

TIPS AND TRICKS FOR YOUR FIRST HOME PURCHASE

**Breaking down the buying process for
new buyers.**

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Chapter 1

Owning vs. Renting

One of the most common and significant necessities that life offers is owning your own home. There is always a sense of security, satisfaction, contentment and fulfilment attached to owning a house

There is nothing sweeter in life than buying and owning your own property.

Owning a house is a lifetime investment, so proper management practices are required when investing in one.

Besides the funds that are involved, there are other commitments to keep in mind, such as attention and time.

There are many benefits attached to having a house, including how its prestige and a certain peace of mind that can come with it.

Below are some of the main reasons why you should have your own house:

The Mortgage Rate is Low

One of these outstanding advantages is that becoming a homeowner is simpler than ever. In other words, it is relatively cheaper to borrow money for a home now than it was a few years ago.

Interest rates vary through the years. Several years ago, interest rates were higher and it would have been more expensive to use these mortgage plans. Since these costs have been reduced, it is now easier and cheaper to own a house.

You Enjoy an Exclusion in Capital Gains

You will be able to enjoy an exclusion in capital gains after two years. The house you purchase must be your main residence.

When the house is sold, you can obtain profits of around \$250,000 if you're single, or around \$500,000 if you're married, without owing any taxes related to capital gains.

This may sound weird. Indeed, the worth of your home could increase despite the depreciation in the price of houses in the past years.

If your home was bought any time before 2003, there are chances that its value has appreciated and you get to enjoy the benefit of this tax.

Equity is Built Every Month on the House

Equity is the amount you can sell your house for, excluding the money you still owe on it. The amount you owe will reduce each month you make a mortgage payment.

This reduction you experience in your mortgage each month boosts your equity.

With the introduction of the new mortgage rules, every risky mortgage, such as interest-only loans and negative amortized, are totally eliminated. The principle involved in mortgages is that there is a slight monthly increase in the portion of your principal payment. This is done annually.

Your equity is usually the lowest during the first payment, and highest at the last payment. Therefore, your equity increases as each month and each year passes by.

It is Cheaper to Buy a House than to Rent One in the Long Run

Things may be kind of frustrating in the beginning, due to the high interest rates of mortgage payments. At times, you may even think that it is cheaper to rent a house.

After a while, the interest rate will begin to decrease. You will discover the interest you pay is lower than what you would have paid for a rental.

You would probably prefer paying for your own home instead of helping your landlord pay for his.

Homeowners Enjoy a Standard of Living that is More Stable

There is always a pleasant feeling attached when you have your own house. This feeling brings a sense of freedom and independence.

The home you live in belongs to you and only you (or your spouse as well), you can do whatever you want. You have full control over the house. You do not feel daunted about increases in rent costs, or the risks of being kicked out of the house, and you are free to make improvements and changes as you wish.

Also, owning your home gives your children the guarantee of attending the schools in the area.

You never have to worry about a quick notice from the landlord to vacate your rented house or apartment for a variety of reasons you have no control of.

There is a Great Benefit Enjoyed by Homeowners in Tax Related Issues

There are significant tax benefits associated with buying a house. Both at the time you purchase it and for the duration of time you own the home.

You enjoy your first benefit the same year you acquire your house, discount points can be claimed on the loan, not minding who made the payment. What do I mean by points? Mortgage points are generally of two types: discount points and origination points. Each of these points is equivalent to one percent (1%) of your mortgage.

Discount points involve prepaid interest, are deductible tax-wise and can reduce your total mortgage payment.

While origination points are not deductible tax-wise, they can be negotiated and are not always required. Origination points are also able to compensate lenders.

The interest rate on your mortgage typically lowers by 0.25% as you buy points.

Over time you can deduct the interest paid on the mortgage from the taxable income. This makes it possible to achieve substantial savings at the initial stage of your mortgage.

The bulk of your payments is made up by interests. Although you may not be happy about paying taxes on a newly acquired home, it is possible for you to subtract these as well.

Any Maintenance or Improvement Made is for Your Own Good

Once you buy a house, you are not restricted by anyone to carry out maintenance work of your choice. It is

your property, and you are responsible for any actions or changes you decide to make.

You can either employ the services of a contractor for maintenance services or you can handle it yourself.

You can only enjoy improvements made in your rented house for as long as you're renting there. Once you leave, the homeowner benefits from the improvement.

Negatives of Owning

We know that owning a home is not always sunshine and rainbows, so here is a list of some of the disadvantages that come with owning a home:

- You are responsible for the repairs and maintenance. This means both sides, because it can go both ways.

While most rent leases specify that the landlord/owner is responsible for making repairs, when you own your house you need to remember to save some extra money for maintenance.

There is no way around that.

However, with the right team and a little positive thinking, maintenance can be fun.

- Considering the career and income uncertainty we are all faced with, people can definitely be put in bad spots throughout the years.

During these moments, it might be difficult to make the mortgage payments and keep the house.

- Flexibility.

With the increased flexibility of the job market, we are also required to be much more flexible than we used to be.

Owning a house will definitely give you roots and a sense of precious family security, but it also means you are tied to one region.

The Negative Aspects of Renting

- The monthly rent you pay goes to the landlord. It represents the fee you pay for using their property.

It will never amount to an investment, because no matter how long you stay there, the paid rent will never earn your property rights or ownership status.

- All the structural and decorative home improvements you make will have to stay behind when you move to a different place.

Additionally, you might need approval for any desired major redecoration.

We all like to pamper and improve our homes. However, if you are renting, you should definitely consider the cost-value of the desired modifications and if they are worth it in the long run.

- Renting does not build your equity.

With a monthly mortgage payment that is based on a principal and interest, the principal adds up to your initial down payment to increase your true ownership of the place and build your equity.

That does not happen with rents, where the entire payment is not an investment, but just a fee for using that place.

- Renting is unfortunately not an investment, but part of an increased living cost.

Mortgage payments represent true financial property investments.

They protect against inflation as they gather to form a concrete investment that you get to benefit from, after a certain amount of years (home market value goes up with approximately 5% every year).

In comparison to that, rent is simply a cost that adds to your monthly living costs. Rent payments have no investment components.

- You have no control over your rent, something that can make long-term budgeting very difficult.

As the rent amount might fluctuate, this big-budget part of your living cost can cause major changes in your life.

- Renting lacks the permanence and sense of security that a family has when having a place to call their own.
- It does not always give you the freedom to smoke inside premises, make home improvements, or even have pets.
- Renting is not always cheaper!

Considering the investment and the equity aspect of a mortgage, as well as the increase in rent prices and moving costs, rent can actually turn out to be more expensive than buying.

- Maintenance however, can greatly depend on the region you live in and how good you actually are with your tools when it comes to repairs and redecoration.

While this might be a never ending debate, there are a number of hidden benefits that only owning a home can provide.

We've already mentioned most benefits, but here are the biggest factors that drive people to home ownership.

- Your savings are not subjected to inflation, and neither is your mortgage payment!

If you opt for a fixed payment mortgage, both the price of your house as well as your payments will be locked to a fixed sum for the next 15 to 25 years.

That means that no matter the inflation, you will continue to pay your normal monthly mortgage rate.

Then at the end of the mortgage period, own a beautiful home for you and your family to enjoy.

- It is a great investment.

Once you buy a home, the price of the house is fixed to that specific amount.

This means the credit and mortgage payments will stay the same, no matter how much the value of your home increases.

There can be nothing better than leaving a home behind as a legacy for your children to enjoy. An investment in a home can also mean an investment in the future of your children.

There is a lot to consider when you want to buy a home. Getting yourself to switch from renting to homeownership is a highly challenging, but an exciting and amazing decision to make.

And no matter what people say, owning a house is the first step in the direction towards the home we've been dreaming of. Because, at the end of the day, as we all know, there is no place like home.

Chapter 2

Needs and Desires

Imagine what your dream house looks like. You have particular needs, and you can't imagine not having them fulfilled. But there are going to be some desires that you will have to let go due to affordability issues.

There is a bundle of things that are to be considered before buying a home.

Would you like to have a swimming pool?

Where is the house located?

What makes it special?

What can you afford and what is out of your budget?

Budgeting restricts us more than anything else in most cases. While some things are necessary for any home, others will just stay on the list of desires without ever coming to reality.

You might have a first impression of what you need and what you desire to have in your new house, but having a complete checklist can prove to be complicated.

Before starting your hunt for a new home, it is advisable to make a list of all your basic needs and desires while targeting the most important ones.

Making a list and highlighting what truly matters is the way to go. On top of it all, it will make the hunt casier, but at the same time, you need to know that it's nearly impossible to have all items checked.

Buying a house involves certain aspects, and it is not a simple process.

You can think about budget estimation, choosing the location of the house, contacting lenders ahead of time as well as having detailed discussions with the retailer.

It is also about avoiding traps. You need to be careful and avoid different scams that are out there.

It's similarly ideal to have a list of priorities for all your requirements that are related to the new house, which you intend to buy.

Having the image of your dream home is reality married with imagination.

In fact, you may find that some aspects of the house you intend to buy are different. It's not the same as what your dreams would've told you. Some criteria you might be looking at include:

- Distance from your job
- Nearby facilities
- Swimming pool
- Countertops
- Condition of doors and windows

Different people have different requirements.

It all depends on your thought process and personality. We all understand important things and potential compromises differently.

Needs, like basic requirements, can't be ignored or compromised. Desires, on the other hand, are to be left behind if the situation demands it. You need to make a clear

distinction between what necessities are and which items you would classify as desires.

You need to acknowledge that no matter how many desires you have unfulfilled at the moment; they can be worked on at a later date.

Maybe you don't like the color of the walls or the window frames, but it's very easy to repaint walls and change the windows later.

Without being limited by a certain budget and the basic requirements that you can't let go of, you should be able to find a great home at an affordable price.

Pet Owners

The majority of people like to have pets in their homes. Some people openly confess that their children and pets are almost equals.

Pets have so much importance in their lives that some people even think that they could have children later on in life based on their relationship with their animal.

Also, those parents who have grown-up children and are alone at home have adopted a lifestyle with their pets.

Home buyers who are pet owners have specific requirements as well, they have to consider providing for their pets.

It is essential that the neighborhood in which you are going to buy a house in has no restrictions on pets. You need to be careful and have it documented.

Usually pet lovers don't like carpets, because their pets destroy all the carpet fabric and make a mess.

If you are a pet lover it is better for you to find a home that has a fence, because the security of your pet is an important part to consider.

Then you need to consider the arrangement of rooms and the structure of the house to make sure it's suitable for your pet(s) too.

Traffic in the area is another checkpoint, because certain pets such as dogs and cats go out on the streets if the door is left open and if it's in an area with heavy traffic then that's a real problem.

If you want, you may also ask if there were pets in that house before. It is also important to have pet-friendly neighbors because otherwise if they don't like pets, that will create trouble for you and your pet as well.

Pet services the vet should be near the house, or at least in range for a relatively short car ride.

Location

You can't go to buy a home without choosing a location that you like. One of the most significant decisions when buying a home is where you want to live.

Location influences your everyday life.

The climate, job opportunities nearby and availability of necessary facilities are the most important aspects.

A home normally translates to peace and happiness, so the place that you choose for your house must be peaceful and at a distance from highways and other heavy traffic roads. It should also be fairly close to relatives or friends, if possible.

It is a known fact that in real estate, the most significant aspect is location.

The price is mainly based on the location and condition of the property. When someone starts looking for their house, it is important for them to consider the location and how far it is from schools, shopping areas, and other facilities.

Reviewing these points and then making a decision based on them is a wise choice because as much as you might have to pay more when you close the deal, it may actually save you from many expenses and headaches later.

Home also means comfort, and comfort can't come if the location is not suitable.

Schools

If you have a family or are planning to have children soon, then having schools is undoubtedly an important consideration when buying a house.

Living in an area where good public or private schools are available will save you from later headaches.

Even if you don't have kids yet, it's a good idea to have quality neighborhood schools so as to increase the value of your investment when selecting the location of your new home.

If you have difficulties finding a house near some schools that meet the threshold of your standards, then you may have to change your mind and choose another house.

This aspect is indeed one of the primary requirements for most people.

Neighborhood

Different neighborhoods will have different characteristics. Sometimes, the neighborhood becomes a reason for your happiness, and sometimes it becomes a headache for you.

