

## STEP 4 Opening the Door



"EXPERIENCE YOU CAN TRUST."

### Wants Versus Needs

Before you begin house hunting, create a realistic "shopping list" to narrow your search. Looking for a home can take time, especially if you have not focused on what is most important.

Create a "wish list" and a "must have" list. Many people focus more on "wants" than "needs." As a result, they sometimes reject homes that perfectly meet their needs in search of homes that meet their wants. That's not to say that you shouldn't try to get what you want – you should just be able to tell the difference between what you really need and what you would like to have.

Create a realistic "shopping list" to narrow your choice of properties.

### Take Another Step

Take time to decide on your wants and needs. Once you know what you need in a house, finding that house will be much easier.

### Finding a Neighborhood

Now that you know your housing wants and needs, decide what you are looking for in a neighborhood.

Where you live is as important as the house you live in.

### Choosing a Neighborhood

1. **Distance from work:** Do I need a quick commute to work? Keep in mind short commutes limit your neighborhood options.
2. **My personality:** Do I prefer country or living in town?
3. **Family:** Is a certain school or district important to me? Do I need to live near my elderly parents?
4. **Downtime:** Do I want to live close to my church or have a short commute to night school?
5. **Future zoning and development:** Is the park behind my house going to be developed in the future? Does the town have plans to improve the streets, sidewalks or City Park?
6. **Neighborhood age:** What will this neighborhood look like in 10 years? Am I satisfied with an older neighborhood, knowing it may not change much?
7. **Time of day:** Does the neighborhood feel the same at night as it does during the day? Is weekend traffic heavier than during the weekday?
8. **Extra costs:** Can I afford the county or city taxes? Street or sidewalk assessments?
9. **Neighboring properties:** What are the homes up and down the street like? Does it look like neighbors take pride in ownership? Are home repairs needed or neglected?
10. **Neighborhood investment:** Have the homes in this neighborhood held or increased in value? (ask your Realtor.)

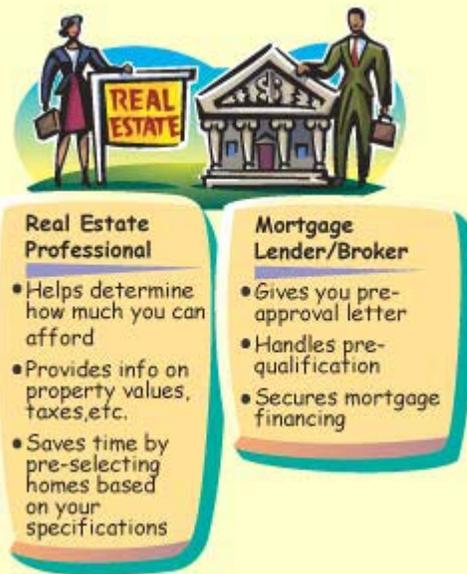
When you find neighborhoods that you like, talk to the people who live there. They'll be the most knowledgeable about the area and may be your future neighbors. Above all, you'll want a neighborhood where you feel comfortable.

Where you live is as important as the house you live in.

### Take Another Step – Finding a real estate professional...

## Finding a real Estate Professional

Real estate professionals can help you find the best home to meet your needs.



## Finding an “experienced” Real Estate Professional can Save you lots of extra time and money,..

IF you take time to read this informative guide on home buying, we guarantee that you will learn from our decades of experience. You'll gain insights and knowledge that only “experience” can teach. This kind of information can save you thousands of dollars and heart aches if you miss out on a house you really wanted.

Be selective about who you are going to work with. You'll want to choose a professional that makes you feel comfortable and can provide experience, knowledge and services you need. An experienced agent can often minimize any problems, and help prevent you from “over paying,” or can show you how to negotiate a favorable mortgage.

Most real estate professionals' services are paid for by the seller. A buyer's agent is a real estate professional whose fee can be paid for by the buyer but 95% of the time their fee is paid out of the purchase price. The advantage of a **buyer's agent** is obvious. They solely represent the “best interests” of the buyer. They have a legal duty (called *fiduciary duty*) to provide the buyer all the services and skills they can muster to get the buyer the best terms and conditions in their purchase.

