

Getting Started

Congratulations! You've made the decision to buy a home. It's an exciting time for you, and we look forward to guiding you smoothly through the process, helping you find and take ownership of the home of your dreams. While buying a home is fun and rewarding, it can also be highly stressful. Buying a home represents the largest single investment you'll probably make in your lifetime, which is why it's so important to get good information and advice. Becoming an educated homebuyer is one of the best things you can do to avoid costly mistakes and enjoy home ownership to the fullest.

Thank you for trusting RE/MAX® to be part of this important milestone in your life. Now let's get started!



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The Financing Process

Here's a quick outline of the financial steps you'll be taking as part of becoming a homeowner. If you have questions about any part of this process, you can rely on the expert counsel of your RE/MAX[®] agent.

- ~ Calculate your budget.
- ~ Apply for a mortgage loan.
- ~ Lender begins processing of your application.
- ~ Lender provides estimated closing and related costs.
- ~ Lending institution requests an appraisal of the home, a credit report and verification of your employment and assets.
- ~ You receive an estimate of your loan costs in the form of an Initial Truth in Lending Disclosure Statement.
- ~ The lender evaluates your application and approves the loan.
- ~ Your search begins as your RE/MAX agent shows you multiple listings.
- ~ You find the house you want to buy.
- ~ You make an offer.
- ~ Your offer is accepted.
- ~ The lender disburses funds to the closing agent.
- ~ You sign closing documents and your loan is funded.
- ~ Appropriate documents are recorded at the county recorder's office.
- ~ The sales transaction is completed. The home is yours!

Now that you've had a look at the entire process, let's look closely at each step. In the next few pages, you'll find detailed information about what to expect at every stage of the process.

Determine your budget and get a reliable estimate of how much you can afford.

How Much Home Can You Afford?

Before you begin searching for a home, you need to determine your budget and get a reliable estimate of how much you can afford. The first step is to get pre-approved for a mortgage. A mortgage is an advance of money from your lender that will make it possible for you to finance the purchase of your property. Over an extended period of time, you (the mortgagee) must pay the bank back each month a percentage of the money they lent to you, plus interest, until the total sum is paid. This is how most home purchases are financed.

DOCUMENTS NEEDED

After you apply for a mortgage, the lender will tell you how large a mortgage you are qualified to borrow, based on your personal financial situation. To expedite this process, plan on bringing the following financial documents, for each borrower:

- ☞ Two most recent pay stubs.
- ☞ W-2 forms for the past two years.
- ☞ Federal tax returns for the past two years.
- ☞ Two most recent bank statements.
- ☞ Any long-term debt information (including credit-card balances, child support payments, auto loans, installment loans, etc.)



Getting Approved for a Loan

One of the things your lender will want to review before approving your loan is your credit history. If your credit report is good, you have an excellent chance of being approved for a mortgage. If your credit history has some blemishes, there are still steps you can take to improve your credit rating and your prospects for getting a mortgage loan.

THE ROAD TO GOOD CREDIT

Very few people have perfect credit. If you, like most prospective home buyers, have a few trouble spots on your credit report, here are some suggestions to repair the damage and improve your prospects.

First, examine the credit report thoroughly to make sure it's accurate. If there are mistakes on the report, contact the credit report agency immediately, point out the erroneous information and ask to have it removed. Then take the following steps to build a strong credit history:

- ☞ Pay all bills on time and in full.
- ☞ Use only two to four credit cards so that you can keep track of them and avoid spending more than your budget allows.
- ☞ Keep a separate checking and savings account.
- ☞ If possible, keep your current job for a few years. A stable job history will enhance your chances of qualifying for a mortgage.

PRE-APPROVED OR PRE-QUALIFIED?

Once your credit is in good shape, you're ready to choose between getting pre-approved for a mortgage or pre-qualified for a mortgage. What's the difference?

Pre-approval means that a lender, after reviewing your basic financial information and credit report, has given you a commitment to support your new purchase with a mortgage.

