Do you absolutely need a Realtor to buy a home?

There's no law that says you can't go it alone.
But the real question is: "Why would you not want to avail yourself of the free services of a professional whose whole career is spent helping people turn the dream of home ownership into reality?"
And in almost every case, it is the Seller, not the Buyer, who pays the Realtor's commission on the selling price of the home. If you are a Buyer, using a Realtor doesn't cost you a cent - but it can save you thousands of dollars!
Some home buyers think that if they don't use a real estate agent, the Seller will be more amenable to lowering the price of the home…
These home buyers mistakenly think that if the Seller has the opportunity to pay less in commissions, he/she will share those "savings" with the buyer. Fair is fair, right?
It may seem logical, but in fact, it doesn't work that way in residential real estate. In listing their home, Sellers have already committed to paying the Realtor's commission. Whether you use a Realtor or not, it is unlikely to change the Seller's fee.

What about "For Sale by Owners" (FSBO's) homes?

Without the Competitive Market Analysis that a Realtor offers, FSBO's are often overpriced. Assuming that you succeed in knocking down the Seller's price somewhat, you won't necessarily being paying less than you would have using a Realtor - and you may be paying a lot more than you should!
You need the professional services of a Realtor to get you accurate, complete and relevant information about housing values and the market in general in your area and the expertise to interpret that data.
So, if the issue isn't really cash out of pocket, and it is most unlikely you are going to get the Seller to split any "savings", the question is:
Why would anyone want to plow through the complicated maze of residential real estate unassisted?
How many of us can negotiate aggressively - yet successfully? Know about financing and financing options? Know what disclosures are required - and what questions should be asked? How many of us have the time to organize and respond to the manifold inspections that need to be done before a house comes to a closing? When you are buying a home a Realtor does all of this for you - and the Seller pays the agent's fee.

Still Undecided? Here are Ten Simple Reasons to Use a Realtor:

When Buying:

- Your REALTOR® can help you determine your buying power, explain financing options and refer you to those lenders best qualified to help you.
- Your REALTOR® has unique resources to assist you in your home search. Sometimes the property you are seeking is available but not actively advertised.
- Your REALTOR® can assist your selection process by providing objective information about each property you wish to see, and making it possible for you to do so.
- Your REALTOR® can help you negotiate the myriad factors, including but not limited to price, financing, terms, date of possession and often the inclusion or exclusion of repairs and furnishings or equipment, that come with buying a home.
- Your REALTOR® provides due diligence during the evaluation of the property, including finding qualified responsible professionals to do inspections and title searches.
- Your REALTOR® can guide you through the closing process to make sure everything flows together smoothly.

When Selling:

- Your REALTOR® can give you up-to-date information on what is happening in the marketplace and the price, financing, terms and condition of competing properties. These are key factors in getting your property sold at the best price, quickly and with minimum hassle.
- Your REALTOR® markets your property to other real estate agents and the public. Your REALTOR& will know when, where and how to advertise your property effectively.
- Your REALTOR® can help you objectively evaluate every buyer's proposal and negotiate without compromising your marketing position.
- Your REALTOR® can help close the sale of your home. The required paperwork alone is overwhelming for many sellers. Your REALTOR® is the best person to objectively help you resolve these issues and move the transaction to closing.

The Bottom Line:

It's extremely important that you find a good real estate professional- a Realtor - to help guide you through the home buying process!

A good agent can expose you to areas, home styles and financial options you might not have considered. They might save you a great deal of money - or save you from a terrible mistake. At the very least, your Realtor can help you avoid the numerous potholes that too often plague the road to home ownership.

Work smart - work with a

Make the Right Move!

8 Steps to Buying Your New Home

Looking for a new home can be an exciting and challenging experience. Having a real estate professional that takes the time to understand your unique needs and lifestyle is important. We work hard not only to find the perfect home for you, but also to handle every last detail of the purchase process from negotiating the terms of sale to recommending moving companies. To help you get started on buying your new home, take advantage of the valuable resources we have to offer.