You must make sure to be in a neighborhood that offers the closest possible match to the kind of lifestyle that you like and the personality that you possess.

Don't choose the wrong neighborhoods believing that it'll work out later. Even if you have a peaceful family life, neighbors can cause problems if you aren't in the right area.

Ideally, neighbors are the people who reach you in case of any difficulties and if they are kind, they will help you through any difficult situation you that you may encounter.

Good neighbors can sometimes be trusted to watch over your kids when you're away, or take care of your pet(s). A good neighborhood is not only a blessing but also a fundamental need because without it, there could be no peace at home.

While buying a house, there can be many things that require compromises.

Compromises may arise because of your budget, personal preferences, and dislikes, the location of the home, size of the garage, community, and distance from different important areas as well as structural integrity.

You must carefully make your decision because buying a house is a one-time job that can hardly be undone.

Chapter 3

Getting your First Home Loan

Starting out in the housing market can be intimidating for anyone. Ever since the housing market crashed in 2007, the road to recovery has been rather uneven.

This includes buyers being held back due to increasingly stricter standards for lending. Things in the housing market have been changing and showing small signs of improvement.

For starters, banks are less strict about the minimum requirements, and lenders are offering mortgages and down payments at lower rates than before. This may just be a good time to consider jumping into the market.

With the housing market heating up and consumers all ready to buy a home, it is time to begin preparing for the road that lies ahead of you.

Understanding the Importance of a Good Credit Score

Credit health is one of the most important factors that will decide the interest you will end up paying on your mortgage.

In fact, its impact is so significant that the difference could be in the range of thousands of dollars, based on nothing but your credit score. Let us give you a small example to make this a little clearer.

Let us take \$178,500, just as a completely random price, as the amount in question.

Pretend that two people each own a \$178,500 home and both want a 30-year fixed mortgage. They are paying the same amount for their down payment.

The difference between these people is their credit scores. One person has a low score of 620, while the other has a higher score of 760.

In almost every case, the one with a poor credit score will end up paying more, even a 3.5 and 5 percent interest rate difference could mean \$59,000 or more over a mortgage's lifetime.

Thus, this should be an indication of why having a good credit score before you take on a mortgage is an important factor.

So what can you do to ensure that your credit is in good shape before you jump into the mortgage market? Here is a short guide to help you in doing just that.

#1. Monitor and analyze your credit history

- With your credit score being such a crucial aspect of the final approval, it is important to have a good idea of how your score is going to affect you.
- Keep a tab on your score well in advance - this will help you to have an accurate estimate of the rate that you can expect. If your credit score is good, it will help you get approval.
- Also, take this opportunity to find out areas where your credit history could use improvement, and take steps to make sure the improvement takes place.

#2. Report errors and inconsistencies.

- A study by the Federal Trade Commission stated that 1 out of every 4 consumers had errors in their credit reports that were significantly affecting their scores.
- It also revealed that 5% of consumers found errors that would have led them to pay significantly higher amounts for mortgages and loans.
- Do not let any such errors on your report make you pay more than you should. Make sure you pull and carefully check the three reports, disputing any errors that would affect your score, such as wrong credit limit(s) or an incorrect account.

While the dispute process may not lead to instant results, investing time and effort may be worth it in the long run.

#3. Pay off any outstanding dues.

- Similarly, lenders and underwriters of your mortgage will need some certainty that you are a trustable buyer who will be able to make payments on time.
- This means that having any delinquent accounts or outstanding discrepancies on your credit report may hurt your chances. Before applying, try to clear any such accounts that are hurting your score.
- If that is not possible, make sure that the impact of late payments is being minimized.
- You can do this by burying it with years of payments that have been made on time.

#4. Decrease the percentage of your income that goes into paying debts

- Your debt-to-income ratio is the part of your income that goes into paying debts. This is a significant factor that your underwriter will take into consideration.
- This will help evaluate what credit risk you pose, and the amount of debt that you can safely handle. Studies have indicated that people with high value ratios are going to find it harder to make regular monthly payments.
- Lenders may not be able to trust you with their money if you are already using a large part of your income to pay off other debts.
- Lowering this ratio needs you to do either of the two things. Decrease your debt payments or increase your total income. While the latter may seem tough to do, there are quite a few options to consider.
- A little increase in your income could lower this ratio substantially.

#5. Beware of applying for credit.

You want your credit score as high as possible when applying for a mortgage.

- Thus you should try to avoid getting more credit, especially when your underwriter is making a decision on your mortgage.
- Every credit application you fill out during this time could lead to an inquiry that would significantly decrease your score.

- That is why it is important to consider the impact of each application you fill out for seeking credit during this period.
- The one thing you should keep in mind is that improving your credit score will not happen overnight it is something that could take quite some time.

It is essential that you begin keeping your credit score in check the moment you start thinking of buying your home. By keeping your credit score at a good level, you will not have to worry about paying extra interest on your house.

Keeping Your Credit Clean Before Purchasing a Home

When it comes to your credit and purchasing a home, you must be extremely careful with how you handle your money. One wrong move and you can wave goodbye to your new home.

There are many factors that come into play when it comes to keeping your credit clean before purchasing a home. You must pay serious attention to these factors during this process.

It's important to keep in mind that after you apply for a loan, or do anything which involves your credit score and report directly, all of the information is then documented in your current credit report.

In the case of purchasing a new home through an application for a mortgage, it's best to wait before taking out any credit cards, or applying for car loans. If it's impossible to wait, make sure you speak to your loan officer or mortgage broker for some advice. You do not want to risk losing your home loan.

Messing with your Income Ratio

Were you aware that messing with your income ratio when purchasing a home can negatively affect the process? If not, then there are things you will need to know.

For example, if you are attempting to take out a home loan, but are also purchasing a new car, your lender will evaluate all of your debt- to-income ratios, and make a decision based on that information. Your ratio represents the amount you are spending on debt payments, per month.

On a typical basis, mortgage lenders generally prefer a ratio to be no higher than 36 percent. If a separate loan comes up during the screening process of a home loan, such as a car loan, your mortgage lender will probably get in touch with you to go over it.

This car loan will affect your debt-to-income ratio and you may not be approved for the home loan.

Your Credit Report and Why It Matters

As previously stated, every loan you apply for, credit card you pay for, or anything in general that involves your credit, will show up on your documented credit report.

Lenders will look into your reports to see whether or not they should grant your loan.

For example, if you are in debt and applying for too many loans, your report will be negative and any lender that is reviewing your loan request will see it.

Paying your Loan in Cash?

If you would rather use the cash route to pay a loan, then lenders will not be able to see it on your credit report.

This means that since you did not take out a loan for the purchase, your credit report will not have the debt documented on it.

For example, if you plan on buying a car and want to apply for a mortgage at the same time, you can pay for the new car in cash. Then your mortgage lender will not be able to see any changes on your credit score or report.

Although, your mortgage lender will be able to look into your bank account to view any account balances you have open.

So it is risky to use a savings account to purchase anything large, such as a car, while trying to have a loan approved.

Totaling your Monthly Costs Compared to your Monthly Income

Follow the steps below to total your monthly costs compared to your monthly income:

1. Record all of your gross pay for each month, before any deductions for your insurance, taxes, or anything applicable.

2. Multiply the number you come up with by 28, which equals 28%.

The amount that you come up with for the second point is the amount the majority of mortgage lenders will use as a guideline when it comes to your housing costs.

This will include property, homeowner's insurance, interest, principal, etc.

Tips to be Prepared

When it comes to taking out a home loan with a mortgage broker, you are going to need to be prepared.

This means you will need to produce many documents, beginning with tax returns from years before.

Lenders will also want to see monthly bank statements, as well as proof of your income and all debts you may have. It's also a good idea to have sources for any big ongoing deposits you may have.

If you have any family or friends making a down payment for you, it is important to have a written letter to document such information for your lender.

You will need quite a bit of money for things such as the down payment, closing costs, at least a year's worth of taxes and insurance payments.

It is also recommended that you have extra cash because mortgage lenders will want to ensure that you have an adequate reserve.

This is just in case something in the home breaks and needs to be replaced, or if you lose your job and need money to make payments while you look for new employment. Multiple financial experts have agreed the general rule of thumb for a down payment is around 20%, but you are able to do it with as little as 3.5%.

However, this is only in the case of Federal Housing.

Administration mortgages are different. A conventional mortgage with a VA loan, which is available to veterans of the military, is only around 5%.

You should keep in mind that if you are paying less on the down payment, you will be paying more on the monthly payments.

This also includes the private mortgage insurance you will need to pay, which is known as the mortgage insurance premium. The mortgage insurance premium only applies if your down payment is less than an average 20%.

Be Ready for Anything

In conclusion, it's never a good idea to take out more than one loan at a time, especially if you are in the process of applying for a mortgage loan.

If you need to purchase something big while applying for a mortgage loan, such as a car, always try to use cash to avoid negatively affecting your credit score. Also, be ready with all of the documents that your mortgage lender will need. This ensures that the process will be as smooth as possible in the end.

Chapter 4

Programs for First-Time Home Buyers

Grants for First Time Home Buyers

While looking for a grant it is important to be knowledgeable and motivated. In this field there are many organizations and people who can help you through the grant process.

Unfortunately, there are also people who are waiting to take advantage of your situation.

They are able to do this through the many fees and costs linked to buying a house.

Matters that involve money always need to be handled with care. Home buyers are not carrying around piles of cash and probably have it stored in a savings account.

This amount needs to be paid at safe, trustworthy location. You must make sure to avoid scams and scammers. There are many national, state and local programs and grants available to first-time home buyers.

Various programs and subsidies can help cover a large amount of "acquisition costs" and allow people to get a higher percentage of loans to finance.

Grants can be just as important as loans when buying your own house. Money-Zine.com analyzed that "First time grants for home buyers can be a significant source of funding."

Unlike a loan or a debt, a grant will not have to be repaid. This means that these programs are aligned in those areas where the government wants to capitalize the revitalization of a community.

It makes these grants essential for both home buyers and the community.

Grants are actually gifts of money from a public or private body. If you are approved for a grant, you never have to pay the money back.

There is nothing like free money, although most grants help to connect with down payments or the costs of closing. There are also many programs that provide funds for other purposes in the process of buying a house.

A lack of reimbursement is one of the main reasons why grants exist. Grant assistance can be found at many places, including the U.S. government.

There is a department of the U.S. government named Housing and Urban Development.

This department gives billions of dollars every year to housing grants, even though they have no direct dealing with home ownership. Still, they are turning the home ownership dream into reality.

Even though a large part of the American Dream is to own your own house, buying your own home is very difficult in America.

According to the Census Bureau, 67% of Americans own their homes.

That still leaves a huge percentage of people who cannot buy their own houses, mainly because they can't afford closing costs and down payment of commercial loans.

If you are buying a home for the first time, you can file for a buyer grant. To be applicable for a buyer grant you must fill out an application very specifically.

There are a few steps to follow when applying for a buyer grant. First, find a home buyer grant that fits you.

Then, check the requirements of that grant program. Finally, find an approved lender and fill out all the application forms correctly.

To accomplish your goal, you need to study the important things to your success and research the matter thoroughly.

The HUD website is a great resource for buying a home, whether it's your first or your tenth.

This website provides all of the important information you need to help you on your journey to homeownership.

A lot of money goes to support the purchasing of HUD programs.

Different states have different programs and conditions for home buying grants. The one thing they have in common is that all fifty states have explicit grants for first-time home buyers. You can filter these programs to more localized assistance.

Subsequently, many cities and counties have their own grant programs. You should check what grants are available in the community you are planning to move to.

Buying your first home seems like an expensive, unapproachable and difficult step. You don't need to worry because there is help available.

Do not be afraid to inquire with your broker or lender because you never know what kind of trouble may grasp your

all money. First time home buyers have many advantages, but they also need to watch out for scams.

Tax Credits and Tax Breaks for First-Time Home Buyers

Finding ways and means to accumulate the extra cash can appear elusive. But a number of tax credits and tax breaks options have been designed to make it easier for buyers to buy their first homes.

First-time homebuyers can get grants and qualify for credit from the IRS. In the past they have been able to get up to \$8,000.

Who can Qualify for Tax Credits?

