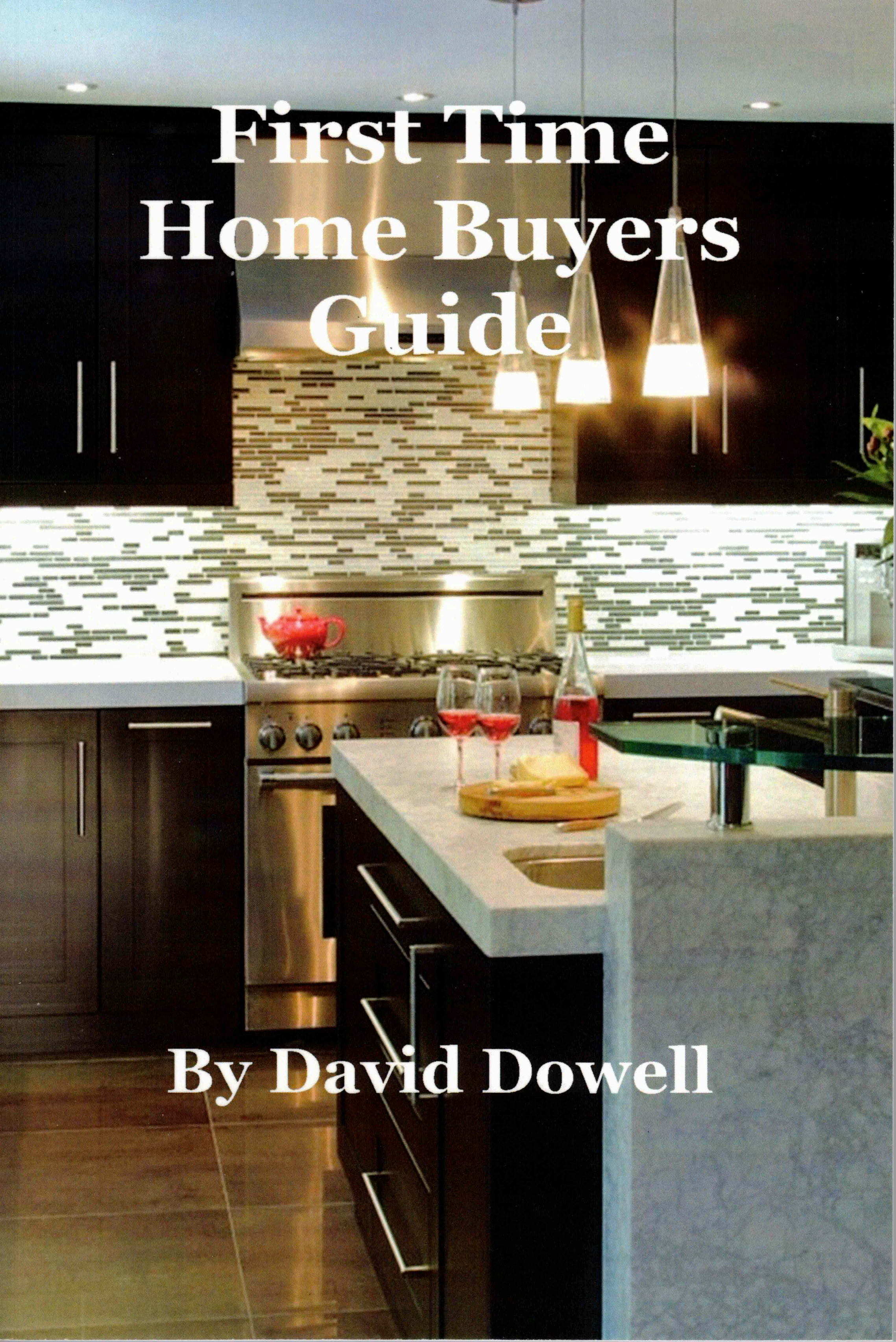
First Time Home Buyers Guide

By David Dowell



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Chapter 1

About The Author

David Dowell is a Real Estate Broker and Attorney at Law in Orlando, Florida. He has written this book to help first time home buyers find their dream home and navigate the buying process.

David has laid out his proven strategies inside this book for you to use.

If you don't have time to implement them yourself, then you can hire David to implement them for you.

David is a resident of Windermere and has lived here in the Orlando area for nearly 25 years. As a graduate of the Indiana University School of Business and Indiana University School of Law, he has knowledge of all the legal aspects of real estate transactions. David is able to assist you with the initial valuation of your home, legal contracts, marketing, and all steps through the final closing - and beyond. With all the complexities and legal pitfalls in today's real estate and lender markets, David's legal background is a necessity to successfully buy your home for bottom dollar with no headaches. He also has exceptional attention to detail.

David loves the Orlando area and is familiar with all of the local neighborhoods - both traditional homes and vacation homes. He puts a special emphasis on international marketing, knowing that foreign residents make up a large percentage of today's buyers, and that this will help his customer's get top value for their homes.

In his free time, David likes to play golf, coach little league baseball and travel. He is a member of the Board of Directors of Windermere Little League and the First Baptist Church of Orlando. David is happily married to his lovely wife Jackie, originally from Peru, and has two energetic 7 year old twin boys.

David owns Pan Am Real Estate LLC and Dowell Law, P.A., and can be contacted by phone/text at (407) 864-2265, or by email at david@PanAmOrlando.com.

Chapter 2

Owning vs. Renting

Among the common necessities we have in life, one of the most significant ones, is owning our personal home. There is always a sense of security, satisfaction, contentment and fulfillment attached to owning a home. With home ownership rates as high as 70% in 2005 and a steady 65% in 2015, there is nothing sweeter in life than buying and owning your own property.

Owning a home is a lifetime investment, so proper management practices are required when investing in a home. Besides the funds that are involved in this investment, there are other attached commitments, such as attention and time. There are many benefits attached to having a home, including how it gives you prestige and a certain peace of mind.

Below are some of the main reasons why you need to have your own home:

The Mortgage Rate is Low

Of all the benefits of owning a home, one outstanding advantage is that becoming a homeowner is simple. In other words, it is relatively cheap to borrow money for a home. There has been a drastic decrease in interest rates, which now hover around 4% for a thirty-year term of fixed mortgage rate and less than that for a fifteen-year term.

This is according to the interest rates that are currently being used.

Some years ago, it would have been more expensive with these mortgage plans, but these costs have been reduced so it is now easier and cheaper to own a home than previous years.

You Enjoy an Income Exclusion in Capital Gains

You will get to enjoy this great benefit after two years if you purchase a house to live in, and it also becomes your primary residence. When the house is sold, profits of up to $250,000 can be excluded by you if you're single, or up to $500,000 if you're married, without owing any taxes related to capital gains.

With houses now appreciating in values, this could be an extremely valuable benefit to have.

Equity is Built Every Month on the House

The amount you can sell a house for, after deducting the money you still need to pay for it (money being owed), is called equity. As you make mortgage payments every month, there is always a reduction in the amount being owed. This reduction you experience in your mortgage each month boosts your equity. And this is in addition to any increase value your home has because of market conditions!

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 yearly. It 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 principal and interest of mortgage payments. At times, you may even think that it is cheaper to rent a house. In time, you will discover that the payments you make are lower than what you would have paid for if you had opted for to rent. Since having a roof over your head is important and necessary, you would probably prefer paying your own home instead of helping your landlord pay his own.

Homeowners Enjoy a Standard of Living that is More Stable

There is always a pleasant feeling when you have your own home. This feeling comes with a sense of freedom and independence. The home you live in definitely belongs to you. You can do whatever you want and you have full control over the house. You do not feel daunted by increases in rents, 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 good schools of your own choice, and without any quick notice from the landlord to vacate your rented house or apartment due to any reasons.

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

There are significant tax benefits associated with buying a house from the time you purchase it and even on a continuous basis. You enjoy your first benefit the same year you acquire your house – some closing costs and discount points possibly may be claimed as deductions on your taxes. What do I mean by points?