Pre-qualification is not a mortgage approval but simply an estimate of what you can afford. When you pre-qualify for a mortgage, the lender also collects basic information regarding your income, monthly debts, credit history and assets, then uses this information to calculate an estimated mortgage amount. But the lender has not yet committed to supporting your home purchase, and therefore, you have not yet received an actual guarantee of funds.

Buyers who are pre-approved for a mortgage are more attractive candidates to the seller. You have a better chance of having your offer accepted when you are pre-approved because the seller has assurance that you will be able to secure financing and that the transaction will take place.

Which Mortgage Is Right for You?

After you've been pre-approved for a mortgage and a loan amount, it's time to decide what kind of mortgage is right for you. The first consideration is the interest rate of the loan and the "term" – how much time you'll be given to pay back the lender. The interest rate is the percentage of the loan that the lender earns for lending you money. The two most common types of mortgages are Fixed-Rate Mortgages and Adjustable-Rate Mortgages (ARMs). Choosing which one is right for you depends on your circumstances.

FIXED-RATE MORTGAGE

The interest rate stays the same for the entire term of the loan, usually 15 or 30 years. With this type of loan, both the interest rate and the principal portions of your monthly payment remain fixed.

Advantages: Your payments are stable and predictable.

Disadvantages: Initial interest rates tend to be higher than with an adjustable-rate mortgage.

ADJUSTABLE-RATE MORTGAGE

The interest rate on an ARM is linked to a financial index, such as a Treasury Security, so the interest rate fluctuates, depending on changes in financial market conditions. With an ARM, your payment amount will vary over the life of the loan. Most ARMs do have a lifetime cap on the interest-rate increase, to protect the borrower.

Advantages: Your initial payments usually are lower, making it easier for you to qualify for the loan and afford more home than might be possible with a fixed-rate mortgage. Some ARMs can be converted to fixed-rate mortgages at specified times, usually within the first five years.

Disadvantages: Your payments vary depending on market conditions, so you must be prepared for increases.

While fixed-rate mortgages and adjustable-rate mortgages are the most common types of financing, there are other options available. If you're interested in learning more, contact your local mortgage professional.

Calculating Your Budget

To determine your homebuying budget, start by adding up your total financial worth, then subtracting all the costs included in the purchase. Here are some of the expenses you can expect:

DOWN PAYMENT

Most homebuyers make an initial down payment – a percentage of the purchase price – on their home. The larger the down payment, the smaller your mortgage and your monthly payments will be. The traditional down payment amount is 20 percent, however, smaller down payments, as low as 3 percent, are becoming more common, and there are 100 percent financing options for buyers who can't afford or choose not to make a down payment.

COSTS

Monthly payment. This refers to your entire monthly cost of home ownership, including the mortgage payment (principal and interest), homeowner's insurance and property taxes. Sometimes this is referred to as PITI (principal, interest, taxes and insurance).

Points. Borrowers have the option of reducing the interest rate on their mortgage by paying "points" at the beginning of the loan. One point equals 1 percent of the new loan.

Additional fees. There are other one-time costs related to closing and settlement of your purchase. Examples of these are detailed in the Estimated Homebuyer's Cost Worksheet on page 9.

YOUR FINAL BUDGET

To calculate your final budget, add up your available money, including monthly salary and any additional income, then subtract the down payment, monthly payment, closing costs, moving expenses and any additional expenses you expect to incur. When you have arrived at your estimated budget, you are ready to begin the search for your new home.



Estimated Homebuyer's Cost Worksheet

Property Address _____

 Sale Price \$ _____
 Down Payment \$ _____
 Amount Financed \$ _____

HOMEBUYER'S COSTS:

LOAN ITEMS

Loan-origination \$ _____
 Fee Appraisal Fee \$ _____
 Credit Report \$ _____
 Additional Loan Fees \$ _____

PREPAID ITEMS

Interest \$ _____
 Mortgage Insurance \$ _____
 Hazard Insurance \$ _____
 Taxes \$ _____
 Assessments \$ _____
 Other Fees \$ _____

TITLE AND CLOSING COSTS

Escrow, Settlement or Closing Fee \$ _____
 Attorney's Fee \$ _____
 Title Insurance \$ _____
 Notary Fee \$ _____
 Other Fees \$ _____

