

**Kathy L. Hall**

**CRS, GRI, ABR**

**A BUYER'S GUIDE  
TO EASIER  
HOMEOWNERSHIP**

Berkshire Hathaway Home Services – Indiana Realty

Team Elsbury

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# Berkshire Hathaway Home Services – Indiana Realty Team Elsbury

## **The Only Source You Need**

Your Berkshire Hathaway Home Services Sales Associate can provide detailed information on most any property currently listed for sale—whether it's listed by **BHHS** or another real estate company.

If you see a for sale sign, an ad in the newspaper, or on the Internet that interests you, we have access to all the data. So, call your **Berkshire Hathaway Home Services** Sales Associate for all the details:

- \*The listing price
- \*The description
- \*The special features
- \*The financing terms

We'll even arrange a showing appointment at your convenience.

Your **Berkshire Hathaway Home Services** Sales Associate is already familiar with your housing and financial needs, so why go through the process again with someone else? We can save you time and take the hassle out of house hunting, and it won't cost you a penny more!

Put #1 to work for you today!  
Call **Kathy L. Hall**

I will work for you full-time as your professional sales associate, to help you buy the home of your choice, using my expertise to make home buying a smooth and pleasant experience.

To Help you **FIND** a home I will:

- Discuss your home requirements, including style, location and price.
- Review specific facts on financial alternatives to determine the price most suited to your financial abilities.
- Provide information on all homes available in the area of your choice.
- Show you the entire area you select, locating schools, shopping areas, recreational facilities and houses of workshop.

To help you **CHOOSE** a home I will:

- Discuss the benefits and drawbacks of each home in relation to your specific needs.
- Obtain the necessary written information on taxes, local laws and ordinances in your area.
- Give you a complete estimated settlement expense sheet for any home on which you make an offer.

To help you **BUY** a home I will:

- Explain all the financing alternatives, to find the lowest cost financing available on the home you choose.
- Handle all the detail work and negotiations, carefully explain all written documents, and give you a copy of everything you sign.
- Accompany you to a financial lender and explain the procedure for a mortgage application.
- Accompany you to the settlement, making sure you understand the entire settlement process.

## PLEASE READ

# WHAT YOU SHOULD KNOW ABOUT REAL ESTATE BROKERAGE

Your REALTOR can sell you any home in Indiana, regardless of whose sign is in the yard or who advertised it for sale.

The practice is encouraged in the real estate industry because real estate Buyers usually desire to work with one particular REALTOR who develops a better understanding of their wants, needs, and financing requirements. It also eliminates Purchasers from being contacted “by every REALOR in town.”

Using this ONE REALTOR method, you get better representation and service. In addition, you incur no additional costs because your personal REALTOR will be paid by the REALOR whose sign is in the yard.

Put your loyalty with a REALTOR who deserves it, who you trust, and who has the knowledge to best serve your needs. In return, you should not call or talk with other REALTORS without first announcing that you are working with “so-and-so” REALTOR. Otherwise, your REALTOR will be eliminated from assisting you.

## WHAT YOU SHOULD KNOW ABOUT FINANCING

Ever wish you could just pay cash \$ for a home? You CAN if you get PRE-APPROVED for a mortgage, before you find a home.

When searching for your mortgage lender, ask if they will issue a “PRE-APPROVAL” letter which only requires that they appraise the home you find later in order to verify its value. If they will issue such a letter with no other requirements except the appraisal, you have just become a PRE-APPROVED **CASH** Buyer!

Your cost to be PRE-APPROVED is approximately \$60.00 for a complete credit report.

The advantages of PRE-APPROVAL include:

1. Your purchase offer is taken much more seriously by a Seller. Often, this allows you to *buy a home for a lesser price* than if you “hope to get a loan.”
2. You will *know exactly how much you can afford* and avoid wasting time and effort looking at homes you can't afford. You'll also avoid the frustration and embarrassment of finding a home you want, only to find out you can't afford it.
3. You have more *time to work out* any financing *problems* you might have. Examples include credit blemishes that are incorrect, family and friend financing assistance, and restructuring your current debts.
4. Your purchase *time is reduced* by approximately 3-4 weeks because you won't have to wait on loan approval.
5. You can *lock in your interest rate* sooner in the buying process if you expect rates to rise soon.

