lion's share. You can generally expect your closing costs to be 3% to 4% of the home's sales price. So, on a $300,000 home, you can pay anywhere from $9,000 to $12,000 in closing costs. (Meanwhile, the seller typically pays closing costs of 1% to 3% of the sales price.)
You can try to predict closing costs with calculators like Nerdwallet's, which lets you plug in your mortgage details to get a rough estimate of what your costs will be.

Closing fees often include (but are not limited to):
- Commission for the buyer's agent and seller's agent
- A loan application fee
- An origination fee, which lenders charge for processing your loan
- The appraisal fee
- A fee for pulling your credit report
- An underwriting fee, which covers the lender's costs of researching whether to approve you for the loan
- A title search fee
- Property taxes, which are due within 60 days of the purchase
- A recording fee for filing a public land record with the courthouse

These fees are a bummer. The bright side: Almost all of them are one-time deals.

## What Should I Bring? (Other than Champagne?)

At the closing you should have:

- A government-issued photo ID

Also, talk to your attorney about anything else you might need to bring depending on your state or personal circumstances (such as a separation or divorce decree, should your relationship status affect the closing)

## What Is Title Insurance and Why Do I Need It?

Every lender requires borrowers to purchase title insurance — a policy that protects you and the lender from outside claims of ownership of the property. Wait, you may be asking, some random person could show up and claim they own the house? Sounds crazy, but it happens.

Let's say a previous owner didn't pay all of their property taxes. Because those taxes remain against the property, the taxing entity could potentially take your home if you don't have a "clean" title. Title insurance also protects you from ownership claims over liens, fraudulent claims from previous owners, clerical problems in courthouse documents, or forged signatures.

The title company will perform a comprehensive search of deeds, wills, trusts, and public records to trace the property's history and verify that you're becoming the rightful sole owner of the property.

Typically, lenders have a preferred title company they work with, but it's ultimately the buyer's decision as to which title company to use. Your agent could offer a few referrals.

Title insurance comes in two forms:

1. Lender's title insurance, which (no surprise) protects the lender. It's required.

2. Owner's title insurance, which protects you. It's optional but recommended because it covers your interest in the property. If the insurance company loses a battle over the title in the future but you purchased owner's title insurance, you're fully protected. Owner's title insurance will also cover your legal fees if you have to defend your ownership rights in court.

Unlike most insurance policies, such as homeowner's insurance, car insurance, and life insurance, title insurance is paid as a onea-time fee at closing. The average cost of title insurance is about $544 for the lender's policy and about $830 for the homeowner's policy, according to ValuePenguin data. However, costs can vary significantly depending on the home you're buying, where it's located, and how much legwork the title company has to perform

## What If There are Last-Minute Issues? Should I Panic?

For your loan to be approved, it has to go through underwriting. The underwriter's job is to validate all of your financials — confirming that your income, credit, and debt haven't changed since you were pre-approved for the loan — as well as to review the property's characteristics and appraisal. If everything checks out, your mortgage will be approved.
If something goes wrong during underwriting though, you'll have to address the problem before you can close on the home. Let's say your credit score dropped because you recently purchased a car with an auto loan, or maxed out your credit cards.This isn't necessarily dire, but you may need to delay closing as you work with your
lender to take steps to raise your score. (Also, for that reason, it's a good idea to hold off on big purchases, avoid overusing a credit line, and doing really anything that could result in a credit inquiry until after the closing.

## OK — Can I Celebrate Now?

If you've made it through close ... **YES!** Once you've climbed that mountain of paperwork and have those keys in your hands, you now officially, finally own a home.

Congratulations! You put in a lot of hard work — including to build relationships with your agent, your lender, and other experts along the way

Now it's time to start investing in other relationships. Like with your new neighbors :)

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