

Buying Your First Home



This Free Report Provided By Money Tree Financing Group, LLC.

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Buying Your First Home

Buying your first home can and should be a fun, exciting experience. It will probably also be the single largest investment you ever make. For this reason, it is important to be involved and informed. The series of steps below can help eliminate much of the guesswork and make you a much more informed buyer, so that your home purchase can be a joyful experience.

- 1. Get Pre-approved for a maximum purchase price before looking at any homes.** The last thing that you want to happen is to find your dream home, then make an offer that is accepted – only to find out that there is some error on your credit report that will take more time to correct than allowed by the contract sale date. You want to start looking for homes with the assurance that you are already pre-approved to buy at a certain price limit, so you can negotiate with confidence. Also, many Sellers won't accept an offer from a Buyer that has not already been pre-approved, and you can easily lose a home that is in demand when you have to get pre-approved and other buyers that are interested are already pre-approved and ready to buy.
- 2. Determine a realistic price range.** Your mortgage lender can determine in a matter of minutes how much of a loan you can pre-qualify for, depending upon your income and debts. With these numbers in hand, you can begin looking at homes that are in your budget.
- 3. Select a Realtor.** Normally, it is best to select a Realtor that has been referred to you by a trusted source. Working with one person that fits your personality and listens to your home needs will help assure positive results. You also want a Realtor that has experience in your area of interest, and can tell you about any non-obvious factors that may affect the value or future marketability of the home you are interested in purchasing. [\(We have several experienced Realtors that give great service – feel free to contact us for a referral.\)](#)
- 4. View a variety of homes and neighborhoods.** Don't be discouraged if you don't find the right home the first day. Also remember that love at first sight can apply to homes, too.
- 5. Select the home for you and make an offer** to the seller on an earnest money contract. Your Realtor will prepare the contract and review it with you. When both parties have agreed to all terms in writing, you are on your way to home ownership!
- 6. Select your loan program and lock in your interest rate.** You need to make sure you have selected a loan program that you understand, and one that has been tailored to fit your financial wants and needs. Also, the interest rates move everyday, sometimes several times per day – depending on the volatility of the market. Once you have selected a loan program that you are pre-approved for, you should consider locking in the rate to avoid upward movement.
- 7. Arrange for a home inspection** by a Licensed Real Estate Inspector. Have a licensed pest inspector check the home for termites. Both should provide written reports upon inspection completion.
- 8. Arrange for Hazard Insurance** (Homeowner's Insurance). It is best to have this done at least 1 – 2 weeks prior to your closing to give the insurance company plenty of time to put a quote together.
- 9. Consider a home warranty plan.** Home warranty companies will, upon failure of eligible systems and components of your home, provide for repair or replacement. These plans are effective for one year from the closing date. They can be part of the contract negotiations (to be purchased by either the buyer or the seller).
- 10. Plan your move well ahead of time.** Contact utility companies in advance, and if you are currently renting, give your landlord at least 30 days notice before vacating. Depending on your rental agreement, you may be required to give further advance notice.
- 11. Enjoy your new home.** Homeownership is the American dream. By planning ahead, getting involved and staying informed, you can start building on that dream today.

Key Mistakes To Avoid

Many home buyers get caught up in the frenzy of emotions and excitement, and forget to do the things that will protect them before, during, and after the buying process.

Here Are A Few Mistakes To Avoid:

1. Not Establishing A True Budget Early In The Process Of Consideration A Home Purchase.
2. Not Making "Practice Payments" Equal to Your New Mortgage Payments Before Purchasing.
3. Not Getting Preapproved For A Mortgage Before Starting Your Home Search
4. Not Using An Experienced And Trusted Realtor To Help You With Your Search And Contract Negotiations.
5. Don't Be Enticed By Offers For Mortgage Programs That Appear To Have A Lower Rate Or Payment Without Making An Informed Comparison.
6. Don't Visit A Model Home Without Your Realtor. If You Do Not Have A Realtor Representing Your Interests, Do Not Sign Anything On The Spot. (the person that will greet you is working for the Builder, not you. You may be agreeing to things with no protection for you.)
7. Buying Furniture Or Establishing New Credit After You Have Been Approved. (this could invalidate your approval)
8. Making An Offer On A F.S.B.O. Without Full Knowledge Of All The Contingencies Needed In The Contract To Protect You.
9. Making A Buying Decision Based On Emotion Vs. Information.
10. Not Having A Home Inspection – Even If It Is A Newly Constructed Home
11. Not Having Your Homeowner's Insurance (hazard insurance) In Place At Least A Week Prior To Closing.
12. Using The Builder's Or Seller's Requested Title Company (this is like being a defendant at a trial and using the plaintiff's attorney to represent you. There is usually a long-standing business relationship or friendship involved, which would likely cause the title company representative to be biased towards representing the interests of the Seller/Builder.)
13. Making Large Deposits Within 60 Days Of Closing. (it will trigger requests for documentation of the source of the funds)
14. Not Purchasing An "Owner's Title Insurance Policy" At Closing -only \$35.00 more. (this will save you 30% when you sell or refinance in the future)
15. Closing On Your Purchase Even When All Of The Repairs Or Punch List Items Have Not Been Satisfied. (once its done, its done. Therefore, make sure you have some kind of agreement signed in writing that these items must be completed with an escrow holdback)

Most home purchases can be very smooth, provided all parties handle their responsibilities in a timely manner, and everyone is acting with integrity.

Call us if you need help understanding any of these items.

Establishing A "Real" Budget

One of the most common mistakes first time homebuyers make is jumping into the emotional frenzy of buying their first home without first analyzing the financial impact and feasibility of the new mortgage payment on their finances.

Not finding out how the mortgage payment will affect your finances can lead to some very hard lessons, and a lot of stress in the household – which is unneeded.

The best place to start is a **household BUDGET**.

Definition: A **BUDGET** is not just a list of all your monthly expenses. (That is just a list.) A budget is ***a decision that is made by everyone that has access to household funds, agreeing to a set limit for spending each month.***

One of the best ways to really understand what you pay out each month is to get your check register or a list of all the bills that you have paid over a year. Include things that are not monthly, such as car insurance or any other insurance, birthday and other holiday presents that you always buy each year, and anything else you can think of that you paid last year. Divide them up into categories, and take all of those expenses from the prior year and divide each category by 12. **This is your monthly cost.**

Once You Have An Accurate Budget In Place, Analyze Where You Are Without The New Mortgage Payment.

Q: Are you at a positive cash flow or negative?

If you are at a negative or less than \$200.00 positive per month, you should probably think twice about purchasing a home at this time until you can get control of your monthly spending, or increase your income. You may get approved for a loan without following this advice, but you may also find yourself in serious financial trouble afterwards, and we would like to help you avoid that if at all possible.

Once you have a positive cash flow, take that amount and add it to your current rent payment. Unless something changes in regards to debts, spending, or income increase, this is the very maximum house payment that you will be able to afford. (I suggest keeping a \$200.00 surplus each month at the very least if possible.)

Now Take That New Monthly Payment And Put It Into Your Budget.

Go to our online calculator at www.getmoneytree.com and play with some sales price numbers, etc. Once you find out what loan amount gives you a monthly payment that is in your budget, you can start looking at home prices in your area to see if that will fit your needs. Before looking at any homes or contacting any Realtors or sellers, **you need to get Preapproved**. Few Realtors or sellers will consider an offer without a Preapproval letter, and you want to identify in advance any items that may hinder you from getting the loan program and terms you want.

When You Have Been Preapproved For A Maximum Payment

I would take the new monthly payment (including any taxes, insurance, or mortgage insurance) and subtract your current rent. Now set up some kind of "New House" account to put that money in each month so you can experience what impact that new payment will have on your budget. Do this for at least 2-3 months, and you should be prepared for serious house hunting.

By establishing your budget now and preparing for the house payment in advance, you can avoid a great deal of hardship in the future.

Choosing A Neighborhood

When you buy a home, you also buy part of a neighborhood. The two are inseparable and what neighborhood your new house is in is important to take into consideration before you make an offer.

If the property value of houses in the neighborhood are falling or stagnate, a lower offer may be in order. Conversely, if home values in the area are skyrocketing, then it may be worth spending a little more. Below are some things to consider when looking at a neighborhood.