RECORDING FEES

Recording Fees \$ _____
 Tax Stamps \$ _____
 Other Fees \$ _____

ADDITIONAL SETTLEMENT CHARGES

Survey \$ _____
 Home Warranty \$ _____
 Pest Inspection \$ _____
 Home Inspection Fee \$ _____
 Other Fees \$ _____

TOTAL SETTLEMENT CHARGES \$ _____

DOWN PAYMENT + _____

TOTAL ESTIMATE OF BUYER'S COSTS

Amount Financed \$ _____
 Interest Rate _____ %
 Term _____ Years

ESTIMATED MONTHLY PAYMENT

Principal and interest \$ _____
 Mortgage insurance (PMI, if any) \$ _____
 Property taxes \$ _____
 Homeowner's insurance \$ _____
 Homeowner's association fee (if any) \$ _____

TOTAL MONTHLY PAYMENT \$ _____

NOTE: This estimate has been prepared to assist the buyer in estimating costs. Lenders and other related services will vary in their charges, therefore, these figures are not and cannot be guaranteed by your local RE/MAX office or by any agent.

Finding Your Ideal Home

Once your financing is in order, you can relax and enjoy the fun of finding your ideal home.

Every potential homebuyer has an idea of what their dream home should include. A tree-shaded lot? A big family room? Location in a great school district? Whatever you're dreaming of, now is the time to put those wishes down on paper to help you focus your search. Use the worksheet on page 11 – Characteristics of Your Ideal Home – to identify the features that are important to you, and help you prioritize them. The more you know about what you're looking for, the faster you'll find the perfect match.



Characteristics of Your Ideal Home

This worksheet will help you and your RE/MAX® agent zero in on what features are most important to you in a home.

FEATURES	SPECIFY YOUR PREFERENCES	IMPORTANCE 1-5
PROPERTY		
View		1 2 3 4 5
Architectural Style		1 2 3 4 5
Swimming Pool		1 2 3 4 5
Deck/Patio		1 2 3 4 5
Garage		1 2 3 4 5
INTERIOR		
Floor Plan		1 2 3 4 5
Room Sizes		1 2 3 4 5
Bedrooms		1 2 3 4 5
Living Room		1 2 3 4 5
Family Room		1 2 3 4 5
Bonus/Game Rooms		1 2 3 4 5
Dining Room		1 2 3 4 5
Kitchen		1 2 3 4 5
Basement		1 2 3 4 5
General Interior Comments		1 2 3 4 5
COMMUNITY LOCATION		
Convenience to Employment		1 2 3 4 5
Convenience to Transportation		1 2 3 4 5
Convenience to Shopping		1 2 3 4 5
Convenience to Schools		1 2 3 4 5
Convenience to Daycare		1 2 3 4 5
Nearby Recreational Facilities		1 2 3 4 5
Near Police & Fire Protection		1 2 3 4 5
General Appearance of Properties in Area		1 2 3 4 5
House Value Relative to Area		1 2 3 4 5

Other Considerations: _____

Access to Multiple Listings

One of the many benefits of working with a RE/MAX® agent is access to the Multiple Listing Service (MLS), which means you can see all homes for sale on the market. To help you target your search and make the most of your valuable time, your RE/MAX agent can provide you with a detailed description of any property you're interested in, including its special features. In addition, your RE/MAX agent can pre-screen all listings before showing them, eliminating homes that don't meet your criteria.

OPEN HOUSES

An open house can be a great way to get a feel for a particular home. Your RE/MAX agent will keep you abreast of upcoming open houses that meet your criteria, as well as provide you with details about the listing.

SPECIAL FEATURES

If you're seeking a home with special features, such as a wheelchair access, a swimming pool or sport court, a sidewalk or a front porch, your RE/MAX agent will make sure to show you only properties that meet your unique requirements. In addition, if your agent learns about properties that have these special features, even if the home is not yet listed, he or she will make sure you're informed first.

Even if the home is not yet listed, we'll make sure you're informed first.

