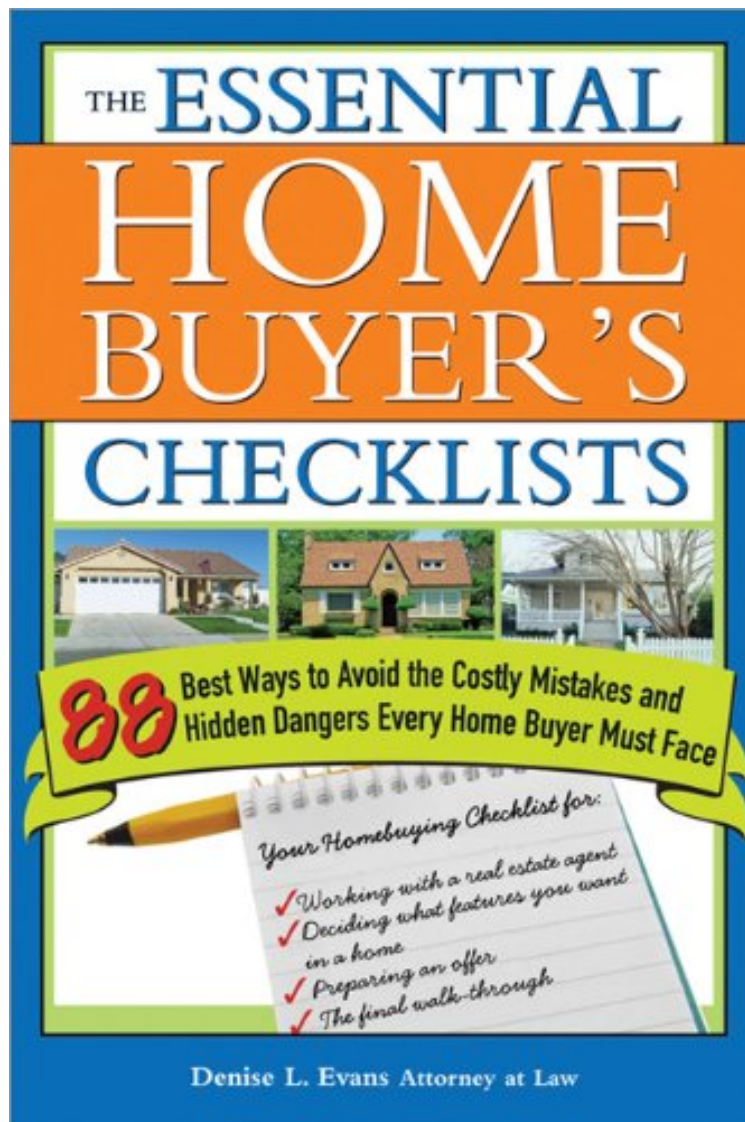


(Mobile ebook) The Essential Home Buyer's Checklists: 88 Best Ways to Avoid the Costly Mistakes and Hidden Dangers Every Home Buyer Must Face

The Essential Home Buyer's Checklists: 88 Best Ways to Avoid the Costly Mistakes and Hidden Dangers Every Home Buyer Must Face

Denise Evans

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Denise Evans : The Essential Home Buyer's Checklists: 88 Best Ways to Avoid the Costly Mistakes and Hidden Dangers Every Home Buyer Must Face before purchasing it in order to gage whether or not it would be worth my time, and all praised The Essential Home Buyer's Checklists: 88 Best Ways to Avoid the Costly Mistakes and Hidden

Dangers Every Home Buyer Must Face:

Buying a home is stressful and full of details and tasks that must be completed on time. Missing a deadline or forgetting an important piece of information can delay, prevent or destroy an entire deal. The missed detail can also cost hundreds of dollars and endless heartache. The Essential Home Buyer's Checklists provides someone looking for their new home a handy reference to make sure all their bases are covered. Each checklist is followed by subsequent pages that supply explanations, pros and cons and additional considerations. Just a few of the checklist topics include:--Deciding how much house you can afford--Deciding what features you want in a home--Working with a real estate agent--Working with a contractor/construction company--Shopping FSBO (For Sale by Owner) properties--Comparing houses--Preparing an offer--The final walk-through tour with the prior owner--Packing, discarding, storing--Moving

About the Author Denise L. Evans received her law degree from the University of Alabama Law School. She is a licensed real estate broker and an active member of the Commercial Real Estate Club of Birmingham. Ms. Evans serves on the finance committee of the Birmingham chapter of CREW (Commercial Real Estate Women) and is a research associate for the Alabama Real Estate Research and Education Center. She resides with her husband in Tuscaloosa, Alabama. Excerpt. Reprinted by permission. All rights reserved. The Ultimate Checklist for Your Finance Shopping Excerpted from The Essential Home Buyer's Checklists by Denise L. Evans 2006

