



Charles Burt's \_\_\_\_\_  
**Home Buyers'**  
\_\_\_\_\_ Guide

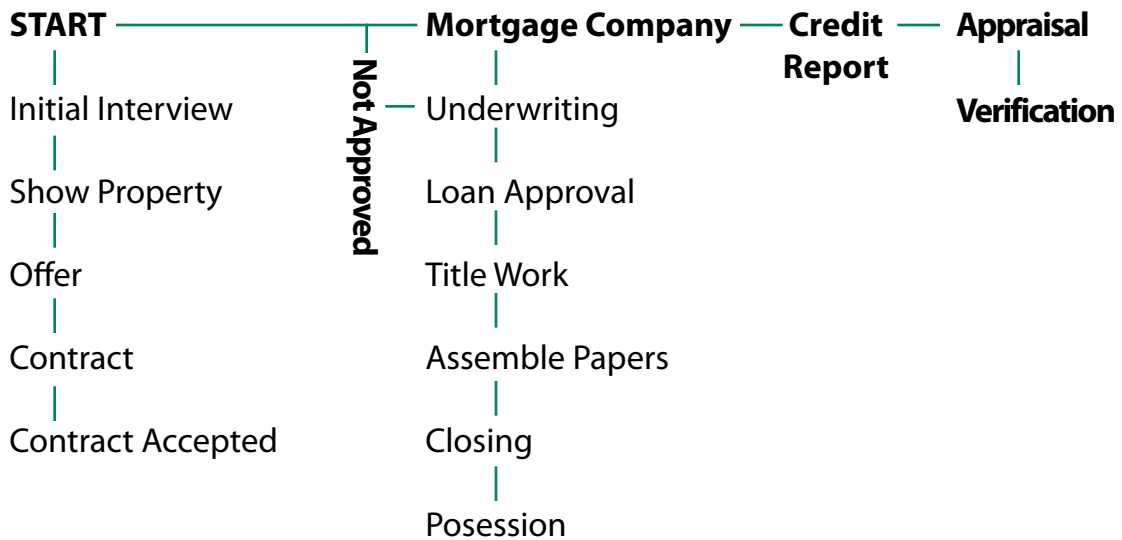
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# The Home-Buying Process

In order to make the home-buying process simpler, we've created this simple "map" to help you make sense of it. The process is divided into two parts: inspecting and negotiating for the house itself, and securing a mortgage. Though the order may vary slightly, you will go through each process when buying a home, and we'll be right there to help you through it.



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## Quick Tips

If you're a home buyer, here are some simple tips to make your home-buying experience easier:

- ▶ A Charles Burt Agent will be able to show you any home that is available, no matter what the listing company is. If you see a home listed in the newspaper, or ride by a home that interests you, simply give your agent a call and we'll be able to set arrange a tour.
- ▶ We know that finding a home can be time consuming and stressful. To simplify the process, your agent will help you with the prequalifying process to make sure that we only spend time and energy researching properties within your price range.
- ▶ Parents and family members can help with the purchase of your new home by way of a gift letter which certifies that the money does not need to be repaid. Though they can help with as much or as little of the 20% down payment as they would like, you must pay at least 5% of the down payment with your own funds.
- ▶ Any contract offer you make must be accompanied by a deposit. The size of the deposit will depend on the price of the home itself.
- ▶ In order to close a deal, you will be required by the lender to have two months of mortgage payments available after closing costs.
- ▶ After you make an offer, the seller can: accept your offer, reject your offer, or give a counter offer for you to review. Only when an offer has been accepted do you have a binding contract for the sale of that property.
- ▶ Buying a new home is a big step. It's very common for people to feel "buyer's remorse" when they learn that the contract has been accepted and they have purchased a new home. This is a natural reaction to such a major decision and will pass. Just remember--with our help you shopped carefully and wisely before purchasing. We won't let you down!

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## How Can A Charles Burt Agent Help Me?

Buying a home can be stressful and complicated, just as it can be exciting and rewarding. The wrong decision could cost you; the right decision could be one of the best decisions you ever make.

We're here to help. A Charles Burt agent will work with you to learn your specific needs, goals, and desires. We'll explain everything you need to know about the Real Estate market, pricing and financing. We'll answer any questions you have and explain all documents clearly, so that you'll never have to wonder what it is you're promising when you sign. Your Charles Burt agent will also keep you informed during each stage of the transaction, from the offer through the closing and settlement.

If by some chance you're not satisfied, your agent will even refer you to another highly qualified agent in our office.

We'll work tirelessly to find you a home in the right style, location and price range. A home that's everything you want it to be.

### What is a broker? What responsibilities do they have in regards to me, the buyer?

Besides your agent, it is likely that you will also have to work with a broker, an agent selling the property on the owner's behalf. Often a co-broker is also involved; paid by the owner, the co-broker's job is to work with potential buyers. Because a broker represents the seller, they are obligated to tell the owner all information they know that might affect the owner's decision concerning the sale of their property.