Step 1: Decide to Buy

The decision to purchase your first home is one of the biggest and best decisions you could ever make. After all, a home is the largest (and most emotional) investment most people will ever make. So, how do you know if it's the right time for you to buy your first home?

- There is never a wrong time to buy the right home. The key is finding a good buy and taking the time to carefully evaluate your finances.
- A home purchase is an important step in the path to long-term wealth. Purchasing your own home is a great investment that provides specific financial advantages, including equity buildup, value appreciation potential and tax benefits. It's also an automatic savings plan that you cannot get from renting!
- Here's the most important rule for keeping your stress to a minimum: you don't have to know everything. Your 3Chix agent is ready to help you through every step of the process.

Step 2: Hire Your Agent

When you're looking for a real estate agent professional to help you, know that above all else, good agents put their clients first. This is your dream, and your agent is your advocate to help you make your dream come true.

A great real estate agent will:

1. Educate you about the current conditions of the market.
2. Analyze what you want and what you need in your next home.
3. Guide you to homes that fit your criteria.
4. Coordinate the work of other needed professionals throughout the process.
5. Negotiate with the seller on your behalf.
6. Check and double-check paperwork and deadlines.
7. Solve any problems that may arise.

8 Steps to Buying Your New Home

Step 3: Secure Financing

Ultimately, your lender will pre-approve you for a certain amount, but YOU will decide what you're comfortable paying every month. Remember, your lender only sees your finances on paper. It's up to you to decide how much you're willing to stretch your budget in order to get into your dream home.

Be sure to follow these six steps to financing your home:

1. Choose a loan officer.
2. Make a loan application and get preapproved.
3. Determine what you want to pay and select a loan option.
4. Submit to the lender an accepted purchase offer contract.
5. Get an appraisal and title commitment.
6. Obtain funding at closing.

Step 4: Find Your Home

So you are preapproved and ready to begin your search. But how or where do you begin? There are a lot of homes out there and diving in without a guide can become overwhelming and confusing. A great agent will help you more accurately pinpoint homes that fit your criteria. The right home will meet all your important needs, and as many of your additional wants as possible. Some questions you might ask yourself include:

- What do I want my home to be close to?
- How much space do I need and why?
- Which is more critical: location or size?
- Would I be interested in a fixer-upper?
- How important is home value appreciation?
- Is neighborhood stability a priority?
- Would I be interested in a condo?
- What features and amenities do I want? Which do I really need?

You'll learn as you look at home, your priorities will probably adjust along the way.

8 Steps to Buying Your New Home

Step 5: Make an Offer

Once you've found a home you love, the next step is making a compelling offer. While emotions are probably in high gear once you've found a home you love, it's important to remember that a home is an investment. Your agent will research similar properties in the neighborhood to help you determine the market value, and fair price, for your home. Look to your agent to explain and guide you through the offer process.

- The three basic components of your purchase offer are price, terms, and contingencies.
- Price is the dollar amount you are approved for, willing and able to pay.
- Terms cover the other financial and timing factors that will be included in the offer.
- Contingencies are clauses that let you out of the deal if the house has a problem that didn't exist or which you weren't aware of when you went under contract. They specify any event that will need to take place in order for you to fulfill the contract.

Step 6: Perform Due Diligence

Just because you love a particular property doesn't mean that it's perfect. In fact, this is where reason has to trump emotion. You'll need to have a property inspection (which we highly recommend you attend) that will expose hidden issues. This way you'll know what you are getting into before you sign closing papers.

- Your main concern is the possibility of structural damage. This can come from water damage, shifting ground, or poor construction when the house was built.
- Don't sweat the small stuff. It's the inspector's job to mark everything discovered no matter how large or small. The inspectors report may be long, but, things that are easily fixed can be overlooked for the time being.
- If you have a big problem show up in your inspection report, you should bring in a specialist and if the worse-case scenario turns out to be true, you might want to walk away from the purchase.
- Even if your home passes inspection, you'll still need to buy a home owner's insurance policy that protects you against the loss or damage to the property itself and against liability in case someone sustains an injury while on your property.

