

Handouts for Consumers

# For Buyers

Compliments of

Trails End Land Company, LLC

PO Box 645

Sheridan, Montana

(406) 842-5960

[www.trailsendland.com](http://www.trailsendland.com)



## Trails End Land Company, LLC

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Jim Kaatz - Broker/Owner    Connie Ruyle - Sales Associate/Property Manager

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### 8 Steps to Getting Your Finances in Order

1. **Develop a family budget.** Instead of budgeting what you'd like to spend, use receipts to create a budget for what you actually spent over the last six months. One advantage of this approach is that it factors in unexpected expenses, such as car repairs, illnesses, etc., as well as predictable costs such as rent.
2. **Reduce your debt.** Generally speaking, lenders look for a total debt load of no more than 36 percent of income. Since this figure includes your mortgage, which typically ranges between 25 percent and 28 percent of income, you need to get the rest of installment debt—car loans, student loans, revolving balances on credit cards—down to between 8 percent and 10 percent of your total income.
3. **Get a handle on expenses.** You probably know how much you spend on rent and utilities, but little expenses add up. Try writing down *everything* you spend for one month. You'll probably see some great ways to save.
4. **Increase your income.** It may be necessary to take on a second, part-time job to get your income at a high-enough level to qualify for the home you want.
5. **Save for a downpayment.** Although it's possible to get a mortgage with only 5 percent down—or even less in some cases—you can usually get a better rate and a lower overall cost if you put down more. Shoot for saving a 20 percent downpayment.
6. **Create a house fund.** Don't just plan on saving whatever's left toward a downpayment. Instead decide on a certain amount a month you want to save, then put it away as you pay your monthly bills.
7. **Keep your job.** While you don't need to be in the same job forever to qualify, having a job for less than two years may mean you have to pay a higher interest rate.
8. **Establish a good credit history.** Get a credit card and make payments by the due date. Do the same for all your other bills. Pay off the entire balance promptly.



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### **8 Ways to Improve Your Credit**

Credit scores, along with your overall income and debt, are a big factor in determining if you'll qualify for a loan and what loan terms you'll be able to qualify for.

1. Check for and correct errors in your credit report. Mistakes happen, and you could be paying for someone else's poor financial management.
2. Pay down credit card bills. If possible, pay off the entire balance every month. However, transferring credit card debt from one card to another could lower your score.
3. Don't charge your credit cards to the maximum limit.
4. Wait 12 months after credit difficulties to apply for a mortgage. You're penalized less for problems after a year.
5. Don't purchase big-ticket items for your new home on credit cards until after the loan is approved. The amounts will add to your debt.
6. Don't open new credit card accounts before applying for a mortgage. Having too much available credit can lower your score.
7. Shop for mortgage rates all at once. Too many credit applications can lower your score, but multiple inquiries from the same type of lender are counted as one inquiry if submitted over a short period of time.
8. Avoid finance companies. Even if you pay the loan on time, the interest is high and it will probably be considered a sign of poor credit management.

*This information is copyrighted by the Fannie Mae Foundation and is used with permission of the Fannie Mae Foundation. To obtain a complete copy of the publication, "Knowing and Understanding Your Credit," visit <http://www.homebuyingguide.org>.*

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### **5 Factors That Decide Your Credit Score**

Credit scores range between 200 and 800. Scores above 620 are considered desirable for obtaining a mortgage. These factors will affect your score.

1. Your payment history. Whether you paid credit card obligations on time.
2. How much you owe. Owing a great deal of money on numerous accounts can indicate that you are overextended.
3. The length of your credit history. In general, the longer the better.
4. How much new credit you have. New credit, either installment payments or new credit cards, are considered more risky, even if you pay promptly.
5. The types of credit you use. Generally, it's desirable to have more than one type of credit—installment loans, credit cards, and a mortgage, for example.

For more on evaluating and understanding your credit score, go to <http://www.myfico.com>.

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## Your Property Wish List

While your opinions on the type of home you want to own may change during the homebuying process, use this easy checklist to help you prioritize and make the shopping process less time consuming.

