

RE/MAX<sup>®</sup>

# SMART BUYER

*"...a resource to help  
guide you through the  
home-buying experience,  
from start to finish."*



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# The Road Home

You've heard it before...

**Buying a house may be the biggest purchase you will ever make.**

Does that make you nervous? Consider this: it can also be one of the best investments you will ever make. From the pride you feel by being a homeowner to the tax deductions associated with homeownership, the benefits are plenty.

If you're ready to travel the road towards homeownership, take your first step with the RE/MAX Smart Buyer Guide.

This tool is a resource to help guide you through the home-buying experience, from start to finish. The Smart Buyer presents you with relevant information, including which steps to take and in which order, terms to keep you in the know, and facts to help make the right decisions for you.

Through it all you'll find helpful tips and resources to keep you on the road to homeownership.



## Finding a Home

Finding a home is so much more than house hunting. If you're serious about being a homeowner, there are a few key things you will need to do:

## Find an Agent

The real estate market is a big place and an experienced sales agent can help you navigate it. Licensed agents know the current market conditions and can negotiate the best contract terms for you; they can walk you through confusing paperwork and, of course, assist you in house hunting.

To find the right agent for you, ask your top candidates these questions:

- How much experience do you have and can you provide references?
- What services and resources do you offer?
- How will the home buying process work and what's expected of me?
- How much time can you devote to my needs and how often will you communicate with me?
- Who will you represent, me or the seller?
- What types of homes are your specialty and are you familiar with the neighborhoods that interest me?
- How many homes have you helped customers buy in the last year?
- What happens if I'm not happy with your services?

## Reliable Resources

Your RE/MAX Agent is a great resource; don't hesitate to ask for a referral if you're looking for a:

- Mortgage Lender
- Insurance Provider
- Inspector/Appraiser
- Contractor
- Moving Company
- Landscaper

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# The Road Home

## Get Pre-Approved

Getting pre-approved for a home loan can be a daunting experience. You'll want to find a mortgage lender that you're especially comfortable with, or ask your RE/MAX agent for a referral, as they will sift through your financial history to determine how much you can borrow, how much you can afford, and which loans might be right for you. Applying for a home loan requires a written application and supporting documentation; it can be a slightly intimidating process and there are a few things you should be ready for when meeting with your mortgage lender:

### 1. They will check your FICO score

Knowing your credit score will give lenders an inside look at your credit habits and history and will help them decide if you're a good candidate for a loan. Credit scores are ranked on a scale of 300-850 and the higher the better.

### 2. They will check your employment history

Lenders ask for a list of your past employers, how long you've been with your current employer, and what your annual salary or take-home pay is. They want to make sure you consistently earn money, with no major gaps in income, and can make consecutive mortgage payments.