8 Steps to Buying Your New Home

Step 7: Close

Once you've made your offer and have completed the inspection process, you're in the "home" stretch! But, in order to ensure that you don't put your closing date, or your mortgage at risk, you have a few pre-closing responsibilities that you'll need to be mindful of. These include:

- Staying in control of your credit and finances. If you are tempted to make any large purchases during this time, it's best to talk to your lender first.
- Keeping in touch with your agent and lender, returning all phone calls and completing paperwork promptly.
- Communicating with your agent at least once or twice a week, and verifying with your lender that all mortgage funding steps are completed.
- Conducting a final walk-through of the home with your agent.
- Confirming with your agent, home insurance professional, and lender that you have the settlement statement, certified funds, and evidence of insurance lined up prior to closing.

Step 8: Protect Your Investment

Congratulations, and welcome home! The home-buying process is complete, just like any big process, there's a maintenance plan! It's now your responsibility, and in your best financial interest, to protect your investment for years to come. Performing routine maintenance on your home's systems is always more affordable than having to fix big problems later. Be sure to watch for signs of leaks, damage, and wear.

And remember, just because the sale is complete, your relationship with your agent doesn't need to end! After closing, your agent can still help you — providing information for your tax returns, finding contractors and repair services, and even tracking your home's current market value.

Go With a Home Inspector or Do It Yourself?

The main benefit in hiring an expert to conduct a home inspection is that you may not have the requisite knowledge. For example, will you be able to tell whether the property meets building code requirements? Do you know what to look for in terms of plumbing or electrical problems?

You could conduct a preliminary home inspection. After familiarizing yourself with some of the items to look for in an inspections (see below), you may be able to dismiss some of the more basic things which only require a cursory check. Once you've conducted this inspection, it is advisable to hire a home inspector to ensure that your home is given a thorough assessment by an expert. Once you get the inspector on board though, there are many aspects of the inspection that you can assist with or seek further advice on. It is also possible that the inspector can only assess a limited range of issues and you will need to decide whether to hire additional experts.

These are some of the main issues that home inspections should cover and the aspects that you can assist with.

Internal Home Inspection

- Structural: A home inspector will be able to tell you whether the property was built on a slab or raised foundation. You may need to consult a foundation engineer on whether the home is sliding or the foundation is faulty.
- Electrical: An inspection of the electricity could involve checking the state of the wiring, grounding, circuit breakers, exhaust and ceiling fans, receptacles, and light fixtures. You can assist by checking that the electrical items work properly, that outlets have undamaged covers and that there is a breaker box instead of fuses.
- Roof and attic: You should be able to check whether the rook is level and that there is proper drainage. In the attic you can check whether the air vents work.
- Pests: Some of the pests that can damage a home include wood-destroying pests such as termites, wood-boring beetles, carpenter ants and bees. An expert will probably be needed to check of the presence of these pests.
- Paint: While the use of lead-based paint has been banned since 1978, some newer homes can also contain such paint. You may need to hire an expert to check for and remove this paint.
- Plumbing and drainage: While you should be able to check whether all the showers, sinks, toilets and faucets are in working order, a plumber may be needed to advise you about the condition of the pipes.
- Doors and windows: You can check whether the locks on the external doors work and if all doors are aligned properly. You should also be able to tell whether windows open and close properly and if they have screens and bars where necessary.

Internal Home Inspection

- Other components: You can test the heating system, air conditioning and sprinklers to see if they work. In relation to duct work, a chimney, furnace and fireplace, you may need the advice of an expert to see if there are any cracks or other issues.
- Appliances: It should be relatively simple to see whether household appliances are in working order, such as the dishwasher, oven, garbage disposal and smoke detectors.