1. How close do you need to be to: (a) public transportation \_\_\_\_\_ (b) schools \_\_\_\_\_  
(c) airport \_\_\_\_\_ (d) expressway \_\_\_\_\_ (e) neighborhood shopping \_\_\_\_\_  
(f) other \_\_\_\_\_?
2. What neighborhoods would you prefer?
3. What school systems do you want to be near?
4. What architectural style(s) of homes do you prefer?
5. Do you want a one-story or two-story house?
6. How old a home would you consider?
7. How much repair or renovation would you be willing to do?
8. Do you have special facilities or needs that your home must meet?
9. Do you require a fenced yard or other amenities for your pets?

<i>Prioritize each of these options into</i>	<i>Must have</i>	<i>Would prefer</i>
Yard (at least _____)		
Garage (size _____)		
Patio/Deck		
Pool		
Bedrooms (number _____)		
Bathrooms (number _____)		
Family room		
Formal living room		
Formal dining room		
Eat-in kitchen		
Laundry room		
Basement		
Attic		
Fireplace		
Spa in bath		
Air conditioning		
Wall-to-wall carpet		
Hardwood floors		
View		
Light (windows)		
Shade		

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### **Tips on Buying in a Tight Market**

Increase your chances of getting your dream house instead of losing it to another buyer, with these easy steps.

1. Get prequalified for a mortgage. You'll be able to make a firm commitment to buy and make your offer more desirable to the seller.
2. Stay in close touch with your real estate sales associate to find out first about new listings that come on the market. And be ready to go see a house as soon as it goes on the market.
3. Scout out new listings yourself. Look at Internet sites, newspaper ads, and drive by the neighborhood frequently. Maybe you'll see a brand-new "for sale" sign before anyone else.
4. Be ready to make a decision. Spend lots of time in advance deciding what you must have so you won't be unsure when you have the chance to make an offer.
5. Bid competitively. You may not want to start out offering the absolute highest price you can afford, but don't try to go too low to get a deal. In a tight market, you'll lose out.
6. Keep contingencies to a minimum. Restrictions such as needing to sell your home before you move or wanting to delay the closing until a certain date can make your offer unappealing. In a tight market, you'll probably be able to sell your house rapidly. Or talk to your lender about getting a bridge loan to cover both mortgages for a short period.
7. Don't get caught in a buying frenzy. Just because there's competition doesn't mean you should just buy anything. And even though you want to make your offer attractive, don't neglect inspections that help ensure that your house is sound.



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### **10 Steps to Prepare for Homeownership**

1. Decide how much home you can afford. Generally, you can afford a home equal in value to between two and three times your gross income.
2. Develop a wish list of what you'd like your home to have. Then prioritize the features on your list.
3. Select three or four neighborhoods you'd like to live in. Consider items such as schools, recreational facilities, area expansion plans, and safety.
4. Determine if you have enough saved to cover your downpayment and closing costs. Closing costs, including taxes, attorney's fee, and transfer fees average between 2 percent and 7 percent of the home price.
5. Get your credit in order. Obtain a copy of your credit report.
6. Determine how large a mortgage you can qualify for. Also explore different loans options and decide what's best for you.
7. Organize all the documentation a lender will need to preapprove you for a loan.
8. Do research to determine if you qualify for any special mortgage or downpayment-assistance programs.
9. Calculate the costs of homeownership, including property taxes, insurance, maintenance, and association fees, if applicable.
10. Find an experienced REALTOR who can help you through the process.

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### How Big a Mortgage Can I Afford?

Not only does owning a home give you a haven for yourself and your family, it makes great financial sense, too.

This calculation assumes a 28 percent income tax bracket. If your bracket is higher, your savings will be, too.

Rent: \_\_\_\_\_

Multiplier: X    1.32

Mortgage payment: \_\_\_\_\_

Because of tax deductions, you can make a mortgage payment—including taxes and insurance—that is approximately one-third larger than your current rent payment and end up with the same amount of income.

For more help, use Fannie Mae's [online mortgage calculators](http://www.fanniemae.com/homebuyers/calculators/index.jhtml?p=Resources&s=Calculators) at <http://www.fanniemae.com/homebuyers/calculators/index.jhtml?p=Resources&s=Calculators>

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### 7 Reasons to Own Your Own Home