## GLOSSARY

- **Adjustable Rate Mortgage (ARM):** A mortgage with an interest rate that changes over time in line with movements in the index. ARM's are also referred to as AML's (adjustable mortgage loans) or VRM's (variable rate mortgages).
- **Adjustable Period:** The length of time between interest rate changes on an ARM. For example, a loan with an adjustable period of one year is called a one-year ARM, which means that the interest rate can change once a year.
- **Amortization:** Repayment of a loan in installments of principal and interest, rather than interest-only payments.
- **Annual Percentage Rate (APR):** The total finance charge (interest, loan fees, points) expressed as a percentage of the loan.
- **Balloon Payment:** A lump sum principal payment due at the end of some mortgages or other long-term loans.
- **Binder:** Sometimes known as an offer to purchase or an earnest money receipt. A binder is the acknowledgement of a deposit along with a brief written agreement to enter into a contract for the sale of real estate.
- **Cap:** The limit on how much an interest rate or monthly payment can change, either at each adjustment or over the life of the mortgage.
- **CC&R's:** Covenants, condition and restrictions. A document that controls the use, requirements and restrictions of a property.
- **Certificate of Reasonable Value (CRV):** A document that establishes the maximum value and loan amount for a VA guaranteed mortgage.
- **Closing Statement:** The financial disclosure statement that accounts for all of the funds received and expected at the closing, including deposits for taxes, hazard insurance, and mortgage insurance.
- **Condominium:** A form of real estate ownership where the owner receives title to a particular unit and has a proportionate interest in certain common areas. The unit itself is generally a separately owned space whose interior surfaces (walls, floors and ceilings) serve as its boundaries.
- **Contingency:** A condition that must be satisfied before a contract is binding. For instance, a sales agreement may be contingent upon buyer obtaining financing.
- **Conversion Clause:** A provision in some ARMs that enables you to change an ARM to a fixed rate loan, usually after the first adjustment period. The new fixed rate is generally set at the prevailing interest rate for fixed rate mortgages. This conversion feature may cost extra.
- **Cooperative:** A form of multiple ownership in which a corporation or business trust entity holds title to a property and grants occupancy rights to shareholders by means of proprietary leases or similar arrangements.
- **CRB:** Certified Residential Broker. To be certified, a broker must be a member of the National Association of Realtors, have five years experience as a licensed broker and have completed required Residential Division courses.
- **CRS:** Certified Residential Specialist.
- **Due On Sale Clause:** A clause that requires full payment of a mortgage or deed of trust when the secured property changes ownership.
- **Earnest Money:** The portion of the down payment delivered to the seller or escrow agent by the purchaser with a written offer as evidence of good faith.
- **Escrow:** A procedure in which a third party acts as a stakeholder for both the buyer and the seller, carrying out both parties' instructions and assuming responsibility for handling all of the paperwork and distribution of funds.
- **FHA Loan:** A loan insured by the Federal Housing Administration (of the Department of Housing and Urban Development).
- **Federal National Mortgage Association (FNMA):** Popularly known as Fannie Mae. A privately owned corporation created by Congress to support the secondary mortgage market. It purchases and sells residential mortgages insured by FHA or guaranteed by the VA, as well as conventional home mortgages.
- **Fee Simple:** An estate in which the owner has unrestricted power to dispose of the property as he wishes, including leaving by will or inheritance. It is the greatest interest a person can have in real estate.
- **Finance Charge:** The total cost a borrower must pay, directly or indirectly, to obtain credit according to Regulation Z.