Though the broker is not your agent, they are still obligated by law to treat you fairly. A broker must:

- ▶ Present all written offers to the owner promptly.
- ▶ Disclose all material facts about the property known to the broker.
- ▶ Offer the property without regards to race, creed, sex, religion, national origin, handicap, or familial status.

A broker is also able to provide you with:

- ▶ Information about available properties.
- ▶ Sources of financing.
- ▶ Help in analyzing and comparing the physical and economic features of different properties.
- ▶ An opportunity to view the property before you make any decisions.
- ▶ Assistance in making an offer to purchase.

You have the option of having a real estate broker represent you as your agent. If you do so, you should be sure to enter into a contract that clearly establishes the obligation of both parties, and sets out how your agent will be paid.

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## The Mortgage Process

You agree to purchase a home by signing a Purchase and Sale agreement, and provide an "Earnest Money Deposit." At that point you have a specified number of days to apply for a loan by visiting your lender and filling out a comprehensive Mortgage Application.

Once you have applied for a loan, your lender orders your credit report, as well as all necessary verifications of income, assets, and liabilities. The home will be appraised to determine its fair market value. Finally, the lender will analyze your expected "willingness to repay." By reviewing previous obligations, the type of credit you have utilized in the past (real estate, auto, personal investment, revolving credit), and your payment history, the lender can develop an understanding of how likely you are to honor the repayment terms of your mortgage.

The lender then reviews all of the documents collected during this process (called the underwriting process); if the results are acceptable, your loan is approved and title work is ordered.

Following approval, a commitment letter will be issued to you from your lender. This letter will detail specific terms of the mortgage such as interest rate and discount points, and will describe any conditions you need to satisfy before the loan can be closed and ownership transferred to you.

The closing agent--usually a broker or Title Company Representative--will act as the closing agent. The closing agent ensures that all documents are in order, collects and verifies all funds relating to the transaction, and arranges for the recording of the deed and mortgage.

Once recording is complete, the closing process is finished. You only have to wait for the specified date to take possession of your new home!

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## The Advantages of Pre-Approval?

### What are the advantages of pre-approval?

These days, many buyers are applying for a loan and obtaining approval before they find the home they want to buy. There are several advantages to this:

- ▶ You look at the right homes. You can save a lot of time, effort, and expense by knowing exactly how much you qualify for before you even begin searching for a home.
- ▶ Sellers may be more accommodating to a pre-qualified buyer. Because the seller knows that you're qualified, they don't have to worry about a deal falling through because of financial issues no one was aware of.
- ▶ You close quicker. Once you find the place you want, you don't have to wait for approval before the final steps in the process.
- ▶ Finally, you don't feel stressed out about the loan. As you work with your agent, you know exactly how much you can get, and you know that you can get it. All that's left is to find your perfect home!



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## What Mortgage Programs Are Available to Me?

The most popular types of mortgages available today are 15-year and 30-year Fixed Rate Mortgages. A Fixed Rate Mortgage offers a predictable monthly payment over a long period of time and protects you against future interest rate increases.

**30-Year Fixed Rate:** The 30-year fixed rate mortgage offers the lowest monthly payments of fixed rate loans, while providing for a never-changing payment schedule.

**15-Year Fixed Rate:** The 15-year fixed rate mortgage allows you to own your home free and clear in half the time, but increases monthly payments by approximately 20% over the 30-year fixed rate. While the higher monthly payments may seem to be a disadvantage, the 15-year mortgage is a good option for building equity faster. It also substantially reduces total interest costs.

**Bi-Weekly Payment Option:** Available as a payment option under both the 30- and 15-year fixed rate programs, the Bi-Weekly Payment Option shortens the loan term by requiring a payment for half the monthly amount every two weeks. This payment option results in significant interest savings. The Bi-Weekly also offers additional convenience through the automatic payment deduction from your bank account.

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## How is Fair Market Value Determined?

When a lender needs to appraise a property to determine its fair market value, an independent appraiser is brought in. This is done to ensure that the value of the property is sufficient to cover the loan in the event of a foreclosure.

In determining fair market value, the appraiser evaluates many factors, including: the physical condition of the house; the location of the home and the characteristics of the neighborhood in which it is located; and the value of homes recently sold which are similar to the one you are trying to purchase.

## What will I need for my loan application?

In order to complete your loan application, you will need the following:

- ▶ Signed sales contract.
- ▶ Legal names, monthly payments, account numbers and balance of all monthly debts (not including utilities).
- ▶ Account numbers and mailing addresses of lenders on mortgages and installment loans.
- ▶ Names, addresses, account numbers and balances for all savings and checking accounts, 401K's, IRA's.
- ▶ If self-employed, two years most recent tax returns, year to date profit and loss statement, balance sheet signed and dated.
- ▶ Names and addresses of employer (s) and landlord (s) for the last two years.
- ▶ Check for credit report and appraisal.
- ▶ Driver's license.
- ▶ Current bank statements (2 months).
- ▶ Current pay stubs.

For a VA loan, in addition to the above you will also need:

- ▶ VA Certificate of Eligibility (if you don't have it, bring your DD214)
- ▶ Current original pay stub.
- ▶ If active duty military, original Leave & Earning Statement.
- ▶ Payment for appraisal & credit Report.