1. **Tax breaks.** The U.S. Tax Code lets you deduct the interest you pay on your mortgage, property taxes you pay, and some of the costs involved in buying your home.
2. **Gains.** Between 1998 and 2002, national home prices increased at an average of 5.4 percent annually. And while there's no guarantee of appreciation, a 2001 study by the NATIONAL ASSOCIATION OF REALTORS<sup>®</sup> found that a typical homeowner has approximately \$50,000 of unrealized gain in a home.
3. **Equity.** Money paid for rent is money that you'll never see again, but mortgage payments let you build equity ownership interest in your home.
4. **Savings.** Building equity in your home is a ready-made savings plan. And when you sell, you can generally take up to \$250,000 (\$500,000 for a married couple) as gain without owing any federal income tax.
5. **Predictability.** Unlike rent, your mortgage payments don't go up over the years so your housing costs may actually decline as you own the home longer. However, keep in mind that property taxes and insurance costs will rise.
6. **Freedom.** The home is yours. You can decorate any way you want and be able to benefit from your investment for as long as you own the home.
7. **Stability.** Remaining in one neighborhood for several years gives you a chance to participate in community activities, lets you and your family establish lasting friendships, and offers your children the benefit of educational continuity.

To calculate whether renting or buying is the best financial option for you, use this calculator courtesy of Ginnie Mae:

[http://www.ginniemae.gov/rent\\_vs\\_buy/rent\\_vs\\_buy\\_calc.asp?Section=YPTH](http://www.ginniemae.gov/rent_vs_buy/rent_vs_buy_calc.asp?Section=YPTH)

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### **5 Common First-Time Homebuyer Mistakes**

1. They don't ask enough questions of their lender and miss out on the best deal.
2. They don't act quickly enough to make a decision and someone else buys the house.
3. They don't find the right real estate professional who is willing to help you through the homebuying process.
4. They don't do enough to make their offer look good to a seller.
5. They don't think about resale *before* they buy. The average first-time buyer only stays in a home for four years.

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### 10 Tips for First-Time Homebuyers

1. **Be picky, but don't be unrealistic.** There is no perfect home.
2. **Do your homework before you start looking.** Decide specifically what features you want in a home and which are most important to you.
3. **Get your finances in order.** Review your credit report and be sure you have enough money to cover your downpayment and your closing costs.
4. **Don't wait to get a loan.** Talk to a lender and get prequalified for a mortgage before you start looking.
5. **Don't ask too many people for opinions.** It will drive you crazy. Select one or two people to turn to if you feel you need a second opinion.
6. **Decide when you could move.** When is your lease up? Are you allowed to sublet? How tight is the rental market in your area?
7. **Think long-term.** Are you looking for a starter house with the idea of moving up in a few years or do you hope to stay in this home longer? This decision may dictate what type of home you'll buy as well as the type of mortgage terms that suit you best.
8. **Don't let yourself be "house poor".** If you max yourself out to buy the biggest home you can afford, you'll have no money left for maintenance or decoration or to save money for other financial goals.
9. **Don't be naïve.** Insist on a home inspection and, if possible, get a warranty from the seller to cover defects within one year.
10. **Get help.** Consider hiring a REALTOR<sup>®</sup> as a buyer's representative. Unlike a listing agent, whose first duty is to the seller, a buyer's representative is working only for you. And often, buyer's reps are paid out of the seller's commission payment.



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### **How High Tech Is Your Home?**

If the latest technology or entertainment options are important in your new home, add the following questions to your buyer's checklist.

1. Are there enough jacks in every room for cable TV and high-speed Internet hookups?
2. Are there enough telephone extensions or jacks?
3. Is the home prewired for a home theater or multi-room audio and video?
4. Does the home have a local area network for linking computers?
5. Does the home already have wiring for DSL or other high-speed Internet connection?
6. Does the home have multizoning heating and cooling controls with programmable thermostats?
7. Does the home have multi-room lighting controls, window-covering controls, or other home automation features?
8. Is the home wired with multi-purpose in-wall wiring that allows for reconfigurations to update services as technology changes?

Visit the Consumer Electronics Association ([www.ce.org/techhomerating](http://www.ce.org/techhomerating)) for a complete Tech Home™ Rating Checklist.

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### Hidden Home Defects to Watch For

No home is flawless, but certain physical problems can be expensive. Watch for:

1. **Water leaks.** Look for stains on ceilings and near the baseboards, especially in basements or attics.
2. **Shifting foundations.** Look for large cracks along the home's foundation.
3. **Drainage.** Look for standing water, either around the foundation of the home or in the yard.
4. **Termites.** Look for weakened or grooved wood, especially near ground level.
5. **Worn roofs.** Look for broken or missing copings and buckled shingles as well as water spots on ceilings.
6. **Inadequate wiring.** Look for antiquated fuse boxes, extension cords (indicating insufficient outlets), and outlets without a place to plug in the grounding prong.
7. **Plumbing problems.** Very low water pressure, banging in pipes.