Discount points are equivalent to one percent (1%) of your mortgage. Discount points involve prepaid interest, are deductible tax-wise, and can reduce your total mortgage payment. The interest rate on your mortgage typically gets lowered by 1.25% for each point you buy.

Also, over time, you can deduct the interest paid on the mortgage from your taxable income. Great savings can be achieved through this, especially at the initial stage of your mortgage. The bulk of your payments are made up in interest. Although you may not be happy about paying a mortgage on a newly acquired home, it is possible for you to subtract the majority of these payments 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 any improvements or maintenance work of your choice. It's your property, and you can do whatever you want. You can either hire a handyman or contractor for remodeling or you can handle it yourself! If you're renting, you are limited as to what you can do (need landlord's permission) and can only enjoy any improvements for as long as you stay. Once you leave, the landlord then receives the benefits of your work.

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. Most leases specify that the landlord/owner is responsible for making any necessary repairs. But when you own your own home, it's your responsibility. You need to make sure you have some extra money set aside for those times when you need to make some of those inevitable repairs. There's no way around it. However, with the right team and a little positive thinking, maintenance can be fun. Why just repair a hole in the wall in the kitchen when you could add modern backsplash?

• Considering the career and income uncertainty we are all faced with, people can definitely be put in bad spots throughout the years. Keeping up with the mortgage payments could be difficult. During these moments, it might be tough to make the 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 area for a period of time.

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. No matter how long you stay there, the paid rent will not earn you property rights or ownership status. All the structural and decorative home improvements you make will have to stay behind as well, when you leave.

Additionally, you may also need approval for any desired redecorations. We all like to pamper and improve our homes. However, if you are renting, your landlord may not allow you to redecorate as you wish. Even if you have permission to do so, you should also consider the cost-value of the desired modifications and if they are worth it in the long run. Renting does not build your equity.

While your monthly mortgage payment is based on principal and interest, the principal increases your equity every month. So does the initial down payment you make at the beginning. That does not happen with renting, where none of the payment is an investment, but just a fee for using the place temporarily.

Renting is unfortunately not an investment, but part of an increased living cost. Mortgage payments represent true financial property investments that protect against inflation. Additionally, average home values have been going up approximately 5% per 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, 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.

• However, that can greatly depend on the region you live in and how good you actually are with your tools when it comes to maintenance. While this might be a continuing, never ending debate, there are a number of hidden, amazing 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 home as well as your payments will be locked to a fixed sum for the next 15 to 30 years. That means that no matter what the inflation is, you will continue to pay your normal monthly mortgage rate and at the end of the mortgage period, own a beautiful, exquisite 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, which means that the credit and mortgage payments will stay the same no matter how much the value of your home increases.

• What a great legacy! There can be nothing better than leaving a home behind as a legacy for your kids. 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 from renting to home ownership is highly challenging, but an exciting and amazing decision to make. And no matter what people say, owning a house is the first step to make in giving ourselves 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 3
Getting Your First Home Loan

Dipping your hands into 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. However, things have now turned around, with markets showing great signs of improvement.

For starters, banks have finally begun to go a little easy on the minimum lending requirements, and with lenders who are offering mortgages and down payments at the rate of a mere 3%. 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 that you begin to prepare for the road that lies ahead of you.

Understanding the Importance of a Good Credit Score

One of the most important factors that will decide the interest rate that you will end up paying on your mortgage is your credit health. 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 me give you a small example to make this a little clearer. Let's take $178,500, which is the median home value in the United States, as the amount of a loan.

Pretend that 2 different buyers want a 30-year fixed mortgage for their respective $178,500 homes, and are paying the same amount as down payment. The difference between them is that while one has a low credit score of 600, the other comes with an excellent score of 760. In almost every case, the one with the low credit score will end up paying more - even a difference of 3.5 to 5% in interest could mean $59,000 or more over a mortgage's lifetime.

Thus, this should be enough of an indication to tell you 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, not going into the process blindly is obviously a good thing to do.

• 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, and if your credit score is good enough, it will help you get approval.

• Also, take this opportunity to find out areas where your credit history requires improvement, and take steps to measure the improvement that takes place.

#2. Report errors and inconsistencies

• A study by the Federal Trade Commission in 2013 stated that 1 out of every 4 consumers found errors in their credit reports that significantly affected their credit 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, the effort and time invested into it would be well worth it.

#3. Pay off any outstanding debts

• 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 amounts on the credit report may hurt your chances. Before applying, try to clear any such accounts, and if that is not possible, make sure that the impact of late payments is 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, or the part of your income that goes into paying debts, 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 are indicators of the fact that those who come with a high value of such ratio are likely to find it tougher to make regular monthly payments. Lenders may not be able to trust you with money if you are already using a large part of your income to pay debts.

Lowering this ratio needs you to do one of two things - decreasing your debts, or increasing your total income. While the latter may seem tough to do, there are quite a few options to do so. A little increase in your income could be a great help in lowering this ratio.

#5. Beware of applying for credit

• Since you need a credit score as high as it can be while applying for a mortgage, you should try to hold off on getting more credit, especially when your underwriter is trying to make a decision on your mortgage.

• Every credit application that you fill out during this time could lead to a credit inquiry. Such inquiries lower your credit score. This could significantly decrease your score.

• This is why it's so important to consider the impact of each application that you fill out for credit during this period. The one thing that 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. There is no reason for you to pay more interest than you should - and keeping your credit score in check and at a good level is a good way to do so.

Keeping Your Credit Clean Before Purchasing a Home

When it comes to your credit and purchasing a home, you must be extremely careful with what you buy and the money you spend. A 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, which you will need to pay serious attention to 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 to take out any credit cards or car loans until you have purchased your home. However, if this is inevitable, make sure that you speak to your loan officer or your mortgage broker for some advice, lest you risk losing your home loan.

Messing with Your Income Ratio

Were you aware of the fact that messing with your income ratio during the home loan application process can bring negativity into the process? If not, then there are things that 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 a monthly basis when it comes to making debt payments. On a typical basis, mortgage lenders generally prefer a ratio to be no higher than 36 percent. If another type of loan comes up during the process of a home loan, such as a car loan, for example, your mortgage lender will probably get in touch with you to go over it, and may not approve the loan for the home.

Your Credit Report and why it Matters

As previously stated, every loan you apply for, every 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 or not. For example, if you are applying for too many loans, or have too much depth at the same time, your report will be negative to any lender.

Paying Your Loan in Cash?

If you are going to purchase a new asset for cash, without having to obtain a loan, then you will be set. This means that your credit report will not have the debt documented on it, unlike if you were to first take out a loan for your purchase.

For example, if you plan on buying a car and want to apply for a mortgage at the same time, you can do so by paying for your new car in cash. If you go this route, your mortgage lender will not be aware of the changes on your credit score or report. Although, your mortgage lender will be able to look into your bank account and see the change in balance you have for any and all accounts that you have open. Lenders don’t like to see major cash expenditures during, or just before, the home loan process.

Therefore, using a savings account to purchase anything large, such as a car, can impact your chances negatively when it comes to having any type of loan approved.

Totaling Your Monthly Costs Compared to Your Monthly Income

If you have heard that you should do this before you apply for a loan, but are unsure of how to do so, follow the steps that are listed for you below:

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%. The amount that you come up with is the amount the majority of mortgage lenders will use for 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 loan with a mortgage lender for a home, you are going to need to be armed and prepared to the tooth. This means you're going to need to produce a lot of documents, beginning with tax returns from 3 years before. Lenders will also want to see bank statements from the past few months, 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 deposits you may have made. If you have any family or friends making a down payment for you, you will need to have a written letter to document such information for your lender, too. You are also going to need quite a bit of money for multiple things, such as the down payment. You are also going to need funds for your closing costs, at least a year's worth of taxes, insurance payments, and some extra cash just in case.