## Questions to Ask a Real Estate Professional in deciding who you should work with,

1. How long have you been in real estate?
2. Are you a full-time real estate professional?
3. Are you familiar with loan programs that specifically would help me? (i.e., low or no down payments)
4. What skills or services can you provide that could help me save money?
5. What “value” do you bring to the table that serves my “best interests?”
6. Will you help me decide what to offer on a house I like?
7. What do you consider your strengths?
8. Will I learn anything worthwhile about investing in real estate – IF I work with you?

## Stay on Course

**Mortgage Broker:** An independent finance professional who specializes in bringing together borrowers and lender to facilitate real estate mortgages. (i.e. Mortgage Specialist located at 36 E. Auglaize in Wapak.)

**Mortgage Lender:** The lender providing funds for a mortgage. Lenders also manage the credit and financial information review, the property and the loan application process through closing. (i.e. Minster Bank, 1<sup>st</sup> Nat'l Bank, Home Savings, 5/3d, Bank One, Wells Fargo, etc.)

**Open House:** When the seller's real estate agent opens the seller's house to the public. You do not need a real estate agent to attend an open house.

**Real Estate Professional:** An individual who provides services in buying and selling homes. The real estate professional is paid a percentage of the home sale price by the seller. **Unless you have specifically contracted with a buyer's agent, the real estate professional represents the interest of the property seller.** Real estate professionals may be able to refer you to local lenders or mortgage brokers, but are generally not involved in the lending process.

## The Key to House Hunting



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House hunting can become slightly overwhelming.



You might forget one house from the next. You may get frustrated that you haven't found your dream home or get so excited you forget to focus on your wants and needs.

If you are working with us, you'll get regular mailings from Au Glaise Real Estate (postal or email – you decide). We'll let you know when new listings come on the market that meets your criteria. We suggest you drive by these houses first and make sure they look interesting enough, before we set them up for a showing.

**Our philosophy may be different** than what you are use to encountering with other real estate agents. We feel we have a **"DUTY of LOYALTY"** to you. We put your best interests above all others, including our own. You can rest assured we aren't going to push you into any ole house. We want to find one that offers you all you want, plus is a good investment!

Looking for a home takes time. The home for you is out there. The main thing is that you are prepared to act when that right house hits the market and you have an experienced agent to insure you also get a good deal on it.



## Stay on Course

### Hints for house hunting:

- Carry a camera, take photos of the house or write down notes.
- Wear comfortable shoes and anticipate taking about half hour per home we preview.
- Don't make "spur-of-the-moment" decisions. Selecting a home is a decision that takes time.
- Review your notes, and compare houses against your wants, needs and budget.
- Bring your spouse, a family member or friend. It's useful to get their feedback. Two or three pair of eyes is better than one.
- Find out utility and maintenance costs. Ask your real estate professional to find out.
- Your agent will check the property taxes, & look for any assessments (i.e., sidewalks, new curbs and gutters if the street has recently been worked on.)
- Ask your agent for recent sales in the neighborhood so you can get an idea what properties are selling for.
  - Is the property over priced for what it has to offer, or is it competitively priced and might not last that long? Ask your buyers agent.
- If the agent you are working with doesn't seem qualified or **IS NOT** serving your "best interests," fire him/her and move on to a buyers agent who is qualified and will work for your "best interests. We're talking about the most important financial investment in your life; this is not a time to be coy. Fire them and move on! Otherwise it could cost you tens of thousands of dollars...

END



## Determining Home Value

Once you've found the right home, you'll need to know the real value of the house so that you can make an educated offer.

A home's value is determined by the following:

- **Sale Price History:** Past sale prices of the home are available through county courthouses, recorder's offices and your real estate professional. Pay attention to trends in appreciation or depreciation on the home.
- **Home Characteristics:** The number of bedrooms and bathrooms, square footage and other characteristics of the home. You can get this information through your agent.
- **Similar Home Prices:** Ask your agent to get sale prices of comparable homes in the neighborhood.

You may want to have a professional appraisal on the home. The advantages are obvious, (1) it's hard for a seller to refute the opinion of a licensed appraiser, because ultimately the buyers bank will require an appraisal. (2) Since you have to have an appraisal done to satisfy your lender, ask your lender IF you can use their appraiser to have it appraised BEFORE YOU MAKE YOUR OFFER, so you know what to offer and don't over pay.

In a sellers market too many prices are "optimistic" opinions of value made by... the homeowner. Too many Realtors don't want to offend their seller by telling him/her their opinion of value is unrealistic. They want to get their sign in the yard, and are counting on the seller eventually realizing his/her estimate of value is too optimistic.