External Home Inspection

- Gutters: You can see if the gutters are damaged in any way and whether they are level. Damaged gutters can cause leakages and allow mold to develop.
- Vegetation: While a cursory glance will tell you the state of the yard, it could be worthwhile hiring an arborist to check and see that the trees are healthy.
- Drainage: You will be able to check whether any water flows into the house from the yard and if the plants are at least 18 inches from the outside walls (which is necessary to avoid trapped moisture).
- Gas and asbestos: An expert will be needed to check for dangerous gasses, such as radon, methane or formaldehyde, and whether the building material contains asbestos.

Whether or not you assist the home inspector, a home inspection prior to signing a purchase contract can be a good investment of time and money.

10 Questions to Ask Your Mortgage Lender

If you don't ask questions, you won't get answers. It's especially important to ask lots of questions of you mortgage lender so you understand everything about financing one of you more valuable assets.

Here's what you should ask your mortgage lender.

1. What type of mortgages do you offer? You need to know the full range of loans available to find one that is best suited for your needs. Basically, there are fixed rate mortgages (FRMs), for which the interest rate remains fixed for the life of the loan, and adjustable rate mortgages (ARMs), for which the interest rate adjusts after an initial period — typically one to seven years. Each category has a host of variants. Some lenders offer a few types of loans while others offer many.
2. What mortgage is the best fit for me? You lender should easily be able to answer this question once you've completed an application and the lender takes stock of your employment, income, assets, credit, debt, expenses, down payment and other information about your finances.
3. What are the full costs of my mortgage? Since Jan. 1, 2010, the answers can be found and discussed with your lender, line-by-line, on two documents. Home loan originators must give you the mandated Good Faith Estimate (GFE) within three days of a accepting your application. At closing, the lender must provide borrowers with the new Settlement Statement HUD-1, the final line-by-line list of mortgage and closing costs. Along with the GFE, you'll also receive the new "Shopping For Your Home Loan: HUD's Settlement Cost Booklet" which helps explain the two documents. Together, the new GFE and HUD-1 documents make it easier to determine if you are getting the loan at settlement that you were offered in the GFE. The three-page GFE, provided by the mortgage broker or lender, shows the loan terms and the settlement charges you will pay if you go forward with a given mortgage. It explains which charges can change before settlement and which charges must remain the same. It also contains a shopping chart with worksheets to encourage you to shop around and compare several mortgage loans and the settlement costs of each. The HUD-1 is a final list of al your charges and credits. In addition to the cost of the property, your down payment, the financed amount, your monthly payment, and loan terms, it includes your loan type, annual percentage rate (APR), points, commissions, yield spread premiums, originating fees and other loan coats as well as title and escrow fees, closing costs, tax and insurance payments, inspection fees, attorney fees, as well as information and costs related to rate locks and prepayment penalties — the works.

10 Questions to Ask Your Mortgage Lender

4. When will I get the HUD-1? You have a right under the Real Estate Settlement Procedures Act (RESPA) to inspect the HUD-1 Settlement Statement before settlement occurs and you should, at least a day before to go over all costs and ask the lender any related questions.
5. What documents must I provide? To prove you can afford a mortgage loan, lenders will want to see proof of income and employment and assets along with statements of expenses and debts. You'll also have to give the lender permission to pull your credit report and credit score. If you are self-employed or an investor, lenders may also want to see tax returns, IRS 1099 forms, profit and loss or income statements and other financial business records.
6. What are the qualifying guidelines for this loan? The documents you supply will help you meet requirements related to income, employment, assets, liabilities and credit history. Down payment, income-to-debt ratio, even geographic location guidelines may vary.
7. Who will be the title and escrow agency or attorney? A title search will be required to make sure the property is free and clear, but you shouldn't leave a selection of the title company up to the lender. Shop around based on location and price. Check for referrals from people you trust. If you've used a title company before, using the same on again could save you some money. Do the same when selecting an escrow agency and attorney.
8. How long will it take to process my loan application? The answer depends on how quickly you supply the required documents as well as on the lender's workload and demand for inspectors, appraisers and other professionals involved. Lenders will often say weeks, but it could take from a month or two. Get the best guess to determine when to lock in the mortgage rate.
9. What might delay approval of my loan? Being slow to deliver documents, Failing to fully complete required documents, Not being readily available to answer questions, Failing to check your credit report. You should remain available to the lender during the loan application process. Between the time you submit your application and the time the loan is funded, you must notify the lender of any changes to your job, salary, debts, marital status or other conditions that could affect your application.
10. What are the chances that my loan would get sold? At first your lender and loan servicer are usually the same. Federal law requires that at the closing table you receive and sign a document state that your loan likely will be sold. Federal and state laws dictate that both the old and new servicing company notify you in writing of any changes so that you know who to pay in order to meet your responsibility as a mortgage holder.