Your mortgage lender will also want to ensure that you will have an adequate cash reserve in the bank. This is just in case something in the home breaks down, something needs to be replaced, or if you lose your job and will have money to fall back on while you look for new employment. It's been agreed in the past by multiple financial experts that the general rule of thumb for a down payment is around 10 %, but you are able to do it with as little as only 3.5 %.

However, this is only in the case of Federal Housing Administration mortgages. A conventional mortgage with a VA loan, which is available to veterans of the military, is only around 5 percent. You should also keep in mind that the less you pay on the down payment, the more you will be paying in your monthly payments.

You may also have to pay private mortgage insurance if your down payment is less than 20 percent.

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, such as a car, always try to do it in cash, and 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

It is most important to be prepared with the knowledge and motivation to get a grant. In this field there are a lot of organizations and people who are really helpful. Unfortunately, there are also some people who are waiting to take advantage of your situation. It is because there are many fees and costs linked to buying a house.

Money-involving matters always need to be handled with care. Normally, home buyers do not have piles of money around them and probably the amount they are paying for their house is the savings they gathered so far.

So, this amount needs to be paid at a safe, trustworthy location. You must make sure to avoid scams and scammers. There are also many national, state and local programs or grants that are 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 loan-to-finance.

Money-Zine.com stated 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”.

It means that these programs are available in those areas where the government wants to revitalize the community. It makes these grants essential for both home buyers and the community. Grants are actually gifts of money from public or private sources.

You only need to fill in a few forms to apply. There is nothing like free money, if you can get it! Most grants help with down payments or costs of closing. There are also many programs that provide funds for other purposes in the process of buying a house.

Grant assistance can be found at many places, and one of them is the U.S. government. In this regard, the department of Housing and Urban Development gives out billions of dollars every year, although they have no direct dealing with home ownership. Still, they are turning the home ownership dream into reality for many people.

Buying your own home can be difficult for many Americans. According to the Census Bureau, 67% of Americans own their homes. However, there is still a huge percentage who cannot buy their own homes because they can’t afford closing costs and the down payment.

If you are buying a home for the first time and looking for a buyer grant you have to fill out an application very specifically. Applying for a grant requires: finding a home buyer grant program, checking the requirements for that program, finding an approved lender and filling out the application forms.

To succeed, you need to study and research the matter thoroughly. A great resource that you can use, whether you are buying your first home or your tenth home, is the HUD website (www.HUD.gov). The website provides lots of information to help you on your journey to homeownership. A lot of money goes to support the purchasing of HUD programs.

Although programs differ state by state and each may have diverse conditions, one thing is common: all 50 states have grants explicitly for buyers who are buying for the first time. This assistance can be filtered to more localized assistance. Subsequently, many cities and counties have grant programs. You need to check with the community in which you want to move, and see what is available.

Buying your first home could be an expensive, unapproachable and difficult step, but do not worry, because there is help available. Always ask your mortgage broker and the lender for more information.

But you must have no fear having a little inquiry on your own, because you never know what kind of trouble may be trying to take your money. First time home buyers have many advantages, but they need to look at them with care to make sure that it is real and not a scam. If you are working with a Realtor or attorney, talk to them about this!

Tax Credits and Tax Breaks for First-Time Home Buyers

Finding ways and means to accumulate the extra cash might appear quite elusive. But a number of tax credits and tax break options have been designed to make it easier for buyers to buy their first home. First-time home buyers 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 HUD (Housing and Urban Development), only an individual who meets certain conditions can be considered a first-time home buyer:

`• A person who hasn't owned a residence during a tenure of three years, prior to the day of purchase of the property. The same rules apply to a 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 affixed to a foundation, as per the proper regulations.

• If a person owned a residence which didn't comply with the state or local building codes, then the person will be considered as a first-time home buyer.

Another important thing to note is the difference between tax credits and tax deductions. Often, people think both these terms are essentially the same. They're not. A tax deduction actually reduces your taxable income. But, 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 Opportunities

#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.

Home buyers will receive a large chunk of the tax benefit upfront as the first repayments have the highest value of interest to principal amount. To claim the MID benefit, a home buyer will have to file an itemized tax return.

#2. Mortgage credit certification

The Mortgage Credit Certification is yet another program that can help thousands of first-time home buyers to secure a tax break. The IRS states that the program is aimed at helping the lower-income groups afford their first home.

This is different from the deduction process in the sense that 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’s really cool. 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, as you are eligible for a sum of $10,000 for the purpose of buying your home. It can help you cover the down payment and other ancillary costs as well. First-time home buyers 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, penalty free, you can use this policy to your advantage. You can ask your spouse 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. When you use a home improvement loan to finance the improvement costs, these loans will 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. Secondly, this will help you keep track of the home improvement costs. At the time of selling the home, you can simply add the improvement costs to the value of the property.

If the selling price of your home is more than what you had spent to procure it, the extra income will be considered taxable. You can reduce the value of this taxable income by adding the home improvement costs to your homes taxable basis. Thus, you can potentially save a big chunk of money in taxes during the sale.

#5. Home office deduction

Are you a freelancer, just like me? Well, you are in for some good luck. The amount of space in your home that is dedicated towards official work activities is tax-deductible. This deduction will include portions of your loan interest, insurance amount, utilities and repairs. However, there are certain guidelines for taking advantage of this deduction.

#6. Home energy tax credits

Well, the IRS rewards homeowners who make efforts to make their homes a little eco-friendly. The Residential Energy Efficiency Property Credit can cover the costs that are spent towards making the home more energy efficient.

Homeowners can save around 2 – 3 % of the costs incurred for installing energy efficient appliances. What's really great is the fact that it is a credit, which implies it will reduce your tax bill directly. To take advantage of this tax credit, you have to invest in appliances that harness energy from renewable sources, such as solar panels, wind turbines, fuel cells, etc.

In addition to these opportunities, 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 tax laws.

Chapter 5
14 Common Mistakes First Time Home Buyers Make

A house is not just a home - it's a long-lasting financial investment. As a first time homebuyer, you might think that you are smart just because you know a thing or two about the home buying process. Well, even those who consider themselves to be real estate know-it-alls can attest to the fact that the home-buying venture isn't easy.

If you have considered the investment of owning your own house instead of throwing money away into renting, congratulations, it's all in order. 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 sure seems to be a cheaper alternative to renting - but not in the short term. This is especially if you intend to get a loan to purchase your dream house. If this is the case, you have to remember that you have to make mortgage payments on a monthly basis for a number of years.

Therefore, it would be a huge mistake if you fail to budget for a home loan beforehand, and determine whether your income will accommodate an extra expense or not. If you aren't sure that you will be in a position to add a home loan in the column of expenses on your budget, it will be a mistake if you go ahead and fulfill your dream of owning a house at this point.

#2. Ignoring Your Credit Score

If you thought that finishing school meant being done with competitive scoring, think again! Apparently, your creditworthiness will be summarized in just 3 digits, and those three numbers will draw the line between owning a house and renting one.

Even if you have an impeccable sense of financial responsibility now, you could have a hard time getting a home loan if your past record states otherwise, 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 expect.

It's best to perform a credit check and make sure that it will allow you 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 also fluctuates from time to time. At times, it favors those looking to buy and other times it favors the sellers. There are a number of factors that affect housing marketing trends, including 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 up a deal that favors the seller.

#4. Lack of a Pre-approved Home Loan

You may be so anxious to shop for a house that you rush to find the house even before you get the money you need to buy it. If you have already started talking to sellers before having a hard talk with the home loan lenders, you are doing it all wrong. In fact, not many sellers will allow you to view their homes without evidence that you have the ability to buy it. 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 there are certain circumstances that could require you to resell the house you intend to buy. There are lots of unexpected changes that can occur such as job transfers, financial problems, or you could even fall 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 Realtor, Not Getting a Good One

Involving a Realtor is quite recommended in the home buying process. While a real estate agent can take a huge burden off your shoulders when it comes to looking for the right house, there's a danger in trusting a Realtor too much. An unprepared Realtor can cost you money and set the deal back.