- **Graduated Payment Mortgage:** A residential mortgage with monthly payments that start at a low level and increase at a predetermined rate.
- **GRI:** Graduate, Realtors Institute. A professional designation granted to a member of the National Association of Realtors who has successfully completed courses covering Law, Finance, and Principles of Real Estate.
- **Home Inspection Report:** A qualified inspector's report on a property's overall condition. The report usually includes an evaluation of both the structure and mechanical systems.
- **Home Warranty Plan:** Protection against failure of mechanical systems within the property. Usually includes plumbing, electrical, heating systems and installed appliances.
- **Index:** A measure of interest rate changes used to determine changes in an ARM's interest rate over the term of the loan.
- **Joint Tenancy:** An equal undivided ownership of property by two or more persons. Upon the death of any owner, the survivors take the decedent's interest in the property.
- **Lien:** A legal hold or claim on property as security for a debt or charge.
- **Loan Commitment:** A written promise to make a loan for a special amount on specified terms.
- **Loan to Value Ratio:** The relationship between the amount of the mortgage and the appraised value of the property, expressed as a percentage of the appraised value.
- **Margin:** The number of percentage points the lender adds to the index rate to calculate the ARM interest rate at each adjustment.
- **Mortgage Life Insurance:** A type of term life insurance often bought by home buyers. The coverage decreases as the mortgage balance declines. If the borrower dies while the policy is in force, the mortgage debt is automatically covered by insurance proceeds.
- **Negative Amortization:** Negative amortization occurs when monthly payments fail to cover the interest cost. The interest that isn't covered is added to the unpaid principal balance, which means that even after several payments you could owe more than you did at the beginning of the loan. Negative amortization can occur when a ARM has a payment cap that results in monthly payments that aren't high enough to cover the interest.
- **Origination Fee:** A fee or charge for work involved in evaluating, preparing, and submitting a proposed mortgage loan. The fee is limited to 1 percent for FHA and VA loans.
- **PITI:** Principal, interest, taxes and insurance.
- **Planned Unit Development (PUD):** A zoning designation for property developed at the same or slightly greater overall density than conventional development, sometimes with improvements clustered between open. Common areas. Uses may be residential, commercial or industrial.
- **Point:** An amount equal to 1 percent of the principal amount of the investment or note. The lender assesses loan discount points at closing to increase the yield on the mortgage to a position competitive with other types of investments.
- **Prepayment Penalty:** A fee charged to a borrower who pays a loan before it is due. Not allowed for FHA or VA loans.
- **Private Mortgage Insurance (PMI)** Insurance written by a private company protecting the lender against loss if the borrower defaults on the mortgage.
- **Purchase Agreement:** A written document in which the purchaser agrees to buy certain real estate and the seller agrees to sell under stated terms and conditions. Also called a sales contract, earnest money contract, or agreement for sale.
- **Realtor:** A real estate broker or associate active in a local real estate board affiliated with the National Association of Realtors.
- **Regulation Z:** The set of rules governing consumer lending issued by the Federal Reserve Board of Governors in accordance with the Consumer Protection Act.
- **Tenancy in Common:** A type of joint ownership of property by two or more persons with no right of survivorship.
- **Title Insurance Policy:** A policy that protects the purchaser, mortgagee or other parties against losses.
- **VA Loan:** A loan made by a private lender, that is partially guaranteed by the Veterans Administration.

## LOAN APPLICATION

- \_\_\_ Copy of signed offer to purchase with all counter offers.
- \_\_\_ Copy of MLS listing sheet
- \_\_\_ Application fee \$\_\_\_\_\_
- \_\_\_ Home address for the past seven years
- \_\_\_ Names, addresses, and phone numbers of landlords for past two years
- \_\_\_ Names, addresses, and account numbers of mortgage holder for past two years
- \_\_\_ Last 12 months of canceled checks for rental or mortgage payments
- \_\_\_ Copy of drivers license
- \_\_\_ Copy of social security card
- \_\_\_ Name, address, and phone number of employer
- \_\_\_ Name, address, and phone number of all employers in last 25 months
- \_\_\_ Current pay stubs for last 30 days
- \_\_\_ Last two years W2's
- \_\_\_ Last three months bank statements for all accounts
- \_\_\_ Addresses, account numbers, and current balances for all checking, savings, and other deposit accounts.
- \_\_\_ Names, addresses, account numbers, monthly payment amounts and balances of all current debt (including credit union loans)
- \_\_\_ Most recent statement for all current debt
- \_\_\_ Divorce decrees with property settlement
- \_\_\_ Proof of child support income or obligation
- \_\_\_ Proof of Social Security income and/or other benefits
- \_\_\_ Previous two years signed tax return for self-employed or commission employment
- \_\_\_ Year to date financial statements signed by an account for self-employed borrows
- \_\_\_ All information regarding real estate owned and/or sold in the last two years including closing statements, mortgage holder, address, account numbers, balances, and amounts of payments
- \_\_\_ VA only: Copy of DD214; original certification of eligibility; name, address, phone number of nearest relative

