



The Buyer Guidebook

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INTERNATIONAL REALTY

WHAT TO KNOW 7 REASONS TO WORK WITH A REALTOR®

REALTORS® aren't just agents. They're professional members of the National Association of REALTORS® and subscribe to its strict code of ethics. This is the REALTOR® difference for home buyers:

1. ETHICAL TREATMENT.

Every REALTOR® must adhere to a strict code of ethics, which is based on professionalism and protection of the public. As a REALTOR®'s client, you can expect honest and ethical treatment in all transaction-related matters. The first obligation is to you, the client.

2. AN EXPERT GUIDE.

Buying a home usually requires dozens of forms, reports, disclosures, and other technical documents. A knowledgeable expert will help you prepare the best deal, and avoid delays or costly mistakes. Also, there's a lot of jargon involved, so you want to work with a professional who can speak the language.

3. OBJECTIVE INFORMATION AND OPINIONS.

REALTORS® can provide local information on utilities, zoning, schools, and more. They also have objective information about each property. REALTORS® can use that data to help you determine if the property has what you need. By understanding both your needs and search area, they can also point out neighborhoods you don't know much about but that might suit your needs better than you'd think.

4. EXPANDED SEARCH POWER.

Sometimes properties are available but not actively advertised. A REALTOR® can help you find opportunities not listed on home search sites and can help you avoid out-of-date listings that might be showing up as available online but are no longer on the market.

5. NEGOTIATION KNOWLEDGE.

There are many factors up for discussion in a deal. A REALTOR® will look at every angle from your perspective, including crafting a purchase agreement that allows enough time for you to complete inspections and investigations of the property before you are bound to complete the purchase.

6. UP-TO-DATE EXPERIENCE.

Most people buy only a few homes in their lifetime, usually with quite a few years in between each purchase. Even if you've done it before, laws and regulations change. REALTORS® handle hundreds of transactions over the course of their career.

7. YOUR ROCK DURING EMOTIONAL MOMENTS.

A home is so much more than four walls and a roof. And for most people, property represents the biggest purchase they'll ever make. Having a concerned, but objective, third party helps you stay focused on the issues most important to you.

VOCABULARY AGENCY & AGENCY RELATIONSHIPS

The term “agency” is used in real estate to help determine what legal responsibilities your real estate professional owes to you and other parties in the transaction.

The buyer’s representative (also known as a buyer’s agent) is hired by prospective buyers and works in the buyer’s best interest throughout the transaction. The buyer can pay the agent directly through a negotiated fee, or the buyer’s rep may be paid by the seller or through a commission split with the seller’s agent.

The seller’s representative (also known as a listing agent or seller’s agent) is hired by and represents the seller. All fiduciary duties are owed to the seller, meaning this person’s job is to get the best price and terms for the seller. The agency relationship usually is created by a signed listing contract.

A subagent owes the same fiduciary duties to the agent’s customer as the agent does. Subagency usually arises when a cooperating sales associate from another brokerage, who is not the buyer’s agent, shows property to a buyer. The subagent works with the buyer to show the property but owes fiduciary duties to the listing broker and the seller. Although a subagent cannot assist the buyer in any way that would be detrimental to the seller, a buyer customer can expect to be treated honestly by the subagent.

A disclosed dual agent represents both the buyer and the seller in the same real estate transaction. In such relationships, dual agents owe limited fiduciary duties to both buyer and seller clients. Because of the potential for conflicts of interest in a dual-agency relationship, all parties must give their informed consent. Disclosed dual agency is legal in most states, but often requires written consent from all parties.

Designated agents (also called appointed agents) are chosen by a managing broker to act as an exclusive agent of the seller or buyer. This allows the brokerage to avoid problems arising from dual-agency relationships for licensees at the brokerage. The designated agents give their clients full representation, with all of the attendant fiduciary duties.

A transaction broker (sometimes referred to as a facilitator) is permitted in states where nonagency relationships are allowed. These relationships vary considerably from state to state. Generally, the duties owed to the consumer in a nonagency relationship are less than the complete, traditional fiduciary duties of an agency relationship.

HOW TO PREPARE FOR HOUSE-HUNTING

KNOW THAT THERE'S NO "RIGHT" TIME TO BUY.
If you find the perfect home now, don't risk losing it because you're trying to guess where the housing market and interest rates are going. Those factors usually don't change fast enough to make a difference in an individual home's price.