A Paperwork Checklist for First-time Homebuyers

If you are shopping for a new home, you will probably need to get a mortgage loan. If you do, the seller will most likely need a "pre-approval letter" from you before accepting an offer. They want to make sure they don't take their house off the market for a buyer who cannot qualify for a loan.

You will need to get some basic paperwork together. It is a good idea to put this together now, so that you're prepared. That way the pre-approval process can be fast.

Here are some of the documents, but not all, you will probably need:

- 12 months of cancelled checks (if you've been renting with a private landlord).
- Three months of bank statements.
- Two years of W 2 statements and your most recent pay stub (or tax returns if self-employed).
- Identification.

It is very important that you pay your rent by check each month and that you pay it on time. Lenders will look at this as an indicator of how you will handle your mortgage with them. If you're habitually late with your rent check, they can predict that you won't pay them on time either.

For example, a renter might have worked out an agreement with their landlord where they would skip their rent payment for two months and they would repair the faulty air conditioner. Although it make sense on paper (it is an even trade) it will make getting a mortgage loan for this renter impossible.

Lenders will not accept explanations like this as anyone can make up any story to explain a late payment. You need to have 12 months of canceled checks, showing you have made your payments on time. Do not pay with cash, cashier's check, or any other form other that a personal check. Do not work out deals with the landlord to pay less one month in exchange for problems with the property.

Next you will need to provide three months of complete bank statements for your loan officer. If you don't have these, order them from your bank. It can take a couple weeks to arrive.

Lenders need these so that they can verify your assets. Different lenders have different requirements, but most want to see that you have had the down payment in your bank account for at least two months. They also will need for you to have additional funds for reserves.

If you have money in various accounts, you will need to provide three months of bank statements for each account. The loan officer will need to make copies of each page, front and back.

To prove your income, you will need two years of W 2 statements and a month of pay stubs (if you get paid twice a month, you'd need the last two pay stubs). If you are self-employed, you will need two years of tax returns.

In addition be prepared to present one or two forms of valid photo ID. Your driver's license will probably be sufficient.

If you are prepared and can gather these documents ahead of time, you can save time in the pre-approval process. Fortunately the paperwork needed is pretty uniform from lender to lender so you can start putting it together now.

Calculate Your Upfront Costs When Considering a Home Loan

Before you make your first monthly house payment, a homebuyer will encounter three basic types of expenses in the purchase process: (a) the down payment, (b) closing costs and (c) other professional and service fees.

Down Payment

In the post-bust era, 100% financing is no longer available with conventional loans. You will need to put some money down when purchasing; how much money depends on the home loan you get. For example, if you are considering an FHA (or Federal Housing Administration) loan, one of the chief advantages is that you only need to put 3% down (and sometimes you can get assistance with that amount).

However, you should know that in order to avoid paying mortgage insurance, you need a loan with a loan-to-value of 80% or less. This means you need to either put 20% down and hold a single loan, or obtain a second mortgage to make up the difference.

Closing Costs

Closing costs are the standard fees associated with obtaining and processing your loan. These are itemized on your HUD 1, the settlement statement you get when you close or complete the transaction between buyer and seller. The amount of these charges varies between lenders.

If you hire a mortgage broker to assist you in procuring your loan, the broker will charge you extra fees, Like the lender fees, they vary, but they are also negotiable. Some brokers charge an administrative fee, while others do not. Some charge a non-refundable application fee. Make sure you know and understand all these fees before settling on a broker.