Writing the Offer

You've found it! The perfect home for you. Now your RE/MAX® agent will write up your offer and present it to the seller's agent.

Your agent can be a valuable resource in determining the right offer to make, such as helping you assess the home's true market value, the seller's motivation, the cost of necessary upgrades and other factors that might influence your offer, including:

- ❧ How long the house has been on the market? If it's only been listed a short time, the sellers might be ready to lower the price.
- ❧ How does the house compare with others in the neighborhood?
- ❧ Is the house in need of major repairs or substantial updates? Some improvements are more costly than others.
- ❧ How old is the roof? How many more years can it be expected to be functional?
- ❧ Are home values in the neighborhood more likely to increase, stay the same or possibly take a downturn in coming years?

After your offer is accepted, there are several steps that need to occur before you can close and take possession of your home. These include the loan application, qualification and commitment, inspections and any necessary repairs, surveys and appraisal, a title search and title insurance commitment. Your RE/MAX agent can guide you through this process.

The Closing

The real estate closing is the meeting at which the sale is finalized and you assume official ownership of your home. Money will be exchanged and forms will be signed. At the close of this meeting, the home is yours.

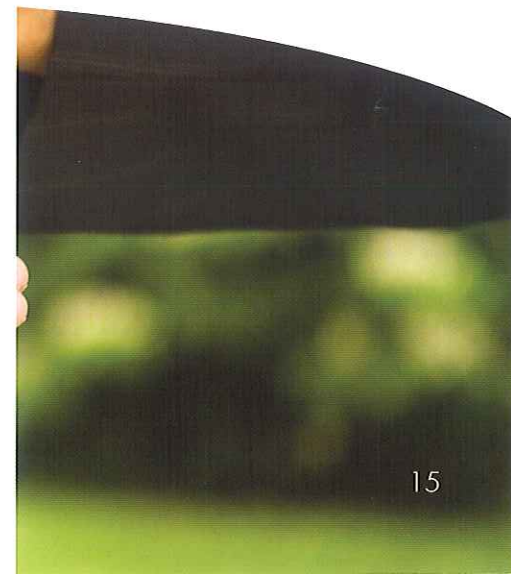
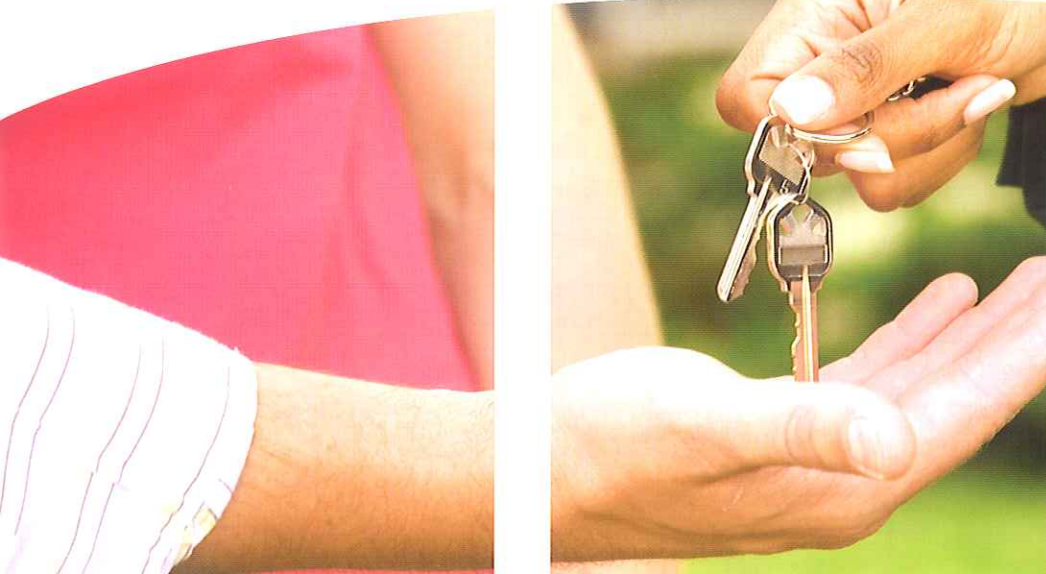
Most closings are actually two closings: closing on the purchase of the real estate and closing on the mortgage loan that you are taking out to make the purchase. During this meeting, you'll be signing lots of paperwork. Documents you can expect to see include a Truth in Lending Statement, an itemization of the amount financed, a monthly payment letter, the mortgage note, the Disclosure/Settlement Statement, the warranty deed, proration agreements to determine how you and the seller are dividing costs for the month in which the closing takes place and an abstract of title.