Lenders and mortgage brokers offer a wide variety of loan programs and interest rates. You may also qualify for some government programs, or you may find a seller willing to hold the financing for you. All the options can get confusing unless you have a plan. To prepare for your home loan, take the following steps. Know your credit score Prepare a request for proposal Start collecting financial information about yourself Learn about special assistance programs Stay knowledgeable about expected rate changes Beware of add-on fees and discount points Plan ahead to avoid PMI charges Always ask if a seller will hold the financing Know your credit score You've done your homework, and now you are ready to get your loan. Shopping for financing is more tedious than difficult, but everything you have done in preparation will make meeting with lenders go much more smoothly. If you haven't done so already, find out your credit score. Even if it's not terrific, it's important to be absolutely honest about your score when shopping for financing. Remember, lenders are in a very competitive business. They are not going to remember a poor score and hold it against you if you later improve it. They want to loan you money. Beware, though, of the ones who make you think your low credit score disqualifies you from any reasonable interest rates. Your less-than-terrific score may be just enough for low interest rates. That's why you want to shop for financing and obtain several different opinions, rather than take the chance of getting the wrong lender. ***How it works in the real world: Perspective When making buying decisions for a home and financing, don't think solely in terms of honesty or trust. Different people will give you different advice, depending on their perspective. Remember, a surgeon usually thinks surgery will fix your health problems, a drug company thinks drugs will do the trick, and your grandmother has always cured her ails with herb tea. None of them lack integrity, but each simply gives advice from his or her own life's experiences. Even an honest mortgage broker who specializes in finding lenders for people with poor credit may be unaware that your borderline credit score might be enough for cheaper financing. Always obtain second and third opinions. ***Prepare a request for proposal Shopping for financing is one of those really important chores that almost cries out for something in writing. The field is just too complicated and it is too difficult to remember all the ins and outs to leave it to faulty memory. In addition, lenders like to quote their terms in different ways that make it difficult to compare apples to apples. One might say, "We can offer you prime plus 2" and another might say "Our interest rate is 250 basis points over LIBOR." Another might offer a low interest rate but high up-front fees and expenses. Do you want to figure that out? With a Request for Proposal (RFP), they have to put down all the information in terms you can understand. Keep all of the responses in a file folder. When it's time to make a final decision, recheck your credit score and visit with the three most promising lenders or brokers to update their quotes. If your credit score is at all marginal, apply with all three simultaneously. It will not affect your credit score if done at the same time. ***Request for Proposal for Financing Date: January 1, 2007 To: First National Mortgage Company You are being asked to complete a written quote for financing to purchase a home in the approximate amount of \$175,000. I understand that your quote is subject to underwriting, and that rates or terms may change by the time I wish to secure financing. This quote is for initial evaluation only. My current credit score is 680. I want to [choose all that apply] obtain the maximum amount possible, keep my payments as low as possible, and/or make a down payment of 20% of the price. If I can secure better terms with a better credit score, please indicate here your target score _____, and provide a separate quote for terms at that score. Amount financed: _____ Current interest rate: _____ % Adjustable or fixed rate: _____ Amortization period: _____

_____ Rate lock good for _____ days How much is the fee for a rate lock? _____

_____ Balloon or rate changes when?

_____ Monthly payments:

_____ Total amount for all lender fees: \$

_____ Additional amounts to be included in monthly payments: \$ _____ Is

PMI insurance required, and what are the charges? _____ Identify all anticipated third-party fees and expenses, and approximate amount: _____ Why should I

