



For assistance, call Metropolitan Escrow, Inc.
Toll Free: 1-800-364-1933

Buyer's Guide

Our Buyer's Guide will help you prepare for one of the most important purchases of your life. Learn what to expect at each stage in your real estate transaction.

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- **Getting pre-qualified**

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Are You Ready to Buy?

Once you decide to become a homeowner there are many things to consider before taking the leap.

What's your financial situation?

Credit cards, utilities, car payments, childcare and groceries are factors to consider. Will you be able to handle unforeseen emergencies, monthly bills and a mortgage payment? As a rule of thumb, no more than 28 percent of your gross monthly income should be used for housing payments.

Delinquent credit card and bank payments, past bankruptcies or a student loan that's unpaid can severely affect your ability to get a mortgage loan. For a small fee you can obtain a credit report and clear any misunderstandings before applying for a loan.

Credit Unions:

Experian 1-888-EXPERIAN (397-3742)

Equifax 1-800-997-2493

Trans Union 1-216-779-2378

What's your employment history?

If you have been working continuously for the past two years, a lender should consider this to be steady employment. However, if your work history has not been continuous for the last two years, as long as you have a reasonable explanation for any breaks in employment, you still may qualify for a loan.

Have you saved money for a down payment and closing costs?

In addition to borrowing money for your home, the lender will require you to invest, in cash, 5 to 20 percent of the purchase price toward the loan. If you are looking at a \$100,000 home, a ten percent down payment would be \$10,000.

Closing costs are additional expenses incurred throughout the buying process that must be paid for in cash, such as attorney and inspection fees, escrow charges and document fees. Closing costs are typically 5 percent of the purchase price of your home, so add another \$5,000 to your \$100,000 home

How Much Home Can You Afford?

How much you can borrow will depend on your income, down payment, job stability, existing debts, credit references and payment history. Lenders usually use the following two qualifying guidelines to decide how much of a loan you can manage:

- Your monthly housing expenses – mortgage payment, property taxes, insurance, etc. These expenses should be no more than 28 percent of your monthly gross income.
- Your monthly living expenses and any long-term debts – utilities, car and school loan, child support, health and car insurance, etc. These expenses should be no more than 36 percent of your monthly gross income.

Getting Pre-Qualified

Once all financial matters are in order and you've examined your credit record, pay a visit to a lender or mortgage company, savings and loan, bank or credit union. Lenders can translate the results into a manageable amount and determine the types of mortgages that are right for you.

This prequalifying meeting should be free of charge, and you are not obligated to use the first lender. When you are ready to negotiate a loan, talk with several lenders. Bring tax returns, salary stubs and other financial data to the meeting, along with your calculated net worth and monthly cash-flow assessments.

Receiving pre-qualification or pre-approval from a reputable lender strengthens your negotiating position. It shows agents and sellers you are serious.

Selecting a Real Estate Professional

Ask yourself these basic questions:

- How much can we afford?
- Where do we want to live?
- What do we want in a house?
- When do we need to move?
- Why do we want to move?

Receiving pre-qualification or pre-approval from a reputable lender strengthens your negotiating position. It shows agents and sellers you are serious.

What to Look for in a Real Estate Professional

Choose an agent you feel comfortable with, who is responsive to your needs and who compliments your personality. Here are some guidelines:

- Get referrals from family and friends.
- Seek an experienced agent with a known reputation – look at credentials, track records and awards received.
- Interview at least three agents.
- Seek someone who is a member of the Board of Realtors™ .

- Find someone who is continuing their education ö a Certified Residential Specialist (CRS), Certified Residential Broker (CRB), a Graduate of the Realtors Institute (GRI) or an Accredited Buyer's Representative (ABR) ö this shows the Realtor is interested in the business long-term and is willing to invest in their career.

Questions to ask when getting a referral

These questions will help you learn what you need to know about an agent:

- What were they like to deal with?
- How hard did they work for you?
- Did they get you a good price?
- Were there any complications?
- Did they always tell you the truth?
- Were they always looking out for you or just interested in getting paid?
- Would you use their services again?

Questions to ask when interviewing an agent

Ask these questions before making a decision:

- How many buyers have you successfully represented in the last six months? Can I have the names and phone numbers of three to six of your most recent buyer clients?
- What professional designations do you have?
- Are you fully automated with your own personal computer, FAX machine, copier, pager, voice mail, etc?
- What is your commission? Or do you have hourly rates or a set fee?
- Do you have a list of home inspectors, insurance agents and reputable lenders for me to consider?
- What clauses will be included in our offer to protect us as buyers?
- Will you try to sell me one of your listed properties before you show me listings from other real estate companies?
- Do you have information about For Sale By Owner properties?
- How will you help me save money?
- How will you protect my interests, and why should I hire you rather than another agent?

Now that you've chosen a few agents and interviewed them, ask yourself the following questions to narrow your choice:

- Which one returned your phone calls?
- Which one asked questions to determine what you want/need in a home?
- Which one performed a financial analysis to determine how much you can afford?
- Which one suggested financing methods?
- Which one seemed most knowledgeable about the community?
- Which one explained things most clearly?
- Which one did you feel most comfortable with

How Can a Real Estate Professional Help?

Selecting an agent will be one of the most important decisions when looking to buy a home. Seek advice from someone who "buys" houses for a living.