Neighborhoods have personalities - find out what each one is. Ask some of the people in the neighborhood what they think of it. Ask how they perceive crime, the schools, pollution, noise and traffic. Human input is always better than reports.

A good way to check out a neighborhood is to simply drive around it. Drive through the neighborhood at different times of the day – on weekdays as well as weekends. Find out what people do, and what there is to do. Get a first hand look at traffic and the stores you will have close to you. See what the area's schools look like. The condition of the schools and roads will tell you a lot about the area.

Find out the crime report for the area. Start at the local police department and ask them for any statistics they can provide. Check for graffiti and vandalism.

Schools

Families with kids often pick a school district before they choose a house. Remember to also check out the schools that your kids will be attending 3-5 years from now, because most people stay in a home about 5-7 years.

Location

How long will it take you to get to work? A long commute may not save you money or time. Also, are there any parks around? How easy is it to get to the interstate? What do the other houses look like? Shopping close by? (If possible, try to leave early for work one morning and drive to the property – then drive to your job during rush hour. You will have a real idea of what your commute times will be.)

Property Values

It's a good idea to research recent selling prices for houses in the neighborhood and how much houses have increased in value in the past 10 years. Ask how much property taxes have increased, or contact the county tax assessors office for a history of increases.

Utilities

Find out utility costs. Normally the utility companies will give you a 12 month history. Also find out if cable and internet access are available to the house.

Future Development

Look for new construction in the neighborhood. Area growth can raise property values. However, it can also raise taxes and traffic congestion. Also look for any planned commercial construction. You really don't want to move into your home and find out 3 months later that they are going to put in a landfill at the end of your street.

What Is "Mortgage Planning" and Why Is It Important To You?

Mortgage Planning is very similar to Financial Planning in that your current and future expenses, investment goals, and future plans are all analyzed to prepare a mortgage "strategy" that will best accomplish these goals for you and your family. This is a Specialized service that is offered by very few companies, because it requires a longer commitment of time with the customer, specific training and understanding of finances, and a desire to help everyone you meet.

Most mortgage companies are filled with "loan salespeople" that will sell you whatever product you ask for, regardless of the impact that program will have on your family's future. Most of them don't know what questions to ask, so often even well-meaning loan salespeople are just not educated or trained well enough to help you make the best decision.

As a Mortgage Planner, it is my goal to help you understand that your mortgage is the largest and most important investment you may ever make, and it will impact your financial life for years to come. It is a long-term commitment that - depending on how it is structured - can either restrict your financial opportunities, or give you the freedom and flexibility to achieve your dreams for your family.

As your Mortgage Planner, I will ask you questions that most loan salespeople will not. **The answers to these questions can save you thousands of dollars in a very short amount of time, and keep you from making big mistakes in how you structure your financing.**

I look forward to serving you and your family as your Mortgage Planner, and hope that my service will compel you to refer your friends, family, and co-workers to me to help them as well.

Sincerely,

Rick Lobley

Sr. Loan Consultant
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Taxes

Taxes are just another factor to add into the total cost of your home. Newer neighborhoods often times have lower taxes. However, when the government starts building schools, streets, sidewalks and parks and starts moving police and fire protection into the area, taxes will undoubtedly rise. Also check to see if there are *City taxes* as well as County taxes.

Neighborhood

Unfortunately, some of the best houses are located in some of the worst neighborhoods. When you buy a home, you are also buying into a community. You can't wall yourself away from the surrounding environment. The neighborhood location you choose is one of the biggest aspects of buying a house.

Choosing Between A New And Existing Home

With their belongings neatly stashed in cardboard boxes, the Smiths entered the market for a new home. The scenarios played out before them. Unsure whether to choose a new home or existing home, they sought out the help of a Realtor and a home builder.

Each tossed their own pitch onto the table - the advantages of a newly constructed home vs. a house that already exists. Who's right?

They both are. The Smiths don't exist, but the dilemma is real.

New homes generally come with steeper price tags, but offer more amenities. Homes are becoming increasingly wired for technology, including multiple phone lines and more advanced electrical wiring. A home can be built to suit the wants of the buyer. Better lumber, more energy-efficient appliances, custom wiring, and improved insulation can be advantages for new homebuyers. New homes generally require less maintenance as well.