As per as the rules laid down by the HUD (Housing and Urban Development), only an individual who meets these certain conditions can be considered a first-time residence buyer:

- A person who hasn't owned a residence during a tenure of three years, up until the day they purchase the property.
- The same rules apply to the person's spouse as well.
- Any single parent who owned a house jointly with their former spouse during the time they were married.
- Someone who has owned a property, that wasn't permanently affiliated to any foundation as per the proper regulations.
- A person who owned a residence which didn't comply with the state or local building costs

Another important thing to note is the difference between tax credit and tax deduction. Often people think both these terms are essentially the same.

However, they're not. Tax deduction actually reduces your taxable income. In comparison, a tax credit is a reduction in the amount of taxes you owe to the government. You can save a considerable amount of money with a tax credit.

Tax Credit and Tax Break Schemes

#1. Mortgage payment interest deduction.

This is fairly well known. Nevertheless, this is one of the most beneficial tax breaks that home buyers can take advantage of.

The Mortgage Interest Deduction, or MID, is valid for loans up to \$1 million. It covers the interest paid on the loans. The MID scheme is very useful for people with new loans, since their interest rates are usually higher.

Homebuyers will receive a large chunk of the tax benefit upfront, since the first repayments have the highest value of interest.

To claim the MID benefit, a homebuyer will have to file an itemized tax return.

#2. Mortgage credit certification.

The Mortgage Credit Certification is another program that helps thousands of first-time homebuyers secure a tax break. The IRS stated that the program is aimed at helping the lower-income groups afford their first home.

This scheme is different from the deduction scheme since it reduces the amount of taxes you owe.

Depending on the price at which you purchased your home, you can get back up to 30% of the interest you pay as tax credit. Although the program is not that popular, it can be really helpful to first-time buyers.

You can get a considerable amount of money back every year.

It's important to note that the program is administered by local authorities and can vary according to the state you live in.

To qualify for this tax credit, you will need a Mortgage Credit Certificate issued by the local government.

#3. IRA withdrawals.

Getting ready to buy your first home? Don't overlook getting some money from an IRA, because you are eligible for a sum of \$10,000.

This money can help you cover the down payment and other ancillary costs, as well. As an added bonus, first-time homebuyers won't have to pay the 10% penalty which is usually applied to early withdrawals.

Since every individual is entitled to get a lump sum of \$10,000 from their IRA accounts, you can use this policy to your advantage.

You can ask your spouse or any of your family members to withdraw \$10,000 from their IRA accounts, ending up with more money.

#4. Home improvements

Home improvements can earn you tax deductions in multiple ways.

You can use a home-improvement loan to finance the cost of improvements in your home. These loans also qualify for MIDs, as mentioned above.

The interest on a home-improvement loan is deductible in full, up to a sum of \$100,000 in debt.

This will help you keep track of the home improvement costs. When you decide to sell your house, you just add the improvement cost to the value of your property.

If the selling price of your home is more than you had spent to procure it, then the extra income will be considered taxable.

You can reduce the value of this taxable income by adding the home improvement costs. This can help you save a big chunk of money in taxes during the sale.

#5. Home office deduction

Do you work from home? Well, you are in for some good luck.

The amount of space in your home that is dedicated towards official activities is tax-deductible. This deduction will include loan interest, insurance amount, other utilities and repairs.

However, there are certain guidelines for taking advantage of this deduction.

#6. Home energy tax credits.

The IRS rewards homeowners who make efforts to create eco- friendly homes.

The Residential Energy Efficiency Property Credit can cover the costs that are spent towards making the home more energy efficient.

Homeowners can save around 20-30% of the costs incurred for installing energy efficient appliances.

Another important factor is that it counts as a credit, which means it will reduce your tax bill, directly.

To apply for this tax credit, you must invest in appliances that harness energy from renewable sources. Examples of these sources are solar panels, wind turbines, fuel cells, etc.

These are not the only schemes, there are certain other tax breaks and tax credit policies as well.

Make sure you consider all the tax deductions and tax credits to get the maximum benefit out of these schemes.

Chapter 5

14 Common Mistakes First-Time

Congratulations if you have considered the investment of owning your own house instead of throwing money away on renting.

While you are at it, it's imperative that you avoid the following 14 mistakes that first-time homebuyers usually make:

#1. Failing to Budget for a Home Loan

Home ownership is a cheaper alternative to renting in the long run. But in the beginning, it can be much pricier. This is especially true if you intend to get a loan to purchase your dream house.

If you do acquire a loan, remember that you will be making monthly mortgage payments for a number of years.

Therefore, it is important to budget for a home loan, beforehand. You need to determine whether your income can accommodate an extra expense or not.

If you are unable to afford making monthly payments on your home loan, it would be a mistake to try to own a house at this time.

#2. Ignoring Your Credit Score

If you thought that finishing school meant being done with competitive scoring, think again!

Apparently, your creditworthiness can be summarized in just 3 digits. Those three numerals will draw the line between owning a house and renting one.

Even if you have an impeccable sense of financial responsibility right now, your credit past can haunt you.

You could have a hard time getting a home loan if your past record shows problems with payments, or if there's an error in your credit report.

If you go ahead and apply for a mortgage loan without checking your credit score, you could end up paying a lot more than you expected.

It's best to perform a credit check beforehand. This way, you will be allowed to get loans without being obligated to pay hefty amounts in interest.

#3. Disregarding Housing Marketing Trends

Just like other financial markets, the housing market fluctuates from time to time. Sometimes it favors the buyers, and sometimes it favors the sellers.

There are a number of factors that affect housing marketing trends. This includes the ratio between supply and demand, interest rates and the overall condition of the economy.

It's also imperative that you consider how the housing market changes in your ideal location, as home prices vary from one location to another.

If you disregard housing marketing trends when hunting for a house for sale, you might end up signing for a deal that favors the seller.

#4. Lack of a Preapproved Home Loan

Some people are anxious to shop for a house and want to do it quickly, before they are financially able to afford it.

If you have already started talking to sellers before having a hard talk with home loan lenders, you are making a mistake. In fact, not many sellers will want to work with you if you promise them a certain amount and then can't fulfill that promise.

To avoid any disappointments, it's wise to have your home loan pre-approved first, then go ahead and look for a house to buy.

#5. Overlooking the Home Resale Value

Another huge mistake you can make when buying a house is not considering the fact that you may need to resell the house you intend to buy.

There are lots of unexpected changes that can occur, such as job transfers, financial problems, or falling in love with another bigger or prettier house.

When this happens, you might find the need to sell your house, obviously at a profit. You should never overlook the resale value of the home you intend to purchase.

What you need to do is to ask yourself several questions such as: Will it be easy to sell this house? Will buyers be interested in buying it? Will this house fetch me a good amount if I decide to buy another one? Is it situated in a preferred neighborhood?

#6. Trusting an Unprepared Agent, not getting a Good One

Involving an agent is highly recommended in the home buying process.

There are pros and cons to dealing with real estate agents. A real estate agent can take a huge burden off your shoulders when it comes to looking for the right house.

An unprepared agent can cost you money and set the deal back.

Also, if you talk to the seller's agent, he will be representing the seller and he may not be truthful about the negative aspects of the house.

If you trust this kind of agent blindly, you may have regrets later on. Make sure your agent is prepared and well versed.

#7. Settling on a Verbal Agreement

Double crosses are bound to happen when agreements are made verbally. It would be difficult for you to prove in court that a promise was made or a handshake was made.

Therefore, it's best that you and the seller get everything down in writing to avoid future miscommunications.

This way, you will have something to present in court should the seller fail to keep their word.

#8. Disregarding Hidden Costs

This is another common mistake that many first-time homebuyers often make.

If you neglect to prepare for hidden fees, you might be in for a big surprise. Closing costs are a good example of hidden fees, which usually include a number of fees that cover final housekeeping matters.

Before signing the homebuyer's agreement, it would be wise on your part to determine what hidden fees are there.

#9. Ignoring Professional Home Inspection

You will be making a costly mistake if you rely on the seller to inform you about the house problems you should expect.

Before you make any payment towards the purchase of the house, it's imperative that you first hire a professional home inspector to ascertain that the house is in good condition.

#10. Following your "Love-at-First-Sight" Gut

Not everyone or everything that you fall in love with at first sight ends up being your one true love. A house may appear to be everything you ever dreamed of, but it might not live up to your expectations.

Before following a dream house blindly, be sure to check it out thoroughly. Make sure it has all the right qualities that make it a perfect home for you and your loved ones.

#11. Being Indecisive

As unwise as it is to rush into making a purchase, it is equally dumb to take too long without making up your mind. If you take too long to make a decision, another home buyer will take advantage of your indecisiveness and buy your dream house.

Since market trends change from time to time, you could also find out that the house you took too long to buy has a new (and higher) price tag attached to it.

#12. Relying on Online Services Only

Now that many services are obtainable at the click of the mouse, most people have become too dependent on them. It's true that loans can be obtained online and houses can be bought online as well. But failure to establish personal touch

with lenders or home sellers could present a huge and costly misunderstanding in future.

#13. Forgetting the Costs Associated with Owning a Home

Just like a car, a home requires money to maintain. The pain of parting with your hard-earned cash will not end on the day you finish your last mortgage payment.

You have to brace yourself for other costs for maintaining a safe, secure, and environmentally friendly home. You have to also be ready to meet certain costs such as association fees, insurance, taxes, utilities, maintenance and major/minor repairs.

#14. Entering into Multiple Agreements

While it's a smart thing to compare different houses before buying, you might end up biting off a lot more than you can chew.

This is especially true if you meet up with sellers and make offers or promises that you don't intend to honor.

Before entering into any agreement with a seller or an agent, it's imperative you ensure that you are ready to honor your end of the deal.

If you can avoid the above mentioned mistakes that are commonly made by first-time buyers, you will be more like a pro homebuyer instead. of a rookie.

Avoiding these mistakes can help you make the right choices when it comes to finding a home you and your family can take pride in. Keeping in mind the resale value will also help you avoid problems moving on in the future.

Searching for the Right Home

Buying a home is an exciting event, but the process of finding the right one can be very daunting.

It's a major investment and must be taken very seriously. It's not like buying an ill-fitting pair of shoes from the department store, because you can't just return it if you're not satisfied. Once you buy, you're in for the long haul.

To avoid costly mistakes that could haunt you for years to come, you need to make sure that you do your homework properly when house hunting.

Viewing a Home

For most people, the prospect of going to view homes they like is thrilling. It's tempting to think that that is the first step to buying a home, but it's not.

Assuming you have your down-payment, mortgage pre-approval and other financial issues handled, the first thing you need to do before viewing any home is to determine what you're looking for.

What is your criteria?

Do you need a set number of bedrooms and bathrooms?

Do you want a yard?

Do you want property only in particular neighborhoods?

How much are you willing or able to spend?

Answering these questions will save you a lot of time and effort running around to view homes that do not suit you.

Once you've decided on your criteria, call your Agent. Let him or her know what you're looking for and what your price range is.

He or she will get to work on your behalf, shortlisting the properties that meet your criteria so you can start your viewing from there. Then comes the fun part, finding that perfect home you've been dreaming of!

Schedule an Adequate Time

When going to view homes, make sure you've got plenty of time on your hands.

Always schedule enough time to do a proper inspection. It's possible you'll be living there for years to come, so five minutes strolling around isn't going to cut it.

Schedule about two hours to view your potential house. Research suggests that when buyers spend a longer time viewing a home, they are more likely to pay below the asking price.

Be Thorough

Be thorough when checking out the home. Open drawers, cabinets and cupboards, look behind furniture, lift up rugs if necessary. While this may seem rude, it is not.

You are about to make a substantial investment and you need to know exactly what you're getting..

Sellers are not obliged to inform you of or show you every single defect in the home so you need to find them yourself. An artfully positioned chair could be hiding something, so feel free to look where you need to.

Of course, if you already hate the home from the get go, by all means do only a minimal inspection or don't bother with the inspection at all. But if it's something you like, open every door and look in closets.

Rest assured that the sellers have had sufficient notice of a potential buyer and would have straightened up those spaces knowing you will be poking around.

What comes with the Property?

Confirm what comes with home. For example, whether the stands or fixtures are for the exclusive use of that home or the owners will remove them. Make sure to get confirmation in writing if you do decide that you would like to buy the property.

Don't be Fooled by Staging

Sellers have been known to use clever tricks to make a home more appealing. They can strategically light a room to draw attention from a problem or apply fresh coats of paint to cover a mold issue.