### Knowing a home's value helps to make a good offer.

- **REMEMBER:** First a foremost, a house is one of the most important financial investments you can make.
- YOUR AGENT can provide you with an estimate of value. They should also assist you in preparing a realistic offer. Their GOAL is to help you get the house you want at a fair and reasonable price.
- Appraisers are LIABLE for their opinion of value. In other words they can be sued if they purposely inflate or distort a properties value. You should understand, however, that too many banks don't want to lose your business so they put a lot of pressure on their appraisers to make the appraisal come out to the selling price. [Don't be naïve; ask your bank/lender how many houses didn't appraise for their offering price in the past year. If the lender says "none" be on guard you may be working with one of those lenders that puts pressure on their appraisers.

No one wants to over pay for their purchase and neither should you. Be prepared to walk away IF the property doesn't "appraise out." Or have your agent request the seller to adjust his/her price to the appraised value.



## Stay on Course

**Appraisal:** A professional analysis, including references to sales of comparable properties, used to estimate the value of the property. Your lender will require one, unless you are a cash buyer.

**Appraiser:** A professional who conducts an analysis of the property, including references to sales of comparable properties in order to develop an estimate of the value of the property. The appraiser's report is called an "appraisal."

**Appreciation:** An increase in the market value of a home due to changing market conditions and/or home improvements.

**Depreciation:** A decline in the value of a house due to changing market conditions, decline of a neighborhood or lack of upkeep on a home.

IF YOU AREN'T WORKING WITH A **BUYERS AGENT** – YOU COULD END UP PAYING MORE THAN YOU SHOULD.



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### Making an Offer



When you make an "offer" or "bid", the seller of the home can accept or reject it, make a counter-offer or not respond.

Many buyers believe that even though they have made an offer, they can still look at other homes. However, if you are notified that the seller has accepted your offer, it's a legally binding contract.

If the seller rejects your offer, makes a counteroffer or doesn't respond, your options remain open. You can accept the counteroffer, make another offer or reject it and keep looking.

It's important that you think through your decision before you make an offer. You won't be able to think it over more after you've made the offer.

Be specific about what is in your offer:

- Your proposed purchase price – the offer
- Concessions you would like seller to make, like helping with the closing costs, down payment or even repairs.
- Financing contingencies, like approval of a satisfactory mortgage with specific interest rate and terms, etc.
- Home inspection contingencies – what will happen if the house doesn't pass inspection
- Conveyances – what will be included in the sale, like a refrigerator or washer/dryer.
- The amount of earnest money – your deposit – that is being attached to the offer (usually made initially as a promissory note to be converted to cash after the seller accepts your offer.)

### Take Another Step

Never make verbal agreements (they are neither binding nor enforceable). If the seller or his Realtor says that the refrigerator will come with the house but the contract doesn't specify, the refrigerator may not come with the house. Make sure everything is in writing!



### Stay on Course

**Contingency:** something that has to be satisfied or removed BEFORE the offer is binding. (i.e., contingent upon "satisfactory" Home Inspection. IF H.I. isn't satisfactory the contract is no longer binding.)

**Concession:** Something yielded or conceded in negotiating a transaction. (i.e., Seller paying closing costs or paying for necessary repairs.)

**Counter-Offer:** An offer made in return by the person who rejects the previous offer.

**Earnest Money Deposit:** The deposit you make to show that you are committed to buying the home. The deposit will be refunded to you at the closing; unless one of the sales contract contingencies is not satisfied then you should get it back, but check with your Realtor.

**Home Inspection:** A professional inspection of a home to review the condition of the property. The inspection should include an evaluation of the plumbing, heating and cooling systems, roof, wiring, foundation and pest infestation.

**Offer:** A formal bid from the homebuyer to the home seller to purchase a home.



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## Negotiating a Sales Prices

If you want to negotiate the price of a home with the seller, decide who has the stronger bargaining position.

If the local market is active with many other buyers interested in the home, the seller may have the better position. If your local market is not active and the seller really needs to sell the home, you may be in a better position to negotiate.

Do not be afraid to negotiate! You can use your home inspection to claim replacement or repair values for items that are not in good condition. If an old roof needs repair, you can ask that this amount be deducted from the sales price of the home. Your agent can negotiate with the seller which appliances or fixtures will remain in the house after the sale and which the seller will take with him/her. You can adjust the sales price accordingly.

