

RE/MAX

Questions & Answers

Everything you've always wanted
to know about buying a house...

but were afraid to ask!



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When I start visiting homes, what should I be looking for the first time through?

The house you ultimately choose to call home will play a major role in your family's life. A home can be an excellent investment of course, but more importantly, it should fit the way you really live with spaces and features that appeal to everyone in the family.

“At each home, pay close attention to these important considerations.”

Is there enough room for you now, and in the near future?

Is the home's floor plan right for your family?

Is there enough storage space?

Will you have to replace the appliances?

Is the yard the size that you want?

Are there enough bathrooms?

Will your present furniture work in this home?

IS an older home as good a value as a new home?

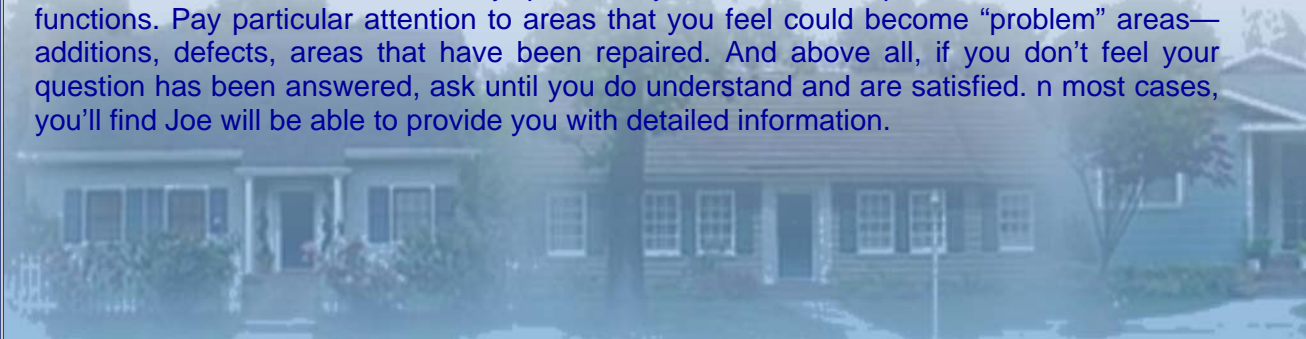
It's a matter of personal preference. Both new and older homes offer distinct advantages, depending upon your unique taste and lifestyle. New homes generally have more space in the rooms where today's families do their living, like a family room or activity area. They're usually easier to maintain too. However, many homes built years ago offer more total space for the money, as well as larger yards. Taxes on some older homes may also be lower. Some people are charmed by the elegance of an older home but shy away because they're concerned about potential maintenance costs. Consider a home warranty to get the peace of mind you deserve. A good Home Warranty plan protects you against unexpected repairs on many home systems and appliances for a full year or more after you move in.

DO I need to bring anything along when I'm looking at homes?

Bring your own notebook and pen for note taking . Be prepared to “snoop around” a little. After all, you want to know as much as possible about the home you buy. Sellers understand that because their home is on the market, it will be looked over pretty thoroughly. If you need to go back to a home for another look, Joe will be happy to schedule an appointment. Be sure to ask any questions you have about the home, even if you feel you're being nosy. You have a right to know. It's important to know that the seller will supply the buyer with a Residential Property Disclosure, which will disclose any defects known by the seller.

What should I ask Joe about each home that I look at?

As a rule of thumb, ask any questions you have about specific rooms, features or functions. Pay particular attention to areas that you feel could become “problem” areas—additions, defects, areas that have been repaired. And above all, if you don't feel your question has been answered, ask until you do understand and are satisfied. In most cases, you'll find Joe will be able to provide you with detailed information.



What should I think about when I'm deciding which community I want to live in?

Good city services, nice parks, convenient shopping and a track record of sound development and good planning—these are just a few considerations that are important to many people when they choose a community in which to live.

As for individual neighborhoods within a village or city, there is no better source of information than Joe; he knows people and the communities, and chances are he can help you find a neighborhood that really fits your family's needs.