## CHOOSING THE RIGHT INSPECTION COMPANY

Choosing the right Inspection Company is an important first step. The company should be qualified in a technical sense, non biased in any way, and have the equipment to properly perform the inspection.

Here are some questions a Buyer should ask prior to placing the order.

1. Are you a member of the American Society of Home Inspections? (ASHI is a national organization, which requires candidates to pass a ridged testing process.)  
(A) Yes is a sign that the Inspector is committed to continuing education as well as professionalism. A code of ethics is part of the ASHI program.
2. How long have you been in business?  
(A) While there is no right or wrong answer, an Inspector who has experience is what you are looking for.
3. How many Inspections have you performed?  
(A) Same as above.
4. Are you licensed to do termite inspections?  
(A) If yes, this eliminates the need to set up additional appointments. Also, indicates Inspector's commitment to full service.
5. Do you perform repairs?  
(A) No. If an Inspector also performs repairs, he/she may not be considered objective. Also, this may be a conflict of interest.
6. May I attend the Inspection?  
(A) Yes. A true professional should encourage it.
7. Do you walk on roof to inspect it?  
(A) Yes, when possible. Realize that some roofs cannot be walked on due to materials, pitch or snow.
8. What does your Inspection cover?  
(A) See following section.
9. What types of radon tests do you offer?  
(A) Since many types exist, it is important to know what you are buying.
10. What license or certifications does the Inspection Company have?  
(A) At this time you do not have to be licensed to perform an Inspection. However, there are licenses available that are related to the housing industry. A termite license is needed for completion of the HUD form.

After this brief interview, most buyers will be able to narrow the list down to 1 or 2 companies. Of course prices should be obtained and taken into consideration as well.

### **WHAT SERVICES ARE NEEDED?**

Every Inspection company offers menu of services. What a particular Purchaser needs depends upon the houses purchased.

Here is a typical menu of a full service Inspection Company.

1. Full structural and mechanical inspections.
2. Licensed termite inspections.
3. Radon testing (3 types).
4. Well & septic inspections.
5. Water analysis.
6. Formaldehyde.
7. Wood stove inspections.
8. Residential and commercial.
9. FAX service to anywhere in the U. S.
10. Warranty available.
11. Statewide service.
12. Roof inspections.
13. Partial inspections.
14. Asbestos inspections.
15. Phase I environmental assessments.
16. Lead testing.

To start with, a full structural and mechanical inspection should be ordered. This will cover all but a handful of items. Typically including foundation, furnace, air conditioner, electrical, plumbing, interior, attic, doors, windows, appliances, exterior and roof.

In addition to the full structural and mechanical inspections, houses in Indiana should be inspected for wood destroying insects. This is commonly called a termite inspection and would report any active infestations and/or damage as a result of insects or rot. This type of inspection is required by most mortgage companies, and requires a license to perform.

Radon testing, although not required by most lenders, is a possible health risk, and therefore, should be considered. Most relocation companies and buyers are also requesting them. Several types of testing devices are available. Testing companies must be listed with EPA and registered with the state.

In many areas, water is supplied by a private well. In these cases the well should be inspected and a water sample analyzed by the Indiana Department of Health or a private state certified lab. Most inspection companies offer this service and most mortgage companies require these reports prior to closing.

The sewage disposal system, if not municipal, will be some type of septic system. An inspection of the septic system is needed and required by most mortgage companies.

Asbestos-If asbestos is present in the home, an inspection by a certified asbestos inspector should be considered. The inspector should tell you the following:

1. If it is asbestos.
2. If it is in a “friable” condition.
3. Give recommendations or options as to what should be done.