**Do not be afraid to negotiate! Use your home inspection report as a negotiating tool.**

Remember negotiating has several stages:

- Initial asking price, or list price by the seller.
- An initial purchase offer with contingencies including inspection and financing.
- Acceptance of offer or a counter-offer by the seller. The counteroffer process can take some time as you and the seller find a mutually agreeable price and begin the home inspection and financing phases. If you included an inspection or appraisal contingency and if either reveals serious defects, you will likely want to submit a new counteroffer.

Like any negotiation, the seller will probably ask for more and then be prepared to lower the price. But the seller will also be expecting you as the buyer to offer less than you are willing to pay.



## Stay on Course

**Appraisal:** A professional analysis, including references to sales of comparable properties, used to estimate the value of the property.

**Counter-Offer:** An offer made in return by the person who rejects the previous offer.

**Home Inspection:** A professional inspection of a home to review the condition of the property. The inspection should include an evaluation of the plumbing, heating and cooling systems, roof, wiring, foundation and pest infestation.

**Loan Required Repairs:** After the Home Inspection let's say there are some expensive repairs or infestations noted that your bank takes issue with and won't approve you for a mortgage until they are repaired or addressed. (i.e., leaking roof, damaged catalytic converter on furnace, or a discovery of termites or powder post beetles.)

## Put Your TRUST in Au Glaze!



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## When the Offer Becomes a Contract



Keep in mind that the offer that you sign becomes a legal contract.

If the seller accepts what's written in the offer – the offer becomes a contract and you have bought a home.

Most contracts include the following language: **"This is a legally binding contract. If not understood, seek competent advice before signing."**

Depending on where your home is located, most real estate contracts will contain these items:

- **Legal description** and address of the property
- **Selling price**
- **Mortgage contingency:** meaning the sale is subject to you getting a specific mortgage, rate and term
- **Deposit:** how much earnest money you will pay when your contract is accepted (this binds the offer)
- **Closing date and location**
- **Personal Possessions:** that is included with the sale of the house. For example, the refrigerator or washer and dryer, riding mower
- **Home Inspection:** when the inspection will take place and a plan for any potential issues
- **Warranties:** a list and description of any warranties that come with the house
- **Boundary locations:** It may be necessary for the Seller to mark the boundaries or hire a surveyor if they are unsure where they are
- **Well & Septic:** if the property has either, they should be tested and pass inspection (**New state sewer regulations on septic systems that took effect 5/15/06 could cost you up to \$20,000 to replace a septic system in the country**)
- **Possession Date:** the date you can move in, usually the closing day or shortly after it
- **Acceptance:** how long the seller has to respond to your offer
- **Bump clause:** 1<sup>st</sup> right of refusal IF you have to sell a house first
- **Insurance:** whose insurance covers the home until the closing date
- **Property Disclosures:** notification of any issues or problems with the property

Au Glaisze Real Estate Office



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## Stay on Course

**Arbitration:** A process where disputes are settled by referring them to an impartial third party (arbitrator) chosen by the disputing parties who agree in advance to abide by the decision of the arbitrator. There is a hearing where both parties have an opportunity to be heard, after which the arbitrator issues the decision.

**Closing (Closing Date):** When the real estate transaction between buyer and seller is completed. The buyer signs the mortgage documents and the closing costs are paid. Also known as the settlement date.

**Condominium:** A unit in a multiunit building. The owner of a condominium unit owns the unit itself and has the right, along with other owners, to use the common areas but does not own the common elements such as the exterior walls, floors and ceilings or the structural systems outside of the unit; these are owned by the condominium association. There are usually condominium association fees for maintenance for building and property upkeep, taxes and insurance on the common areas and reserves for improvements.

**Deposit:** The amount of money you put down on a house to hold it.

**Home Inspection:** A professional inspection of a home to review the condition of the property. The inspection should include an evaluation of the plumbing, heating and cooling systems, roof, wiring, foundation and pest infestation.

**Warranties:** Written guarantees of the quality of a product and the promise to repair or replace defective parts free of charge.

## Home Inspection

Owning a home means more than making monthly mortgage payments.

Maintaining the home can be just as costly.

That's why it's important that a home inspector evaluates the home.

There are two types of home inspections:

- **Preliminary Inspection:** You do this when house hunting. The [Consumer Home Inspection Kit](#) provides a step-by-step inspection. This preliminary inspection helps you make an informed decision on whether or not to buy.
- **Professional Inspection:** Once you've made an offer, you should hire a professional home inspector to give you an objective, comprehensive report before closing.