While you are viewing the house, try to look beyond the immediate aesthetics of the interior décor. Focus your attention on what you will get when the furniture and interior décor are gone.

Keep Emotion Away

When viewing a home initially, try not to get attached immediately. Keep emotions aside and only consider it as a building you need to inspect.

If you get attached from the get go, you might make an emotional decision and overlook major problems.

View Multiple Times

If you like a particular home, view it multiple times. You're more likely to identify potential problems if you view it several times at different times of the day.

This way you will know what traffic is like in the area and the noise levels that occur at different times.

Consider the Overall Context

When viewing don't just consider a property on its own, view it in the context of its location.

What is the area like?

Is the property adjacent to a train track or noisy intersection?

Is there a pub or bar close by that gets noisy at night?

How close are you to the things you might need, such as schools, public transit, a grocery store, or hospital?

All of these are legitimate questions to consider when viewing properties, as they can add or subtract from the overall enjoyment of your home.

Let your Agent do their Job

Don't just go viewing on your own.

Apart from the fact that this is not safe, it also makes you vulnerable. A seller's agent might think you're unrepresented and try to take advantage of you.

Let your Agent do their job. If you happen to come across a property that interests you but your Agent hasn't told you about it, chances are it does not match your criteria.

If you like the look of it however, call your Agent with the address and phone number on the board. That way, they can arrange a proper viewing for you without the owner being present.

The Condition of the Property

When viewing a home there are some very important things to look out for, the primary one being the condition of the property.

Is the Home Structurally Sound?

Walk around checking the walls and ceilings for big cracks. Hairline cracks are to be expected in some places. Make sure you check the exterior for cracks. Cracks could be a sign that the property is not structurally sound. Points at which extensions join are good places to look, as cracks often occur there.

Also look for loose or broken tiles on the roof or broken guttering, evidence of damage to the drywall and weaknesses on the floors.

Any signs of a problem anywhere on the structure of the property should be questioned about what caused it.

How long has it been like that?

Will it be fixed?

Furniture or accessories like rugs could be hiding wall cracks or problems with the floor, so again, don't forget to look behind furniture or move them around if necessary.

You might love the house, but if you see major cracks or any of the walls look like they are bowing, you should have a structural engineer come in and take a look.

Watch out for Mold

Mold is a major problem that could cost you a lot to fix. Don't just try to look for it, use your nose as well. Mold frequently gives off a musty smell, even when there are no visible signs.

Plaster that's flaking, watermarks on walls or ceilings, even a fresh coat of paint in a particular section of a room could all be an indication of mold.

Don't forget to examine the ceiling and around the skirting boards properly for evidence of leaks or water damage.

Heating, Air Conditioning and Electrics

Other aspects to consider when looking at the general condition of the property are the heating and air conditioning systems.

Have an expert assess that they are the appropriate models and capacity, and that they are working properly.

Check the fuse box, it shouldn't be old or outdated, must be easily accessible, and in good working condition. Ensure wiring was done properly. You don't want to spend a fortune rewiring the home to bring it up to a standard.

Consider if there are enough power outlets and if they are in good condition.

Basements and Attics

Also check the attic for water problems, look for water damage or leaks that may have affected the insulation, walls and ceiling of the attic. And while you're at it, make sure that the insulation is adequate for where the property is located.

In the basement, look for evidence of moisture problems in the home. Is there water leaking onto the floor or water around the foundation? There should be no cracks in the basement walls and any wood such as those in exposed beams should be in good condition with no rot.

Pipes and Taps

Check that the plumbing is up to date. Run taps to ensure they work properly and the water pressure is strong

enough. Exposed pipes in unheated areas should be insulated, as frozen pipes will eventually cause water damage.

It is particularly important from a health perspective to ascertain that the pipes are not lead. If they are, you will need to replace them. Also, find out where the hot water tank is located. If it is on the roof you may need to replace it, as it is probably an old tank.

Exterior

Check for evidence of water around the foundation which may indicate drainage issues.

The ground should slope away from the foundation. If there is a porch, it should have a foundation and not simply sit on soil. Check that driveways or any walkways leading up to the house do not have cracks and are not crumbling.

Check that the siding of the home is in good repair. Take a look at the landscaping on the property as well. It shouldn't be unkempt and unsightly, as that can indicate a lack of care.

The sprinkler system should be in proper working condition. If there is a deck, ensure there's no decay or damage from termite or beetles.

Property History

Don't just settle for the information contained in the customer copy of listings. Ask your agent for more detailed info.

How long has the property been on the market?

Was it previously listed, withdrawn and relisted for a lower price?

These kinds of questions can help you decide how much to offer.

You also need other detailed information on the property, most of which will be available from the public records. unheated areas should be insulated, as frozen pipes will eventually cause water damage.

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Public records will show you the name of the owner, original age of the home, mortgage history, parcel number, previous sales of the property, property deeds and any judgments or liens filed against the seller. Information about how much the property taxes are and whether they are paid or in arrears will also be available in the records.

You will also be able to see if there were permits obtained to make improvements on the home. These permits could complicate the sale of the property.

Do not skip this search, because it reveals important information about the property you are interested in and could save you money.

You can get all of this information through your agent if you're using one, since most agents subscribe to services that give them access to such data.

If you are not using an agent, then you can obtain this information through a local title company or you can order them online for a small fee.

Making the Choice

Once you've done all of your homework, you need to decide whether or not to buy the house.

It is important that you step back and evaluate all the information available to you from viewing the house, inspecting its condition and obtaining public records.

Bear some things in mind:

- You may need to compromise on some of your priorities. No home is completely perfect.
- However good it may be, there will be one or two things you wish you could change. If only it was facing that lovely park you saw on the way there, or if only the house you prefer was in that other neighborhood, or if only this cost a little bit less.
- At the end of the day, you will need to decide on which factors are most important to you. If you prefer the neighborhood over the house, you may decide to look for a different type of property within the same community. A condo for instance, instead of a town house.
- If finances are the issue, you may want to discuss with your bank if they would be willing to increase your mortgage. This is only if you can afford it.
- There is no point in getting into financial trouble just to get a particular property, when more affordable ones could do just as well.
- Lower your expectations on the condition of the home.
- If your inspection revealed a few small problems, you could still buy the property and do the repairs yourself.

- Use the problems as a bargaining chip to get a reduced price from the seller.
- If you go this route, please get a quote from a professional for the cost of repairs.
- Don't estimate based on your own judgment and don't let the seller decide how much he thinks it will cost.
- Also, do not let the seller get the quote, as he will likely get a quote that is favorable to him.
- If you allow the seller to decide the repair cost, you may find that the expense is much higher than was quoted.
- Be prepared to walk away.
- Again, this goes to our earlier point about not getting emotionally attached until you have bought and moved in. If at the end of the day you find out the compromise required is more than one you're prepared to make, walk away.
- Working with your Agent, you will soon find something else that you love.

Chapter 6

12 Steps to Buying a Home

Buying Step #1:

Figure out what you can Afford (Search for Homes)

You know by now that home buying complex process. Buyers will often feel troubled because of the huge home rates.

So before buying a home, consider its affordability. In other words, you need to know if the particular home is in your budget or not.

The actual cost of the home will end up being more than the selling cost indicates, because there are added agent fees, as well.

Upon first glance, a home may seem affordable to you, but there are hidden expenses involved in buying. These expenses may lead you into financial problems.

You need to take a detailed look at the housing market to figure out your price range. You will also need to figure out requirement issues.

Do research on schools, districts, impending constructions, crime statistics, or anything else that could increase or decrease a home's value.

Buying Step #2:

Make Sure you can get a Loan (Contact a Lender)

Buying a home requires a huge amount of money that is normally not possible for a buyer to have in their pocket or bank account.

For this reason, buyers may contact lenders for loans. There are lenders who will provide you with loans outside of your budget. For potential homebuyers, it is important to stay disciplined and go for an affordable home buying.

Buying a home is expensive, but it can also be an emotional process. It requires careful thinking about your current financial situation.

There needs to be emotional control and you have to make decisions solely based on your budget. Do not go out of your budget because it could cause you to experience financial problems.

Buying Step #3: Create a List of Wants and Needs

A certain amount of energy is required when deciding your list of wants and needs for the home.

Based on your specific budget, you must figure out what's important to you and what you are willing to compromise.

Wants and needs play an important role in the buying decision. If our dream home is outside of our budget, we may need to settle for something cheaper.

When estimating all your needs and all your wants, it can be productive to put a value on the items that are important to you. While visiting homes, you can then see which homes have the highest value to you.

Buying Step #4: Looking at Homes

After making a list of needs and wants, a complete search should be done on all houses available for sale.

Home inspection is very important work to do for the buyer of the potential house.

The houses that come under our budget requirements should be visited and everything within them should be inspected.

It is the duty of the buyer to inspect everything in the house before buying. This includes: the sanitary system of the house, garden, porch, electricity and water connections along with doors, windows and cupboard locks and durability.

When buyers have selected a home to purchase, they must not assume the selling cost of the house as the actual cost.

Buying Step #5: Deciding the Location

One of the choices people must make when deciding on a home is the location.

Before buying a home, the buyer is required to visit the home and consider every aspect of it. This includes what the other members of the family think of the house.

Every family has different demands for their home. Home is a place you are connected to, not only physically, but spiritually and mentally, as well.

It's a demand of every buyer that their home be in a peaceful location. There are some very successful places in the city that facilitate this need for tranquility.

Every place has its own specifics related to the water supply, sanitation and market access. These things can increase the market value of the property (or decrease it). Look at all surrounding areas to see if

this is the place in which you can see yourself and your family.

Buying Step #6: Decide Home Location and Design

After the price of the home has been discussed, home design is the next most considerable aspect. Every buyer wants their demands met and for the house of their dreams.

Location and commute to work are also important factors to be looked at before purchase.

The rooms should have a proper design and up-to-date ventilation system. All these investigative points are necessary to ponder when buying a home.

Buying Step #7: Contact an Agent

Searching for a home on the internet is an easy job, but it could lead to scams.

Contacting an agent is necessary. The agent will find a house for you, according to your demands. It is not easy to go out and search for homes. Let a person who has a deep knowledge about homes help you find the right one for you and your family.

Agents will note all details about the houses and will find a perfect home for you.

By contacting an agent, it's possible to find a less expensive house. Agents will have all kinds of details and listings you may not have found on your own. If you don't contact an agent, then you may find yourself in trouble. It can be difficult to make a correct and viable decision on a home, all on your own.

Agents not only have all kinds of different choices and options to present you. They can show you various quality locations and guide you through the buying process without any scams involved.

Buying Step #8: Making an Offer

The first step to buying a home is to make an offer. This means proposing a price to buy the property.

In the real estate arena, oral promises never carry any legal validity. In this sense, you will find the assistance of experienced real estate agents highly useful.

There are some standard kinds of forms you need to comply with, like Residential Purchase Agreements.

If you chose to work without an agent, there are a few things to keep in mind. Real estate laws vary from state to state. These laws can also change after time. You must keep yourself up to date on the latest home buying information available.

Some states require disclosures. This means the seller must answer any questions the buyer may have.

The offer made must conform to the local regulations. It must also

make a mention of the price, including the terms and conditions governing the purchase.

For example, if the seller says they will help with a given sum of money on your closing costs, make sure to mention it in the proposal.

Upon drafting and signing the offer, it is forwarded to the seller through your real estate agent or through the

seller's agent. In some places, the sales contracts are drafted by the lawyers representing both the parties.

Know that the purchase offer is nothing different from a sales contract that has a binding. If it is accepted, it is something equivalent to a money agreement or a deposit receipt.

Therefore, the offer must contain every aspect, like a blue print, guiding towards the final sale.

There are many important aspects to be included in the purchase offer.

These include: the physical address and the legal description of the property, the terms of purchase (whether it is an all cash transaction. or a mortgage purchase), the promise by the seller to give the clear title to the buyer, target date of closing the deal, the value of the earnest deposit associated with the offer and the mode of depositing the same (whether through cash or check), the implications of the earnest deposit of whether it would be returned if the deal fails or kept as damages if you happen to back out from the deal for no good reason, the plans for adjusting the taxes, rents, fuels and water bills between the buyer and the seller, information on who will pay for the title insurance, survey, inspections and others, the kind of deed that will be granted, the other legal requirements pertaining to the state, attorney review of the contract if needed, disclosure regarding the environmental hazards and the time after which the offer will expire.