Note: At this time, there are no regulations governing asbestos in residential properties.

Urea Formaldehyde Foam Insulation-If the inspector discovers a formaldehyde based insulation, a test for formaldehyde levels is available.

## **WHAT IS COVERED BY AN INSPECTION?**

The full structural and mechanical inspection covers the following. (These are by no means complete lists but are designed to give a general understanding of coverage). Please note all inspections are visual.

**Basement structure:** water penetration, water damage, structural integrity of walls, insect damage, structural integrity of support system for first floor, window condition, floor condition, finished wall & ceiling condition.

**Crawl space structure:** water penetration, water damage, ventilation, structural integrity of walls, insect damage, structural integrity of support system for first floor, and insulation (location & condition).

**Slab structures:** water seepage into ducts (under slab), settlement and cracks.

**Furnace:** heat exchanger, burners/elements, blower fan, ducts, airflow, filter, flue pipe, humidifier and thermostat.

**Electrical system:** amp rating, volts, breakers, fuses, main panel, sub panel(s), main service wire, branch wire, switches & receptacles, light fixtures, door bells & smoke detectors.

**Plumbing system:** water lines, waste pipes, vent pipes, fixtures & faucets, caulking & grouting, drainage, sump pump, water pressure, water heater and gas pipes.

**Interior:** walls, ceiling, floors, step/stairs, railings, fireplace(s), doors and windows.

**Attic:** structure, roof decking, insulation, water penetration and ventilation.

**Appliances:** (not all companies inspect appliances) range, oven, exhaust fan, refrigerator, dishwasher, disposal and trash compactor.

**Exterior:** walls, soffits, fascia, gutters, roof, flashing, skylights and chimney(s).

**Grounds:** walls/steps, driveway, patio, porch, retaining walls, railings, balconies & drainage.

The following items are excluded from the general structural and mechanical inspections (please note most of these items may be inspected for an additional fee).

Radon, water testing, well, septic, security systems, water softeners, inspect infestations, sprinkler systems, pool, spas and asbestos.

Since many variables exist between Inspection Companies, Purchaser should discuss specific coverage and exclusions with any prospective company.

## **ATTENDING THE INSPECTION**

During the initial interview with the Inspection Company, they were asked if the Purchaser could attend. Hopefully, this was encouraged, and the date and time were set with this in mind. The Inspection Company will normally set the appointment and confirm that all the utilities are on. All parties should try to arrive at the specified time, but in any case, not early, as this would put undue stress on the Sellers if they are home.

### **WHO SHOULD ATTEND?**

Remember this inspection is not a showing. The Purchaser and/or their spouses only should attend. (Unless permission to show other relatives or friends is obtained. Vacant houses are more suitable for this).

## WHAT DOES THE PURCHASER NEED TO BRING TO AN INSPECTION?

This is up to the individual. The Inspector should have all the necessary tools to perform the inspection. How involved the Purchaser wants to become dictates what he/she needs. At least, bring a note pad and pen to note major concerns, size of refrigerator opening and maintenance tips that most Inspectors provide. A tape measure might also come in handy.

Although not necessary, some Purchasers want to follow the Inspector into attics and crawl spaces. (For insurance reasons, most Inspectors will not allow Purchasers on roofs). If this is the case, wear jeans and bring a flashlight.

## WHAT SHOULD BE EXPECTED FROM THE INSPECTOR?

Upon arrival, the Inspector will briefly go over what he will and will not inspect so that both parties are clear on what was ordered. The Inspector will also ask the Purchaser to read and sign a contract. The contract will clarify exclusions, limits of liability, etc. Most Inspectors take between 2-3 hours to complete. The Purchaser should feel free to follow the Inspector throughout the house and ask questions. The Inspector should inform the Purchaser of not only defects, but also walk him through routine maintenance items such as furnace filter changes and humidifier service.

Depending upon the company, a hand written report may be presented at the end of the inspection or a typed report may be delivered later. Payment is usually expected at the end of the inspection.