choose you for my borrowing needs?***Start collecting financial information about yourselfThe loan application process will require a good bit of information from you. If you start collecting it now, while things are relatively calm, you'll have a better chance of getting the best financing terms possible. Using whatever system works best for you-a file folder, a shoe box, a special drawer in the kitchen for all house-buying stuff-begin getting your information together. Depending on the lender, you'll need some or all of the following things: tax returns for the last three years; W-2s from last year, if you haven't filed a return yet; proof of sources and amounts of other income (such as alimony); name, contact info, account numbers, balances, and monthly payments for other lenders and credit card issuers; name and contact info for credit references if you have little credit history (landlords and utilities are good references); a monthly budget, before purchase, of all income and expenses; and, proof of any explanations about bad credit information in your file.Learn about special assistance programsBefore going to a lender, find out all you can about any special assistance programs that may be available to you. Low-income housing assistance is available from a number of federal, state, and local agencies. Programs might include low interest rate loans, interest-free down payment loans, or special pricing for qualified buyers of government-owned properties.The Department of Housing and Urban Development (HUD) sells some foreclosed homes at discounts to teachers and law enforcement personnel who live in the neighborhoods they serve. There are Native American programs, assistance for widows and orphans of armed services personnel, and incentives for moving to rural or inner-city areas. The Internet will be your best source of information. Mortgage brokers are often knowledgeable about these programs. Local HUD or USDA offices can also help with information or leads to other resources. To start, go to www.hud.gov or call 800-569-4287 for a referral to a housing counselor in your area. Stay knowledgeable about expected rate changesYou may need to move quickly if interest rates are expected to increase dramatically in the near future. Follow the news articles on this subject, and stay in touch with lenders and mortgage brokers. It may be necessary to speed up your house hunting if there's an anticipated rate change. On the other hand, don't get carried away and sacrifice important inspections or other such things in the name of speed. On a \$175,000 loan, a rate change from 7% to 7¼% for a thirty-year mortgage will increase your monthly payments only \$29.53.Beware of add-on fees and discount pointsLenders sometimes charge origination points, or a certain percentage of the loan, as an add-on expense. One point is equal to 1% of the loan. Out of that money, they might pay some third-party expenses, such as an appraisal fee, or the whole thing might be pure profit. Make sure you find out what the points cover. This is a highly negotiable item. It's a little confusing, but there's another kind of point. Lenders will offer you discount points equal to 1% of the loan in order to reduce the interest rate on your loan. What you are buying with it is a cheaper interest rate than what is offered to John Q. Public. The lender might tell you that you can reduce your interest rate by ¼% if you pay one point. It sounds enticing, but it rarely works out well.It almost never makes sense to pay discount points-you usually have to own your home at least five to seven years in order to realize any true savings. Here's an example of what would happen if you could pay one point and lower your interest rate ¼%. \$175,000 loan, 30 years, 6½% interest is equal to monthly payments of: \$1,106.12 Payment of one point for a \$175,000 loan is equal to up-front payment of: \$1,750.00 Same loan at 6¼% interest is equal to monthly payments of: \$1,077.51 Monthly savings if you pay one point: \$28.61 Number of months of \$28.61 savings to equal \$1,750.00: 61 months (5 years) Other fees, such as underwriting, review appraisal, credit review, and so on, can be very high. These fees are also negotiable, and most of them should be waived. Many commentators call these junk fees. Plan ahead to avoid PMI charges Private mortgage insurance (PMI) is often required by lenders if you pay less than a 20% down payment on your home. It protects the lender in case you default, but you are the one to pay the premiums. On a \$100,000 home with only 10% down, the fee can be around \$40 per month or higher. This can really add up over time. By law, the insurance must be automatically cancelled when you pay your loan down to 78% of the original appraised value, but there are many loopholes that allow it to continue longer. On the previous example, if you borrow \$90,000 at 7% interest, it will take ten years before your balance is low enough for PMI to drop off. You're better off finding a less expensive home or deferring purchase long enough to save the money you need for a 20% down payment.For more information about PMI insurance, visit the website of the Federal Trade Commission at www.ftc.gov/bcp/online/pubs/alerts/pmialrt.htm, or call 877-382-4367 and ask for the pamphlet entitled, "Cancellation of Private Mortgage Insurance: Federal Law May Save You Hundreds of Dollars Each Year." Always ask if a seller will hold the financing Some people are embarrassed to ask about seller financing. They think it gives the impression that they can't borrow money from a traditional lender. Quite the contrary-it shows that you are a knowledgeable and prudent buyer. A surprising number of home owners have no mortgage on their property, and no need to use sale proceeds to buy another home. If they received cash from you, they would have to

invest the money somewhere, usually at relatively low interest rates. They might be delighted to be your banker, earning a higher interest rate than they could otherwise obtain. At the same time, you pay a lower interest rate than you could get in the marketplace. All the terms of the seller financing should be negotiated at the same time as the sale contract-not afterwards.***How it works in the real world: Seller Financing Courts will not enforce contracts unless they can determine what the parties intended. Important terms must be spelled out. Details and boilerplate can be filled in by a court. Almost all contracts related to real estate-including financing-must be in writing to be enforceable. As a result, any negotiations about seller financing should be included in your real estate purchase contract. Otherwise, the seller could legally change his or her mind about being your lender. Important terms include amount financed, interest rate, term (such as thirty years), and frequency of payments (such as monthly).***