Working with professional real estate agents is beneficial for several reasons:

- They will examine your financial situation and determine exactly how much you can afford.
- They can easily obtain information on all properties listed for sale.
- They can set appointments for you to see homes that interest you.
- They can help you complete the necessary paperwork when making an offer.
- They will help you arrange financing.
- They are experienced negotiators.

What to Expect from a Real Estate Professional

Expect:

- To be treated as a respectable client, not transaction #37.
- To have your best interests represented.
- To be served selflessly – your agent shouldn't be eyeing your wallet.
- Your agent to work as hard for you as they would if they were buying their own house.
- The highest skills available.
- Your calls to be returned promptly and to be kept up to date.
- Your agent to go above and beyond what's expected when dealing with problems that may arise.
- Your agent to be a trusted advisor you can consult even when the transaction is complete.

Rely on instincts to help determine which agent is right for you. The right person will have suitable credentials, be most responsive to your needs and make you feel comfortable.

What is a Mortgage Broker?

Mortgage brokers arrange residential mortgages. They don't lend money and can't approve loans or make loan commitments. Their role is to bring borrowers and lenders together. Brokers keep tabs on the mortgage market through ties to local, regional and national lenders and can refer a future borrower to a mortgage banker, savings institution or commercial bank.

What can a Mortgage Broker do for Me?

Brokers provide consumers with choice, convenience and expertise. The consumer receives an expert mentor through the complex mortgage lending process.

Mortgage brokers can place a loan with the lender that has the best rate at the time of agreement. Mortgage companies offer consumers the means to obtain manageable and affordable home loans while balancing their financial resources and objectives.

A benefit is the extensive network of private and institutional lenders that mortgage brokers represent. Since each lender has specific loan guidelines, the mortgage broker can help you find the right loan.

Shopping for a Home

Once you have completed the preliminary tasks of assessing resources, prequalifying for a loan, defining needs and wants, you can begin the search for a new home.

STRATEGY #1:

Adjust your search to the price range, environment and needs previously established - don't look at houses with two bedrooms if you need at least three.

STRATEGY #2:

Shop when others aren't. Across the country, April and May show the most demand for houses. Sellers may not feel pressured to make a deal because there are so many home shoppers. The best times to look are during late summer and from Thanksgiving through the winter. Learn the local pattern before beginning your search.

STRATEGY #3:

Ask friends, family and neighbors who live around your ideal neighborhoods if a house will be coming on the market soon.

STRATEGY #4:

Scout neighborhoods and write down addresses of houses you like. Find out their names and phone numbers by looking at public land records, call and ask if they are contemplating putting their house on the market.

STRATEGY #5:

Always bring a notepad and tape measure to gather information about the house. Find out square footage of the lot and house, room sizes, number of baths and bedrooms, property taxes, average monthly utility bills and the ages of the appliances and mechanical systems. You might want to jot the floor plans down so you can envision the house later.

STRATEGY #6:

Get as much information as you can about the sellers. Ask them why they are selling, how long have they have lived there, are they scheduled to settle on a new house, etc. Finding out all you can strengthens negotiating power, should you decide to make an offer.

What to Look for in a Home

With the multitude of houses on the market today, narrowing your search by specifying your wants and needs is beneficial. So prior to looking, ask yourself these two questions:

What kind of home do I want?

You should make three lists: A dream list, a need list and a do-not-want list. Factor in your current housing needs, likes and dislikes and what you may foresee in the future, such as children, schooling, aging parents.

For the dream list, jot down all of the features you would love to have in your home. It might include the following:

- Fireplace
- Swimming pool with Jacuzzi
- Greenhouse
- Breakfast nook
- Two stories
- Skylights

The need list should be the features you know you must have. This list might include:

- Number of bedrooms
- Number of bathrooms
- Bath in the master bedroom
- Separate dining room
- Garage
- Basement

The do-not-want list should include everything you won't be able to live with in your home. This list might include:

- Small bathrooms
- No counter space
- No windows in kitchen/bathroom
- Tiny yard
- Insufficient closet space
- No garage

Where do I want to live?

Look at the surrounding houses in the neighborhood. Are the homes and yards well kept? The condition of these homes will affect the value of the home you buy.

Explore the lot thoroughly. Does it offer adequate privacy? Will you maintain the ground or hire someone? Do you like the landscaping or would you design your own?

What kind of area is it in? How close are shopping facilities, banks, churches, hospitals, schools, parks, movie theatres?

Before you make a decision on a particular home, reject locations where negative conditions outweigh the positives. Consider:

- **Crime**
Go to the police station and ask for records of robberies, break-ins, vandalism, assaults and drug-related problems in the neighborhood. Is crime increasing or decreasing?
- **Traffic**
Heavy traffic produces noise and air pollution. Pay attention to traffic and noise.
- **Visually Unappealing**
When looking into the back yard, are you greeted with the sight of a transformer, radio broadcasting tower, gas station, bus stop or ball field where night games are played?
- **Flooding**
Slope and the soil's ability to absorb water determine where and how fast water drains away from the house. You can check out local flood information through Stewart's Flood Information Division to find out if the house is in a flood plain.