Think about testing for environmental hazards like lead paint, asbestos and radon.

## Observations When Looking at a Home

Most people selling their homes are honest and disclose problems. However, some people may try to hide flaws. These hidden problems can cost a lot of money if you buy the home without knowing about them.

Be observant! If you notice any undisclosed problems, ask your real estate professional to get you answers.

## Some questions to ask....

- Are there large cracks or shifts in the foundation?
- Are there leaks or water marks around eaves and downspouts outside the house or windows and ceilings inside the house?
- Does the basement look or smell damp? Do the owners store their belongings everywhere but on the basement floor?
- Is the house tightly sealed? Are there drafts from any windows, doors, attic areas or crawl spaces? How much are the energy bills?
- Does the drainage lead away from the house and appear to be in good condition? Do soggy spots on the lawn exist? Are any trees too close to the house or look to be unhealthy or dead?
- How old is the roof and what is its condition? Does it have adequate ventilation? Prematurely curled?
- In older homes, is the foundation settling poorly? Are the roof lines and porches parallel or are there sags? Are the steps pulling away from the foundation?
- In newer homes, are there a lot of nail pops inside the house or do the floors creak or give in when I walk on them?
- Is the water clear and odor free? How is the water pressure? Are there unusual noises when the plumbing is active?
- In older homes, has the electrical system been updated? Are there 3-pronged safety outlets or are appliances plugged in with adapters or extension cord? Do the lights flicker?
- Is there a cutting board on the kitchen counter hiding cracks and burns?  
Is a piece of furniture sitting in an unusual place hiding a stain or hole in the carpet?



## Stay on Course

**Asbestos:** A toxic material that was once used to make insulation and fireproofing material in houses. Because some forms of asbestos have been linked to certain lung diseases, it is no longer used in new homes. However, some older homes may still have asbestos in these materials.

**Radon:** A toxic gas found in the soil beneath a house that can contribute to cancer and other illnesses.

It's important that you have a home inspection to evaluate the home's condition.

**It's in your "best interests," to hire a professional Home Inspector**



**IMPORTANT NOTE: THIS IS NOT MEANT TO TAKE THE PLACE OF A PROFESSIONAL HOME INSPECTION.**

## Use of This Kit by the Homebuyer

The purpose of this kit is to give you the tools you need to select and maintain the right home for you. We think you'll agree that the right home for you is affordable, comfortable and within your means to maintain for as long as you choose to live in it.

This kit offers insights that will help you make an informed decision in your choice of a home. Affording a home involves more than having enough money to cover the down payment, closing costs and monthly mortgage obligations. Maintaining the overall condition of the home while you live in it and the repairs or preventive measures needed to do so can be just as costly.

This kit will explain how to conduct your own consumer home inspection with an easy to use, step-by-step approach. Once you've evaluated your results, you'll be better equipped to make a wise decision, whether it's

"Yes, I like this home; it suits the needs of my family, and I can afford to buy and maintain it." or "No, I cannot realistically afford to buy and maintain this home."

Either way, it pays to know what you're up against before you make an offer to purchase.

The consumer home inspection **does not replace the professional home inspection**. You do the consumer home inspection before making an offer to purchase a home. Once you conduct your own consumer home inspection and make a decision to buy a particular home, you will sign a contract and **have the home you've selected professionally inspected**. The professional home inspector gives you an objective and comprehensive report before closing.

In addition, you may want to have the home tested for possible environmental hazards which are not usually visible, including, lead or sulphur in the water, lead in paint, asbestos, radon or other toxic materials.

- Make sure you can afford to buy your home and maintain it
- Equip yourself with the tools you need to make an educated decision in your own best interest
- Learn what's ahead of you now, rather than down the road

*An informed homebuyer is a successful homeowner.*

## Before You Conduct a Consumer Home Inspection

Schedule your home inspection during day-light hours. You may want to bring along the following tools

- A powerful flashlight to use in basements and crawl spaces
- A stepladder to look in the attic to check insulation, the underside of the roof and indirect lighting fixtures
- A circuit tester to check the circuits – a marble or level to check the floors

## Helpful Hints

Plan to go through the home completely two times so you can do an overall analysis. Remember to consider the following when you conduct your home inspection so you can effectively evaluate the home:

- The existing condition of all systems and equipment
- Any unusual features that may increase or decrease the appeal of the home (i.e., age of septic system, or age of roof.)
- Any problems or features you want your professional home inspector to check out
- The quality and condition of the structure
- Routine house cleaning and maintenance items: paint, furnace filters, gutters, caulking in bathrooms, landscaping, floors, appliances, walls, etc.