Not only that, but if you ran into a 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 Realtor blindly, you may later have regrets after purchasing the house. Make sure your Realtor 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 words.

#8. Disregarding Hidden Costs

This is another common mistake that many first-time home buyers 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 sale agreement, it would be wise on your part to determine what hidden fees are there.

#9. Ignoring Professional Home Inspection

If you are relying on the seller or the real estate agent to tell you about the house problems that you should expect, you are simply making a costly mistake. 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 whether gives you all the right qualities that make it a perfect home not just for you, but also for your loved ones.

#11. Being Indecisive

As much as it is unwise to rush into making a purchase, it is equally imprudent 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 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 online services. It's true that loans can be obtained online and houses can be bought online as well. But failure to establish a personal touch with lenders or home sellers could present a huge and costly misunderstanding in the 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 close on your new home. 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, etc.

#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 go as far as meeting up with multiple sellers and making offers and promises that you don't intend to honor. Before entering into any agreement with a seller or a Realtor, it's imperative that you ensure that you are ready to honor your end of the deal.

By avoiding the above mentioned mistakes that are commonly made by first-time buyers, you will be more like a pro home buyer instead of a rookie. It will not only help you to make the right choice of a house that you and your family will take great pride in, but it will also help you to choose a house that will be worthy enough if you decide to resell it in the future.

Chapter 6
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 unlike that ill-fitting pair of shoes from the department store, you can't just return it if you're not satisfied – once you buy, you're in it for the long haul.

To avoid mistakes that could haunt you for years to come and leave you out of pocket by thousands of dollars, you need to make sure that you do your homework properly when house hunting. We've put together a few tips to help you.

Viewing a home

For most people, the prospect of going to view homes they fancy is thrilling and it's tempting to think that that is the very first step to buying a home. 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 in a home.

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 all these questions and more 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 Realtor. 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 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 – you could be living there for years to come, so 5 minutes strolling around isn't going to cut it. Spend as much time as you need. 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. 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, and get such 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, like strategically lighting a room to draw attention from a problem or applying fresh coats of paint to cover a mold problem. When viewing, try to look beyond the immediate aesthetics of the interior decor, since that is not usually part of the transaction, focus your attention on what you will in fact get when the furniture and interior decor are moved out.

Keep emotion away

When viewing a home initially, try not to get attached immediately, keep emotions aside and consider it only as a building that 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, and at different times of the day That way you will know what traffic is like getting to and from there 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 club 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?

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

Let your Realtor do their job

Very importantly, don't just go viewing on your own. Apart from the fact that this is not safe, it also makes you vulnerable, as the seller's agent might think you're unrepresented and so can easily be taken advantage of.

Let your Realtor do his or her job. If you happen to come across a property that interests you, but your Realtor hasn't told you about it, chances are it does not match your criteria. If you like the look of it however, call your Realtor with the address and on the board so that he or she 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 too. 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 queried - 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. If you see major cracks, or any of the walls looking like they are bowing but you still like the home, you should seriously be getting a structural engineer to have a look.

You should also have a survey done - not to be confused with a mortgage valuation - as this will uncover hidden issues with the house.

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, as 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 room or a 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 and outdated and must be easily accessible and in good working condition. Ensure wiring was done properly. Otherwise you may have to spend a fortune rewiring the home to bring it up to a standard.

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

Basement 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 scratch. 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 is an indication of lack of care.

The sprinkler system should be in proper working order, and if there is a deck, ensure there's no decay or damage from termites or beetles.

Property History

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

How long has the property been on the market? Was it previously listed, withdrawn and re-listed 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.

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 - all these will show up.

So will information about how much the taxes on the property are and whether they are paid or in arrears. If there have been improvements to the home, you'll also be able to see if a permit was obtained, as this could complicate the sale of the property. This kind of search could save you a lot of money as it will reveal important information about the property you're interested in, so don't skip it.

You can get all this info through your agent if you're using one, since most agents subscribe to services that give them access to such data or through a local attorney 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. Again, in the midst of all the excitement, 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 rather than backing that lovely park you saw on the way there, if only the house you prefer was in that other neighborhood that you prefer, or if only this cost a little bit less.

At the end of the day, you will need to decide on which of all the 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.

If finances are the issue, you may want to discuss with your lender if they would be willing to increase your mortgage, but this should be only if you can afford it. There is no point getting into financial trouble just to get a particular property when more affordable ones could do just as well.

Lower your expectation on the condition of the home. Although your inspection may have revealed some problem,s if they are not going to be a heavy financial burden to put right, you could still buy the property and do the repairs later. Use the problems as a bargaining cheap 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, or get the quote. He'll likely get a quote that is favorable to him. You may then find upon moving in that the required repairs costs way more than the concession you got from the seller

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 Realtor, you will soon find something else that you love.

Chapter 7
12 Steps to Buying a Home

Buying Step #1

Figure Out What You Can Afford. Home buying is a relatively complex process and buyers feel nervous because of the huge price tags of homes. So before buying a home, the most biggest problem is affordability. In other words, you need to know if the particular home is in your budget or not.

The selling price of the home is not the actual cost of the home, because other fees are added at closing. By looking at a home, at first it may seem that it is affordable, but all types of expenses involved in buying might lead to problems. You need to figure out a price range and what you can afford which requires a detailed glance at the market. You 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 contact lenders and get loans.

Of course, there are some lenders who will provide you loans that are normally a bit outside of the budget. For potential home buyers, it is important to stay disciplined and go for an affordable home. Buying a home is not only expensive, but it can also be a very emotional process, especially if the buyer has never done it before.

It requires careful thinking about your financial situation that you are experiencing currently before you start. This needs huge emotional control and you have to make decisions that only depend on your budget. Do not go out of your budget because it creates a mess for you and becomes trouble.

Buying Step #3

Create a List of Wants and Needs. Buying a home needs not only money, but also energy is required for deciding what your list of needs and wants for the home is.

With the specific budget you have, you need to know what could be included, and what should be skipped to maintain your budget. Wants and needs also lead the buying decision. If the price involved in the buying of a home we want to purchase is more than our budget, we need to settle for something cheaper.

When estimating all your needs and all your wants, it's a good idea to think of the value of items which are more important, rather than things that bear no or little value.

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 a very important and necessary step 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.

Buying Step #5

Deciding the location. There are many types of homes in the market but everyone has their own choices and preferences. Before buying a home it is necessary that the buyer visit the home and consider every aspect, including what family members think.

Every family has a different demand for a home. Home is a place you're connected to not only physically, but spiritually and mentally, too. It's a demand of every buyer that a home should be at a peaceful location. There are some places in the city that facilitate buyers and they attract buyers more than any other place.

Every place has its own specifics related to water supply, sanitation and market access and these things increase the market value of the property (or decrease it). Look at all the 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 price, the design of the home is the most considerable aspect that every buyer demands to be perfect, and according to their dreams.

The location also plays an important role in the purchase decision, because the people who have to live in the home must work some-where, and they want the home to be near that place, if possible. It is also necessary that rooms should be properly designed and the home have a proper air conditioning system. All these points of investigation are necessary in buying a home.

Buying Step #7

Contact a Realtor. Searching for a home on the internet is a fun activity, but not really practical. Contacting a Realtor is necessary because the Realtor is the person who will find a house for you according to your demands. It is not easy to go out and search for homes, so get a person who has a deep knowledge about homes.

Realtors will note all details about the houses and will find a perfect home for you, according to your demands. By contacting a Realtor, you can find a less expensive house because Realtors will understand the hidden values and problems. If you don't contact a Realtor, then you may find yourself in trouble. There are very few chances to make a correct and viable decision for your home.

Realtors not only have all kinds of choices, but they also have different kinds of options to present. These are at different and good locations, and they will guide you through the buying process without any scams involved.