Some question marks associated with a new home purchase can be cleared with an existing home.

For a homebuyer putting costs over conveniences, purchasing an older home is an option. Existing homes often relieve the buyer of purchasing appliances, such as refrigerators and microwaves, which often are left behind by the previous owner.

Landscaping and established yards are another plus for an existing home. In an established neighborhood, homebuyers can meet their would-be neighbors. The character of an existing neighborhood often differs from that of a new development area.

Inquiring into schools, police presence and other aspects of living in a neighborhood also are possible in an established neighborhood. You might go into a subdivision and be the 10th house out of 100 and you're not sure what's going to happen.

Existing homes often come with lower price tags because the buyer is paying past prices for labor and building materials. More negotiation in price also accompanies an older home.

Homebuyers should take personal preferences into account and examine the perks associated with both options. Low interest rates and appreciating home values should have little effect on whether a homebuyer chooses a new or existing home.

The Questions That Could Make All The Difference

1. What is the neighborhood (and your soon-to-be neighbors) like? Are there certain features in the area that would affect the value of this property in the future?
2. What are the property taxes on the home? Are there city taxes as well?
3. What are the utility costs... especially electricity if the home is electrically heated? You can usually contact the utility companies and get the history of the bills for at least the last year.
4. How far do I have to travel for schools, public transit and shopping?
5. What major repair expenses do I have to look forward to within the next two years? (water heater, paint, gutters, appliances, roof, etc.)
6. What is the traffic flow in front of or near the property... any main roads, bus routes or railway tracks?
7. Is there a fairly recent survey that shows all the buildings and additions on the property?
8. Are there any utility easements or encroachments over the property?
9. Was a home inspection done when the present owners first bought this home that you could check to see what minor and major problems there were? Were they fixed?
10. Has the homeowner signed a disclosure document?
11. Is there a better time in the month to close to minimize settlement costs?
12. What are the other comparable homes in the area selling for? You don't want to overpay or get carried away by snazzy finishing touches in a home, which may be priced higher than other neighborhood homes.
13. How flexible are Sellers/Builders usually on their asking price?
14. At what price do we start with when we go to put in an offer?
15. What does the yard look like when it isn't covered with snow? Are there any problems with drainage or runoff after a heavy rain or in the spring?
16. Does the basement show any signs of moisture... can it be fixed simply by cleaning/repairing the eaves trough or is it a more serious problem?
17. What items can I have the Seller include in the sale? Are there any exclusions?
18. What is "Title Insurance", and who pays for it?
19. Can the Seller require me to use a particular Title Insurance Provider?

(These last two reports have been attached at the end of this document)

Negotiating Tips

Negotiating the price for your new home doesn't have to be a stressful experience. Anyone can be a successful negotiator if a few simple things are kept in mind.

First, a Pre-Approved Buyer has basically the same power as a "Cash Buyer."

Second, an informed buyer is a confident one.

Negotiations may be like snowflakes, no two are the same, but one thing that's helpful in every negotiation is information. Below is a list of questions that will allow you to become well informed heading into negotiations.

1. How long has the property been on the market?

Usually, the longer the property has been on the market, the more likely the seller will be to negotiate.

2. Has the price been reduced during the listing period?

If there have been any reductions, especially large ones, in relation to the overall price, then the seller will again be more apt to negotiate. You can also ask what the Sellers originally paid when they bought the home.

3. Have there been any other offers on the property?

It's good to know what offers are being considered and what offers have been turned down and why.

4. Why is the seller selling?

It is always good to know a person's motivation when negotiating. This will help you in choosing what offer to make. Sometimes, talking to neighbors will uncover motivations that were unknown to your Realtor.

5. What all are you buying?

Is the seller leaving anything else behind? Furniture or equipment, washer, dryer, etc. This should all be taken into consideration when making an offer.

6. What is the price range of properties that have been sold in the area?

This will give you a good idea of what the market is like in the area.

7. How long do properties stay on the market in the area?

This average will let you know how heavy the competition is you may be facing.

8. What is the list to sale price ratio in this area?

This tells you what homes were originally listed for vs. what they actually sold for. Knowing this will help you determine how little the seller may be willing to bend.