## What to Expect

A Consumer Home Inspection Kit will give you the information you need to

- Identify a home's distinguishing features that make it attractive for purchase
- Estimate the costs and identify solutions for any problems uncovered during the consumer home inspection
- Provide a basis for comparing homes you are considering buying

## STEP 4

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## Closing the Deal

The final step to buying a home is the closing. The closing is the process in which all of the players come together to complete the sale. These players usually include:

- You, the homebuyer and your real estate agent
- The seller of the home or his real estate agent
- The closing agent
- The mortgage lender

Some of these players play more than one role. For example, the closing agent, the title insurance representative, and the escrow agent may all be the same person. Real estate attorneys may not be needed if the sale is not complicated.

A closing date will be set when your mortgage is approved and you sign a commitment letter. Your closing date should occur before the commitment letter and interest rate lock-in expire. Request that your closing agent give you a HUD-1 Settlement Statement which is a final listing of the costs of the mortgage transaction. It provides the sales price, and down payment, and the total settlement costs required from the buyer and seller.

## Closing Agents and Real Estate Attorneys

At the closing, there needs to be someone who coordinates closing-related activities, like recording the closing documents and disbursing funds. If you are responsible for selecting this person, ask for references from your real estate professional or friends and family members who have hired one. [NOTE: Request that your closing be held in Wapak. so that you can be assured the deed will be recorded immediately after the closing. Some lenders will request that you close in Lima, but if you request they'll close in Wapak. at your convenience. Ask your agent.]

Closings can be handled by real estate brokers, lenders, attorneys for the buyers and sellers, insurance companies or escrow companies. It's important that you understand the closing activities in your area before you go to your closing.

You might also consider hiring a real estate attorney to represent you in the closing transaction if you have the money and you'd feel more comfortable knowing an attorney will represent your interests. Keep in mind that the fees that you pay a personal real estate attorney will not be part of your closing costs so you'll need extra funds to pay for these costs.

## Closing Costs Can Include:

- Your first mortgage payment
- Your mortgage application fee
- Legal fees
- Deed recording fee
- The mortgage loan processing fee
- Private mortgage insurance if your down payment is less than 20 percent of the mortgage (called PMI)
- The homeowner's insurance premium for the first year
- Escrow account reserves for insurance or property taxes
- Property tax payments
- Any survey or inspection fees (i.e., Home Inspection, termite)
- Appraisal fee
- The loan origination fee
- Title search fee
- Credit report fee



## Stay on Course

**Appraisal:** A professional analysis, including references to sales of comparable properties, used to estimate the value of the property.

**Assumption:** A homebuyer's agreement to take on the primary liability for paying an existing mortgage from a home seller.

**Closing Agent:** A person that coordinates closing-related activities, such as recording the closing documents and disbursing funds.

**Commitment Letter:** A letter from your lender that states the amount of the mortgage, the number of years to repay the mortgage, the loan origination fee, the annual percentage rate (APR) and the monthly charges.

**HUD-1 settlement statement:** A final listing of the costs of the mortgage transaction. It provides the sales price, and down payment, and the total settlement costs required from the buyer and seller.

**Loan Origination Fees:** The fee paid to your mortgage lender for processing the mortgage application. This fee is usually in the form of points. One point equals 1% of the mortgage amount.

**Lock-in rate:** A written agreement guaranteeing a specific interest rate when your mortgage closes.



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### The Closing

You'll sign a number of documents related to the mortgage, as well as pay closing costs. Your closing costs may be part of your mortgage or they might be paid by the seller or builder of the home. Each closing is different.

The meeting generally takes about an hour and is held at the offices of the closing agent. In some parts of the country, there are no closing meetings. If that's your case, an escrow agent will process the paperwork, arrange for the documents to be signed and collect and disburse the funds.

### Before the Closing

Ask for your documents prior to the closing and read them carefully. Come to the closing prepared – know and understand what you will sign.