Buying Step #8

Making an Offer. The first step to buy a home is to make an offer. In the real estate arena, oral promises never carry any legal validity. In this regard, you will find the assistance of experienced real estate agents highly useful. There are some standard forms you will need to comply with, like Residential Purchase Agreements.

The laws change from state to state and from time to time, and therefore if you prefer to work without a Realtor, you need to get the latest information in this regard. Some states need the sellers to make a disclosure and answer any of the questions that the buyer would have.

Apart from conforming to the local regulations, the offer must state the price and the terms and conditions governing the purchase. For example, if the seller mentions they will help with a given sum of money on your closing costs, make it a point and mention it in the agreement.

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 could be binding. If it is accepted, it is something equivalent to a money agreement or a deposit receipt.

Therefore, the offer must contain every aspect that would make it a blueprint guiding you towards the final sale.

The important aspects to be included in the purchase offer include the physical address and the legal description of the property, the terms of purchase, like 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, if your offer says the given offer is contingent upon a particular event, it means you are stating that you will go ahead with the offer only if the said event takes place or is satisfactory. In this regard, we can make a mention of two kinds of contingencies, namely financing and home inspection. In other words, the home buyer must succeed in getting the specified financing from a lending organization and a home inspection must come back satisfactory to the buyer.

If any one of these two contingencies is not realized, then the contract would be voidable. Also, it is important to mention all 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 in order to make the contract a binding one and also to move it subsequently through closure.

We can say 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 to provide proof that buyer is entering into the agreement in good faith.

How much is to be deposited in the escrow will depend on the terms mentioned in the purchase offer. The escrow agent is a third party, neutral to both parties concerned. He is a fiduciary that offers an assurance to both the parties involved that the agreed upon transaction will be completed as expected.

In the real estate arena, the escrow process is essential in cases where the ownership title is to be changed. The escrow agent 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 as escrow until 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 fulfill their corresponding obligations, then they must mutually agree on how to deal with the deposit.

Buying Step #10

Negotiating with the Seller. Perhaps this is the toughest aspect of a home purchase. However, in this step, you will find the help of the real estate agent highly useful, though you are the authority to decide on this.

Therefore, you must always know how to make a winning kind of negotiation, which must follow 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 so that you are able to understand the true value of the home. The price you quote must be reasonable and acceptable to the buyer based on market trends.

Knowing what the homes in the locality have sold for recently is a key in deciding this. However, you must be able to compare the comps with the target house. If the properties you researched are similar to the one you wish to buy, then you can take the average of the comps to come up with an offer amount.

But, the important thing is to visit the homes you are using as comps as well as the target home before doing this. If the target home has some additional features, then you need to consider them in deciding on the price. It is advisable to mention the comparable sales deals in the purchase offer as it would give the seller an idea that you have done your research on this.

A purchase offer can evoke any one of three responses from the seller. The home owner might (1) accept your offer as is, he might (2) counter the offer by demanding a higher price or other changes, or may (3) reject the offer altogether with no counter proposal.

To deal with the response effectively, you must first know the maximum amount you are prepared to spend on the deal. Once you make an offer lower than the listed price (as guided by the comps) and the seller comes down on the price through a counter offer which is still a bit above the comps, then you need to ascertain how badly you want to go ahead with the deal.

If you still persist with your offer price when the demand is high in the market, then you might lose the property to some other buyer. Always remember home buying negotiation is a professional business transaction and therefore never approach it with personal sentiments.

If the price that the seller demands is never close to the comparable value of the property which you are not prepared to pay, then you must also 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 these days is highly automated and computerized. Signed papers can be forwarded to the closing agent in no time. However, the closing process is meant to bring the various parties concerned with the transaction together on the same platform.

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

During closing, all the prevailing transfer taxes must be paid besides settling all the other claims like 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 involving the completion of the transaction agreed upon. In most cases of closing, the buyer and the seller are present in an official setting and commit themselves to signing 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 money. The closing agent deducts the costs to pay the existing mortgages and other costs connected to the transaction.

During the closing process, the deed, loan documents and other papers are prepared, duly signed and recorded in the county records. Before the closing process, the buyer needs to inspect the property personally to ensure that nothing has changed with regard to the property following the signing of the agreement.

Since the closing agent takes 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 title to the property, the lender gets their loans documented in the public records and the state governments get the collected taxes owed on the transaction.

Buying Step #12

It's Not Yours Until You Close. While all looks set and going positively, nothing can be worse than the deal falling apart. This may be due to multiple reasons including the home inspection, low appraisal, etc. It is necessary for the buyer to understand these potential pitfalls beforehand.

It is better to have a pre-approved loan to make sure financing is not a problem. Many applications get rejected during the mortgage approval process. As you are finalizing the deal with the seller, it is advisable 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 south.

Low appraisals are one of the major breakers of these deals. If the appraisal is low, the lender will not give money as per 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. Similarly, during home inspections, if physical damage is noticed, the deal could be called off.

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

Chapter 8
Hire A Realtor or Buy Alone?

Finding a Good Realtor

One may ask: what is the difference between a real estate agent and a Realtor? A real estate agent is not always a realtor. The agent is authorized by bother state to transact real estate business. A realtor is an agent who is a member of the National Association of Realtors

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Who is a Realtor?

A Realtor is a member of the association. Realtors 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 as they represent their association towards the clients.

• Also, a good Realtor obeys rules and regulations of the state in which they are serving. For example, they must follow the property right rules, taxation policy, etc.

• A realtor is also trained to be caring towards the client's rights.

How to Hire a Good Realtor?

Now, as we discussed who a Realtor is, another big question arises:

How to hire a good Realtor who meets all the criteria and qualities as well?

The first step to find a good Realtor is to contact one! Do an interview. You can also meet the Realtor. The purpose of the interview should be for you to check and judge all the qualities of the Realtor and to determine if you will be comfortable working with this professional.

The Realtor must have qualities like good ethical behavior, professionalism, creative ideas, and motivation toward the work. Also, another important factor in hiring a Realtor is the experience - it matters a lot how they have done and worked with previous clients, as well as the feedback about their past work.

Ask about how many properties/houses they have worked with. This will be a key step in learning of the expertise of the Realtor. If the Realtor has not close a deal yet, you should keep searching.

Then make sure about the license of the Realtor as well as their track record. The track record highlights the ethical measures of the Realtor. A simple way we can see all of the things we mentioned before signing or hiring a Realtor is checking these things:

- Licensing and Realtor Association membership.
- Previous deals and hiring (portfolio).
- Working hours, capabilities, skills, motivations, and loyalty.
- Ethical exams certifications.

Interviewing a Good Realtor

After looking into all these things, a simple step to do will be listing the qualities and the downsides of the Realtor. This will be quite helpful in making a final decision. After that, if the Realtor meets your demands and requirements for the work, meet the Realtor and hire him/her for your work. Executing a written agreement is a good step because it will place an agreement between you and the Realtor and in any case of violation of the rules and regulation s you will be able to void the deal.

Now, after these steps, tell your Realtor about your criteria for purchasing the property of your choice. As we discussed earlier, the things which are important to a buyer can be:

1. Number of bed rooms.
2. Kitchen, washrooms, family room, garage etc.
3. Location of the house.
4. The most important - the range of your budget.

By giving this criteria, you will be on your way o purchasing your dream home. If you do these things with a Realtor, he will be a huge asset for you.

Chapter 9
Making the Offer

Do’s and Don'ts in Negotiations When Buying a Home

After visiting dozens of open houses, meeting builders and sellers, looking for the ideal neighborhood and searching for the best available offers, you finally found the property that you are willing to live in and 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. It could even be a friend's recommendation on a house on sale, or a drive after a family lunch.

In any case, welcome to literally the most valuable and challenging process of the home buying process - price negotiations. First of all, start with your financial status estimation and available options of financing that are available. If you are a first-time home buyer, you most likely will be having federal programs and state loans to help you with the down payment and mortgage interest rate.