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### 10 Questions to Ask a Home Inspector

1. What are your qualifications? Are you a member of the American Association of Home Inspectors?
2. Do you have a current license? Inspectors are not required to be licensed in every state.
3. How many inspections of properties such as this do you do each year?
4. Do you have a list of past clients I can contact?
5. Do you carry professional errors and omission insurance? May I have a copy of the policy?
6. Do you provide any guarantees of your work?
7. What specifically will the inspection cover?
8. What type of report will I receive after the inspection?
9. How long will the inspection take and how long will it take to receive the report?
10. How much will the inspection cost?

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### **What Your Home Inspection Should Cover**

1. Siding: Look for dents or buckling
2. Foundations: Look for cracks or water seepage
3. Exterior Brick: Look for cracked bricks or mortar pulling away from bricks
4. Insulation: Look for condition, adequate rating for climate
5. Doors and Windows: Look for loose or tight fits, condition of locks, condition of weatherstripping
6. Roof: Look for age, conditions of flashing, pooling water, buckled shingles, or loose gutters and downspouts
7. Ceilings, walls, and moldings: Look for loose pieces, drywall that is pulling away
8. Porch/Deck: Loose railings or step, rot
9. Electrical: Look for condition of fuse box/circuit breakers, number of outlets in each room
10. Plumbing: Look for poor water pressure, banging pipes, rust spots or corrosion that indicate leaks, sufficient insulation
11. Water Heater: Look for age, size adequate for house, speed of recovery, energy rating
12. Furnace/Air Conditioning: Look for age, energy rating; Furnaces are rated by annual fuel utilization efficiency; the higher the rating, the lower your fuel costs. However, other factors such as payback period and other operating costs, such as electricity to operate motors.
13. Garage: Look for exterior in good repair; condition of floor—cracks, stains, etc.; condition of door mechanism
14. Basement: Look for water leakage, musty smell
15. Attic: Look for adequate ventilation, water leaks from roof
16. Septic Tanks (if applicable): Adequate absorption field capacity for the percolation rate in your area and the size of your family
17. Driveways/Sidewalks: Look for cracks, heaving pavement, crumbling near edges, stains

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### **How Comprehensive Is Your Home Warranty?**

Check your home warranty policy to see which of the following items are covered. Also check to see if the policy covers the full replacement cost of an item.

1. Plumbing
2. Electrical Systems
3. Water Heater
4. Furnace
5. Heating Ducts
6. Water Pump
7. Dishwasher
8. Stove/Cooktop/Ovens
9. Microwave
10. Refrigerator
11. Washer/Dryer
12. Swimming Pool (may be optional)

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### **5 Property Tax Questions You Need to Ask**

1. What is the assessed value of the property? Note that assessed value is generally less than market value. Ask to see a recent copy of the seller's tax bill to help you determine this information.
2. How often are properties reassessed and when was the last reassessment done? Generally taxes jump most significantly when a property is reassessed.
3. Will the sale of the property trigger a tax increase? Often the assessed value of the property may increase based on the amount you pay for the property. And in some areas, such as California, taxes may be frozen until resale.
4. Is the amount of taxes paid comparable to other properties in the area? If not, it might be possible to appeal the tax assessment and lower the rate?
5. Does the current tax bill reflect any special exemptions that you might not qualify for? For example, many tax districts offer reductions to those 65 or over.

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### 10 Questions to Ask Your Lender

Be sure you find a loan that fits your needs with these comprehensive questions.

1. What are the most popular mortgage loans you offer?
2. Which type of mortgage plan do you think would be best for us? Why?
3. Are your rates, terms, fees, and closing costs negotiable?
4. Will I have to buy private mortgage insurance? If so how much will it cost and how long will it be required? NOTE: Private mortgage insurance usually is required if you make less than a 20 percent downpayment, but most lenders will let you discontinue the policy when you've acquired a certain amount of equity by paying down the loan.
5. Who will service the loan? Your bank or another company?
6. What escrow requirements do you have?
7. How long is your loan lock-in period (the time that the quoted interest rate will be honored)? Will I be able to obtain a lower rate if they drop during this period?
8. How long will the loan approval process take?
9. How long will it take to close the loan?
10. Are there any charges or penalties for prepaying the loan?