### During the Closing

A closing date will be set when your mortgage is approved and you sign a commitment letter. Your closing date should occur before the commitment letter and interest rate lock-in expire. Request that your closing agent give you a HUD-1 Settlement Statement listing the date, place, time, and items and amount of money that you'll need to bring with you to the closing meeting.

Your closing agent will review a closing statement with you and the seller of the home and answer any questions. Then both you and the seller will sign the statement.

You will sign other mortgage documents, like the mortgage note and the Truth-in-Lending statement. You'll need to provide evidence of your insurance and inspections.

You and the seller will submit either a certified check or cashier's check to cover the closing costs and the balance of funds due. The lender will submit a check covering the mortgage amount to the closing agent. If your lender will be responsible for paying your annual homeowner's insurance and property taxes, the lender will establish a new escrow account for you at that time.

You won't receive the keys to your new home until after 30 days from closing, unless you negotiated an earlier possession date.

Your closing agent will officially record the mortgage and deed at Auglaize County courthouse. Once the transaction has been recorded, the closing agent disburses the funds to the other parties, such as the seller of the home, the real estate professionals and the lender.

### Take Another Step

Be sure that you find out during the closing when and where you should send your payments!

The keys to your new home and the actual possession date should have been coordinated by your agent before the closing, but make sure you know! Check with your agent to make sure.



### Stay on Course

**Deed:** The legal documents conveying title to a property

**Escrow:** The holding of money or documents by a neutral third party prior to closing. It can also be an account held by the lender (or servicer) into which a homeowner pays money for taxes and insurance.

**Homeowner's Insurance:** A policy that protects you and the lender from fire or flood, which damages the structure of the house; a liability, such as an injury to a visitor to your home; or damage to your personal property, such as your furniture, clothes or appliances.

**Truth-in-Lending Act (TILA):** Federal law which requires disclosure of a truth in lending statement for consumer loans. The statement includes a summary of the total cost of credit such as the APR and other specifics of the loan.



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### Protect Yourself

Buying a home may be the single largest investment that you'll ever make. That's why it's important to know how to protect yourself when buying a home.

- **Get pre-approved.** Many real estate professionals won't show you homes unless you're pre-approved. And, you'll have negotiating clout with sellers, because they'll know you are really qualified to purchase. They have no way of knowing otherwise.
- **Get it in writing.** Never accept verbal agreements – they are not binding or enforceable unless in writing. For example, if the seller tells you that the refrigerator will come with the house but the contract doesn't specify anything, then the refrigerator will not come with the house.
- **Get a good faith estimate.** Your mortgage lender must provide you with a written good faith estimate of closing costs within 3 days of receiving your completed mortgage application. It's a good idea to get a good faith estimate from several lenders to compare costs, if you do not have to pay loan application fees to get this information.
- **Shop around.** Contact at least three mortgage lenders before you make a decision so that you get the best rate and loan for you.
- **Lock-in your rate.** Get a written statement that includes the interest rate, length of the rate lock and other information about the mortgage product.
- **INSIST on being represented by your own "Buyers Agent."** If a real estate professional represents both the seller and buyer and you don't feel comfortable with this arrangement, get another Realtor to represent your "best interests."
- **Get a professional home inspection.** The inspector's report gives you a clear picture of what you're buying. It can be used to negotiate repairs you ask the seller to make. If the seller agrees to make the repairs, have the inspector verify the work's complete before closing.
- **Shop for homeowner's insurance as soon as the seller accepts your offer.** It will give you enough time to find the best product and prices.
- **Read all documents before signing them!** Be sure you understand all the terms. Don't be afraid to ask for explanations. Try to get the documents ahead of time so you can carefully read them. If you don't receive the documents ahead of time, insist on reading them carefully at the closing. Do not let anyone pressure you into signing documents you haven't read. State law requires you get a copy of any document you sign.
- **Give yourself enough time** between closing and moving in case there are delays at your closing.



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## PUT YOUR "TRUST" IN US

Au Glaise Real Estate Office



607 W. Anglaize St  
Wapakoneta, OH 45895

## STEP 4

# Opening the Door

## Home Insurance

Unless you pay cash for your home, you'll need a valid homeowner's insurance policy before you close on your mortgage. The policy will protect you and the lender from:

- **Casualty**, like fire, wind or hail – damage to the structure of the house. For flood prone areas, you may need a separate flood policy.
- **Liability** in case a visitor is injured at your home.
- **Personal property** coverage for damage to things like your furniture, clothes or appliances.