Usually, you know how much money you wish to spend. Considering all these opportunities will give you the necessary flexibility during the whole 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 first offer to the seller.

Those include 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 a number of bedrooms, bathrooms, square footage, existence of a yard or swimming pool, and their comparison to similar houses on the market in your area.

The math will give an idea of the average basic cost, which will be fundamental for your offer. After this calculation, 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 probably will start breaking down soon.

All those calculations and forecasts may take quite a lot of time, and imagine what happens, if you have several options to consider and choose from. For these cases, by all means, the real estate agent's services will be very helpful.

Besides, he is a professional, and it does not take as much time for him to evaluate all pros and cons and come to you with a proposal. Your real estate agent will assist in this process and normally helps to decide how much money you should offer and which factors may or may not be in your favor.

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

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

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 closest amount of money that you are willing to pay. Think of the highest maximum bid that you can afford and do not offer more in any case.

Also it is a good call to get your homework done and find out why the owners are selling the house: do they want to sell it due to, for example, because they are moving for a new job, or property is on sale for some time and price has reduced already?

In both cases, it is likely that they want to sell quickly and you can stand your ground, if they have a counter-offer. On the other hand, if the house has been listed for several times with a stable price, it is a sign that home owners take their time and may be waiting for the higher offer.

At the same time, depending on what kind of market you are in, strategy and tactics will vary. If your targeted house is in an area where there is more property for sale than there are buyers you are in a buyer's market; if the situation is the opposite - then it is a seller's market. In a buyer's market you have more possibilities to succeed with your less than reasonable offer, demand for some house improvements, better closing date and even payment of some closing fees 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 when offering a seller's price, because if he does not get it from you, he will receive the next offer within days or even hours. It is vital to understand that both the buyer and the seller may forget the final goal: to buy and to sell, and get carried away in a battle of negotiating.

Lock your eyes on the ball, but at the same time be realistic in your expectations and vision of the situation. And the following tactics will hopefully help you to stay focused.

#1. Use the Middleman

Your real estate agent or your attorney can be your middleman to negotiate with your seller's representative. Using him as a buffer not only will save you time, but also may provide you with useful information concerning the sellers, their intentions, etc., which the other party will not disclose to you directly.

#2. Play Good Cop and Bad Cop

Like in all the movies, one of the buyers plays a person that is on the seller's side, another one (spouse) - a displeased party. In this way you will be not estranged from the seller, and will let him know that you are working on the compromise and are aware of his best interests.

#3. Wait for the Big Boss

Current tactics are somehow similar to the previous one. Some third party (attorney, parents, professional friend of the family) needs 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 to the factor of waiting, which naturally can be perceived by the seller as you are considering other options.

#4. Be Curious

Asking questions may reveal some valuable information from the seller and might help to find the reasoning behind the house sell, which could be your priceless leverage, if you do not know it yet.

#5. Consider Compromise

If you see that you might lose the whole deal at some point or another, be ready to give away something during the negotiation. As they say, compromise means that you agreed in the end, but both of you left with a feeling that you backed off.

#6. Focus on the Ball

Remember your main goal: to get the house. If you feel that you are stuck in the negotiating of some minor details, a good decision would be to let them wait aside until you come to an agreement on the main points.

How to Avoid Mistakes during the Negotiation

Matters not, if you are buying a house of your dreams for the first time, or just got carried away in the rush of the negotiation intensity - no one is protected against making mistakes.

#1. Be Nice

No one likes rude people. If you somehow offended your future seller during a house visit, for example, by discussing all necessary renovations and poor taste of the current owners - they probably will not want to sell their beloved house to you.

#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 do not believe your first offer and definitely will counter offer. To avoid this situation, 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 it lacks some basic features that during decreasing market situation will become essential?

#4. Get Help

Saving money on real estate agents and attorneys may cost you thousands, if something goes wrong. Be cautious with extremely cheap services, if they are significantly lower than the average market price in your area, as the lack of professionalism may cause significant losses in the future, so pick your team carefully.

Also, do not rely solely on yourself, especially if you go through the house buying process for the first time. With so much information available online and information that you have to proceed before closing the deal, you have a lot of time to spend researching and analyzing.

#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 that you can afford. Repairs after the inspections most likely will not cost seller millions, so do not keep your hopes high on this account. Consider any future issue as a possible subject of renegotiating of some points, although be ready to go through with what you have already signed up for.

#6. Sign Cautiously

Make sure you acknowledge all terms and understand 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, which may fail to happen at all.

#7. Calculate All Future Costs

Budgeting is essential during the purchase, as the amount that you pay is not only the costs associated with the house. Besides payments to the agent and attorney, there are escrow payments, deposit and down payments, the title search and insurance, and many more.

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 probably will not be the only one trying to buy the same house. Sellers might be considering several offers at the same time and making decisions basing on someone giving them the best offer. They may also play with one potential buyer, sending him a counter-offer and say no to all the others.

You as a buyer will never know, although there are some suggestions on how to stand out in the case of multiple offers. The best way to protect yourself from failing is to simply make your offer better than the others.

Usually, your real estate agent will be able to tell if there is a chance for multiple offers, and you should act accordingly. At first, receiving a pre-approval for the mortgage will be a good start to become the best potential seller's choice, as the statement is issued basing on your credit report, bank statements, etc. and 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 seller's decision.

Bid close to his price - there is not much sense in offering significantly less than he wants in a market that is selling. Doing this will save you time on a continuous counter-offering process. It would be helpful to review the contingencies list, because the fewer clauses you have there, the more attractive your offer seems to the seller.

However, it is recommended to NEVER remove the home inspection, as seller will not be liable to any uncovered issues with the house, and you will have to pay for the repairs on your own.

Showing your intentions with making a large good faith deposit usually convinces the owner of your commitment and may finally tilt the balance towards your offer. Negotiating the price is a very stressful period in a house buying process.

You are not sure what the result 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 10
The Closing Process

10 Things to Know If You Are Closing for the First Time

You have finished the exhausting search for a new home and finally found the house of your dreams. The real estate agent has already helped you to prepare the best offer containing the list of contingencies (for example, that seller fully disclosed any problems with the house, and the results and actions to take after the inspections, etc.) and it is finally accepted.

Anticipation of a purchase is rising, and you are ready to sign the documents and move into your new family home, loft, condo, or a sea view home 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

First step to close the deal and unlock the front door of your own house is to open an escrow. During escrow, which usually lasts approximately one month, a third party is taking care of your transaction, both on seller's and buyer's behalf.

#2. Lock-In the Interest Rate

You need to lock your interest rate during the period from the time when a loan application begins the approval until a couple days before the closing. The exact day and time is up to you, and most of the buyers do not lock the interest rate when they first apply for their mortgage.

They are afraid that during that window before they apply and the closing day the rates will decrease and they will get stuck with a higher rate. Nevertheless, chances are that the interest rate may either increase and decrease during that period.

A lot of variables should be considered, and waiting until the last moment and receive a lower rate at the same time is sort of like winning a lottery. The decision is yours to make, just do it in time.

#3. Have a Home Inspection

Making sure that the 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 air conditioning system, plumbing, electricity, and so on. Choose your inspectors wisely, and do not fall for the cheapest option, as it usually proves to be not the best choice in terms of quality, experience and technical knowledge.

Of course, even the most expensive professionals cannot foresee the future, but may save you thousands of dollars uncovering existing issues. Even new houses, which recently had all the municipal inspections, need to be checked thoroughly, despite the builder's assurances.

#4. Have a Pest Inspection

Ideally, the best choice is to hire a licensed pest inspection company, which will check if your future property is contaminated by flies, mosquitoes, cockroaches, fleas, rats, mice, bed bugs, termites, beetles, critters, carpenter bees and ants, and other types of pests. Also they will check mold growth and other possible environmental health threats caused by lead, fungus and asbestos.