DON'T ASK FOR TOO MANY OPINIONS.
It's natural to want reassurance for such a big decision, but too many ideas from too many people will make it much harder to make a decision. Focus on the wants and needs of the people who will actually be living in the home.

ACCEPT THAT NO HOUSE IS EVER PERFECT.
If it's in the right location, the yard may be a bit smaller than you had hoped. The kitchen may be perfect, but the roof needs repair. Make a list of your top priorities and focus in on things that are most important to you. Let the minor ones go. Also, accept that a little buyer's remorse is inevitable and will most likely pass.

DON'T TRY TO BE A KILLER NEGOTIATOR.
Negotiation is definitely a part of the real estate process, but trying to "win" by getting an extra-low price or refusing to budge may cost you the home you love.

REMEMBER YOUR HOME DOESN'T EXIST IN A VACUUM.
Don't get so caught up in the physical aspects of the house itself that you forget about important issues such as noise level, access to amenities, and other aspects that also have a big impact on your quality of life.

PLAN AHEAD.
Don't wait until you've found a home to get approved for a mortgage, investigate insurance, or consider a moving schedule. Being prepared will make your bid more attractive to sellers.

CHOOSE A HOME FIRST BECAUSE YOU LOVE IT; THEN THINK ABOUT APPRECIATION.
A home is still considered a great investment, but its most important role is as a comfortable, safe place to live.

HOW TO PREPARE TO BUY A HOME

TALK TO MORTGAGE BROKERS.

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

BE READY TO MOVE.

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

FIND A TRUSTED PARTNER.

It's absolutely vital that you find a real estate professional who understands your goals and who is ready and able to guide you through the home buying process.

MAKE A GOOD OFFER.

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

FACTOR MAINTENANCE AND REPAIR COSTS INTO YOUR BUYING BUDGET.

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

THINK AHEAD.

It's easy to get wrapped up in your present needs, but you should also think about reselling the home before you buy. The average first-time buyer expects to stay in a home for around 10 years.

DEVELOP YOUR HOME/NEIGHBORHOOD WISH LIST.

Prioritize these items from most important to least.

SELECT WHERE YOU WANT TO LIVE.

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

CHECKLIST YOUR MORTGAGE APPLICATION

Every lender requires documents as part of the process of approving a mortgage loan. Here are documents you're generally required to provide.

- W-2 Tax returns — or business tax returns if you're self-employed — for the last two or three years for every person signing the loan.
 - At least one pay stub for each person signing the loan.
 - Account numbers of all your credit cards and the amounts for any outstanding balances.
 - Two to four months of bank or credit union statements for both checking and savings accounts.
 - Lender, loan number, and amount owed on installment loans, such as student loans and car loans.
 - Addresses where you've lived for the last five to seven years, with names of landlords if appropriate.
 - Brokerage account statements for two to four months, as well as a list of any other major assets of value, such as a boat, RV, or stocks or bonds not held in a brokerage account.
 - Your most recent 401(k) or other retirement account statement.
 - Documentation to verify additional income, such as child support or a pension.
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WHAT TO KNOW ABOUT HOMEOWNERS INSURANCE

A homeowners insurance policy will protect you against certain losses and damage to your new home and is generally required by lenders prior to closing. Some lenders will collect the money you owe for homeowners insurance as part of your monthly mortgage payment and place it in an escrow account, paying the insurer on your behalf when the bill is due.

COVERAGE EXCLUSIONS:

Most insurance policies do not cover flood or earthquake damage as a standard item. You may need to buy these types of coverage separately.

DOLLAR LIMITATIONS ON CLAIMS:

Even if you are covered for a risk, there may be a limit on how much the insurer will pay. For example, many policies limit the amount paid for stolen jewelry unless items are insured separately.

REPLACEMENT COST:

If your home is destroyed, you'll receive money to replace it only to the maximum of your coverage, so be sure your insurance is sufficient. This means that if your home is insured for \$150,000 and it costs \$180,000 to replace it, you'll still receive only \$150,000.

ACTUAL CASH VALUE:

If you choose not to replace your home when it's destroyed, you'll receive replacement cost minus the depreciation. This is what's referred to as actual cash value.

YOUR LIABILITY:

Generally, your homeowner's insurance covers your liability for accidents that happen to other people on your property, including medical care, court costs, and awards by the court. However, there is usually an upper limit to the amount of coverage provided. Be sure that amount is sufficient, especially if you have significant assets.