## Types of Structural Insurance

1. **Replacement Cost:** The cost of replacing damaged property with no depreciation deduction but with a maximum dollar amount.
2. **Guaranteed Replacement Cost:** Full cost of replacing damaged property with depreciation deduction or a maximum dollar amount.
3. **Actual Cash Value:** An amount equal to the replacement value of damaged property minus a depreciation allowance.

Make sure you have enough insurance to rebuild your home if it were destroyed. Think about:

- Local construction costs
- Square footage of the house
- Type of exterior construction, like brick or frame
- Style of house & location
- Number of rooms and bathrooms
- Type of roof
- Special features like a garage or fireplace

## Saving Money on Insurance

- **Shop around.** Compare price and quality of service. Ask your family and friends.
- **Increase your deductible.** The higher the deductible, the more you save. But don't get a deductible that would be too much for you to pay.
- **Consolidate your insurance.** Buy homeowner's and car insurance with the same company. You'll usually get a discount of up to 15% - IF YOU ASK!
- **Look at the age of your home.** The newer the home and equipment, the lower the insurance costs. Construction resistant to wind and earthquake damage will also lower rates.
- **Don't insure the cost of the land under your home.**
- **Be safe!** Install smoke detectors, security systems and dead bolts. Safety features can lower insurance.
- **Quit smoking.** Some companies offer reduced rates for nonsmokers.
- **Flaunt your age!** If you're over 55 say so. Senior citizens can get discounts.
- **Get group coverage.** Try your college, credit union or business associations.
- **Stay with your insurance company.** Some companies reward loyal clients with reduced premiums.



## Stay on Course

### Insuring Personal Belongings:

**Actual Cash Value:** An amount equal to the replacement value of damaged property minus depreciation.

**Replacement Cost:** The cost to replace damaged personal property without a deduction for depreciation.

### Make sure you...

- Review the limits on personal items like jewelry, computers, etc.
- Make an inventory of everything you own in your home
- Remember to include indoor and outdoor furniture, appliances and electronic equipment
- Take photos or videos of your personal items and attach receipts
- Keep your inventory current

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## STEP 4

# This is NOT an ATM !

### Preventing Foreclosure



Once you're in your new home, you'll need to make your monthly mortgage payments each month and on time.

If you don't make your mortgage payments over a period of time, your

mortgage lender can foreclose on your house.

Foreclosure means that the lender takes the title to your property for nonpayment and sells the property to recover the amount you owe the lender. As a result of foreclosure, you would no longer be able to live in your house and you would lose all of the equity you held in your home including your down payment.

If this happens, the foreclosure becomes part of your credit record. This may adversely affect your ability to secure credit in the future.

Be sure that you understand the serious commitment you are undertaking when you decide to buy a home.

### BE ADVISED ...

- Develop a savings plan to protect your investment in your home. Financial planners usually recommend that you save 3 to 6 months worth of expenses in case you lose your job or become seriously ill.
- If you do foresee that you will have a problem making your monthly mortgage payments, contact your mortgage lender immediately. Mortgage lenders will work with you to avoid a foreclosure.
- **BE ON GUARD** – You soon will be attracting solicitations from all sorts of legitimate and some *unsavory* characters. They'll want to turn your home into an ATM machine. Don't fall for their schemes and attempts to take over your most important financial investment – **YOUR HOME.**

Remember, homeownership is the principal means of building wealth for 67% of Americans. **OWN IT & PROTECT IT!**



### Stay on Course

**Equity:** The value in your home above the total amount of the liens against your home. If you owe \$100,000 on your house but it is worth \$130,000, you have \$30,000 of equity.

**Foreclosure:** A legal action that terminates all ownership rights in a home when the homebuyer fails to make the mortgage payments or is otherwise in default under the terms of the mortgage.

**Housing Expense Ratio:** The percentage of your gross monthly income that goes toward paying for your housing expenses.

**Principal:** The amount of money borrowed to buy your house or the amount of the loan that has not yet been paid back to the lender. This does not include the interest you will pay to borrow that money. The principal balance (sometimes called the outstanding or unpaid principal balance) is the amount owed on the loan at any given time. It is the original loan amount minus the total repayments of principal you have made to date.

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**CALL Au Glaize Real Estate and tell us which houses you want to preview**

(419)738-2422 / **Jim's cell (419)303-5289**

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**NOTES ON HOUSES PREVIEWED:**



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