Making an Offer

Find out the selling prices of similar properties to use as a guideline to set your sales price. These comparable properties should:

- Have sold no more than six months earlier
- Be around the same age and condition
- Have close to the same number of bathrooms, bedrooms and square footage

- Be in a similar location and on a similar lot

If you still don't feel comfortable setting a price, consider having a professional appraisal done. Appraisers look at what the home is worth today and how the neighborhood may affect future property value. They provide a realistic figure for the true market value of the property.

Mistakes to Avoid When Buying a Home

A great way to make the home-buying process flow smoothly is to educate yourself and learn from mistakes others have made. This can make the difference between buying the home of your dreams and buying a "lemon."

Not getting pre-qualified or pre-approved

Receiving pre-qualification or pre-approval from a reputable lender strengthens your negotiating position. It shows agents and sellers you are serious about buying a home.

Not seeking guidance from real estate professionals and inspectors

These people are trained in buying, selling and inspecting. Find someone you respect and trust and allow them to help – it will benefit you in the end.

Choosing an agent haphazardly

Don't jump from agent to agent just because you saw their names on signs outside houses you liked. Interview at least three agents and choose the one you feel most comfortable with and who will focus on your needs.

Not getting enough information about the properties

Obtain market statistics and sales records for the area you are considering so you know how things (prices, conditions, list-to-selling price ratios) stack up in your neighborhood.

Not looking at enough houses for sale

The more you see, the more you'll learn about what you want and what each house is worth.

Not making the correct price comparison

Don't assess the value of a house only on the asking price. Your real estate agent should compile reports that reflect and compare the selling price of similar houses recently sold.

Forgetting to calculate all the costs

When calculating the maximum price you can afford, don't forget to include hidden costs, such as closing and courier costs. Calculate a reasonable price range and look for a house that is priced toward the lower end.

Not asking enough questions

Don't be afraid to ask questions! You're not supposed to know everything about buying a home. Remember, this is potentially the biggest purchase you will make. Don't buy a "lemon" because you didn't ask enough questions!

Fear of losing a specific house

Don't fall in love with the first home you see. New listings come onto the market all the time. The best deal may still be around the corner.

Not looking past the interior decorating or cosmetic improvements

Don't choose a house because you like the interior decorating – that is not what you are buying, and it will probably go with the sellers when they move. Check out the actual structure of the house!

Not checking out every nook and cranny before purchasing

Go through the house with a fine-tooth comb. You don't want to find out after you've bought the house that the roof is leaking. Open cabinets, turn on every switch, notice details, move furniture away from the walls, look in the attic, turn on faucets.

Not making a low offer

Pay only what you can afford. The seller can always make a counter-offer, and you can counter-offer again until you settle on a suitable price, or you can simply walk away.

Being pushed into buying a certain home

Don't make a decision until you've seen enough to pick the best one.

Making an Offer

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- Be in a similar location and on a similar lot

If you still don't feel comfortable setting a price, consider having a professional appraisal done. Appraisers look at what the home is worth today and how the neighborhood may affect future property value. They provide a realistic figure for the true market value of the property.

Put it in Writing

Put negotiations in writing. Don't reveal your strategy, and don't make oral offers. You want to buy the house, but don't hand over money until you're sure the seller is legally capable of conveying a good title and meeting other conditions. The seller, in turn, doesn't want to deliver the deed until you've paid for the property. Now what? Present the seller with a written contract setting out the commitments and promises that you and the seller need to agree on and fulfill to make the sale. A well-drawn contract should protect all parties.

The first contract you submit should be comprehensive; everything of any importance should be included. Once it is accepted by the seller, it may be too late to add or change anything. Your contract should include:

- Offering price
- Down payment
- Legal description of the property
- Method of conveying the title
- Fees to be paid and who will pay them
- Amount of deposit
- Conditions under which the seller and buyer can void the contract
- The settlement date
- Financing arrangements
- A list of appliances, furnishings and personal property being sold with the home

The Art of Negotiating

Everything is negotiable when buying a house. For some reason, most buyers either don't believe it or don't like it. Here's a partial list of what's negotiable when you buy a home:

- Price
- Financing
- Closing costs (except where specified by financing or law)
- Occupancy (When can you get the key and move in?) Painting (Will the seller repaint a portion of or the entire house?)
- Repairs (Will the seller repair the roof, plumbing, windows, etc., and what kind and quality of repairs will be made?)
- Yard (Will the seller remove unwanted trees, bushes – put in desired landscaping?)
- Fixtures (Which lights, fans, appliances, etc. stay and which go?)
- Wall coverings (Do the drapes stay or go?)
- Furniture (Will the seller include certain pieces?)
- Prepaid taxes and insurance (Will the seller credit you with these?)

Negotiation gives the buyer incredible power in making a favorable transaction. It can also place him or her in a position of immense weakness. Negotiation can determine whether you get the home of your dreams...or whether those dreams end up being a nightmare.

Ultimately, how you fare when buying a home is going to be a direct result of your knowledge. The more you know, the better position you'll be in to negotiate.

Choosing a Lender

Despite an excess of loans and lenders, comparison shopping has been eased by the development of computer-loan origination systems and mortgage-reporting services – firms that survey major lenders in metropolitan areas every week or so and publish information sheets on who is offering what loans on what terms.