The most important aspects of a purchase offer are the contingencies.

For instance, say your offer was given contingent upon a particular event. This means you will go ahead with the offer only after that event is satisfactory.

In this regard, we can make a mention of two kinds of contingencies, namely financing and home inspection.

This means the home buyer must succeed in getting the specified financing from a lending organization. It also means the recommendations made after the home inspection must be satisfactory.

If any one of these two contingencies is not realized, then the contract would be void. Also, it is important to mention all of the inspection conditions in the purchase offer.

Buying Step #9: Putting Money in Escrow when you Make an Offer

While purchasing a home, the buyer is expected to put money in escrow. This makes the contract a binding one and also moves it subsequently through closure.

Escrow is the period occurring between the time a property enters into the purchase offer and the time when its title is transferred in the name of the new owner.

The initial deposit amount collected as part of escrow is also referred to as good faith earnest money. This is the payment that will follow the home purchase process subsequently.

How much is to be deposited in the escrow will depend on the terms mentioned in the purchase offer.

The escrow agent is a kind of third party, enjoying a neutral state between the two parties. He carries an assurance to both the parties. The escrow agent is involved in the

transaction so that the different clauses of the offer will be met completely.

In the real estate arena, the escrow process is essential in cases where the ownership title is to be changed. The escrow is the manager of the trust account that holds the funds that will cover the value of the transaction.

The money collected from the buyer is held in escrow till the seller completes the obligations and transfers the title to the buyer. After this, the payment is remitted to the seller.

Actually, the earnest money is the first deposit the buyer makes through escrow.

This marks the interest of the buyer to acquire the property.

The earnest money is used to cover all or parts of the spending towards down payment, purchase price and closing costs. If for some reason the buyer or the seller is not able to fulfil their corresponding obligations, then they must mutually agree on how to deal with the deposit.

The other payments from the buyer include the advance down payment, as needed by the purchase contract and the closing costs estimated.

Buying Step #10: Negotiating with the Seller

Perhaps this is the toughest aspect of a home purchase. In this step, you will find the help of the real estate agent highly useful.

You must always know how to make a winning kind of negotiation. This requires thorough market research and is achieved through successful negotiation strategies.

Once you find your dream house and intend to make an offer, you must first review the comparable sales in the area. This validates the asking price.

You must be able to compare the comps with the target house. Once you have researched properties similar to the one you wish to buy, take the average price of all the homes and mention it in the offer. It is important to visit the homes you are using as comps before deciding on a price.

If the target home has some additional features, then you need to consider them in the price quote. It is best to mention the comparable sales deals in the purchase offer. It will give the seller an idea that you have done your research on this.

A purchase offer can evoke three possible responses from the seller. First, the home owner might accept your offer as it is. Second, he might counter act the offer by demanding some changes. Or third, he might reject the offer altogether with a counter proposal.

To deal with the response effectively, you must first have the idea of the maximum amount you are prepared to spend on the deal. You have made the offer come down from the listed price (as guided by the comps) and now the seller comes down on the price through a counter offer. Now you need to figure out how badly you want to go ahead with the deal.

If you persist with your offer price when there is high market demand, then you might lose the property to some other buyer.

Always remember home buying negotiation is a professional business transaction, so don't approach it with personal sentiments.

If the price that the seller demands is too high to the comparable value of the property, then you must know when to walk out of the deal.

Buying Step #11: The Closing Process Begins

Also referred to as settlement or escrow, the closing process is highly automated and computerized. These days, the signed papers can be forwarded to the closing agent in no time. However, the closing process is meant to bring all the parties involved to the same platform.

During the review of the property ownership, there might be some errors, unreported claims, or flaws in the review. These issues necessitate the title insurance.

During closing, all of the prevailing transfer taxes must be paid. You must also settle all other claims, such as closing costs, legal fees and adjustments. In several cases, it is the responsibility of the closing agent to do the documentation regarding the loan.

When compared to the other processes connected to home buying, closing is a brief one. It only involves the completion of the transaction agreed upon.

In most cases of closing, the buyer and the seller are present in an official setting. They commit themselves to completing all the papers concerned. The objective of the closing process is to transfer the title of the property to the buyer.

While the buyer receives the keys, the seller gets the payment. The closing agents deduct the costs to pay the

existing mortgages and other costs connected to the transaction.

During the closing process, the deeds, loan documents and other papers are prepared, duly signed and submitted to the offices maintaining the property records.

Before the closing process, the buyer needs to inspect the property personally. You want to check nothing has changed with regard to the property following the signing of the agreement.

Since the closing agents take care of the documentation with regard to the title companies, lawyers and the lenders, the buyer will have little work.

The paperwork will enable the parties connected to the transaction to verify their interests.

The outcome during the closing process is that the buyers receive the titles to the property, the lenders get their loans documented in the public records and the state governments get to collect the taxes towards the transaction.

Buying Step #12:

It's not yours Until You Close

While all looks set and going well, nothing can be worse than the deal falling apart. This could be due to multiple reasons including home inspection, low appraisal etc.

It would be easy for buyers to ensure the deal goes through if they know these potential pitfalls beforehand:

It is better to have a preapproved loan to make sure finance is not a problem. Many applications get rejected during the mortgage approval process.

As you are finalizing the deal with the seller, it is a good idea to be in contact with the agents to know the status of your finance.

Finalizing the deal with the seller, but faltering in getting loans will send the deal in a rut. Low appraisals are one of the major breakers of these deals.

If the appraisal is low, the lender will not give you a loan for the deal, which may cause problems for the buyer.

Title insurance and home inspections should also be expected. The lender will make sure to check whether the seller fully owns the house or not.

Defaulters will not own the house fully. If during the home inspection physical damage is noticed, the deal could be called off.

All these cautionary things need to be kept in mind by the buyer. If anything goes wrong, some contingency measures may be taken and the deal could be sealed.

Chapter 7

Hire an Agent or Buy Alone?

Finding a Good Agent

One may ask, what is the difference between a real estate agent and a realtor? A real estate agent is not a realtor.

A realtor is one who is authorized by the Realtors' Association on a national level. A good agent will still follow all the same rules and virtues as a good realtor. It should not make a difference.

As well as with authorization, agents must also fulfill some other conditions like:

- Ethical and moral behavior towards the client.
- To maintain and carry on the standard of the whole association.
- Obeys rules and regulations of the state in which they are serving.
- For example, they must follow the property right rules, taxation policy etc.
- An agent is also caring towards the client rights.

How to Hire a Good Agent?

Since we've discussed who an agent is, there is another question to answer.

How do you hire a good agent who meets all the criteria and has the right qualities?

A real estate agent is one which deals in house, property buying and selling. These agents are aware of properties in the area that are available for sale.

They will be informed of everything you need to know about the property. The first step to finding a good

agent is to contact one. Doing an interview will help you find the agent you are looking for.

The purpose of interview should be to check all the qualities of the agent. Is this agent the right fit for your home buying process? Do they have the qualities you are looking for in an agent?

The agent must have qualities like ethical behavior, moral aspects, working capabilities, ideas, and motivation toward the work. Another important factor to consider is the agent's experience. Do they have positive feedback from previous clients?

Also ask how many properties/houses were closed by them. This will be a key step in learning the expertise of the agent. If the agent has never made a deal, you may want to keep searching for a more qualified agent.

A simple way to review everything before signing or hiring an agent is checking these things:

- Previous deals and hiring (portfolio).
- Working hours, capabilities, skills, motivations, ideas and loyalty.
- Ethical exams certifications.

Interviewing a Good Agent

After confirming the agent is legitimate and ethical, it's helpful to list the qualities and downsides of the agent.

This will be helpful in making a final decision. If the agent meets your demands and requirements for the work, then you should schedule a meeting. Construct a contract with the agent concerning your policies and then hire them for your house search.

Contracts are an important step in the agreement between you and the agent. The contract will protect you from any violation of rules or regulation on the agent's part. It will also allow you to void the deal if your needs are not met according to the contract.

After these steps, tell your agent about the requirements of the property you wish to purchase. The things which are important to a buyer can be:

1. No. of bed rooms.
2. Kitchen, washrooms, TV lounge, car parking etc.
3. Location of the house.
4. Most importantly, the range of your budget.

Giving your agent certain housing requirements will allow them to find the perfect home for you.

Do's and Don'ts in Negotiations when Buying a House

You visited dozens of open houses and met with builders and sellers. You looked for the ideal neighborhood and searched for the best available offers. Now you have finally found the property you are willing to pay for.

Or maybe you were lucky. It was a love at first sight and now you are eager to close the deal as soon as possible.

In any case, welcome to the most valuable and challenging process of the home buying, the price negotiations. First of all, start with your financial status estimation and available options of financing.

If you are a first-time home buyer, there will be federal programs and state loans to help you with down payment and mortgage interest rates.

Usually you know how much money you wish to spend. Considering all of the opportunities will give you flexibility during the negotiation process.

How to Make your First Offer the Best Offer

Making your first offer is an important step which needs a significant amount of preparation and analysis.

A lot of components should be considered when submitting the proposal to the seller.

One of those components is a comparative market analysis, which is a mathematical model to find out the value of your future home. It calculates the basic conditions, such as number of bedrooms, bathrooms, existence of the yard, or swimming pool. Then it compares your potential home to similar houses on the market in your area.

This model will give you an idea of the average basic cost, which will be fundamental for your offer.

After the approximation, you add or remove the components that increase or decrease the value respectively.

For example, you know that the current owners have recently changed all the plumbing in the house. Or the opposite, their plumbing is fifteen years old and will probably start breaking down soon.

Then research the market trends: is the market going up or down? Do people buy or sell more? Are there any houses being built that will soon be on sale?

All of those calculations and forecasts may take quite a lot of time, but they will leave you with several options to consider and choose from.

For these cases, the real estate agent's services will be very helpful. Besides, he is a professional.

It will not take as much time for him to evaluate all the pros and cons and come to you with a proposal.

Your real estate agent must assist in this process and normally helps to decide on a few things. He will help you figure out how much money you should offer and which factors may or may not be in your favor.

After you agree on a price, the agent will send the proposal to the seller or seller's agent. The seller's agent will either accept it, or present you a counter-offer. Then, negotiations will go back and forth until you settle and reach an agreement.

After that, the home buying will move into the escrow.

Remember that all the agreements must be in writing, as your accepted offer will become a part of the purchase agreement.

Negotiating the Price: Which Tactics to Choose

The goal of your negotiation is to buy a house for the amount of money you are willing to pay.

Think of the highest maximum bid that you can afford and do not ever offer more. It is also good to research why the owners are selling the house.

Do they want to sell it because they are moving for a new job?

Has the property price been reduced due to an extensive time on the market?

In both cases it is likely they will want to sell quickly. You can stand your ground if they have a counter-offer.

If the house has been listed several times with a stable price, it is a sign the home owners are taking their time and may be waiting for the highest offer.

Depending on what kind of market you are in, strategy and tactics will vary.

In a buyer's market you have more possibilities to succeed. You can make a less than reasonable offer, demand for some house improvements, better closing date and even closing fee payment by the owner.

In a seller's market you have less leverage, as you are not the only one in line. You are most likely to succeed by offering a seller's price. If he does not get it from you, he will receive another offer very soon.

It is vital to understand that both the buyer and the seller may forget the final goal: to buy and to sell. Sometimes the parties get carried away in a battle of negotiating. Lock your eyes on the ball, but at the same time be realistic in your expectations of the situation. The following tactics will hopefully help you to stay focused.

#1. Use the Middleman

Your real estate agent can be your middleman to negotiate with your seller's representative. He should be your middleman and have a big influence in it.

Using him as a buffer will save you time. He may also provide useful information concerning the sellers, their intentions, etc., which the other party will not disclose to you directly.

#2. Play Good Cop, Bad Cop

Like in all the movies, one of the buyers plays a person that is on the seller's side, another one plays a displeased party.

In this way you will be not estranged from the seller. This will let him know that you are working on the compromise and are aware of his best interests. You can work with your agent for this as well.

#3. Wait for the Big Boss

Some third party person (attorney, lawyer, professional friend of the family) need to see and evaluate the offer and give his or her expertise. This is a chance to lower the seller's counter-offer and keep your positions. In addition, you will make the seller wait. This may make the seller believe you are considering other options.