## WHAT DEFECTS ARE THE SELLERS RESPONSIBILITY?

This is a question the Inspector does not answer. The Inspector's job is to point out visible defects. The decision of what the Seller is responsible for is more a process, than a decision.

The following items are normally repaired by Sellers.

1. Structural defects.
2. Defects (other than maintenance) in heating and air conditioning systems.
3. Electrical code violations.
4. Plumbing leaks.
5. Plumbing code violations.
6. Broken (not cracked) windows.
7. Defective appliances (excluding, clocks, lights, timers, etc).
8. Bad roofs.
9. Active termites.

Defects not normally repaired by Sellers:

1. Maintenance items (dirty filters, clogged gutters, etc).
2. Defective options (humidifiers, oven clocks, etc).
3. Minor window and door defects.
4. Cosmetic flaws (drywall damage, stained carpet, etc).
5. Painting needs.

The above lists are general in nature, and by no means exhaustive. However, it does give us a starting point from which to work.

Once the inspection has been performed, the Purchasers meet with their REALTOR and make a list of defects (if any) that they feel the Seller should repair. Deadlines for this process are specified in the purchase agreement.

The list is written on a form and then sent to the listing agent so the Sellers can reply.

Once both parties agree on repairs to be performed, the process is over and repairs are expected to be completed prior to closing. Proof of repairs, through copies of bills or re-inspections are the final steps. Most companies will perform re-inspections for a nominal fee.

HOME BUYER'S SCORE CARD

FEATURES

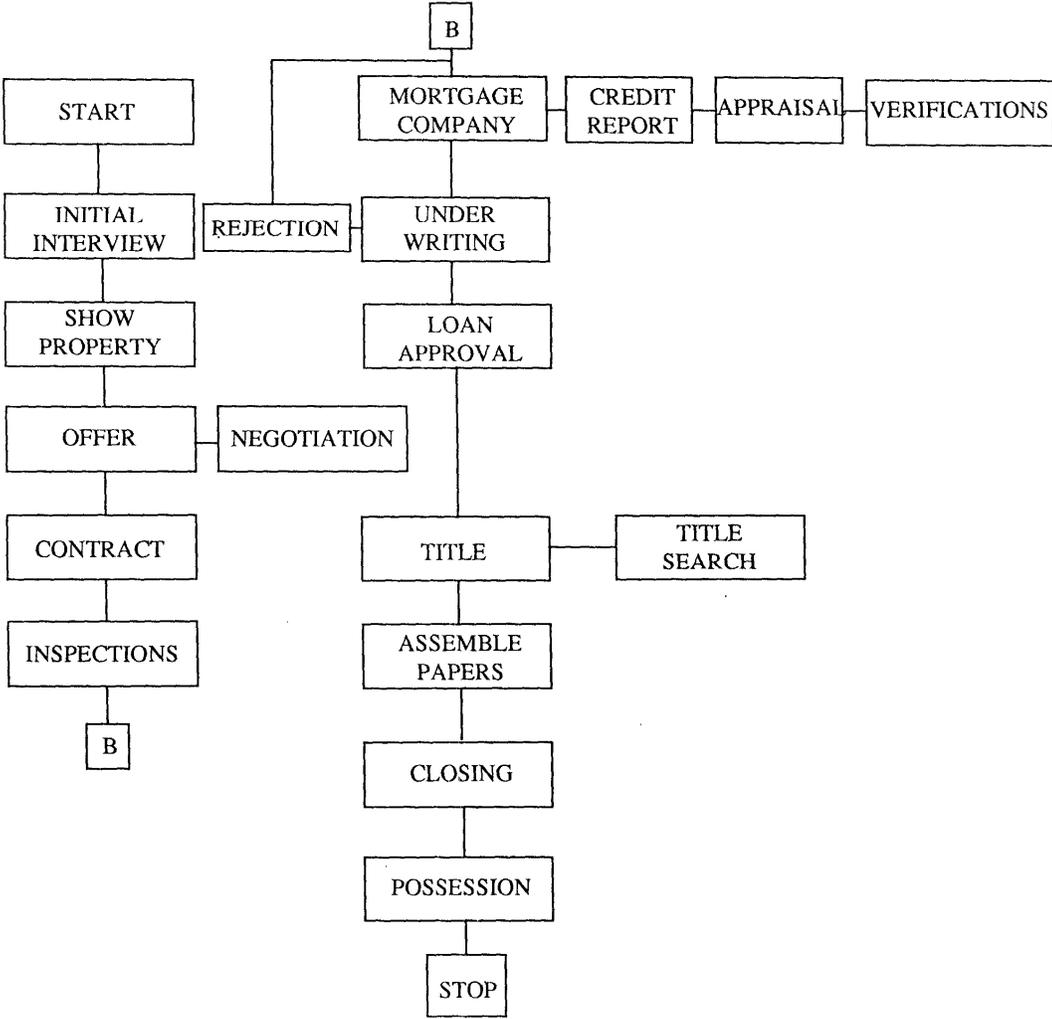
	HOME #1	HOME #2	HOME #3
Property Address			
Price			
Architectural style			
Living Room			
Dining Room			
Kitchen			
Number of Bedrooms			
Baths			
Additional Rooms			
Floor Plan			
Additional Features			
Garage			
Lot/Landscaping			
Utility Information			
Suitable Location?			
Does home meet needs?			
Additional Remarks:			