Another closing cost to consider is the money charged by the title company for their work, which often includes handling the actual closing procedure. On top of that, you can expect government taxes and fees, as well as hazard insurance and other miscellaneous costs.

When you add it all up, a homebuyer can expect to spend at least 3% of your loan amount in closing costs. But plan ahead. Depending on the circumstances of the sale, this amount can reach 5% or 6%.

The good news is that you may be able to negotiate with the seller to pay some of these closing costs. For example, instead of lowering their asking price on the home, a motivated seller can cover some of your closing fees. If the lender approves this, may allow a certain percentage of the loan amount to be paid by the seller at closing . And that can be a big savings to you.

Calculate Your Upfront Costs When Considering a Home Loan

Before you make your first monthly house payment, a homebuyer will encounter three basic types of expenses in the purchase process: (a) the down payment, (b) closing costs and (c) other professional and service fees.

Other Fees

We need to backtrack a bit here. Before you get to the closing table, you may encounter other costs during the loan process. These include:

- Appraisal fee
- Credit report fee
- Application fee
- Inspection charge
- Premium for the first year of hazard insurance

The appraisal fee will be due at the time of service by your appraiser and is payable directly to him or her.

The credit report fee (to determine your credit-worthiness) is not charged by all mortgage brokers and lenders, and it is a very small charge. It is sometimes rolled in the application fee.

The application fee charged by the broker for the cost of processing your loan application is usually deducted from the mortgage broker's fee at the time of closing. This means that if you successfully complete the loan process, you may not be out of pocket for this cost because it's purpose is to make sure the broker's time is covered in case you do not qualify, or switch to a different mortgage broker midway through the process.

A home inspection is not a requirement from the lender, but is a very important step because it can give the buyer a more complete picture of the home. You will need to pay the inspector's fee at the time of service.

Providers of hazard insurance, sometimes called homeowners' or property insurance, may require that you pay the first year's premium before you close the purchase of your home, Some will allow this to be paid at the closing table. If you are using an escrow agent (basically a third party who acts on behalf of the buyer and the seller to hold the money needed to pay purchase-related expenses), a premium for a few additional months of insurance may be charged.

Circumstances that Might Make Getting a Loan Difficult

Pre-qualifying for a mortgage loan is normally is clear cut. You either can get one or you can't. However, there can be complicating factors that are confusing and require more research and perhaps the help of an experienced mortgage broker.

What if a relative is involved in the real estate transaction?

The easy answer is: it gets complicated. It becomes a non-arm's-length transaction, which can be the kiss of death. Lenders prefer unrelated parties in the deal.

For example, a buyer had trouble getting a loan even though he was qualified because he was using his ex-wife as his real estate agent. In addition, she was providing part of the down payment, making the transaction messy. Once the buyer replaced his ex-wife with a Realtor who was not related to him and out together his own down payment, he was able to get the loan.

What if you moved from another state less than two years ago?

Lenders want applicants with stable employment. If your employer transferred you to a new state, that move shouldn't hurt your ability to pre-qualify. However, if you are self-employed, most likely lenders will want to see you set up shop in a new state for at least two years. An exception to this might be if your business is Internet driven or now tied to geography. For instance, freelance writes generally are not affected by their location, so lenders will not be concerned if they have moved recently.

What if your parents are giving you a loan to help you with the down payment?

The key word is "loan." If your parents are making a loan to you for your down payment, mortgage lenders will not approve you. However if they make a gift of money for the down payment and are willing to put it in writing, lenders are more likely to accept it.

The logic is that lenders do not want you to take on more debt to pay for your new home. They also prefer that the money be yours so that you are invested in the property, but they recognize that young buyers sometimes need help from their parents to buy their first home and can be lenient.

What if you just sold an asset to get cash for the down payment?

As long as you can document the fact that you sold an asset to get the down payment money, you don't need to wait the 60 days usually required to ensure that you didn't just borrow the money from a friend.