9. What is the average price per square foot of recent sales in the area?

Now you will know how the house stacks up against others in the area, without worrying about size. It puts all houses on the same level.

10. What other factors may affect the property value of the house or neighborhood?

Crime, flood planes, natural disasters, termites, in other words find out the history of the house and area.

The only final information you should get now is a comparative market analysis (CMA). You can request your Realtor to write one up for any of the houses you wish to make an offer on. A CMA is what a seller uses to set the asking price. It may show you that the price they are asking is a bargain or extremely inflated.

Now that you are armed with knowledge, negotiations will be much easier. Now you know what a good price for the house actually is.

When you get into the actual negotiations, don't be in a hurry. Remember to be relaxed and patient. You have all the information you need in front of you, don't hesitate to take time to look over it again. As the buyer, the ball is in your court. You can always raise your offer if you need to, but you can't easily lower it.

Remain aloof and don't act as if you've fallen in love with the house, make them convince you that the house is the one for you. Don't let them rush you into a buy. If they say there is another buyer seriously interested, don't become over anxious, they may be bluffing.

Another ploy often used in negotiations is the 'good cop/bad cop' strategy. This takes place when one person acts as the hard liner who won't budge only to be convinced to come down a bit by the 'good cop.' The price they move down to, no matter how much the 'bad cop' complains, still may not be a reasonable one.

Don't get into a bidding war. If you are told that you are in competition with another buyer, let them make the first move, and avoid continuous bidding. This will just drive the price out of your range. Drop out of the bidding and see what the sellers' reaction is.

The key to all negotiations is to know your limits. If you've set a cap on spending, stick to it, don't let someone talk you into something you can't afford or aren't willing to pay.

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I hope that these reports and tools will be helpful to you in gathering the information needed to make the most informed decision about your first home purchase.

There is a lot to consider, and a lot at stake. However, armed with the proper help and information, this process can be enjoyable.

Enjoy your home search, and enjoy your new home!

Please feel free to contact me with any questions, or to get Pre-Approved in advance for your home purchase.

Also, when you are ready to start interviewing Realtors, please let me know. I have several very experienced Realtors I work with that deliver great service.

I look forward to serving you!

Rick Lobley

Sr. Loan Consultant

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House Hunting Checklist

Use the list below to keep track of all the information you gather about each house you tour. Then use the information from this list to determine what house is best for you. Remember, not all of these questions may be answered on the property sheet that the Seller or Realtor gives you, so make notes.

General questions:

House address:

City of:

County of:

Asking price:

How old is the house?

Style of house:

Number of bedrooms:

Number of bathrooms:

Square footage of house:

Size of garage (1,2,3 car):

Lot size:

Property tax rate:

Ample storage space?

Room for expansion?

How does noise travel through the house? Can you hear every noise from the bedroom?

Have there been any renovations/major repairs done? By who? Any Warranties?

Is there a basement? Attic?

What appliances are included?

Privacy?

Neighborhood:

Attractive?

Quiet?

Clean?

Well-lighted street?

Trees?

Other comments:

Shops nearby:

Grocery store?

Mall?

Wal-mart, Target, K-Mart, etc?

Gas Station?

Restaurants?

Schools:

Elementary:

Junior High:

High School:

Other facilities:

Hospital?

Police station?

Fire station?

Library?

Parks?

Bank?

How close is house to your work?

Utilities bills:

Electric/Gas:

Water:

Garbage:

Cable:

Internet:

Other comments:

Please make copies of this checklist to use for each home you view.

What Every Home Buyer Should Know About "Title Insurance"

For your protection and that of the Lender (who is in effect "purchasing" the property with you), safeguards are put in place when obtaining a loan.

What is Title Insurance, and why should it matter to me?

Title Insurance, is defined as "An insurance policy which protects the insured (purchaser and/or lender) against loss arising from defects in title. " It matters to anyone who has a monetary interest and risk in the property being used as collateral, because any claim that may arise before, during or after the sale of the property could cause a devaluation of the value of that property, or loss of some or all ownership interest.

What does Title Insurance do?