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### **10 Things a Lender Needs From You**

1. W-2 forms or business tax return forms if you're self-employed for the last two or three years for every person signing the loan.
2. Copies of one or more months of pay stubs from every person signing the loan.
3. Copies of two to four months of bank or credit union statements for both checking and savings accounts.
4. Copies of personal tax forms for the last two to three years.
5. Copies of brokerage account statements for two to four months, as well as a list of any other major assets of value, e.g., a boat, RV, or stocks or bonds not held in a brokerage account.
6. Copies of your most recent 401(k) or other retirement account statement.
7. Documentation to verify additional income, such as child support, pension, etc.
8. Account numbers of all your credit cards and the amounts of any outstanding balances.
9. Lender, loan number, and amount owed on other installment loans—student loans, car loans, etc.
10. Addresses where you lived for the last five to seven years, with names of landlords, if appropriate.

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### 6 Creative Ways to Afford a Home

If your income and savings are making homebuying a challenge, consider these options.

1. Investigate local, state, and national downpayment assistance programs. These programs give loans or grants to cover all or part of your required downpayment. National programs include the Nehemiah program (<http://www.getdownpayment.com>) and the American Dream Downpayment Fund from the U.S. Department of Housing and Urban Development (<http://www.hud.gov>).
2. Get the seller to provide financing. In some cases, sellers may be willing to finance all or part of the purchase price of the home and let you repay them gradually, just as you do a mortgage.
3. Consider a shared-appreciation, or shared equity, arrangement. Under this arrangement, your family, friends, or even a third-party may buy a portion of the home and thus share in any appreciation when the home is sold. The owner/occupant usually pays the mortgage, property taxes, and all maintenance costs, but all investors' names are usually on the mortgage. There are companies that can help you find such an investor if your family can't participate.
4. Get help from your family. Perhaps a family member will loan you money for the downpayment and/or act as a cosigner for the mortgage. Lenders often like to have a cosigner if you have little credit history.
5. Lease with the option to buy. Renting the home for a year or more will give you the chance to save more toward your downpayment. And in many cases, owners will apply some of the rental amount toward the purchase price. You usually have to pay a small, nonrefundable option fee to the owner.
6. See if you can qualify for a short-term second mortgage to give you the money to make a higher downpayment. This may be possible if you have a good income and little other debt.

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### Choices That Will Affect Your Loan

1. **Mortgage term.** Mortgages are generally available at 15-, 20-, or 30-year terms. The longer the term, the lower the monthly payment if the same amount is borrowed. However, you pay more interest overall if you borrow for a longer term.
2. **Fixed or adjustable interest rates.** A fixed rate allows you to lock in a low rate for as long as you hold the mortgage and is usually a good choice if interest rates are low. An adjustable-rate mortgage (ARM) is designed so that interest rates will rise as interest rates increase; however they usually offer a lower rate in the first years of the mortgage. ARMs also usually have a limit as to how much the interest rate can be increased and how frequently they can be raised. ARMs are a good choice when interest rates are high or when you expect your income to grow significantly in the coming years.
3. **Balloon mortgages.** Balloon mortgages offer very low interest rates for a short period of time—often three to seven years. Payments usually cover only the interest, so the principal owed is not reduced. However, this type of loan may be a good choice if you think you will sell your home in a few years.
4. **Government-backed loans.** Government-backed loans, sponsored by agencies such as the Federal Housing Administration ([www.fha.gov](http://www.fha.gov)) or the U.S. Department of Veterans Affairs ([www.va.gov](http://www.va.gov)), offer special terms, including lower downpayments or reduced interest rates—to qualified buyers.

Slight variations in interest rates, loan amounts, and terms can significantly affect your monthly payment. For help in determining how much your monthly payment will be for various loan amounts, use Fannie Mae's [online mortgage calculators](http://www.fanniemae.com/homebuyers/calculators/index.jhtml?p=Resources&s=Calculators) at <http://www.fanniemae.com/homebuyers/calculators/index.jhtml?p=Resources&s=Calculators>

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### 5 Things to Understand About Homeowners Insurance