SELLER'S DISCLOSURE STATEMENT

In most real estate transactions, the seller will present a Disclosure Statement. This statement includes the age and condition of the property and a list of any additional features. The Disclosure Statement protects the seller against liability from a buyer who charges that he or she was not made aware of a particular condition, as well as providing the buyer with an extensive review of the property so that he or she can make a fully informed decision before the purchase of the home.

Because there is so much paperwork, the closing can be a stressful and bewildering experience, especially for first-time homebuyers. But don't worry.

Your RE/MAX® agent will guide you through all the closing procedures to ensure that you can take ownership of your new home as quickly and easily as possible.



Frequently Asked Questions

WHAT DOCUMENTS WILL I HAVE TO PROVIDE TO THE LENDER? You'll be expected to provide documents verifying your income (including a pay stub and recent tax returns), bank account numbers and information about any long-term debt, such as credit card balances, auto loans, child-support payments, etc. If you're self-employed you may be required to provide financial statements for your business. In recent years, with more loans sold on the secondary market, lenders have been required to obtain more specific information from borrowers in order to package and sell loans to investors.

WHAT TYPES OF MORTGAGES ARE AVAILABLE? There are more than 50 different mortgage products available, including fixed-rate loans, at terms of 15, 20 or 30 years; adjustable-rate mortgages, or ARMs; new construction financing; VA and FHA loans; 5 and 7-year balloon loans, to name just a few. Talk with a mortgage professional to learn more and determine what type of mortgage is right for you.

WHAT KIND OF FINANCING COMPLICATIONS MIGHT COME UP? Everything should proceed smoothly if you provide the lender with complete, accurate information. You may face a delay if the lender discovers blemishes on your credit history, such as a history of late payments or nonpayment of debts or a tax lien. You may then be required to submit additional explanations or clarifications.

If your personal or financial situation changes between the time you submit your application and the time it's funded, you should make sure to notify your lender as soon as possible. Circumstances that might affect your loan application include a job change, an increase or decrease in salary, additional debt or a change in your marital status. You also may face a delay in getting your loan if the home you're buying is appraised at less than the purchase price.

WHAT'S INCLUDED IN MY HOUSE PAYMENT? Most house payments include principal and interest on the loan. Depending on the terms of your loan, your payment also may include homeowner's insurance, property taxes and mortgage insurance.

CAN I PAY INSURANCE AND TAXES ON MY OWN AND NOT INCLUDE THEM IN MY MONTHLY PAYMENT? In most cases, yes. If you have an FHA or VA-insured loan, taxes and insurance are included in the monthly payment, but with most other loans, you can pay your own taxes and insurance if you borrowed no more than 80 percent of the purchase price or appraised value of your home. Check with your lender if this is your preference.

WHAT'S INCLUDED IN THE CLOSING COSTS? Closing costs include processing and administration of your loan. In addition to a loan fee, you'll usually be asked to prepay interest charges to cover the partial month in which you close and you may be required to deposit monies into an escrow account for property taxes, homeowner's insurance and mortgage insurance.

Homebuyer's Checklist

- ≈ Familiarize yourself with the mortgage process
- ≈ Get pre-approved and pre-qualified
- ≈ Get finances in order and prepare your budget
- ≈ Identify your needs and wants
- ≈ Find the home that meets your criteria
- ≈ Negotiate a price and make an offer
- ≈ Arrange for home inspection
- ≈ Confirm closing date
- ≈ Conduct walk-through of home
- ≈ Close and settle deal

If you have additional questions that aren't addressed here,
contact your RE/MAX® agent.