

# Buyer's FAQ

## **Q: I am buying my first home. Where should I start?**

A: Contact a reputable lending institution and ask to pre-qualify for a loan.

## **Q: Do I need a Buyer's agent?**

A: It is recommended. The Seller is paying the commission from their proceeds (called co-op) when you purchase your home. You certainly do want to have proper representation. Consider this analogy: if you were involved in a law suit, would you use the other litigants' attorney to represent you?

## **Q: What is earnest money?**

A: Earnest money is a deposit that helps to secure the purchase agreement. It is an integral part of your purchase price. The earnest money deposit is held in the listing Broker's account until closing, at which time it is applied to the commission.

## **Q: Are home inspections required?**

A: Certain inspections such as septic and water are required by both the health department and lenders unless these are supplied by public utilities. Termite reports are required by lenders and are traditionally paid by the Seller. Whole house inspections, radon testing and lead base paint testing are optional at the Buyer's cost. A whole house inspection is highly recommended. Several good choices are featured on this site.

## **Q: Are home warranties worthwhile? Who pays for the warranty?**

A: Yes, they are worthwhile. When a new occupant takes over a home, everything in the home is used somewhat differently and problems may occur. It is better to pay a relatively small deductible (\$50-100) than incur a major expense after just shelling out a large portion of your savings for your new home. Who pays for the warranty? You do. It is often negotiated into the contract, however, deferring the cost.

## **Q: How do I go about selecting a lender?**

A: Check out lenders in the local market area first. You will probably find that mortgage institutions are more competitive than banks. Rates, although important, should not be the

only criteria in selecting a lender. Several lenders are featured on this site.

**Q: How much money will I need “up front” when I apply for a mortgage loan?**

A: Generally, a lender will ask for a deposit (\$20-50) for your credit report and appraisal fee (\$200-350). These fees do vary, but generally the costs are actually the same. Some lenders choose to tack on processing fees, etc. to cover the difference in actual costs.

**Q: Who is required to pay closing costs?**

A: Both the Buyer and Seller have certain expenses incurred in the final transaction. The Seller pays for the preparation of the new deed, property transfer stamps, REALTOR fees and a proration of taxes. The Buyer has more expenses to pay and these are generally described to you in a Good Faith Estimate provided by your lender upon submitting a copy of the contract on your new home.

**Q: Can I ask the Seller to assist me with the closing costs?**

A: Yes. Remember, however, these closing costs then become a “hidden” part of the price you are paying for the home. If you think about that for just a moment, you wind up financing the closing costs for the life of the loan and paying interest on them!

**Q; Will having access to a computer help me in finding a home?**

A: Yes. Many homes may be previewed on the Internet at sites such as REALTOR.COM, HOME ADVISER.COM, YAHOO.COM and others. Also, your REALTOR can link you to homes meeting your requirements via the MLS system. Many parts of the real estate transaction today are conducted via e-mail since it is a non-intrusive way of communicating.

**Q: Should I pay points to get a better interest rate.**

A: Generally, it is not a real plus in your favor. More often than not, paying a point amounts to more than your entire first year’s principal. Looking at it from that point of view, you would be better off to apply the same amount directly to the principle amount of the loan.

**Q: How long does my home loan take?**

A: The time it takes to get a home loan can vary, but if you pre-qualify and get all your documentation to the lender as soon as possible, there should be no problem getting your

new home closed within 30 days after you submit the approved contract.

**Q: Are appliances included with the home when you buy?**

A: Appliances, unless built-in (attached), are considered as the Seller's personal property. You can, however, negotiate for the appliances. I highly recommend that these be negotiated on a separate addendum on the contract called a "chattel agreement".