There is no need to explain how much harm to a house even a small amount of termites may bring, as is not speaking about a growing mold population, as they tend to spread and cause major damage which will lead to major repair expenses and health issues. The 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 the inspections revealed any problems, you may want to drop the price, or ask a seller to repair the problems that came up. Some inspectors will advise you to take a deeper look into the issue: ask for a second opinion, or evaluate it further with a specialist. It is highly recommended not to wait until closing day to discuss the estimates, or repair the issues.

#6. Ask for Title Search and Insurance

Title insurance is needed to eliminate any possible defect in the title, including third party ownership in the property that you are buying. The title company will do a title search and make sure that there are no legitimate claims from relatives, creditors, and the like.

Such claims might end in questioning your right of possession, or invalidating it at all. Title insurance is protection 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: general condition, geographic location, proximity to objects of interest, value of the near-by houses, their recent sales, neighborhood growth and potential, etc.

Your mortgage lender usually requires this information to make sure that the amount you would like to borrow is worth it. Of course, there is always a risk of a low appraisal, which might not even be that bad for you as a buyer.

But imagine this scenario: you negotiated a deal with the buyer, which is already lower than he initially wanted, and due to declining market, neighborhood constructions or some other issues, the home appraiser drops the value even more.

You cannot disagree that it may slow down the closing process because of the seller's doubts, if the appraisal is fair, or if he really wants to sell at a price that low from his perspective. At the same time, you as a buyer want to save, and you have a legitimate right to do so. Same goes with high appraisals. And both of you will be right to stand your ground.

Such a possibility will lead to a delay in closing and a new round of negotiations with the seller. Unfortunately, sometimes appraisers simply are not qualified enough, or unfamiliar with all the specifics of the particular areas.

Before trusting the home appraiser with such responsibility, make sure he is from your county and has a residential appraiser certification and a professional designation. If you are getting a loan to buy the property, your lender will probably choose the appraiser.

#8. Set the Time and Date of the Closing

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

One of them is to plan at least half a day for it. 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, your lender’s, or the title company’s offices.

If you schedule a closing and fail to complete it on that day, you could be facing penalties for the delay - or risk losing the home altogether.

#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 closing. The property should be in the condition that is specified in your sales contract. You may check to see if any changes have been made after the home or pest inspections, and if all is in order, or if any additional replacements are necessary.

In this case, the closing day may be shifted, or upon mutual agreement the repair costs will be submitted to the escrow agent who will make adjustments on the final documents. Do not skip it, as missing the final walk-though is one of the reasons of delaying a closing.

#10. Get Ready for Your Closing Day

After you run an escrow marathon and successfully survived all the possible and impossible obstacles on your way, it is finally time to sign the papers and get the keys to your new home.

Your title company will prepare all the paperwork for the whole process: title search and insurance, inspection reports, bank statements, home appraisal, checks of down payment closing costs, prepaid interest, etc.

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

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

• Closing Disclosure Statement (CD). This document contains a summary of all your final payments, costs and charges for the 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.
• Promissory Note. Signing this document binds you to repay the loan amounts, and outlines penalties, in case you are not able to pay duly and in time.
• Mortgage. This is a lien against your property and the security for your lender that he will receive all his money back, even if you are unable to obey the terms of the note.
• Deed. This document transfers title from seller to you.
• Various other loan documents from your lender.

You should never sign anything if something is unclear to you, different from what you agreed to. or where you found any errors. Make sure that you understand what you are signing and how your payments will be distributed over the time. If unsure, ask your agent or attorney!

Risks and Delays on Closing Day

Even a good prepared closing may go not as planned, and some mistakes can be revealed during the signing of the documents. For instance, your and seller's financial circumstances change, one of you changed the last name during marriage, 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.

By all means, if any of you decide to refuse signing the deal just because you changed your mind, or any of you have received or found a better option, the other party has the right to sue and collect damages, and this clause is usually obligatory in all agreements.

Closing a deal is a big responsibility, and is stressful and financially risky for all parties. It is important to understand this, especially if you are doing it for the first time.

First of all, you need to do your research, gather all necessary documents, follow your attorney's, inspectors', real estate agent's advice, and make sure that you definitely want to close this deal. Then calm down and take a deep breath - you can do it!

After You Sign the Papers

Take the keys and start moving in to 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 it. When you finally get through with it, you will be able to relax and enjoy your new property.

Hopefully, these short steps for the first time home buyers will help you to handle this whole incredible process with less stress and more energy, as now you are very familiar with the basics. Good luck!

Chapter 11
Moving Tips

Moving Tips for the First Timer

Moving is one of the most stressful and tiring things that anyone can ever go through. Whether the move is to a different city or within the same one, it always necessitates careful planning from sorting to packing, labeling and unpacking and arranging all your stuff in your new home.

More often than not, it also calls for additional hands to help with all the tasks that need to be done. And, whether you like it or not, it always comes at a cost.

Unfortunately, it is something that we have to go through at some points in our life, and it is a necessity that can hardly be avoided or ignored. Luckily, with a bit of help and with all the resources available to us, the stress can be minimized and the possible problems avoided.

As with most tasks, organization and careful planning is key to moving. In order to remain organized with the tasks of sorting, labeling and packing stuff, a checklist will come in handy.

Preparing Your Checklist

Moving your entire home with you means that you need to prepare at least two checklists: the first is a checklist of all the stuff that you will be bringing with you, grouped according to the room they belong in. Aside from indicating the room where each item belongs, later on when everything is packed into boxes it would be a great idea to number the boxes and indicate on your checklist where each item is packed, for easier sorting and identification.

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 not to warrant a space in your checklist; it pays to be prepared. To help you better with this list, here's a comprehensive sample that you can refer to, divided into segments of time to keep you organized.

Three Weeks before Your Big Move

• Ask friends and relatives for referrals of moving companies and inquire about their services, procedures, and policies. Get at least three quotes from different companies so that you can compare their services and be able to 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 utilities company of your moving date so they can disconnect services (for your phone, water, electricity, cable, internet, etc.) on the date after your move.

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

• 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, if you decide not to hire a mover, or with unpacking.

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.

• Request 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 - 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 if electricity is already available. Or, have someone do all of these for you.

• Throw away all un-needed and unusable items, especially flammable stuff like left-over paint, spray cans, propane, etc.

• 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

• Update all personal documents that include your address. Notify your employer, banks and insurance companies of your change in address.

• If hiring one, make a last call to your moving company to confirm details such as time of arrival and pick up, etc.

• 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 new home before the movers/entourage.

• 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 let fresh air in.

• Direct your movers with the unloading of your boxes, 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.

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 in moving is whether to get a mover to work with you or not. Movers are a big help, what with all the items that 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 versus doing it all by yourself. 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 recommend based on experience. Have at least three companies to compare services and review before making your final choice.

2. Choose local. Often times, local companies are the better choice in terms of budget and availability.

3 Ask for an in-house cost estimate. Let them see your belongings and inform them of the distance to your new home so they can quote you an estimate.

4. 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.

Choosing and Hiring a Mover

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

Renting a U-Haul Instead

Unlike movers, you do the packing, loading and driving yourself. This may be a great way to save on moving costs, 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 and do all the moving yourself. To be able to get the best U-Haul deal and be able to 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.

3. Start packing a long time off.
Don't do a last minute stint. 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 you might as well ask for help early on.

5. Time your departure from your old place in such a way that you will be able to stop and rest when needed at convenient times and places and 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 for all the things that you would be doing in preparation for your move.

Since you will be going without professional help, you may even want to ask for advice from people you know who have moved a lot. Their experience will provide you with tips on what to avoid, areas of preparation that you may have overlooked, and similar matters.

Whether you make your big move with professional help, on your own, or with just the help of family and friends, 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 12
Horror Stories in the Real Estate World

As if simply buying or selling a house would not be a terrifying enough experience in itself, here are some true real estate horror stories that will change your mind about how scary it can really be to deal with the system.