### 3. They will check your assets and debts

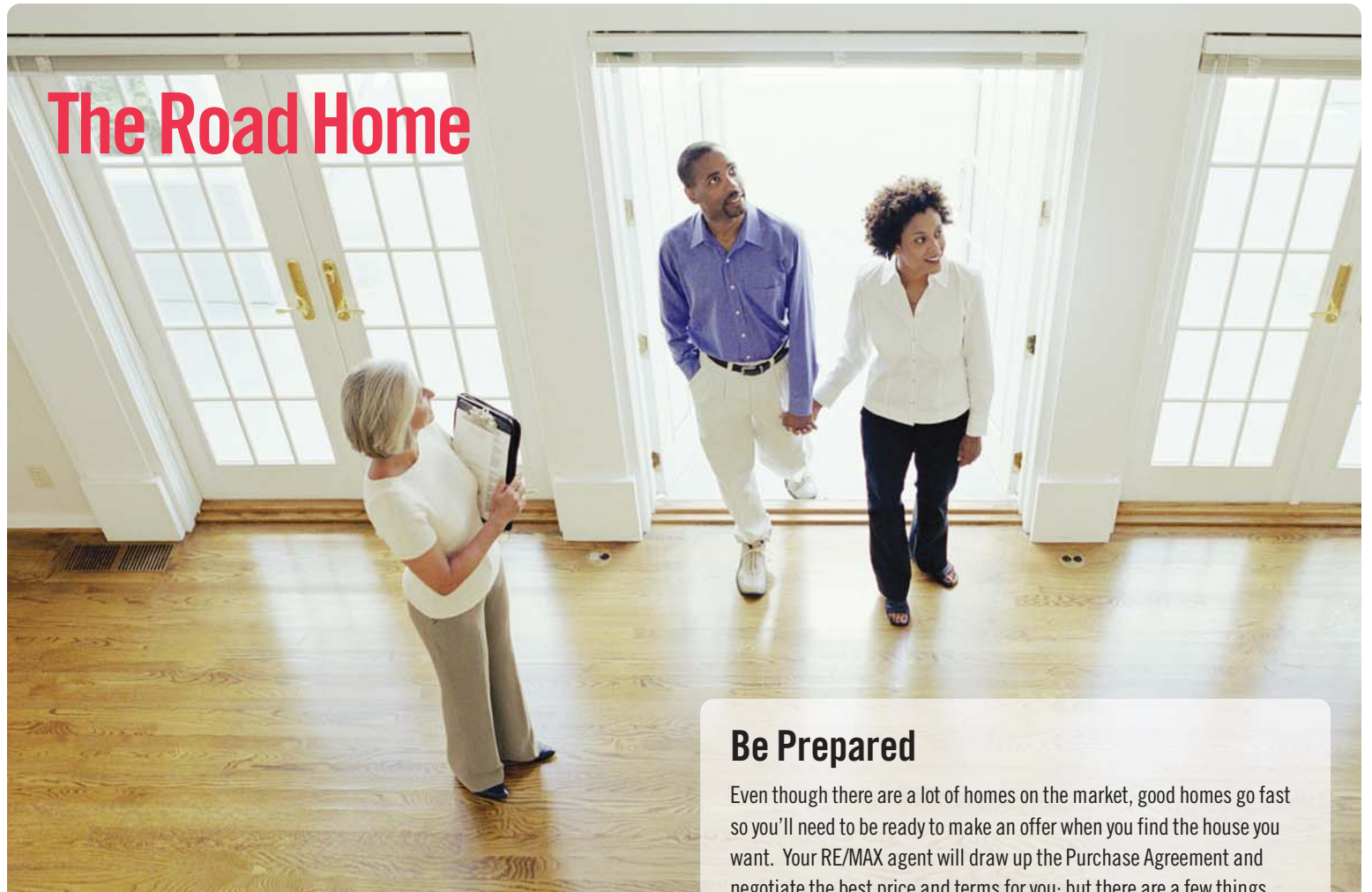
Be prepared to show your past tax records, recent bank statements, and current debt amounts, including credit card debt, car loan, or student loan. Lenders want to know your debt-to-income ratio to know if you can make each loan payment with the income you earn.



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# The Road Home



## Start Your Home Search

There are a lot of homes on the market right now and they come in all different styles and designs – not one of them is the same. You've got the choice of single family, condo, townhome, lakefront, acreage, luxury; you can also choose rambler, multiple-story, or split-level. In addition, you can choose a traditional, new construction, foreclosed, or short sale. In other words – you've got options. But what's most important is that you choose a home that compliments your lifestyle and your income.

### To narrow down your home search:

- Set a price limit
- Determine a desired location
- Consider how many bedrooms, bathrooms and square feet you need
- Decide which amenities (hardwood floors, fireplace, deck, updated kitchen, walk-in closet, etc.) are must-haves versus like-to-haves
- Think about yard size and landscaping (mature yard vs. young yard)

Once your list is made, check listings on [remax.com](https://www.remax.com) to find homes that meet your criteria, and talk to your RE/MAX agent for additional advice, details, and to set up showings.

## Be Prepared

Even though there are a lot of homes on the market, good homes go fast so you'll need to be ready to make an offer when you find the house you want. Your RE/MAX agent will draw up the Purchase Agreement and negotiate the best price and terms for you; but there are a few things you'll need to do as well:

### 1. Purchase Insurance:

You are required to purchase homeowners insurance if you have a mortgage. Make sure you purchase enough to fully cover your home, and your belongings, in case of a total loss.

### 2. Have an Inspection Done:

This is optional in some cases. Inspections generally cost a couple hundred dollars but will bring to light any major issues or concerns with the home. The Purchase Agreement can be contingent on the outcome of the inspection, so if you don't like what you find you can withdraw the agreement and keep looking.

### 3. Determine the Status of Utilities:

In a traditional home sale, with sellers as occupants, you'll want to check on the status of the utilities required by the home. Outstanding invoices for items such as water, gas, and electric should be paid in full by the owners by closing. You will also want to have the services transferred to your name for billing. In a foreclosure, or vacant home sale, in which the water has been turned off, contact the city to turn the water back on and check for broken or damaged pipes.

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# Timely Terms

The real estate industry has always been full of industry-specific words, terms, and acronyms, but with the condition of the current housing market some terms are being used a lot more. Here are a few you may want to be familiar with:

## Distressed Property

Property that is in poor physical or financial condition. Could denote a property that is in excellent condition but whose owners fell into default.

## Foreclosure

When a homeowner gives up his/her rights to the property and the lending institution takes legal possession.

## REO (Real Estate Owned)

When the title of a foreclosed property is returned to the financial institution that holds the lien.

## Short Sale

When a financial lender approves a sale of a property that is less than what is owed on it.