Shop for lenders offering the best deals. Check with several mortgage companies and use one or more reporting services. Rely on your own efforts, lots of telephone calls and possibly some old-fashioned legwork. If there isn't a reporting service covering your area, begin the search at your own bank or savings and loan.

Sources of Mortgage Money:

Independent Mortgage Companies make just over half of all home mortgages, including most VA-guaranteed and FHA-insured loans.

Savings Institutions: Savings and loan associations and savings banks originate close to a quarter of home mortgages. Most are conventional loans – those not guaranteed by the VA or FmHA, or insured by the FHA.

Commercial Banks are active in residential lending. Banks also are a major supplier of loans for mobile-home buyers.

Mortgage Brokers act as intermediaries. A broker keeps tabs on the mortgage market through ties to local, regional and national lenders, and can refer a prospective borrower to a mortgage banker, savings institution or a commercial bank. Brokers don't lend money and can't approve loans.

Credit Unions make close to one-third of all first-mortgage loans, but you must be a member.

Public Agencies: State and local finance agencies make below-market-rate financing available to eligible low- and moderate-income first-time buyers through the sale of tax-exempt bonds.

Employers and Unions: Don't overlook your employer as a source of assistance. An employer may subsidize the interest or even act as a lender. Unions are another possibility. The AFL-CIO offers what it calls "Union Privilege." Unions that sign on can make first-time home loans available to eligible members for as little as three percent down.

Loan Application Process

You've found the mortgage you want and you're ready for the next step - the loan application. The process costs anywhere from \$100 to \$500 and is usually non-refundable. Lenders levy the fee to cover the costs of running credit reports and filling out mortgage-insurance applications.

What to expect

- **You will need raw material, and lots of it, for the application:** income and balance-sheet figures and evidence, copies of past income-tax returns and the title to your car. Take the paperwork you gathered during the prequalifying process with you.
- **Be prepared to provide the name and phone number of someone who can verify your financial information** – most likely your employer's personnel office. If you have substantial nonsalary income from investments, you'll be asked to substantiate this through an accountant, stockbroker, trust officer or similar source.
- Application forms are usually filled out during the interview with the help of a loan officer, but you could fill them out at home and return them.
- In addition to the application fee, you may be asked to pay a "loan origination fee" or "prepaid point" – typically 1 percent of the loan amount – when you apply, before approval is made.
- Find out what will happen to your origination fee if the lender decides not to approve your loan. Will the 1 percent origination fee be refunded? Get the answer in writing before you pay.

From the time you submit the completed loan application – and appraisal and credit reports are received – the lender has up to 30 days to approve or reject your request and inform you of the decision. Make sure you haven't been forgotten. During the process, remind the loan officer of your settlement date and check on the progress.

How Much Can You Borrow?

How much you can borrow will depend on your income, down payment, job stability, existing debts, credit references and payment history. Lenders usually use the following two qualifying guidelines to decide how much of a loan you can manage:

- Your monthly housing expenses – mortgage payment, property taxes, insurance, etc. These expenses should be no more than 28 percent of your monthly gross income.
- Your monthly living expenses and any long-term debts – utilities, car and school loan, child support, health and car insurance, etc. These expenses should be no more than 36 percent of your monthly gross income..

Selecting the Right Mortgage

Time spent shopping for a mortgage is time well spent. Before you rule out one loan or another, give some thought to your particular needs and wishes. Prequalifying before house hunting puts

you ahead of the game. You already know the standard of mortgages for which you qualify. The message is simple: Shop for a loan, not a lender. Hunt for the best loan - interest rate, points, processing costs, etc. Don't pay much attention to who's originating the loan or where it is.

First, you should review the major kinds of mortgages you may encounter. This list doesn't explain them all, but it does contain those you will most likely see.

Fixed-Rate Mortgage (FRM)

This is the standard mortgage model. It is the oldest and most easily understood type of mortgage. Its primary attraction is that the interest rate and the amount of payment remain fixed for the life of the loan, typically either 15 or 30 years. However, if rates fall, the holder cannot benefit from the new, lower rate except by refinancing.

Adjustable-Rate Mortgage (ARM)

With this kind of mortgage, the interest rate you pay rises and falls along with other rates charged throughout the economy. Therefore, you, the borrower, assume the risk of rising rates, and you stand to benefit should rates fall.

An essential question to ask about an ARM is whether there are limits on how much your rate can be raised, both at each review and over the whole term of the loan. Without limits, known as "caps," you'll have no way to predict how much your rate (and thus your monthly payments) might change.

Convertible Option

FRM and ARM represent the primary options available to home buyers today. The convertible mortgage represents something of a compromise between the two. It is designed for those who want the advantages of the ARM, but also want to limit the risk of rising rates.

Under this arrangement, the buyer starts out with an ARM, but has the option of converting to a FRM at **specified points** during the loan term. You may want to ask the lender these questions: When can you convert? How often can you consider the option? Are there any up-front fees involved? Will you have to pay more for an ARM with the conversion feature than for an ARM without it? Are there additional fees due if and when you decide to convert? Find out the lender's conversion rate.

Graduated Payment Mortgage (GPM)

A fixed-rate GPM starts out with low payments, usually below that of a fixed-rate and possibly that of an ARM, but rise gradually (usually over five to ten years), then level off for the remaining years of the loan.

