

Buyer FAQ's

I want to buy a home...How should I get started?

You could just start driving around the areas you like looking for houses for sale, calling the listing agent, ask questions and have them show it to you. There is a much better way. Talk to a Realtor® first and tell them your needs. They will help you determine the price range you can afford, give you listing sheets and show you houses within you parameters. This can save you lots of time.

What does loan per-qualified/pre-approval involve?

Usually a phone call to a bank or mortgage company giving them permission to check your credit. Depending on your credit and income, they will be able to tell you how much of a mortgage you can afford. When offers are made on houses, the seller wants to know if the buyer can get a loan. By getting pre-qualified or pre-approved first you get a document that can be given to the seller at the time of the offer that says you can get a loan.

What are the most important things in searching for a new home?

LOCATION, LOCATION, LOCATION! After that comes price and amenities. You generally have an idea as to what area you want to live. A Realtor® can tell you if the house you are looking at is priced right, what will affect property values in a community, can determine historically if a neighborhood is stable and homes retain value, should be able to tell you the zoning of the empty field behind the house you are looking and how it could affect the house value. They can also tell you what features of a house will help in the future resale.

What is a daily automatic MLS search and how will it help me?

A Realtor® can set up a daily automatic search for you so that anything new on the MLS that meets your parameters is sent to you by way of email. This will keep you on top of all new listings and give you the edge in seeing it first.

What should I expect of a buyers agent?

A buyer's agent represents you as a client. They should be able to help you through the whole buying process, finding houses for you to see, helping you find satisfactory mortgage companies, inspection companies and anything else that you might need in the home buying process. A

buyer's agent represents the interest of the buyer as a buyer's agent when showing other agents listings. A buyer's agent owes duties of trust, loyalty, confidentiality, accounting and disclosure to the buyer. However a buyer's agent must deal honestly with a seller.

Who pays the commission for the buyer's agent?

Usually the seller pays all commissions. If the buyer has signed an exclusive buyer's agency agreement then they could be responsible for some or all the commission. This is not customary in Indiana but still happens occasionally.

Will the buyer's agent show me "For Sale by Owner" homes?

Realtors® don't generally work for free. If the FSBO owner is willing to compensate the Realtor® if you were going to buy it then the buyer's agent could show you the home. If the buyer were willing to compensate the Realtor® on the sale of the FSBO then it could be shown.

How do I know which neighborhoods I want to live in?

First find out through your Realtor® which neighborhoods you can afford to live in. Then drive through them looking for things you like. Are yards and gardens kept up? Do driveways have 6 cars parked in them? Are there basketball goals setups at the curbs? Are there a reasonable amount of houses for sale in the community? Do you want lots of kids in the neighborhood? Are the common areas kept up? Sometimes it is wise to drive through the neighborhood at different times during the day. You can see what traffic is like on the main roads. The real answer is "What is important to you?" Ask your Realtor® to help you.

What are the most important factors in picking a house?

Location, price and amenities. You want to find a house that is in the right location in the neighborhood, priced right and has the amenities that you want. Amenities can be a club house, community swimming pool, community tennis courts, playgrounds etc. Also when buying a house, consider the resale value. If you plan to live there 10 years it is not as important. If you plan to sell within 5 years it can become very important.

Are school districts important?

It depends on the buyer. It can be important then again some buyers don't consider it. There are many websites where you can go to check out school systems. One of the websites is www.greatschools.net

I have narrowed my search down to three homes. How do I pick one?

Flip a coin?...Just kidding! It really depends of your motivations. How long do you plan on living there? Is resale important? Is the neighborhood stable? Which house fits my lifestyle the best? Are all the houses in move in condition or do they need work and can you afford the time and expense of having work done before you move in? Ask your Realtor® to help you with this. They may be able to find things about each house that you are not aware of.

I have found the home of my dreams but I want the curtains and appliances. How do I get them with the offer?

Ask for them!!! Sometimes sellers are willing to give them up just to sell the house. Sometimes they can be negotiated by house price. Sometimes the seller won't give them up under any circumstances. You would be surprised what can be negotiated in the sell of a home when the seller is motivated.

I am ready to make an offer. Should I ask List Price?

First off, ask your Realtor® what the list price to sale price ratio is in the neighborhood. This is the percent off list price that past sellers in the neighborhood have taken on the sell of their homes. This can range from 0% to 10 percent% depending on the neighborhood. If you are not asking for anything else then getting the ratio percent is usually acceptable. If the Realtor® finds out there are possible multiple offers because of the property, it is wise to offer list price or as close to list as possible. If you really want the house, it is not unusual to offer over list. The big consideration here is, will the property appraise for that amount. If you are asking for closing costs and repair allowances then it is wise to ask close to list price or even list price. There are many things to consider and a Realtor® can help you with this.

What happens if there are multiple offers? (Two of more offers at the same time)

The seller usually chooses the one that gives them the most money or the best deal. Sometimes the seller will tell the buyers agents that they have multiple offers and they are not going to accept any of them. They then ask for the buyer's agents to again get with their buyers and write up their best deal for the house and submit it. The seller then decides. This forces the buyers to give their best deal for the house or walk away from it.

How can I make my offer look good from the start?