#4. Be Curious

Asking questions will reveal some valuable information from the seller. It might help to find the reasoning behind the house sale. This could be your priceless leverage, if you do not know it yet.

#5. Consider Compromise

If it seems you might lose the whole deal at one point or another, be ready to give away something during the negotiation.

Compromise means you agreed in the end, but both of you left with a feeling that you met halfway.

#6. Focus on the Main Goal

Remember your main goal: to get the house.

Sometimes you will get stuck negotiating on minor details. It can be a good decision to wait until you come to an agreement on the main points, before proceeding.

How to Avoid Mistakes during the Negotiation

Whether you are buying a house for the first time, or just got carried away in the negotiation intensity, mistakes happen a lot.

#1. Be Nice

No one likes rude people.

Try not to offend your future seller during a house visit. For example, discussing all the necessary renovations and poor taste of the current owners may hurt their feelings. This may cause them to not want to sell their beloved house to you personally.

#2. Be Calm

Never express too much of an interest!

Most of the specialists agree that when sellers see how much you want this house to become yours, they won't accept your first offer. To avoid a counter offer, you should always play it cool, no matter how perfect this property is for you.

#3. Think like a Seller

Take a different look at this situation. Imagine you have to sell this house in two, five or ten years.

Will it be possible, or does it lack some basic features that the housing markets consider essential?

#4. Get Help

Spending money on real estate agents and attorneys may cost you thousands. Be cautious with cheap services if

they are significantly lower than the average market price in your area.

This is an indication of their lack of the professionalism and may cause you significant losses in the future. Pick your team carefully.

Do not rely solely on yourself, especially if this is your first time going through the house buying process.

There is plenty of information online to help you with your housing research. There is also a lot of information you need to collect before closing the deal to analyze what is best for you.

#5. Do Not Expect the Price Get Lower After Inspections

Bid lower than you can pay, and make your final offer with the most comfortable price you can afford.

Repairs after the inspections will, most likely, not cost the seller millions.

Consider any future issues as a possible subject of renegotiating at some point. But you should still be ready to go through with what you have already signed up for.

#6. Sign Cautiously

Make sure you acknowledge all terms and realize all liabilities before you sign any documents.

Once you sign the contract there is no way to make amendments without renegotiating and signing a new one.

#7. Calculate all Future Costs

Budgeting is essential during the purchase.

You will have to make payments to the agent and attorney. In addition, there are escrow payments, deposit and

down payments. There is also the title search and insurance, among other things.

You definitely need to estimate your abilities and decide for yourself if you can manage it.

What if there are Multiple Offers?

In a seller's market, you will probably have competition for the house you wish to buy.

Sellers might be considering several offers at the same time. They will make their decision based on the best offer. They may also choose to play with one potential buyer and only send counter-offers to them.

You as a buyer will never know. There are main points on how to stand out from multiple other offers. The best way to protect yourself from failing is to make your offer better than the others.

Usually your real estate agent will be able to tell if there is a chance for the multiple offers. This will help you plan and act accordingly.

Receiving a pre-approval for the mortgage will be a good start to becoming the best potential seller's choice. This is a statement issued based on your credit report, bank statements, etc. It shows your ability to pay for your possible purchase.

Also, let the seller know the financial options that you have. Some mortgage conditions and funding programs are more attractive and may influence the seller's decision.

Bid close to his price, there is not much sense in offering significantly less than he wants in a selling market.

Doing this you will save you time on the continuous counter-offering process.

It would be helpful to review the contingencies list. The fewer clauses you have there, the more attractive your offer seems to the seller.

However, it is recommended not to remove home inspection. This means the seller will not be liable for any uncovered issues with the house, and you will have to pay for the repairs on your own.

Showing your intentions by making a large, good faith deposit and down payment will usually convince the owner of your commitment. This may finally tilt the balance towards your proposal.

Negotiating the price is a very stressful period in a house buying process. You are not sure what the results will be, or exactly how much money you will spend.

In any case, keep in mind that the owner is interested in selling his home, and you are willing to buy it. With a little time and effort, you will be able to do it!

Chapter 8

All You Need to Know About the Home Inspections

The house hunt is over, and you decide to start the closing process on your soon-to-be home.

You have visited the house and seen it at its best, beautiful polished, shiny and very welcoming.

What if all this is just a deception and something is hidden underneath its glossy surface?

The issues here may vary from termites and mold to leaking pipes or cracked paint.

That is why before closing a deal on your highly-anticipated new property, you need to make sure that you order a home inspection to be conducted. It will help to evaluate the house condition and let you sleep safely at night before and after the purchase.

Why Do You Need a Home Inspection?

Some buyers tend to skip this step, especially if the market is busy and you compete with a number of other buyers. Home inspections cost money and take time, but if issues are found, they save much more of those after the deal is closed.

Generally speaking, you need a house inspection to know what you are exactly buying and what to expect from your property in the future.

During this process specialists will examine the house in order to define its condition and the viability of all

the necessary systems. Do not mix the house inspection with house appraisal.

The inspection will clarify the current state of the house, not what it is worth.

After the inspections, you will receive the certificate determining the state of the house and containing the suggestions on the future steps, or future expert opinions, if needed.

Inspections, Inspectors, and Common Mistakes

There are different types of house inspections available to perform.

General or residential inspections will observe and give an evaluation of the house elements and systems.

The list below may be enhanced, or some of the points may be excluded. Nevertheless, it will give you an idea of what should be examined.

- Exterior (quality of water drainage, and condition of the outside elements: yard, trees, pathways, fences, decks, stairs, cosmetic issues, etc.)
- Structural elements (visible foundation and framing condition, structure's upright position, etc.)
- Roof (installation quality, visible damages, shingles and gutters condition, etc.)
- Plumbing system (looking for any leaks, checking the water pressure, faucets, showers, material and aging of pipes, etc.)

- Electrical system (checking fuses, any visible wiring, its type and condition, safety issues, etc.)
- HVAC-heating, ventilation, and air conditioning (inspection of chimneys, vents, house insulation, ducting, etc., checking if all the systems work properly)
- Laundry room (ventilation and dryer systems, search for possible leaks and potential fire hazards)
- Bathrooms (proper ventilation, leaks, water heater condition and other possible issues)
- Kitchen appliances (proper working devices and their correct installation)
- Fire safety (checking the smoke detectors, fireplaces, and stoves)

Pest inspection will determine the presence of the wood boring insects, different kinds of insects, molds, and fungi.

You need to know how much damage a termite population can cause, in addition to mold in wet basements and the health hazards that it produces, so it is necessary that you do the inspection.

If you live in specific risk areas, it would be wise to order an additional service, for example, earthquake, tornado, or flood inspection.

The specialist will help you to estimate the resistance of the property during the natural disasters, if they have a high probability of occurring in your region.

Your inspector will most likely recommend that you ask for a second opinion and another inspection if he has any doubts or additional concerns.

Do not procrastinate and wait for the last moment to follow his advice. There have been a lot of situations whereby the closing meeting

have to be postponed because of failure to deal with the discovered issues properly and in time.

When the problem appears during the closure, it might be hard to resolve them during that time, especially if both the buyer and the seller have strong opinions about them.

Choosing the right inspector is the key to a thorough and honest report.

You may look for him or her online (most real estate websites have a list of professionals with their ratings and reviews), or ask your friends and family for a recommendation.

The inspector makes the conclusion regarding the scale of the problem if some items need service or replacement and if some issues are not yet full-blown but there is a good chance that they may, which means that they should be watched.

A good expert is hard to find, but it won't be necessary for you to control each step. You just need to make sure that he looks at all the surroundings during rain or snow, and examines the attic.

It is quite common to have interviews with several inspectors to find out, in person, how many houses he had

looked at. You will have the chance to determine if you are comfortable with his approaches and manner of speech.

A lot of buyers neglect to visit the house during the inspection and look only at the report that the company provides. This is one of the most obvious mistakes during the home inspection process.

Seeing letters and numbers is not the same as seeing the real situation. It is one of your first opportunities to fully take a tour around the house and see its actual appearance.

The second most common mistake is to go to the inspection and be too afraid to ask questions about what you see. Inspectors do their job, and some things that are common knowledge to them might be new to you.

Do not be intimidated about asking for an explanation if you do not understand what is going on. You are the one who is paying for his work, and you have the right to do it.

Another mistake that buyers make is to leave without checking the utilities. They may be off, but you should ask for them to be turned back on in order to make sure that there are no leaks, and that everything is connected correctly.

All the house inspection conditions apply to new homes as well as old ones.

Believe it or not, newly built houses can also have issues. Buying a house may be the biggest purchase in your life, and it is not the time to gamble with such a big amount of money being at stake.

What to Do After the Inspection

After receiving a report, there are two possible directions of how the situation may develop. In the best case

scenario, everything is fine, and no further work is required. You are good to go with other paperwork.

The worst case scenario requires some minor repairs and possible price negotiations with the owner. The awful scenario needs major investments and you may need to ask a seller to review the price or pay you the full amount to fix it.

Unfortunately, there is no standard template and unified step- by-step regulation regarding what to do if there are some issues with the house.

A lot depends on what is signed in your contingencies list. Your best option is when the seller is liable for all the repairs and then you have to decide on how he is going to perform them.

Some contracts include some cost limits or split liabilities. In case you buy the house "as it is" and your inspection was only for informational purposes, sadly, you will now have to calculate the repair costs and plan when you fix your house.

If inspectors have found some minor issues that do not compromise safety, there is no sense in starting a negotiation battle with the owner and you have to firmly stand on your point.

On the other side, if you are talking about the peeling paint on the fence, which you noticed during the open house, it makes more sense to add this point to your purchase offer.

Some of the common problems that should be considered include the roofing part, replacing the pipes, fixing any leaks, requirement for new wiring for any 30-50 plus year-old houses.

When to Back Off

As professionals say, you should cancel the deal if you cannot buy the house you want on the condition that you want and for the money that you have.

It is most likely that you will not be considering the option to back off if you are in the buyer's market, the seller will negotiate a settlement long before these thoughts hit you.

In any case, some repairs are just not worth it and they include:

1. If the problem that the house owner refuses to fix or pay for it to be fixed is dangerous for your health and you cannot fix it, back off.
You do not want to endanger your family, and not even a perfect house is worth it.
2. If you need to fix it in the near future but it is too expensive for you, back off. Of course, it depends on the problem.
But you do not want to live on a continuous construction site.
3. If the issue is likely to cause a chain of other problems and it is hard to estimate how much it will cost, back off.

You cannot predict the total cost of the repair, and it may be cheaper to argue over the termination fees and then start the house search all over again.

No house owner will want to waste time with a potential buyer and then stop halfway simply because of an issue that may appear to be a problem for the next buyer as well.

You should consider all the pros and cons very carefully and listen to your real estate team's advice. They are usually more experienced and may explain to you all the advantages and disadvantages better than anybody else.

Also do not forget about what your gut tells you, if you think you can manage it for this particular offer, go ahead. If the doubts and uncertainties are too big, better turn it down and start over.

Can Inspections Affect the House Value?

The short answer would be "Yes, they can", but do not count on it too much.

As we were saying, the role of the home inspection is to protect the buyer from inheriting major issues along with his purchase. Home appraisal, on the other hand, makes sure that a lender does not pay more than he has to.

During the appraisal, the specialist determines the market value of the house basing on its square footage, the number of rooms, bathrooms, size of the outside territory and the garage.

He is interested in analytic data and makes his summary basing on complex mathematical calculations. Home inspections, as we already know, focus on home conditions.

If those conditions are not obvious, the home appraiser will not consider them.

For example, tilted facade and moldy basements are highly noticeable, and will be reflected in the appraisal, but squeaky doors and inside water pipes will not.

Some mortgage guarantors require home inspection along with the appraisal, as they have specific requirements towards what should and should not be in the house.

A property that possesses any of the red flags cannot be approved until all of them are eliminated.

But in most cases, home appraisal cannot vaguely influence the home value.

If inspections are made properly, you will be able to know your future house's exact conditions. make certain that you have a trustworthy and reliable home inspector on your side, essentially, the whole deal now depends on him.

Do not panic if you find a lot of written issues in his report, and do not take it too lightly as well.

All you need to do is to read it carefully, then give it a good thought.

At the end of the day, some of the written problems may appear minor or cheap and easy to fix, some of them will not matter, as you are probably going to make some renovations, and some will not matter as much as for you to refuse to buy the house of your dreams.