Growing-Equity Mortgage (GEM)

This option is designed for borrowers who want to pay off their mortgage as soon as possible. Therefore, the interest rate remains fixed, but the amount of the monthly payment increases according to a prearranged schedule, with the higher payments going to reduce the principal balance. This mortgage can be appealing to someone who is expecting regular income growth and wants to build equity quickly.

Fifteen-Year Mortgage

Like the GEM, the fifteen-year mortgage enables borrowers to repay their loan more quickly, which means they build equity faster and pay less interest over the life of the mortgage.

Biweekly Mortgage

Another option for people who want to repay their loans sooner is the biweekly mortgage. Instead

of making a single mortgage payment each month, borrowers who choose this option make two equal payments monthly.

Federal Housing Administration Insured Loans (FHA)

Should one fail to pay, FHA insures mortgage loans made by approved lending institutions. The FHA insures a variety of mortgages, including FRMs, ARMs, GEMs and GPMs. Down payments are low - 5 percent or less. The FHA doesn't set the interest rate on loans it insures, so you'll need to shop around for the best rate.

The FHA limits the amount it will insure to whichever is less: 95 percent of the local average home price or 75 percent of the loan limit set by the Federal Home Loan Mortgage Corporation, a large buyer and reseller of mortgages.

Veterans Administration Guaranteed Loans (VA)

VA loans have most of the advantages of FHA loans, and then some, but they also have eligibility restrictions. They are available only to veterans of the armed services, those currently in the service and their spouses. VA loans are typically half a percent or more below market rates, and they can be obtained with no money down.

Closing on a Home

There is no way to guarantee a smooth path from an approved contract to the settlement table, but doing your part is at least half the job. Expect minor problems and delays along the way. On the seller's side, title problems are a common cause of postponed settlements. On your side, bureaucratic snags such as extensive credit checks and slow appraisals can bog things down. In many cases, there isn't much you or the seller can do but wait.

While you're waiting for completion of all the processes now in motion, you should:

- Apply for homeowners insurance on your new home.
- Get an exact accounting settlement cost, and make sure the money and necessary documents will be there at closing.
- Select a date for the final walk-through of the house.
- Contact utility companies about starting service in your name.

Insurance on your new home

Your lender will require you to take out a homeowners insurance policy, something you would want to do anyway. The lender wants to cover the amount of its mortgage loan so it can recover the money in the event of a loss. However, it's up to you to see that your insurance coverage remains adequate by getting property protection, liability insurance and/or any additional coverage you think is necessary.

The Final Inspection

The house you're buying must be handed over to you in the condition specified in the contract. To verify this, schedule a walk-through of the house shortly before settlement, several days in advance is best, to allow time for the seller to correct any last-minute problems.

Take along a simple device, such as a plug-in nightlight, to test all electrical outlets. Turn on the furnace and air conditioning, flush toilets and turn on faucets, put the washing machine and dryer through a cycle. In short, put the house through its paces.

If anything needs fixing or further cleaning, tell the seller immediately. Neither you nor the seller wants to postpone the settlement, but make it clear you won't go to closing until a second walk-through is satisfactory.

What happens at closing

The closing is where ownership of the home is officially transferred from the seller to you. Your closing officer works for the title company and coordinates the document signing and the collection and disbursement of funds. Your main role at the closing is to review and sign the documents related to the mortgage loan and to pay the closing costs.

Most parties involved with the purchase of your new home will attend your closing. The closing is a formal meeting typically attended by the buyer(s) and the seller(s) (and their attorneys if they have one), both real estate sales professionals, and, of course, the closing officer. The meeting is typically held at the title company's office.

What to bring to closing

For things to go smoothly, each party should bring certain documents and be prepared to pay the necessary fees. Many closing costs can be paid by personal check, but ask the closing attorney or closing officer. A certified or cashier's check may be required. Find out to whom checks should be made payable.

The seller and his attorney are responsible for preparing and bringing the deed and the most recent property-tax bill. They also will bring other documents required by the contract. This can include the property insurance policy, termite inspection, documents showing the removal of liens and a bill of sale for personal property.

Make sure you have adequate funds for the down payment and other settlement costs, arrange for your attorney to represent your interests at the meeting, bring the loan commitment, inform the lender of the meeting time and place and have your driver's license ready as proof of identity. Finally, it's a good idea to bring a copy of the purchase contract to refresh your memory.

Home Inspection Checklist

It is a good idea to hire an experienced inspector to thoroughly check your potential new home. Many items will require the skilled eye of a professional to determine if there is a problem. Plus, the time you spend with the inspector can give you a wealth of important and invaluable information. This is an opportunity to learn all you can about the house; you shouldn't miss it.

Before you hire a professional to examine the house, do your own inspection. The following checklist will help you determine any potential and/or existing problems with the house.

Drainage

1. Is there dampness under the house?
2. Are there footprints or ribbed patterns in the dirt under the house indicating when it rains, water creeps in?
3. Is there mold (black or green) on wood under the house indicating heavy moisture?
4. Does the ground outside slope away from the house? (If it slopes into the house, you may have serious problems.)