### What options do I have in regards to the interest rate on my mortgage?

When applying for a mortgage, there are two basic options when it comes to interest rates.

**Floating Rate** - With a Floating Rate, your interest rate will not be set (locked in) until just prior to closing. This gives you a chance to play the market, as there is a chance the rates will go down before the closing.

**Locked Rate** - With a Locked Rate, the rate quoted at the time of your formal complete mortgage application will be set for a guaranteed period of time, usually 60 days.

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## What Else About My Mortgage?

### What else should I keep in mind regarding my mortgage?

**Eligible Properties** - Most owner-occupied properties in the United States are eligible for mortgages, including single-family detached dwellings and condominiums.

**Mortgage Insurance** - Private mortgage insurance is required when your mortgage exceeds 80% of the lesser of the purchase price or appraised value of your new home. The cost is typically 1-2% of the mortgage paid monthly. This policy protects the lender against loss in the event of loan default.

**Property Insurance** - You must provide a homeowners insurance certificate or policy prior to or at the closing, with the amount of coverage equal to or greater than the loan amount.

**Assumability** - Most mortgage loans are not assumable; i.e., if you sell your home, your loan cannot be assumed by the new buyer. You must pay it off in full.

**Escrow Accounts** - Most mortgages require that funds be escrowed in advance for real estate taxes and property insurance. This escrow account is included in your monthly payment, and the lender pays the taxing authority and insurer directly.

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## The Down Payment

When reaching your loan decision, it is important to consider the down payment. Experience has shown that the amount of the down payment is the single most important determinant of the risk characteristics of a loan. In other words, the larger your cash investment, the less likely you will be to default on your loan.

Another important factor is the source of the down payment. The most common sources are cash on hand and proceeds from the sale of your previous home. Gifts from relatives are also common; however, if you use a gift as part of your down payment, you must present a letter from the donor stating the funds need not be repaid.

Also, you should keep in mind that depending on the type of loan you are receiving, you may be required to contribute up to 5% of the purchase price from your own funds.

Regardless of the source, the lender will request documentation verifying the amount and availability of the funds.

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New Homes

We can work with most builders and new homes' agents to get all the information you need to make any decisions, but an agent will need to accompany you to the property on the initial visit. By letting us help you with builders, you get all the services offered in this presentation and those offered by the builder as well, without paying more.

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“For Sale By Owner”

## Homes Listed as “For Sale By Owner”

Some home owners try to sell their homes themselves in the hopes of saving on the fee associated with hiring someone to represent them. However, without a competent Realtor to advise them of the value of homes in their area, they often overprice their home. Statistics show that 90% of homes listed by owners eventually end up listed with a Realtor.

If you should see a property that interests you that is “For Sale By Owner,” we can help. Our knowledge of the market and negotiating skills will make sure that you don’t pay too much. Let us contact the owner for you and set up an appointment.



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American Home Shield

## American Home Shield (AHS) Warranty Plan

Many of the fine homes listed by CHARLES BURT REALTORS carry a Home Warranty provided by AHS. This warranty assures you, as the buyer, that your purchased home is structurally and mechanically sound. The American Home Shield Warranty Plan does all of the following:

- ▶ Provides comprehensive home repair protection for the home seller and buyer.
- ▶ Reduces the financial risk to the buyer because of unforeseen problems.
- ▶ It may be renewed or transferred by the homeowner, increasing the marketability, should you ever resell your home.
- ▶ Improves mortgage lender acceptance as covered items are guaranteed to be defect free.

The following systems and appliances are covered by the AHS Warranty:

- ▶ Plumbing System
- ▶ Range/Oven/Cooktop
- ▶ Water Heater
- ▶ Built-in Microwave Oven
- ▶ Electrical System
- ▶ Trash Compactor
- ▶ Dishwasher
- ▶ Heating System or Built in Wall Unit
- ▶ Air Conditioning/Cooler
- ▶ Ductwork

If the home you are purchasing is not covered by AHS, you, as the buyer, may purchase a home warranty for your own protection.

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## Property Inspection

A provision in the sales contract gives you the right to inspect the mechanical, electrical, plumbing, and structural portions of the property. Many inspection companies exist that provide this exact service; you can even accompany the inspector and ask questions. Following an inspection, you will receive a written report itemizing any areas of concern. We will gladly put you in contact with inspection companies that we know to be reliable and trustworthy.

If the inspection shows that repairs are needed, you can request the seller make them, in accordance with the provisions of the sales contract.

We recommend that you have a home inspection done before purchasing. Though the seller is obligated to disclose any major problems, there may be unknown issues with the home. Therefore, although a home inspection is an added expense, it could keep you from making a costly mistake.

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## Further Questions

We hope that this guide has helped you understand better what it means to buy a home. If you have further questions, don't hesitate to write or call our office. We are always happy to provide you with information, regardless of whether you choose to have a Charles Burt agent represent you or not.

If you do choose to work with us, don't worry--before you know it, you'll be opening the door to your new home.