Chapter 9

The Closing Process

10 Things to Know if you are Closing a Home Deal for the First Time

The real estate agent has already helped you to prepare the best offer. It contains the list of contingencies (for example, that seller fully disclosed any problems with the house, points on the results and actions after the inspections, etc.) and it is finally accepted.

Anticipation of a purchase is rising. You are ready to sign the documents and move into your new family home, loft, condo, or a sea- view apartment as soon as possible.

Although, it is too early to pack your boxes yet. A long journey waits, and there are ten steps to take before you own your property.

#1. Open an Escrow

The first step to closing the deal and unlocking the front door of your own house is to open an escrow.

Escrow, on average, will last approximately one month. During that time, the third party is taking care of transactions on both the seller and buyer's behalf. For example, if you are providing an inspection as a buyer, you deposit some funds to the escrow account.

Costs of this service are to be negotiated beforehand. Some escrow companies may charge unexpected "junk fees." You might only become aware of these fees during payments, because they are usually hidden.

#2. Lock-In the Interest Rate

You need to lock your interest rate from the time a loan application begins approval until a couple days before the closing.

Exact day and time is up to you. Most of the buyers do not lock the interest rate when they apply for their mortgage.

They are afraid the rates will decrease during that window of time. Nevertheless, chances are that the interest rate may both increase or decrease during that period.

A lot of variables should be considered. Waiting till the last moment could get you a lower rate at the same time, if you get lucky. The decision is yours to make, just do it in time.

#3. Have a Home Inspection

Making sure that tiles won't fall off on the first day in your new

home is generally a reason to have a home inspection.

Specialists will check the conditioning system, plumbing, and electricity. Choose your inspectors wisely, and do not fall for the cheapest option. Cheap usually proves to be a bad choice in terms of quality, experience and technical knowledge.

Of course, even the most expensive professionals cannot foresee the future. But they may save you thousands of dollars uncovering existing issues.

Even new houses need to be checked duly and thoroughly. It does not matter that the house recently had all the municipal inspections by the builder.

#4. Have a Pest Inspection

The best choice is to hire a licensed pest inspection company. They will check if your future property is contaminated by flies, mosquitoes, cockroaches, fleas, rats, mice, bed bugs, termites, beetles, critters, carpenter bees, ants, and other types of pests.

They will also check mold growth and other possible environmental health threats caused by lead, fungus and asbestos.

There is no need to explain how much harm even a small amount of termites may bring. Not to mention the potential harm a growing mold population can cause, as they tend to cause major damage. These issues will lead to major fixing expenses and health issues.

Presence of any kind of contamination is a subject of renegotiation of terms, or a reason to rethink the deal completely.

#5. Fix all the Issues after the Inspections

If inspections revealed any problems, you may want to drop the price, or ask the seller to fix the problems that came up.

Some inspectors advise to look deeper into the issue. They say you should ask for a second opinion, or evaluate it further with a specialist.

It is highly recommended to discuss the estimates and fix the issues as soon as possible.

#6. Ask for Title Search and Insurance

Title insurance is needed to eliminate the third party ownership on the property that you are buying.

The officer will help you to make a title search and make sure that there are no legitimate claims from relatives, collectors, and the like. Such claims might end in questioning your right of possession, or invalidating it at all.

Title insurance will become a legal proof that everything is clear and you are good to go further with the closing.

#7. Conduct a Home Appraisal

A home appraisal determines the estimated market value of your soon-to-be property.

The appraiser evaluates it based on different factors. These include general condition, geographic location, proximity to objects of interest, value of the near-by houses, their recent sales, neighborhood growth and potential.

Mortgage lenders usually need this information to make sure the amount you would like to borrow is worth the money. There is always a risk of a low appraisal. This might not be bad for you as a buyer.

But imagine this scenario, you negotiated a deal with the buyer, and it is already lower than he initially wanted. This is due to the declining market and neighborhood constructions. This will cause the home appraiser to drop the value even more.

You cannot disagree that it may slow down the closing process. This is due to the seller's doubts, if the appraisal is fair, or if he really wants to sell at a price that low.

At the same time, you as a buyer want to save and you have a legitimate right to go for it. Same goes with high appraisals, which will stop you as a buyer and make you want to appeal.

And both of you will be right in standing your ground. Such a possibility may lead to a delay and require new negotiations.

Unfortunately, some appraisers are not qualified enough, or unfamiliar with all the specifics of the particular areas.

Before trusting the home appraiser with this responsibility, make sure he is from your county, has a residential appraiser certification and a professional designation.

#8. Set the Time and Date of the Closing

There are several moments to consider when scheduling the closing for your property.

One of them is to schedule at least half a day's time for the occasion. An hour or two may not be enough if you face some unsolved issues or unexpected situations.

Closing can be held in any agreed location. For example, at the attorney's office, or at your lender's or title company's offices. The closing date should be close to the end of the month, but not the last day of the month.

It is better to settle between the 20th and 25th of the month. In this case, you will have some time before the end of the month to resolve all the disputes.

Why not the last day? There are a few reasons. These include wanting to renegotiate new conditions, technical issues or something going wrong.

If you schedule a closing and fail to complete it on that day, there are consequences. You will be facing increased closing costs next month, in addition to the penalty for the delay.

#9. Be Present at a Walk-Through

A final walk-through is a last chance to see your future house before you buy it.

Usually it is scheduled twenty-four hours before the closure.

The property should be in the condition that is specified in your sales contract. You may inspect if any changes have been made after the home or pest inspections. Check if everything is in order and if any additional replacements are necessary.

If there is an issue, the closing day may be shifted. Or upon mutual agreement, the repair costs will be submitted to the escrow account. Do not skip it because missing the final walk-through is one of the reasons of closure delay.

#10. Get Ready for your Closing Day

Now you've run the escrow marathon and survived all the possible obstacles in your way. It is finally time to sign the papers and get the keys to your new home.

First of all, prepare all the paperwork that you have collected during the whole process. This includes the title search and insurance, inspection reports, bank statements, home appraisal, checks of down payment closing costs, prepaid interest and anything else.

There will be quite a few people present with you at the closing, your attorney, a seller (and/or his representative), the seller's attorney, real estate agents (both yours and your seller's), a lender's representative, a title company's representative, the closing agent, and a public notary. Exact number and function depends on the state and county.

Basically, the purpose of the meeting is to sign the following documents:

- Closing Disclosure (CD). This document contains your final payments, costs and charges upon agreed terms and periods.
- You are supposed to receive it three business days before the closing date and compare it with the conditions of the initial loan estimate.
- Mortgage note.
- Signing this document, you agree to your mortgage terms and conditions, as well as penalties, in case you are not able to pay duly and in time
- Deed of trust or mortgage.
- It is a security for your lender that he will get his money, even if you are unable to obey the terms of the mortgage note.

Certificate of occupancy (for new houses only). Such document is needed to move into a house.

If your home buying team is competent enough, you will not be seeing those documents for the first time at the closing. Do not sign anything that is unclear to you, different from what you agreed to, or seems wrong.

Make sure that you understand what you are signing and how your payments will be distributed over the time. Charges change differently depending on the mortgage type, and may also depend on your insurance or taxes.

Risks and Delays on a Closing Day

Even a well prepared closure may not go as planned. Some mistakes can be revealed during the signing of the documents.

There are a few examples of how this might happen. If you or your seller's financial circumstances change or if one of you changed your last name during marriage. It is possible some of the repairs were not considered, or one of you simply backs out from the deal. Everything is possible, and you have to prepare for every option.

If either of you refuse to sign the deal because you changed your mind, or found a better option, the other party has right to collect the damage fees. This clause is usually obligatory in all the agreements.

Closing a deal is a big responsibility, stress and financial risk for all parties involved. It is important to understand that, especially if you are doing it for the first time.

You need to do your research and gather all necessary documents. You must also follow your attorney's, inspectors' and real estate agent's advice. Not to mention, you have to be sure that you definitely want to close this deal.

Then calm down and take a deep breath. Now you can go through with it!

After you Sign the Papers

Take the keys and start moving into your new house. Now you are a legitimate owner and a responsible person for a mortgage loan.

Closing on a first new home is mind blowing - both in a good and a bad way.

Nothing can be compared to buying your first home. When you finally get through with it, you will be able to relax and enjoy your new property.

Hopefully, these basic steps will help the first time home buyers handle this incredible process with less stress and more energy.

Good luck!

Chapter 10

Moving Tips

Moving Tips for the First Timer

Moving is one of the most stressful and tiring things anyone can ever go through.

Whether the move is across cities or within the same area, it always needs careful planning. From sorting to packing, labeling, unpacking and arranging all your stuff in your new home, it involves a bunch of work.

This usually calls for additional hands to help with the tasks that need to be done, and this help always comes at a cost.

Unfortunately, it is something that we have to go through at some point in our life. It is a necessity that can hardly be avoided or ignored.

Luckily, the stress can be minimized and the possible problems avoided with a bit of help and resources.

As with most tasks, organization and careful planning is key to moving. A checklist will help you remain organized with the tasks of sorting, labeling and packing your things.

Preparing your Checklist

Moving your entire home means that you need to prepare at least two checklists. The first is a checklist of all the stuff you will be bringing with you. They can be grouped according to the room they belong in.

Aside from indicating the room where each item belongs, it would be a great idea to number the boxes. This way, you can indicate on your checklist where each item is packed. It will make it easier to sort and identify your things while moving.

Another checklist that you need to prepare is a list of all the tasks that you need to do packing, labeling, etc.

No task is too small for your checklist. It pays to be prepared.

To help you better with this list, here's a comprehensive sample that you can refer to. You should divide it into segments of time to keep you organized.

A Month before the Big Move

- Ask friends and relatives for referrals to moving companies and inquire about their services, procedures, and policies.
- Get at least three estimates from different companies so that you can compare their services and choose the best one that suits your needs and budget.
- Go through all your stuff and identify the things that you will keep and those that you will dispose of. Remember, less is more.
- If you no longer use it, give it away or sell it. This will make packing easier and quicker for you.
- Keep a file of all your moving documents such as contracts, invoices, bills, etc.
- This file should be readily available once you need them.
- Inform your utility company of your moving date so they can disconnect services (for your water, electricity, cable, internet, etc.) on the date after your move.

- Also schedule an activation or transfer of these same services to your new address, so that you already have them in place once you move in.

Three Weeks before the Big Move

- Bring out the boxes and start packing the items you will not be using in the coming weeks.
- Be sure to label the boxes with the room the items belong to. This will make unpacking systematic.
- Make a list of the items that go in each box.
- If you're too lazy to do this, you can also take pictures so you'll know where to find each item.
- Decide on whether you're going to hire a moving company to help you or if you decide to DIY.
- If hiring, now is a good time to finalize the details of your big move with them.
- Enlist the help of family and friends.
- Let them know when they can come and help you with packing, or with unpacking.
- Update all personal documents that include your address.
- Notify your employer, banks and insurance companies of your change in address.

Two Weeks before the Big Move

- Clean up every room once you've packed all the items in it.
- Disassemble furniture that you will not be using in the following days and pack them away.
- Set aside all items that you will not be needing and schedule for a pick up by the local Salvation Army or any organization you decide to donate them to.
- If you are planning on a garage sale, now is the perfect time to do that.
- File your leave from work for the days that you will be concentrating on the move.
- Prepare a suitcase of things that you will need on the day of your big move, like towels, toiletries, clean clothes, etc.
- Check the new place you will be moving in to and make sure everything is ready for moving day.
- Clean up all the clutter, check if the switches are working and if electricity is already available. Or have someone do all of these for you.
- Throw away all unneeded and unusable items, especially flammable stuff, like left-over paint, spray cans or propane.
- Call up your relatives and friends who enlisted to help with the packing and moving and inform them of your schedule.

One Week before the Big Move

- If hiring one, make a last call to your moving company to confirm details such as time of arrival and pick up.
- Draw up a time-table for moving day, time to start loading your boxes, where/when to stop for lunch, estimated time of arrival at the new place.
- This will give you a sense of what to expect and prepare for on the day itself.
- With the help of volunteer family and friends, finish packing all your things, leaving behind only the essential items that you will be using every day.
- Make sure that all your boxes are properly packed and numbered, color-coded by room if possible.
- This will help you in the unpacking process. Make sure there are labels on the top and sides of the boxes.
- Prepare a snack bag for moving day.
- Make sure to bring lots of water and high energy food to sustain your strength while moving.
- Have your check lists and pens ready with you in your bag.
- Clean up your refrigerator, stove and other kitchen appliances.
- Make sure most if not all the food in the fridge will be consumed by moving day.