Foundation

1. Do you see cracks in the foundation when you walk around the exterior of the house? (Hairline cracks almost always occur and should be disregarded.)
2. Are the cracks wider at the top than at the bottom?(This indicates actual breakage, a serious problem if the top of the break is a quarter inch or more.)
3. Is there an actual separation in the foundation? (This indicates not enough steel reinforcement was used when the foundation was poured.)
4. In a slab house, does the floor feel uneven when you walk over it indicating cracks hidden under carpet or tile?
5. Under the house, do any of the girders sag? This indicates that the foundation has slipped.

Roof

Wood Shake Roofs

1. Are there pieces of the roof lying on the ground around the house? (This is an obvious bad sign.)
2. Using binoculars, can you see missing shingles anywhere on the roof?
3. Are there any signs of leakage in the ceiling or on walls inside the house?

Composition Shingles

1. Is the color of the shingles good, or are they starting to fade (a sure sign of wear)?
2. Are the edges of the shingles curling up? (A sign of wear in hot climates.)
3. Are there any bare spots on the roof?
4. Are there any signs of leakage in the ceiling or on walls?

Aluminum Shingles

1. Are there signs of the color fading or peeling? (The shingles may keep the weather out, but will look terrible.)
2. Are there any dents or separations in the shingles indicating someone has walked on them?
3. Are there any signs of leakage in the ceiling or on walls inside the house?

Tiles

1. Are any tiles broken?
2. Have any fallen off?
3. Are there any signs of leakage in the ceilings or on walls?

Paint

Interior

1. Are there marks on the walls?
2. Is the current paint in good condition? Flaking indicates it may have to be sanded before new paint can be applied.
3. Are the colors light? (Covering dark colors may require two or more new coats.)

Exterior

1. Is the paint chipping or peeling?
2. Are the colors faded? (This indicates aging paint.)
3. Is the caulking around windows starting to fall out?
4. Is the aluminum siding firm, not becoming detached?
5. Are the gutters falling? Is the paint on them peeling?

Plumbing

1. Is the plumbing copper instead of galvanized steel? (Galvanized steel lasts about 30 years, sometimes less ò copper lasts virtually forever.)
2. Are there leaks at the joints of galvanized pipes? (These are usually visible under the house or in the garage; they indicate electrolytic action may be corroding the pipes and may need to be

replaced.)

3. Are there leaks under the sinks in any of the bathrooms or in the kitchen?
4. Is the water heater old? (The date is sometimes stamped on the label – a water heater rarely lasts more than seven years.)
5. Does the water heater have a safety valve? (This is vitally important. If you're not sure what a safety valve is, have a professional check it out.)

Wiring

1. Do switches or sockets spark when used?
2. Are there inoperative lights or switches?

Heating

1. Does the flame in the furnace turn yellow and rise high above the burners? (A bad sign indicating a ruptured combustion chamber.)
2. Do you smell gas around the furnace? (A very bad sign – call the gas company immediately.)
3. If there is radiant heat or heating that requires plumbing, are there any leaks?

Fireplace

1. From the outside, is the fireplace tight against the house, or can you see a separation? (A separation is a big danger sign – have a professional check it out.)
2. Are there any visible cracks in the external bricks?
3. Are there any cracks in the firebricks inside the fireplace?

Tile

Are there any cracks in the tile of the kitchen or bathrooms? (Cracks can be caused simply by dropping something heavy on the tile or can be symptomatic of the house movements and a cracked foundation.)

Termite Report

1. Is there a termite report?
2. Are you getting a termite clearance?
3. Will the seller pay for all repair work? (Normally the buyer pays for any preventive work.)

Hazards

1. Are there asbestos ceilings?
2. Are the pipes asbestos-wrapped?
3. Are there leaded copper pipe joints?
4. Are smoke alarms working?
5. Is there proper insulation?

Home Inspection Checklist by McGraw-Hill Publisher.

Title: Tips & Traps When Buying a Home (1990)

Role of the Title Company

Now that you've decided to buy a home, what happens between now and the time you legally own it? The next step is to obtain title for the property from the title company. A title gives the owner the right to possess and use the property. But before receiving title, the title company will need to complete the following:

Earnest money:

To show the seller and his agent you are a serious buyer, you will be asked to give the title company a deposit called earnest money. If the sale goes through, the earnest money is applied

toward the down payment. If the sale falls through, the earnest money will not be given back unless it is stated in the offer to purchase that it is refundable.

Title search:

A title search is a thorough check of the records concerning the property. It is performed to verify the seller's right to change ownership. A title search will uncover any demands, faults, liens and other privileges or restrictions on the property.

Document preparation:

Appropriate forms are prepared for settlement.

Settlement:

Many events happen during settlement. The seller signs the deed, the buyer signs the new mortgage, the old loan is paid off and the new loan is established. The seller, real estate professionals, attorneys, surveyors and others performing services for the parties are paid. Title insurance policies are then delivered to the buyer and their lender.

Why do I need title insurance?

Owning real estate is one of the most precious values of freedom in this country. Get the assurance that the property you are buying will be yours. Other than your mortgage holder, no one else should have any claims or restrictions against your home.

Title insurance eliminates any risks and losses caused by faults in title from an event that occurred before you owned the property.

How does title insurance differ from other types of insurance?

Title insurance is different from other types of insurance in that it protects you, the insured, from a loss that may occur from matters or faults from the past. Other types of insurance such as auto, life or health cover you against losses that may occur in the future. Title insurance does not protect against any *future* faults.