WHAT TO KNOW ABOUT TITLE INSURANCE

Title insurance protects your ownership right to your home, both from fraudulent claims against your ownership and from mistakes made in earlier sales, such as misspellings of a person's name or an inaccurate description of the property. In some states it is customary for the seller to purchase the policy on your behalf.

YOUR MORTGAGE LENDER WILL REQUIRE IT.

Title insurance protects the lender (and the secondary markets to which they sell loans) from defects in the title to your home—which could include mistakes made in the local property office, forged documents, and claims from unknown parties. It ensures the validity and enforceability of the mortgage document. The amount of the policy is equal to the amount of your mortgage at its inception. The fee is typically a one-time payment rolled into closing costs.

THERE ARE TWO DIFFERENT POLICIES TO CONSIDER PURCHASING.

The first policy, the one your lender will require, protects the lender's investment. You may also purchase an owner's policy that provides coverage up to the purchase price of the home you are buying.

YOU HAVE THE RIGHT TO CHOOSE YOUR PROVIDER.

You can shop around for a lower insurance premium rate at a wide variety of sites online. You should first request quotes from a few companies and then reach out and speak to them. Ask about hidden fees and charges that could make one quote seem more attractive than another. Also, find out if you're eligible for any discounts. Discounts are sometimes available if the home has been bought within only a few years since the last purchase as not as much work is required to check the title. You can also ask your lender or real estate professional for advice or help with getting quotes. Make sure the title insurance company you choose has a favorable Financial Stability Rating with Demotech Inc.

EVEN NEW CONSTRUCTION NEEDS COVERAGE.

Even if your home is brand-new, the land isn't. There may be claims to the land or liens that were placed during construction that could negatively impact your title.

VOCABULARY TRANSACTION DOCUMENTS

When you walk away from the closing table with a big stack of papers, know what to file away for future reference.

LOAN ESTIMATE

Your lender is required to provide you with this three-page document within three business days of receiving your loan application. It will show estimates for your interest rate, monthly payment, closing costs, taxes, and insurance. You'll also learn how your interest rate and payments could change in the future, and whether you'll incur penalties for paying off the loan early (called "prepayment penalty") or increases to the mortgage loan balance even if payments are made on time (known as "negative amortization").

CLOSING DISCLOSURE

Your lender is required to send this five-page form—which includes final loan terms, projected monthly payments, and closing costs—three business days before your closing. This window gives you time to compare the final terms to those in the Loan Estimate (see above), and to ask the lender any questions before the transaction is finalized.

MORTGAGE AND NOTE

These spell out the legal terms of your mortgage obligation and the agreed-upon repayment terms.

DEED

This document officially transfers ownership of the property. In a cash deal, it goes to you, but otherwise you won't get the deed until you pay off the mortgage.

AFFIDAVITS

These are binding statements by either party. For example, the sellers will often sign an affidavit stating that they haven't incurred any liens on the property.

RIDERS

This word describes any amendments to the sales contract that affect your rights. For example, the sellers may arrange to retain occupancy for a specified period after closing but agree to pay rent to the buyers during that period.

INSURANCE POLICIES

These documents provide a record and proof of your coverage, whether they be insuring the title or the property itself. Homeowners insurance documents will generally be your responsibility, while proof of title insurance will be given to you at the closing table.

CHECKLIST YOUR FINAL WALK-THROUGH

Closing time is hectic, but you should always make time for a final walk-through to make sure that your home is in the same condition you expected it would be. Here's a detailed list of what to check for on your final walk-through.

- Basement, attic, and every room, closet, and crawl space have been checked.
 - Requested repairs have been made.
 - Copies of paid bills and warranties are in hand.
 - No major, unexpected changes have been made to the property since last viewed.
 - All items included in the sale price—draperies, lighting fixtures, etc.—are still on site.
 - Screens and storm windows are in place or stored on site.
 - All appliances are operating (dishwasher, washer/dryer, oven, etc.).
 - Intercom, doorbell, and alarm are operational.
 - Hot water heater is working.
 - Heating and air conditioning systems are working.
 - No plants or shrubs have been removed from the yard.
 - Garage door opener and other remotes are available.
 - Instruction books and warranties on appliances and fixtures are available.
 - All debris and personal items of the sellers have been removed.
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CHECKLIST PREPARE FOR YOUR MOVE