Basically, it protects you the Owner and/or the Lender from losses as the result of claims on one's ownership of land. For instance, a seller may forge a signature of another, creating a loss for a new owner. Other problems that can occur include:

- fraud
- improper court proceedings
- missing heirs
- unfiled liens
- recording mistakes
- incompetency of previous seller(s)

Title Insurance can protect you from all of these and more!!!

What else do I get?

Probably one of the most comforting features of Title Insurance is the obligation of the insurer to defend you against claims of others. A neighbor may claim rights to a portion of your land. Without Title Insurance you would have to bear the cost of settling this dispute through the courts, *regardless of the validity of the claim.*

Are there different types of Title Insurance policies?

There are two basic forms of Title Insurance--an Owner's Policy and a Loan Policy. As the names indicate, the Owner's Policy **covers you** the land owner and the Loan Policy covers the lender on a particular parcel of real estate.

If a loan policy is issued, why do I need an Owner's Policy?

A Loan Policy offers no protection to **you** the land owner. A claim may arise that does not jeopardize the lender's interest, but may, in fact, cause a great loss to **you** the owner. An example would be the one outlined earlier, when a neighbor claims rights in your land.

How long am I protected?

You and your heirs are protected for as long as you or your heirs own the property.

How much does it cost?

Fees vary from state-to-state, and county to county.

However, Title Insurance is required whenever you purchase or refinance a loan.

Can The Seller Require You To Close With A Particular Closing Agent?

According to **R.E.S.P.A.** (Real Estate Settlement Procedures Act), "Section 9 of R.E.S.P.A. prohibits a seller from requiring the home buyer to use a particular title insurance company, either directly or indirectly, as a condition of sale. Buyers may sue a seller who violates this provision for an amount equal to three times all charges made for the title insurance."

**** Watch out for statements in your contract made by the Seller that require you to close with a particular closing agent, or use a particular title insurance company to close your loan.**

Section 9a of **R.E.S.P.A.** (Real Estate Settlement Procedures Act) contains a special prohibition against a Seller requiring, "as a condition to selling the property, that title insurance covering the property be purchased by the Buyer from any particular title company."

Point: If the Seller takes the position that the Buyer would have to pay the title costs if the Buyer wishes to use another title company, one can argue that this effectively requires the Buyer to use a particular title company by use of *economic coercion*.

In short, the right to decide which company the Lender's Title Insurance will come from is allowed to the **Lender**, or the party that is actually providing the funds for and taking the risk in the subject property. This is only logical, because any discrepancies in the title would endanger the collateral value of the property, and cause great risk to both the Buyer and the Lender. Also, the Lender has to be assured that the company that provides the title insurance has adequate reserves in case of a claim. [See Senate and House hearings regarding Section 9 - 1976]

There are two (2) different entities involved with the closing procedures and the issuance of Title Insurance:

- 1) **The Closing Agent** (or Attorney); and 2) The actual **Insuring Company** of the title search and report.
- 1) **The Closing Agent** actually prepares the legal documents that will be signed by one or both of the parties, and has a "search" run on the title of the property in question to determine the history of ownership. This search should list any outstanding liens, encumbrances, or irregularities in ownership. Once the Insuring Company issues their commitment to insure, the Closing Agent arranges the scheduling and performs the closing.
- 2) An **Insuring Company** is the entity that actually takes the monetary risk in guaranteeing that they will protect the Buyer should any claim against the ownership of the property subsequently arise.

A Lender, therefore, needs to take careful precautions to screen the company that will be providing the Title Insurance to make sure that their practices and systems of Title Search and review are sound and accurate.

Money Tree Financing Group can assist you and make sure you avoid making costly mistakes in obtaining your financing. We broker for over 40 of the largest lenders across the country. What that means for you is that we have the opportunity and ability to offer a variety of methods in financing to fit every client's needs.

We hope that this information is useful to you in your pursuit to purchase, refinance or build the home of your dreams! We have learned that the best way to serve you is to think of ourselves as your Super Servant. You have our guarantee that we will carefully listen to your individual needs and work our hardest to get you the best deal around.

We want to be your Personal Lender for Life!

**For additional information concerning your mortgage needs, please call us
TOLL FREE at 1-888-253-6364
or email us at
info@getmoneytree.com.
We look forward to serving you!**