Impatient buyers that didn't wait for their agent to return to town, buyers that thought they could do a better job without hiring a Realtor, or real estate agents put into difficult situations by their clients... these are all stories that should be a lesson to anyone interested in buying a property.

Jane and John

Jane and John spent two years working with an agent to find a house, but one day, while driving around, they found what seemed like the home of their dreams. Trembling with excitement, the happy couple bought it right away, especially when the seller asked for a price lower than what they were initially ready to spend.

After moving in and cleaning around, Jane started to find many dead things. John acted promptly and called an exterminator, who in turn gave them the bad news. The house was infested with termites, which had already eaten through the walls and affected the house stability. The repairing costs ended up costing the couple much more than they saved with the initial purchase of the house.

Mark

Mark wanted so badly to be a homeowner. However, he sadly had limited resources. One day he found a nice house that was on the market and thought it's the perfect opportunity and invested in it, considering that the house was recently built and no one had bought it in over a year.

To save some extra money, he did not hire an agent nor did he opt for an inspector. Only after moving in did he realize why nobody wanted the house. The house had been built in a military training area. The military planes were practicing for 15 nights each month.

Problems continued with an incredible bad smell that would simply refuse to leave the house, no matter what Mark did. After an inspection, Mark found out that the builder poured slab over a dead animal and the smell had now entered the house through the crack. Cost for removing the dead animal and pour another slab... thousands of dollars.

And the problems just keep coming as one-day Mark decided to light the fire in the fireplace and the smoke would not get out through the chimney, but remained in the room. Finally, Mark called an inspector to evaluate the house he bought.

The conclusion was that the house was built on unstable, shifting ground that was causing the fireplace to separate from the house and which would cause even more problems eventually by affecting the house structure.

The builder had also placed support walls too far apart, putting excess stress on the walls in place, which put the whole roof in danger of crashing down. The repairs cost Mark as much as he initially paid for the house.

The Johnsons

The Johnsons bought their lovely house directly from the owner, just to realize six months later that the drain would constantly overflow. The problem was solved calling a septic company, just to strike back again another six months later in the neighbor's yard. Then, with an odor problem and an angry neighbor, the Johnson's called a plumber to try and fix the problem once and for all.

The bad news was that the builder had approval for a three bedroom house, on which he had built five. The plumbing system could not be modified because the soil would not be able to sustain a house that size. And the horror stories with clueless buyers go on.

Harry

Harry wanted to buy a house and therefore signed an exclusive deal with a real estate agent. Time went by and the agent would not respond to Harry's phone call or email. He would simply never return the calls when Harry was available.

One day Harry saw a perfect house. He called his agent who unceremoniously told him that she was out of town. Eager to buy the house after talking about price with the owner, Harry called the listing agent on the selling ads. When asked if he has an agent, Harry decided he would not risk the transaction outcome by admitting so.

When his agent came back to town Harry thought it was fair to let her know what had happened. She simply reminded him that he still has to pay her 3% of the transaction value because of the exclusivity agreement which clearly specified that.

California Couple

In sunny California a couple bought a house in a very wooden area. Although they hated the trees surrounding the house, they loved their new, beautiful home. After buying, it did not take them long to decide to cut down all the trees that got in the way of the beautiful landscape. That afternoon the house developer was passing by and almost fainted when he saw all those trees cut down.

He carefully explained to the family that the law prohibits cutting down any tree that is not too old, too sick or a danger to the house and therefore replacing trees must be planted immediately.

The family was forced to comply in order not to face charges and further fines. Let's just say that 45 thousand dollars could have been better spent on something else.

Usually, when buying a house, the seller should have already vacated the premises. If the seller and buyer decide that certain details could be delayed, there must be a solid written agreement which clearly specifies the details concerning all those delays. The statement should also include the final date by which the home must be vacated as well as any compensating fines which might be paid to the new owners in the case those deadlines mentioned in the statement will not be met.

Mary and Dan

Mary and Dan found the perfect house for their family. Against their lawyer's advice, the couple allowed the sellers to remain another four weeks in the house, trying to do a nice thing and help the previous owner out until their new home was ready. The problems began when Mary and Dan had to vacate their apartment and the previous owners refused to move because their house was conveniently not ready yet.

Dan filed an eviction note in the county court, but this process takes at least a month without anyone fighting it. After seven long and frustrating months of living in the mother-in-law's living room. Dan and Mary could finally move into their new bought home.

Obviously, the seller refused to pay Mary and Dan any damage for the lawsuit or the mortgage they paid for the house during the period they couldn't move in.

Tom Jefferson

Tom Jefferson purchased a new home in North Carolina. Because the yard was big enough, he decided he wanted to build a workshop there. After a while he was sued by the community association for not obtaining permission to build it. Another ground for the lawsuit was because the constructions was aesthetically displeasing.

The judge politely explained to the Jefferson family that the community had regulations that must be respected and that they have to demolish the workshop and ask for approval before building a new one. Needless to say, that after wasting that much money, Tom's family resents the community and is thinking of moving away.

Incompetent Real Estate Agents

On the other side of the door, we have horror stories with clumsy and/or insufficiently trained, blue-eyed real estate agents. In that aspect not one, but three naive agents, managed to let a thief enter expensive properties and rob them.

One of the crooks presented himself as a representative of a Russian millionaire interested in buying a luxury house in Palm Beach. With the pretext of needing alone time to talk on the phone with the millionaire, this guy stole everything he could from the premises.

Another agent forgot to call the family to let them know that they would have potential buyers stop by to see the home. The buyers then walked in on the naked owner who was hopelessly trying to hide in the closet.

Another agent failed to contact the police when arriving to a listed house with a client and found the door broken and the belongings messed up. He continued to show the house to the potential client until the owner came home and realized he was robbed which led to further issues, trouble and of course, no deal.

And things can unfortunately get even worse at times. In Tampa, an agent ended up showing potential buyers an $800,000 property with the owner lying dead on the living room sofa. When in court, the agent said that he thought something didn't seem right, but he continued the open-house visit nevertheless.

Another family was viewing a home and the agent was happily talking about the incredible, extensive potential for development and extension the property has. The problem? Well, the agent didn't realize he was on the third floor of a five floor building.

Sometimes buyers or sellers make life even more difficult for the real estate agents. Stuart's clients insisted on visiting an old Victorian house. They were warned there was no electricity, so they brought flashlights. After encountering several decomposed raccoons lying on the ground, they were so grossed and scared, that they ran out as fast as they could. Obviously they didn't buy the house.

Kay called the listing agent to announce a visit with a potential client and check if the house was available. She got a green light and went there with the buyer, only to walk in on a naked woman coming out from the shower. The woman was the owner who had moved some time ago, but she was in the neighborhood and decided to take a shower without letting the listing agent know about it.

Katie was helping a couple from another city to find a home. First, she visited the house with the husband, but on the second visit the wife also decided to come along. The house had a pull-down staircase to the attic that was raised at the time. In order for the husband to show the wife the large storage space the house had, they all got up in the attic, only to find there was a girl up there, who inconveniently refused to come down. Police intervention was needed to get the unwelcome guest out of the house.

Most of these incredible stories could have been avoided if only buyers with no knowledge of the real estate market were less eager to make deals on their own. On the other hand, some of the rest unpleasant moments could have been avoided if real estate agents were paying a little more attention to what was happening around them instead of focusing and thinking only about their commission.

There are many lessons to be learned from what happened to these people. Maybe the most important one is that buying a property should not be a rushed, impulsive action, but a rational process that goes through all the diligent needed steps to ensure everyone's safety and happiness. People should try to be extra careful when spending their life savings on what looks like their dream home.

That might prevent their dream from turning into their worst nightmare only a little while later. Be careful how you start your life in your new home. Your safety and peace of mind is well worth the extra time - and the tedious safety steps needed to take before signing the deal. Invest wise, and most of all, invest in yourself!