Another difference is that you pay a one-time premium. A title insurance policy will protect you from risks or undiscovered interests.

There are two principal forms of title insurance:

1. The lender's policy
2. The homeowner's policy

What is a lender's policy?

A lender's policy protects the mortgage holder. If there is a fault in title that results in a loss, the mortgage holder will be paid back.

What is a homeowner's policy?

A homeowner's policy protects you, the purchaser, against a loss that may occur from a fault in your ownership or interest you have in the property. You should protect the equity in your new home with a title policy.

What does a homeowner's policy provide?

Protection from financial loss due to demands that may be charged against the title to your home, up to the cost of the title policy.

- **Payment of legal costs** if the title insurer has to defend your title against a covered claim.
- **Payment of successful claims** against the title to your home covered by the policy, up to the cost of the policy.

What "hidden risks" are protected under a title policy?

- False impersonation of the true owner of the property by the seller or other persons previously in title
- Forged deeds, releases and other documents
- Deeds by persons of unsound mind
- Deeds by minors
- Invalid documents completed by an expired attorney
- Invalid deeds delivered after the death of the grantor
- Deeds by supposedly single persons but actually married
- Fraud
- Claims for unpaid estate inheritance and gift taxes against prior owners of your home
- Unrecorded easements ò giving one party the right to enter another party's property
- Undisclosed descendents of former owners of your home or the land on which it is situated

How long does my coverage last?

Once purchased, title insurance remains in effect for as long as you own your property. Title insurance adds security and peace of mind to homeownership.

How do I obtain title insurance and what does it cost?

Let the title company, attorney or agent handling the closing of your property know that you want to purchase an Owner's Title Insurance Policy. When choosing a title insurer, look for a company with experience, as well as the financial strength to protect you.

In most states, the insurance commission or some other governmental body controls the premiums for title insurance policies. You only pay the premium once. The cost depends upon the purchase price of the property, and your policy amount must be equal to the purchase price.

What is an Escrow?

An escrow is a deposit of funds, a deed or other instrument by one party for the delivery to another party upon completion of a specific condition or event. It is an independent neutral account by which the interests of all parties to the transaction are protected.

When opening an escrow, the buyer and seller of a piece of property establish terms and conditions for the transfer of ownership of that property. These terms and conditions are given to a third, impartial party known as the escrow holder. The escrow holder has the responsibility of seeing that the terms are carried out.

The escrow is a "storehouse" for all monies, instructions and documents necessary for the sale of your home. This includes the buyer providing funds for a down payment, and the seller depositing the deed and any other necessary papers.

Why Do I Need an Escrow?

An escrow will provide you with a guarantee that no funds or property will change hands until ALL of the terms and conditions have been followed. The escrow holder has the responsibility to watch over the funds and/or documents and then pay out the funds and/or transfer the title only when all requirements of the escrow have been completed.

How Does the Escrow Process Work?

The buyer, seller, lender and/or borrower cause escrow instructions to be created, signed and delivered to the escrow officer. The escrow officer will then process the escrow, in accordance with the escrow instructions. When all conditions required in the escrow are met, the escrow is "closed."

Prior to close of escrow, the buyer deposits the funds required with the escrow holder. The buyer instructs the escrow holder to release the money to the seller when:

- The deed records
- A policy of title insurance is prepared and delivered to the buyer

The escrow holder acts for both parties and protects the interests of each within the power of the escrow instructions. Escrow cannot be completed until the instructions have been fully satisfied and all parties have signed escrow documents. The escrow holder takes instructions based on the terms of the purchase agreement and the lender's requirements.

The duties of the escrow holder include:

- Managing the funds and/or documents in accordance with instructions
- Paying all bills as authorized
- Responding to requests from the principals
- Closing the escrow only when all terms and conditions have been met
- Distributing the funds accordingly

How Do I Open an Escrow?

Generally, the seller's real estate agent will open the escrow. As soon as you complete the purchase agreement, the selling agent will place the buyer's initial deposit, if any, into the escrow account at a title company or into the real estate broker's account.

What Do I Need to Do Before My Appointment to Sign Escrow Papers?

All parties signing the documents must bring proper identification. Bring a valid driver's license, state identification card or current passport with you to the title company. This item is needed to verify your identity by a notary public. This is a routine, but necessary step for your protection.

What is the Next Step After I've Signed the Closing Escrow Papers?

After both parties have signed all the necessary instructions and documents, the escrow officer will return the buyer's loan documents to the lender for final review. After the review is completed, the lender is ready to fund the buyer's loan and informs the escrow officer.

How Long is an Escrow?

The length of an escrow is determined by the terms of the purchase agreement and can range from a few days to several months.

What is an "Escrow Closing"?

An escrow closing is the climax of the transaction. It signifies legal transfer of title from the seller to the buyer. Generally, the Grant Deed of Trust is recorded within one working day of the escrow holder's receipt of loan funds. This completes the transaction and signifies the "close of escrow." Once all the conditions of the escrow have been satisfied, the escrow officer informs you or your agent of the date escrow will close and takes care of the technical and financial details. The final closing papers are disbursed upon close of escrow, when the escrow officer verifies with the County Records Office that the documents have recorded and legal transfer has occurred.