- Update your mailing address at usps.com or fill out a change-of-address form at your local post office.
- Change your address with important service providers, such as your bank(s), credit companies, magazine subscriptions, and others.
- Create a list of people who will need your new address. Whether you plan on sending formal change-of-address notices in the mail or just e-mailing the family members, friends, and colleagues who should be informed, a list will ensure no one gets left out.
- Contact utility companies. Make sure they're aware of your move date, and arrange for service at your new home if the service provider will remain the same.
- Check insurance coverage. The insurance your moving company provides will generally only cover the items they transport for you. Ensure you have coverage for any items you'll be moving yourself.
- Unplug, disassemble, and clean out appliances. This will make them easier to pack, move, and plug in at your new place.
- Check with the condo board or HOA about any restrictions on using the elevator or particular exits or entrances for moving, if applicable
- Pack an "Open First" box. Include items you'll need most, such as toilet paper, soap, trash bags, chargers, box cutters, scissors, hammer, screwdriver, pens and paper, cups and plates, water, snacks, towels, and basic toiletries.

If you're moving a long distance:

- Obtain copies of important records from your doctor, dentist, pharmacy, veterinarian, and children's schools.
 - E-mail a copy of your driving route to a family member or friend.
 - Empty your safe deposit box.
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THE MOVE

HOW TO PACK LIKE A PRO

PLAN AHEAD.

Develop a master to-do list so you won't forget something critical heading into moving day. This will also help you create an estimate of moving time and costs.

DISCARD ITEMS YOU NO LONGER WANT OR NEED.

Ask yourself how frequently you use an item and how you'd feel if you no longer had it. Sort unwanted items into "garage sale," "donate," and "recycle" piles.

PACK SIMILAR ITEMS TOGETHER.

It will make your life easier when it's time to unpack.

DECIDE WHAT YOU WANT TO MOVE ON YOUR OWN.

Precious items such as family photos, valuable breakables, or must-haves during the move should probably stay with you. Pack a moving day bag with a small first-aid kit, snacks, and other items you may need before unpacking your "Open First" box.

KNOW WHAT YOUR MOVERS WILL TAKE.

Many movers won't take plants or liquids. Check with them about other items so you can plan to pack them yourself.

PUT HEAVY ITEMS IN SMALL BOXES.

Try to keep the weight of each box under 50 pounds.

DON'T OVER PACK BOXES.

It increases the likelihood that items inside the box will break.

WRAP FRAGILE ITEMS SEPARATELY.

Pad bottoms and sides of boxes and, if necessary, purchase bubble-wrap or other packing materials from moving stores. Secure plants in boxes with air holes.

LABEL EVERY BOX ON ALL SIDES.

You never know how they'll be stacked. Also, use color-coded labels to indicate which room each box should go in, coordinating with a color-coded floor plan for the movers.

KEEP MOVING DOCUMENTS TOGETHER IN A FILE, EITHER IN YOUR MOVING DAY BAG OR ONLINE.

Include vital contact information, the driver's name, the van's license plate, and the company's number.

PRINT OUT A MAP AND DIRECTIONS FOR MOVERS AND HELPERS.

Make several copies, and highlight the route. Include your cell phone number on the map.

BACK UP COMPUTER FILES ON THE CLOUD.

Alternatively, you can keep a physical backup on an external hard drive off site.

INSPECT EACH BOX AND PIECE OF FURNITURE AS SOON AS IT ARRIVES.

Ahead of time, ensure your moving company has a relatively painless process for reporting damages.

THE MOVE

CHECKLIST FOR THE NEW OWNERS

Before the property changes hands, consult this list to make sure these items are transferred with the house.

- Owner's manuals and warranties for any appliances left in the house.
 - Garage door opener(s).
 - Extra set of house keys.
 - Other keys. Think beyond the front doors; do you have any cabinets or lockers built into the home that require keys?
 - A list of local service providers, such as the best dry cleaner, yard service, plumber, and so on. You're not just helping the new owners, but also the local businesses you're leaving behind.
 - Code to the security alarm and phone number of the monitoring service if not discontinued.
 - Smart home device access. Any devices listed as fixtures need to be reset for the new homeowner. Make sure your account information and usage data are wiped from the device so that they may use it. Check with your device's manufacture to find out how to do this.
 - Numbers to the local utility companies. This can be especially helpful to owners who may not yet have easy access to the Internet in the new home.
 - Contact info for the condo board or home ownership association, if applicable.
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