## 203K

A rehabilitation loan available to owner-occupants through the Federal Housing Administration (FHA).

## Conventional Loan

A loan that is not insured by the federal government and requires a larger down payment.

## FHA Loan

A home loan insurance program backed by the Federal Government that insures the loan for the lender and allows a smaller down payment.

## Fixed Interest Rate or Fixed-Rate Mortgage

When the interest rate attached to a loan doesn't fluctuate and stays the same rate for the length of the loan.

For a complete list of Real Estate terms and their definitions, visit the Learning Center at [remax.com](http://remax.com).



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# Foreclosure Myths

The fact is there are a lot of foreclosed properties on the market. While some fall into the severely depressed category and offer huge discounts, as well as big repair bills, it is not safe to assume that is the case for all of them. Let's set the record straight on some common foreclosure myths.

## 1. Foreclosed Properties are Dumps.

It's true, some foreclosed houses took the brunt of frustrated homeowners and have holes in the walls; have been stripped of appliances, fixtures and pipes; have stained carpet. But on the other end of the spectrum is foreclosed homes that need only as much updating as a traditional sale – paint, carpet or other cosmetic changes – if any at all. Something to keep in mind when considering a foreclosed property is that there is not usually a Sellers Disclosure providing information about the home's quality; however, foreclosed properties are just as eligible for home inspections as traditional sales.

## 2. Foreclosed Properties are Cheap.

Some foreclosed properties offer great discounts; however, banks own the foreclosed properties and want to recoup as much of their investments as they can. Banks often set the list price aggressively, based on the appraisal value of the house, and know what the home is worth. Low-balling the bank on a foreclosed property is not suggested if you're truly interested in the house.

## 3. Foreclosed Properties are in "Bad" Areas.

The economic downturn has affected individuals and families across the socio-economic board. The first round of foreclosures was typically low-end property, sometimes in lower-income neighborhoods, and generally affected people who purchased with an Adjustable Rate Mortgage (ARM) that reset. However, foreclosures occur and affect middle and upper-class homeowners as well; foreclosures can be found in nearly every city - regardless of location and price point.

## 4. Foreclosed Properties are Harder to Finance.

If you have been pre-approved for a home loan you can generally finance a foreclosure property listed on the MLS with a regular mortgage. There are situations, such as purchasing a foreclosure through a county auction, in which you might need to pay cash for the house. In some instances, if a house is in very poor condition a bank may refuse you financing.

## 5. Foreclosed Properties Take a Long Time to Close.

Foreclosures and short sales are two different types of transactions and while a short sale may require a longer wait time for the bank's response, foreclosure properties are already in the bank's possession and closing on the house takes no longer than closing on a traditional home sale.



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# Check the Web



## How much is too much?

One of the most important steps you can take to homeownership is figuring out how much home you can afford so you don't get in over your head.

Mortgage calculators are highly accessible online tools that can help you estimate your average monthly mortgage payment, possible closing costs, and more.

Calculate your costs today by visiting the Mortgage Tools section in the Learning Center at [remax.com](http://remax.com).

## Think and Link

Think you're interested in pursuing a foreclosed property but still have questions? Check out [RealtyTrac.com](http://RealtyTrac.com) for all the facts and stats on foreclosures.

Think you've found the right foreclosed property for you but it needs some rehabbing? Check out [HUD.gov](http://HUD.gov) for information on the 203K rehab loan offered through FHA.



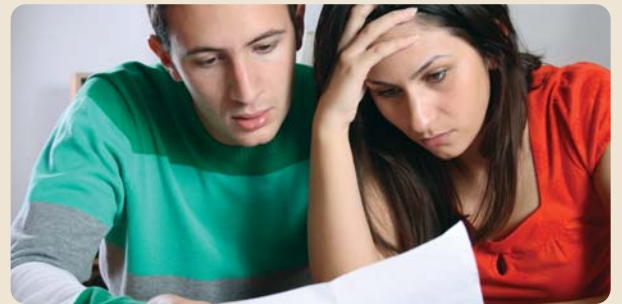
## The Right Site

A number of websites provide quality information regarding city, county, and state data. If you're interested in learning basic demographics, school rankings, crime rates, wealth, average growth, etc. for a specific location, visit one or all of the following:

[BestPlaces.net](http://BestPlaces.net)  
[City-Data.com](http://City-Data.com)  
[CityTownInfo.com](http://CityTownInfo.com)  
[ZipSkinny.com](http://ZipSkinny.com)  
[50States.com](http://50States.com)

## Taxes can be Taxing

Preparing your taxes as a first-time homeowner can be, well, taxing. You will have a number of new tax considerations, including new deductibles such as mortgage insurance and property tax, to claim. If you're not sure what you'll be eligible to claim, consider visiting a tax consultant or visit [IRS.gov](http://IRS.gov)



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