1. **Look for exclusions to coverage.** For example, most insurance policies do not cover flood or earthquake damage as a standard item. These coverages must be bought separately.
2. **Look for dollar limitations on claims.** Even if you are covered for a risk, there may be a limit on how much the insurer will pay. For example, many policies limit the amount paid for stolen jewelry unless items are insured separately.
3. **Understand replacement cost.** If your home is destroyed you'll receive money to replace it only to the maximum of your coverage, so be sure your insurance is sufficient. This means that if your home is insured for \$150,000 and it costs \$180,000 to replace it, you'll only receive \$150,000.
4. **Understand actual cash value.** If you choose not to replace your home when it's destroyed, you'll receive replacement cost, less depreciation. This is called actual cash value.
5. **Understand liability.** Generally your homeowners insurance covers you for accidents that happen to other people on your property, including medical care, court costs, and awards by the court. However, there is usually an upper limit to the amount of coverage provided. Be sure that it's sufficient if you have significant assets.

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### 10 Ways to Lower Your Homeowners Insurance Costs

1. **Raise your deductible.** If you can afford to pay more toward a loss that occurs, your premiums will be lower.
2. **Buy your homeowners and auto policies from the same company.** You'll usually qualify for a discount. But make sure that the savings really yields the lowest price.
3. **Make your home less susceptible to damage.** Keep roofs and drains in good repair. Retrofit your house to protect against natural disasters common to your area.
4. **Keep your home safer.** Install smoke detectors, burglar alarms, and dead-bolt locks. All of these will usually qualify for a discount.
5. **Be sure you insure your house for the correct amount.** Remember, you're covering replacement cost, not market value.
6. **Ask about other discounts.** For example, retirees who are home more than working people may qualify for a discount on theft insurance.
7. **Stay with the same insurer.** Especially in today's tight insurance market, your current vendor is more likely to give you a good price.
8. **See if you belong to any groups**—associations, alumni groups—that offer lower insurance rates.
9. **Review your policy limits and the value of your home and possessions annually.** Some items depreciate and may not need as much coverage.
10. **See if there's a government-backed insurance plan.** In some high-risk areas, such as the coasts, federal or state governments may back plans to lower rates. Ask your agent.

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### **5 Things to Understand About Title Insurance**

1. It protects your ownership right to your home both from fraudulent claims against your ownership and from mistakes made in earlier sales, such as mistake in the spelling of a person's name or an inaccurate description of the property.
2. It's a one-time cost usually based on the price of the property.
3. It's usually paid for by the sellers.
4. There are both lender title policies, which protect the lender, and owner title policies, which protect you. The lender will probably require a lender policy.
5. Discounts on premiums are sometimes available if the home has been bought within only a few years since not as much work is required to check the title. Ask the title company if this discount is available.

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### **What Not to Overlook on a Final Walk-through**

#### **Be sure that:**

1. Repairs you've requested have been made. Obtain copies of paid bills and any related warranties.
2. All items that were included in the sale price—draperies, lighting fixtures—are still there.
3. Screens and storm windows are in place or stored.
4. All appliances are operating.
5. Intercom, doorbell, and alarm are operational.
6. Hot water heater is working.
7. HVAC is working.
8. No plants or shrubs have been removed from the yard.
9. Garage door opener and other remotes are available.
10. Instruction books and warranties on appliances and fixtures are there.
11. All personal items of the sellers and all debris have been removed.

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### Common Closing Costs for Buyers

The lender must disclose a good faith estimate of all settlement costs. A check to cover your closing costs will probably have to be a cashier's check. The title company or other entity conducting the closing will tell you the required amount for:

1. Downpayment
2. Loan origination fees
3. Points, or loan discount fees, you pay to receive a lower interest rate
4. Appraisal fee
5. Credit report
6. Private mortgage insurance premium
7. Insurance escrow for homeowners insurance, if being paid as part of the mortgage
8. Property tax escrow, if being paid as part of the mortgage. Lenders keep funds for taxes and insurance in escrow accounts as they are paid with the mortgage, then pay the insurance or taxes for you.
9. Deed recording fees
10. Title insurance policy premiums
11. Survey
12. Inspection fees—building inspection, termites, etc.
13. Notary fees
14. Prorations for your share of costs, such as utility bills and property taxes

**A Note About Prorations:** Because such costs are usually paid on either a monthly or yearly basis, you might have to pay a bill for services used by the sellers before they moved. Proration is a way for the sellers to pay you back or for you to pay them for bills they may have paid in advance. For example, the gas company usually sends a bill each month for the gas used during the previous month. But assume you buy the home on the 6<sup>th</sup> of the month. You would owe the gas company for only the days from the 6<sup>th</sup> to the end for the month. The seller would owe for the first five days. The bill would be prorated for the number of days in the month, and then each person would be responsible for the days of his or her ownership.