Congratulations, You're a Homeowner

You've done it. You've bought a home and now own part of The Dream. In the process you've also acquired many responsibilities and concerns. There are mortgage payments to make, records to keep and maintenance work to complete. Below are a few tips for the new owner.

Mortgage payments

Every month you'll receive a statement from your lender reminding you that your mortgage payment is due, or, if you have a coupon book, you'll have to remember to send your payment on time.

Some lenders can automatically deduct monthly payments from your checking account. This saves time and postage costs. It can also prevent the possibility of missing a payment. Ask your lender about this service.

Furnishing and renovating

You've just moved in. Most of your belongings are still in boxes. But you've decided the first thing you want to do is redo the first-floor bathroom, buy new furniture for the living room and strip the wallpaper from every wall in the house.

Stop. Put your hands in your pockets, seal your wallet, tie yourself to a chair. Don't do anything major right away.

Acquiring a home requires some adjustment. Your mortgage payment may be higher than the rent you've been paying, so give yourself time to get used to the new cash regimen. Too many new buyers realize too late that they had no idea how much it costs to run a home.

The message here is simple common sense. Go for a slow, smooth transition. You'll probably be living in this house for a good while; don't try to do everything at once, even if you can afford it.

Papers to keep

Keep a copy of every document you signed at the closing. It's especially important to keep a copy of your settlement form. It will be useful when you file taxes and if you sell your home. For example, the real estate taxes and loan discount points you paid as part of your closing costs are tax deductible. So, when you file taxes, refer to the settlement form to get these amounts.

In addition to the closing documents, keep all insurance records, such as homeowners and title insurance. You would need to have access to your homeowners policy if, for example, someone were to sue you because they were injured on your property. You would refer to your title insurance policy if you were to find a flaw in the title after you bought the house.

It's a good idea to keep these important records in a safe place. You may want to store them in a safety deposit box or a bank vault in addition to keeping a copy at home.

Home maintenance

Your mortgage requires you adequately maintain your property and not allow it to deteriorate. As a homeowner, you can't afford to sit back and postpone maintenance. You can extend the life of appliances and fixtures and avoid expensive repairs by performing routine maintenance yourself.

It's a good idea to set up a budget for your home's regular maintenance and unexpected repairs. You may want to budget 1 percent of the purchase price of your house to cover annual maintenance and repairs. You also may want to stick to a regular savings plan to cover essential

bills, emergency repairs and large, periodic expenses such as property taxes and homeowners insurance.

Moving Tips

Metropolitan Escrow, Inc. wants to make your move a little easier. We hope these tips will help!

Four weeks to go:

- Call moving companies for a free estimate. Cost will vary depending on distance, weight and optional services.
- Look through your house to determine items to be discarded or donated to charity. Have a garage sale!
- Inform schools of transfer. Make arrangements for enrollment/registration in new schools if necessary.
- Most homeowner's policies do not provide adequate coverage for moving. Check with your agent and consider purchasing additional coverage from a moving company.
- Begin collecting boxes with covers if you plan to pack your belongings. You can purchase packing materials through moving companies or contact local grocery stores for extra boxes. Be sure to stock up on packing tape!
- Beginning consuming perishable and frozen food items to minimize waste.

Three weeks to go:

- Begin packing!
- Notify the post office of your new address and send change of address cards to friends, family, subscriptions and any billing companies.
- Make necessary travel arrangements including interim housing and car rental. Be sure to record confirmation numbers.
- Collect medical records and prescriptions from physicians. Ask for recommendations for doctors in your new area.
- Place legal, medical and insurance records in a safe and accessible place.

Two weeks to go:

- Arrange to disconnect utilities/services in your current residence and coordinate installation of utilities/services in your new home.
- Close/transfer bank accounts and open accounts in your new city.
- Take pets to the vet for immunizations. Ask for advice on moving animals.
- Draw a map of your new home and where the furniture will be arranged.
- Return library books and any borrowed items.
- Be sure to cancel newspaper subscriptions and/or any special services you have (i.e., landscaping/lawn service, snow plow, etc.).

One week to go:

- Prepare car for the trip. Check the oil, tires, brakes, etc.
- Drain water from hoses.
- Drain gasoline and oil from any lawn or power equipment.
- Remember to pick up items sent to the cleaners or for repairs.

Days before:

- Defrost and clean out refrigerator
- Pack your luggage and separate any items you will need in the first days in your new home (i.e., a current telephone directory - you may need to refer to it for calls to residents or businesses in your former hometown). Label these boxes "Load Last."
- Reconfirm travel arrangements.
- Reserve ample parking space for the movers and provide clear paths inside the house.

The Big Day!

- Be on hand to answer any questions.
- Go over your inventory with the driver.
- Be sure to point out all FRAGILE items to the movers.
- Check, double check and triple check to see if anything is left behind!
- Do not leave the house until the movers are gone.

A Few More Moving Thoughts:

Moving your computer - Make copies of all your files and software. If possible, pack your computer, monitor, and printer in their original boxes. If not, ask a moving company for boxes made especially for computers.

Packing supplies - Have 1.5" packing tape, thick markers, packing pellets, scissors, labels, tissue paper, newspaper and blankets on hand.

Inventory - Review inventory list.

Pack photographs between sheets and blankets in boxes for added protection.

At your destination consider hooking up the TV and VCR to occupy children until the truck is unloaded.

Enjoy your new home!