Please rate the homes you see according to its benefits and features for you.

Additional notes:

# STEPS IN THE HOME BUYING PROCESS

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BUYER INTERVIEW

1. How long have you been looking for a home? Have you seen any property that you liked? Why didn't you buy?
  2. Tell me about your past experiences in your home buying and/or selling.
  3. Have you worked with a Realtor before? What was your experience? Did you work with a Buyer Broker? Are you currently working with another agent?
  4. Describe your present home.
  5. What features do you require in your first/next home?
  6. How many bedrooms do you need?
  7. Do you have children? What ages?
  8. When do you need to be in your next home?
  9. What real estate services are important to you?
  10. Will you need to sell your present home in order to buy the next home? How much equity (net proceeds) do you feel you will re-invest in your next home?
  11. How much down payment do you want to invest?
  12. What is your maximum monthly payment that you would consider? (Have you had the opportunity to talk to a lender?)
  13. If you needed a few thousand more to get your dream home would it be possible?
  14. How many home do you think you will need to see on the inside before we find the one for you? Would you be surprised if the first home met all your needs?
- 
- 

Work number \_\_\_\_\_ Home number \_\_\_\_\_

Email address: \_\_\_\_\_

Berkshire Hathaway Home Services  
Team Elsbury  
**317-477-2161**

email: khall@bhhsELSBURY.com

## **BUYER QUALIFICATION GUIDE**

Let me explain why I want for us to spend a few moments together. Can I write while we talk?

- Tell me about your past experience of buying and selling.
- Have you used the services of a Realtor before? What was your experience?
- Is there a specific area or town that you like? Which ones?
- Is there a particular school system you want? Why?
- What special furniture will move with you?
- Can you describe your present home?
- Have you seen any homes that you like?
- Why didn't you buy it?
- When would you like to move into your new home?
- If we found you a home today, could you make a decision on it?
- Why did you decide to move now?
- What do you have in your present home that you would like in your next home?
- What could you do without if you had to?
- Why did you buy your last home and what didn't you like about it?
- What Realtor services are important to you now?
- When do you need to move?
- What are the features of an area of subdivision that are important to you?
- Let me tell you about "dream" houses!
- Let me explain the steps we are about to take.
- Don't be surprised if you buy quickly.
- As we preview the homes, tell me everything you like/dislike
- Let's go find your next home!

# HERE'S HOW I GO TO WORK FOR YOU

(Month) \_\_\_\_\_

SUNDAY	MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
<input type="checkbox"/>						
<input type="checkbox"/>						
<input type="checkbox"/>						
<input type="checkbox"/>						

Homeowners \_\_\_\_\_ Home phone \_\_\_\_\_ Work phone \_\_\_\_\_  
 Address \_\_\_\_\_ Best time to contact \_\_\_\_\_  
 \_\_\_\_\_  
 \_\_\_\_\_