- Make sure all your items for donation/giving away are picked up or delivered to their new owners.
- Check if all utilities are already working properly in your new home.
- Prepare several pieces of post-it notes with your new address and your contact numbers to be given to your movers, or to your entourage on moving day.

On The Day of the Big Move

- Pack away your beddings and disassemble all the beds in your home.
- Have a last-minute meeting with your movers, if hiring one, and make sure they know how you want things to be done.
- Inform them of the box labels, where each box must go, how they should be loaded, etc
- Make sure all your items are loaded and nothing gets left behind.
- Distribute your post-its with your contact numbers and the new address to every driver in the moving group.
- Double check every room in the house before leaving, making sure that nothing is left.
- Turn off all light switches, lock all windows and doors.
- Make sure you arrive at your movers/entourage. new home before the

- Inspect your new home, making sure all utilities are in working condition.
- Clean up your new home while it is still empty of your stuff.
- Open windows and cabinet doors to let fresh air in.
- Direct your movers with the unloading of your boxes, show them where each box must go.
- Finally, unpack what you need for the rest of the day and set up your beds and beddings while you have help.

Choosing and Hiring a Mover

The checklist above is as thorough as it gets, with the weekly tasks to tick off as you go along the way.

However, a big factor to consider is whether or not to hire a mover. Movers are a big help with all the items you need to pack, load and transport over a long distance.

If you have a lot of stuff to bring with you, hiring a moving company will definitely be the practical choice.

The big deal is choosing the right moving company to work with you. Here are some things to consider when hiring movers:

1. Reputation. Ask around for movers that friends and relatives will recommend based on experience. Have at least three companies to compare services and reviews from before making your final choice.

2. Choose local. Oftentimes, local companies are the better choice in terms of budget and availability.
3. Ask for an in-house cost estimate.
4. Let them see your belongings and inform them of the distance to your new home so they can quote you an estimate
5. Look at the fine print.

Check their cost estimate for hidden charges, insurance coverage, payment terms, policy on damage to items, etc.

Compare these with the other movers you are considering and base your decision on your comparisons.

When making your final choice for a mover to hire, keep in mind that getting the cheapest mover doesn't always guarantee that you'll save on money.

Cheap could mean mediocre service, and that may incur unwanted problems along the way. Choose wisely and take all the above-mentioned factors into consideration.

Renting a U-Haul Instead

A U-Haul is a truck that you can rent to load your things when moving to a different location.

Unlike movers, you do the packing, loading and driving yourself. This may be a great way to save on moving cost, but only if you have a manageable amount of stuff to bring with you.

You can call on your friends for help in packing and loading your things into this rented truck. This will make it easier to do the moving without professional help.

To get the best U-Haul deal and pull off a successful and uneventful move, these are some things to keep in mind:

1. Time your move.

Mid-month and mid-week are the best days to get a good price, since most movers say the weekends and month-ends are the busiest time for them.

2. Look for cheap boxes to use in packing.

Used and recycled boxes are cheaper and you can resell them once you're done unpacking.

3. Start packing a long time off.

Don't do a last minute stunt.

Plan months ahead which items you will bring and which ones to give away or donate.

4. Organize a moving team.

You'll need all the help you can get, from packing, to labeling, to unpacking, and sorting your stuff.

You won't be able to do it all on your own, so might as well ask for help early on.

5. Time your departure from your old place. Make sure you will be able to stop and rest when needed at convenient times and places.

You want to be able to get to your new house while there is still light outside for ease in unloading.

If you do decide to do the move with a U-Haul, make a specific time table.

Include all the things that you would be doing in preparation for your move.

If you will be proceeding without professional help, you may even want to ask for advice from people you know.

Their moving experience will provide you with tips on what to avoid and areas of preparation you may have overlooked.

Whether you make your big move with professional help, family and friends or by yourself, preparation and organization is key.

You may ask for all the help you can get and hire the best movers.

But, without your personal involvement in planning and organizing, you will not be able to keep track of everything that needs to be monitored and prepared.

Chapter 11

Horror Stories in the Real Estate World

You've seen frightening stories like this on TV. Perhaps you've heard about them from neighbors or co-workers, but you still haven't witnessed anything like them yourself. Be warned - the first time is one time too many.

Now that you're in the market for your first home, or maybe a second or third, congratulations! Buying a new home is one of the biggest achievements in the lives of many people. Unfortunately, homebuyers especially first-time buyers are often the victims of horror stories.

That's right absolute horror.

Here are a few examples of what I mean.

Alex was super excited about making her first home purchase back in 2012. Being in the Washington, D.C. area, she was really limited with pricing options, with many of the lower cost homes being around \$250,000.

She went to several banks and got pre-approved for different amounts at various lower interest rates. She found her dream condo, and after some deliberating, she decided to go with the lowest rate of 4% offered to her by Bank of America.

She completed her paperwork and submitted it with her 10% deposit. The rate wasn't her only deciding factor. Everyone had been super friendly and great at communication, making her feel very comfortable about the process until now.

Suddenly, it seemed as though all of Bank of America dropped off the map. A closing process that should

have taken 30 days or less turned into several months of waiting and a larger deposit of an additional \$20,000!

They ran her in circles and circles until the seller told her through the real estate agent that the deal was over if she didn't find another solution. Luckily, the seller's real estate agent was friends with one of the other lenders and was able to help her to obtain another loan - although at 4.25% much more quickly.

What became of Bank of America? Strangely, one of Alex's friends didn't have any problems and was able to finance her purchase and move into her new home while Alex's application nightmare was already in process!

I guess she got lucky, but Alex will always remember that horrible experience.

Before you start thinking that you're exempt from any possible horror because you're buying your second or third home, think again.

Have you ever heard of termites? The bugs that eat away at the structure of buildings and homes?

Ron and Jenna were happily married and planning on upgrading to their second new home. After a long search, they found it - so they thought. A super bright and colorful kitchen, open living and dining areas, three bathrooms, high ceilings, a fireplace, and even a covered porch made the home seem absolutely perfect.

They were especially thrilled that the price was only \$135,000. That kind of price is a steal. They signed the contract and were in the house a little more than a month later. Less than 6 months later, the horror story began to

unfold. Jenna was cleaning one of the bathrooms when she noticed tiny little ants with wings.

Following Ron's advice, she called the exterminator. When he arrived, he delivered the first blow these winged ants were actually termites!

The exterminator went under the house to assess the damage. Not only did he find that the floor under the bathroom was completely infested, but also the other two bathrooms and spreading to more of the house!

The grand total to repair this problem came to over \$12,000! That's an unbelievable amount of money to unexpectedly invest in a house that you've only lived in for less than 6 months.

How was that even possible?

The key lesson here is to really know the house that you're buying. You should always hire an exterminator on your own to investigate the house, particularly for termites.

If you're going to make such a huge investment in a new home, the small price of precaution is worth it.

The stories can continue through an endless list. I recently met a lady - let's call her Sue at a café with a really intense first-time buyer story. I happened to overhear her conversation so I decided to step in and ask about it.

Sue and her fiancé were searching for their first home with the intention of buying one before their wedding. They had been told about a really great real estate agent in the city that they wanted to call home, and so they looked him up to ask his help in finding the right home.

The problem was that the only praise that they heard about him was from clients who had hired him to sell homes, not from homebuyers.

He met up with Sue and her fiancé to go over different homes he had on his list, and then it was time to take a trip around town to see them. There was one home in particular that he talked profusely about, and so they went in to take a look.

While they did have a limited budget, Sue and her fiancé knew what good quality was, and so they were able to see right away that there were problems. The basement doorway was weak. The upstairs bathroom floor bounced, and the light switches in the hallway seemed to "pop" and flicker. Although very nicely painted, this house didn't fool them one bit.

When confronted with these concerns, the agent replied that they could always fix any problems later.

Although their gut told them not to move forward with making a purchase, they agreed to a \$10,000 price reduction and took the house.

No-big mistake!

The problems that they had noticed went much deeper. The weak basement doorway translated into unfortified walls leading downstairs. The bouncy bathroom floor had been wet under the linoleum and about three inches up two of the walls.

The flickering light switches were warning them of the outdated wiring which had to be replaced. In the end, their \$10,000 savings only helped to give them a bit of consolation when they paid their \$27,000 bill for all of the remodeling!

Snake Den or Dream Home?

The five-bedroom house sat on pastoral acreage in the American countryside. At less than \$180,000, it seemed a steal. But it wasn't a bargain.

Ben and Amber Sessions soon realized the dream home they had purchased in Rexburg, Idaho for their growing family, was infested with hundreds of garter snakes.

Throng of reptiles crawled beneath the outer walls. At night, the young couple said they would lie awake and listen to slithering inside the walls. It was like living in one of those horror movies.

The home was most likely built on a winter snake den, or hibernaculum, where the reptiles gather in large numbers to hibernate.

In the spring and summer, the snakes fan out across south-east Idaho but as the days get shorter and cooler they returned to the den.

The Sessions would frequently eat out because their well water carried the foul smelling musk that the snakes release as a warning to predators.

Each day before Amber Sessions, who was pregnant, and their two small boys got out of bed, her husband said he would do a "morning sweep" through the house to ensure none of the snakes got inside. That didn't always work. One day, he heard his wife scream from the laundry room, where she had almost stepped on a snake.

At the height of the infestation, Ben Sessions said he killed 42 snakes in one day before he decided he could not do it anymore. He waged war against the snakes and "they won".

He and his wife had a little recourse when they decided to flee the home. They had signed a document noting the snake infestation. They said they had been assured by their agent that the snakes were just a story invented by the previous owners to leave their mortgage behind.

The Sessions filed for bankruptcy and the house was repossessed. They left the home the day after their daughter was born, just three months after moving in.

Amber Sessions felt like their family was starting to fall apart.

"It was just so stressful," she said. "It felt like we were living in Satan's lair, that's the only way to really explain it."

Several months ago, the house briefly went back on the market.

Now owned by the bank, it was listed at \$114,900 a year later. The property has since been taken off the market, while the bank decides what to do with it.

Some homes on the market can be too good to be true. In that story, it sounded like Mr. Sessions felt the emotional pressure to provide a good home for his growing family.

They didn't have a proper inspection of the home before purchasing. It seems the real issue was the agent who cared more about selling the home than his client.

Sessions was fed a story that he felt was truthful and it really cost him emotionally and financially. It can be tricky at times to tell if people are giving you false information. If you are not acting out of desperation and emotion, you can

be more keen to body language and more equipped to handle the tricky situation.

The Sessions situation was so bad they decided the best thing to do was to move out the day before their child was born and file for bankruptcy.

Home Buyer Plagues

Although a home inspector passed Justin and Kate Treher's home, he missed some problems. For instance, the previous homeowner supposedly installed and tested the sump pump in the basement and it failed shortly after move in, flooding the basement.

Then the sunroom was filled with termites, costing the couple \$2,000 in repairs. After the termites were eradicated, they discovered the sunroom was entirely covered in mold and there was no caulking around the windows to keep the moisture out.

A better home inspector would have been able to see the signs of termites and mold. The sump pump should have also been checked by the inspector, but it could have failed after the inspection.

Sump pumps can burn out, lose power, become clogged or misaligned, or malfunction in a variety of other ways. It is valuable to have a warning device installed that will signal water build-up. These alarms can alert homeowners or neighbors of flooding so that it can be resolved before water damage occurs.

Be careful. Be smart. These horror stories are real and happen every day. Do your homework before jumping into a new home.

Too many of us spend more time investigating a car before making a purchase than we do spending tens of thousands more dollars and decades longer paying on a home.

You have time to educate yourself, and I hope that this little chapter has helped you move forward in the right direction.

What Will It Take To Get Your Dream Home?

**Go to my website to contact me to find out
with a free estimate in your area:**

Values. BillShearouseAuthor.com

This is all 100% completely free with no obligation. After you submit your info, you will receive my free report with the information.

You can use that information to determine what you want. I'll go through everything you need to know.

Email me at BShearHouse@gmail.com.

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Best Regards,

**Bill Shearouse
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