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### **What to Keep From Your Closing**

1. The Real Estate Settlement Procedures Act (RESPA) statement. This form, sometimes called a HUD 1 statement, itemizes all the costs associated with the closing. You'll need this for income tax purposes and when you sell the home.
2. The Truth in Lending Statement summarizes the terms of your mortgage loan.
3. The mortgage and the note (two pieces of paper) spell out the legal terms of your mortgage obligation and the agreed-upon repayment terms.
4. The deed transfers ownership of the property to you.
5. Affidavits swearing to various statements by either party. For example, the sellers will often sign an affidavit stating that they have not incurred any liens on the property.
6. Riders are amendments to the sales contract that affect your rights. For example, if you buy a condominium, you may have a rider outline the condo association's rules and restrictions.
7. Insurance policies provide a record and proof of your coverage.

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### **Tips for Packing Like a Pro**

1. Develop a master "to do" list so you won't forget something critical.
2. Sort and get rid of things you no longer want or need. Have a garage sale, donate to a charity, or recycle.
3. Don't throw out everything. If your inclination is to just toss it, ask yourself how frequently you use an item and how you'd feel if you no longer had it.
4. Pack like items together. Put toys with toys, kitchen utensils with kitchen utensils.
5. Decide what if anything you plan to move yourself. Precious items, such as family photos, valuable breakables, or must-haves during the move, should probably stay with you.
6. Use the right box for the item. Loose items encourage breakage.
7. Put heavy items in small boxes so they're easier to lift. Keep weight under 50 lbs. if possible.
8. Don't over-pack boxes and increase the chances they will break.
9. Wrap every fragile item separately and pad bottom and sides of boxes.
10. Label every box on all sides. You never know how they'll be stacked and you don't want to have to move other boxes aside to find out what's there.
11. Use color-coded labels to indicate which room each item should go in. Color-code a floor plan for your new house to help movers.
12. Keep your moving documents together, including phone numbers, driver's name, and van number. Also keep your address book handy.
13. Back up your computer files before moving your computer.
14. Inspect each box and all furniture for damage as soon as it arrives.
15. Remember, most movers won't take plants.



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### Web Site Resources for Consumers

#### **Credit Union Consumer Facts,**

[http://www.cuna.org/data/consumer/advice/retire\\_home/hometoc.html](http://www.cuna.org/data/consumer/advice/retire_home/hometoc.html)

#### **EnergyGuide.com**

Provides an easy way to assess energy use and get quick tips on saving energy.

#### **Environmental Protection Agency, [www.epa.gov](http://www.epa.gov)**

A one-stop shop for advice on testing for and mitigating pollutants, from lead paint to radon to mold.

#### **Equifax, [www.equifax.com](http://www.equifax.com)**

A source of credit reports.

#### **Experian (formerly TRW), [www.experian.com](http://www.experian.com)**

A source of credit reports.

#### **Federal Citizen Information Center,**

<http://www.pueblo.gsa.gov/results.tpl?id1=17&startat=1&--woSECTIONSdatarg=17&--SECTIONSword=ww>

Offers a list of consumer articles about home sales, financing, and maintenance.

#### **Ginnie Mae, <http://www.ginniemae.gov>**

Provides advice to buyers on affordability and homeownership, including calculators.

#### **U.S. Department of Housing and Urban Affairs, <http://www.hud.gov/buying/index.cfm>**

Offers advice to buyers on finance, fair housing, and more.

#### **ImproveNet, [www.improvenet.com](http://www.improvenet.com)**

Provides links to contractors and architects for remodeling projects for buyers and repair services for sellers. For a small charge, buyers can use the site's Estimators to determine how much renovating a property they're considering would cost.

#### **Moving.com**

Helps buyers and sellers with packing tips and timetables, online mover links, and places to store belongings so that homes look less cluttered.

#### **REALTOR.com**

Offers consumer information for buyers and sellers as well as home listings and links to service providers.

#### **Real Estate Buyer's Agent Council (REBAC), <http://www.rebac.net/hbk.html>**

Offers a homebuyer's kit with useful information and checklists.

#### **Trans Union Corporation, [www.transunion.com](http://www.transunion.com)**

A source of credit reports.