If the house is priced right, a full price offer would not be out of the question. Offer as much earnest money as you can. This shows that you are serious with your offer. Don't ask for any closing costs or allowances. Traditionally the buyer pays for the closing cost fee, survey and the buyer's mortgage insurance policy. The cleaner the offer (not asking anything from the seller) the better the offer will look to the seller.

What happens during negotiations?

Your buyer's agent has given the offer to the seller's agent who in turn gives it to the seller. The seller likes the offer except for a few items. The seller's agent then writes a counter offer that the seller likes and gives it to the buyer's agent who in turn gives it to the buyer. The buyer can accept it or have their agent write another counter offer that the buyer likes. This can go on 5 or 6 times or if the parties are not coming close to a deal they walk away without an agreement. Every negotiation is different.

What are the general time lines between an accepted offer and closing?

Traditionally in the MIBOR area it is 30 – 45 days. It can be done in as little as 10 days and as much as 4 months. This depends of what the buyer and seller agree to.

What is a pre-closing walk-through?

Typically one of the contingencies in a house sale is an inspection done by a licensed inspector that shows no major defects. Usually during the inspection other things turn up that need to be repaired. If the seller agrees to have them repaired, the buyer has the right to do a pre-closing walk-through to make sure the repairs have been done.

Once a closing date has been set, can it be changed?

Usually anything can be changed as long as the seller and buyer agree to it in writing and signed by each.

What can I expect at closing?

In Indiana closings take place at Title Companies. They are usually held in small conference rooms with the seller, their agent, the buyer, their agent and the closer from the Title Company. It is not unusual for the buyer's mortgage company representative to be present. Indiana state law

requires the seller's and buyer's real estate agents to be present. The closer is in charge and goes through a stack of documents that need to be signed by both parties. The buyer should be prepared to sign about 30-45 documents. Once all documents are signed, the closer leaves the room to get copies made and checks for the different parties. The seller then gives the house keys to the buyer. The closing is done.

What are typical closing costs and can you explain them?

Closing costs can vary depending on Mortgage Company and Title Company. Here is a general breakdown;

- Mortgage Company
 - Loan origination fees
 - Loan discount fee
 - Appraisal fee
 - Credit report fee
 - Underwriting fee
 - Tax service fee
 - Application fee
 - Prepaid items
 - Interest
 - Hazard insurance
 - County property taxes
- Title Company
 - Closing fee
 - Survey fee
 - Document prep fee
 - Title insurance fee
 - Courier fee
 - Recording fee

These fees can vary greatly but generally in total are in the \$1500 to \$3500 range for a house priced at \$100,000 with good credit. The higher the loan amount, the higher the mortgage company fees will be. Loans fees can also be based on credit scores. The lower the score, the higher the fees.

Many times the deal can be made where the seller pays closing costs or a good portion of them and the buyer needs very little money to close the deal.

How do I find a good mortgage company?

Ask your Realtor® for names of companies that they have used in the past. Realtors® usually have good recommendations because their business depends on good mortgage companies. Visit them and find one that you are comfortable working with.

What kind of mortgage loan do I want?

One that you are comfortable with. Mortgage companies today have many different products. Discuss your needs with the mortgage officer and see what they can offer.

How much can I afford?

A good rule of thumb is 2.5 times your yearly income. This can vary depending on your credit score and type of loan.

Do I have to have a down payment?

Not always. Again depending on the loan type. Sometimes you can get the seller to make your down payment for you.

Suppose my credit is not very good?

A mortgage company can check your credit and tell you how to improve your credit score over 6 months to a year.

The house I want needs a lot of repairs. Can I borrow money for the house and the repairs?

There are certain types of loans that will allow you to do this. Talk to a mortgage company and see what they have to offer for this type of house.

Will I need mortgage insurance?

If there is a mortgage, the mortgage company will require a mortgage insurance policy. Usually the cost is between \$125 and \$200.

What is the debt-to-income ratio lenders use to qualify borrowers for loans?

Your debt-to-income ratio should be less than or equal to 36 percent. This means that your bill payments should not be more than 36 percent of your income.

Will I be able to see the results of the appraisal?

The mortgage company will require an appraisal of the property to make sure it is worth the money they are lending. The buyer usually pays for it and it is their property. You will be given the appraisal at closing or it will be mailed to you by the mortgage company.

Suppose I don't have any existing credit?

Today there are lenders that will give you a mortgage if you don't have any existing credit but have a credit score and pay for public utilities. Ask your Realtor® for their names.

If the appraisal comes in lower than the price we offered, and we want to back out of the deal, can we get our earnest money back?

Generally yes. The purchase agreement states that the deal is contingent on the buyer getting financing. If the buyer can't get financing because the property won't appraise, then you should be able to get your earnest money back.

If I make an offer on a house and it turns out that I can't get a mortgage, can I cancel the deal and get my earnest money back?

Generally yes. It is the same answer as above question.

Is a survey necessary?

It used to be yes. Now, not so much anymore. If it was necessary, it would be a mortgage company requirement. Today most mortgage companies don't require surveys if the property is in a plotted community. They most likely would require a survey if the house was on many acres of land or it was on unimproved land.

What does a loan application look like?

Since most loans are eventually sold to Freddie Mac and Fannie Mae, they require a uniform residential loan application. This has become the industry standard. See the form here www.TimLordRealtor.com/buyers/1033.pdf