Where can I get information about local schools?

Again, Joe himself is perhaps your best source, he knows where the local schools are, and can provide you with valuable information about school districts, including test scores, extracurricular activities, bus service and more. If you're relocating, Joe may even be able to put you in touch with teachers and principals when you visit the area.

How can I find out what homes are selling for in a given neighborhood?

Home sales are a matter of public record. The Recorder's Office, a local residential appraiser, the planning department for the locality or the public information department of the local Multiple Listing Service (if they have such a department) are all resources the buyer can call on. All can be searched for recent sale histories, sale prices (or average sales prices), time on the market and other listing information for sales in any given area.

However, a better and easier way for you to get this information is to ask **Joe**. If you're interested in a particular home he will be able to provide you with a list of comparables—sale prices of homes in that area that are roughly the same size and age as the home you're considering. Although there will certainly be some differences between the homes—the house next door may have an extra bedroom, or the one down the block may be older than the one you're looking at—it's a good way to evaluate the seller's asking price.

If I'm moving a considerable distance, is there any way I can gather information before I start traveling?

Yes. Joe is proud to be associated with some of the best relocation companies in the nation. Whether you're moving across town, across the nation, or around the world, he can help. Our Relocation Networks are skilled in handling the special needs of families involved in the relocation process. He understands your needs, concerns, fears, anxieties and joys, but most of all, he knows how to get you and your family from here to there with minimal stress and inconvenience. And, our Relocation Network is made up of the top 5% of the industry. They know how to get you results in the shortest amount of time, with the fewest hassles and the best price for you.

Should I move myself or use a moving company?

In almost every case, you can save yourself time and energy by using a reputable moving company to help you move. Ask friends and co-workers for recommendations, then get estimates from several companies. Don't choose a mover based on price alone—consider the reputation and professionalism of the company too. Work closely with the moving company to coordinate your efforts and your move will be achieved with maximum efficiency.

The logo for REAM, with the letters in a stylized, light blue font. The 'R' and 'E' are connected, and the 'A' and 'M' are also connected. There are red and blue diagonal lines behind the letters.



What should I tell JOE KARCIE about the homes I look at?

Tell him what you liked and didn't like about each home you saw. It is important for Joe to really get a feel for what you're looking for in a home in order to find your dream home. Don't be shy about talking about a home's shortcomings. Was the home perfect except for the carpeting? Let him know that too!

How many homes should I look at before I buy?

There is no set number of homes you should look at before you decide to make an offer on one. That's why providing Joe with as many details as possible up front is so helpful. The perfect home may be waiting for you on your first visit. Even if it isn't, the house-hunting process will help you get a feeling for the homes in the community and narrow your choices to a few homes that are worth a second look.

If you're looking in more than one community, try to make the most of each house-hunting trip. Stop by the local Chamber of Commerce to pick up promotional literature about the community. Or ask Joe for welcome kits, maps, and information about schools, churches, and recreational facilities. Also, be sure to take along a camera and snap some pictures of all the homes you like. That'll make it easier to remember.

“House Hunting Tips”

When you find a home you may be interested in buying, make sure Joe asks the owner the following questions:

- How much money do you pay for monthly utilities?
- What features have you enjoyed most about living in this home?
- Are there defects or problem areas that need to be fixed right away?
- How old is the furnace and central air conditioning system?
- How old is the roof? Have you experienced any leaking?

How do I determine the amount of my initial offer?

There is really no rule to use in calculating a realistic offer. Naturally, the buyer wants the best value and the seller wants the best price, but negotiations can be influenced by many factors, such as a seller who may be changing jobs and wants to sell quickly, or a buyer who really wants a specific home.

After you've looked at the home's features, asked questions, checked comparables, and talked about it with Joe, you should have a good idea of what the home's value is in the current market. Consider what you can afford and make an offer that you consider to be fair.

Most buyers and sellers negotiate on price with both sides "giving" a little until both agree. When the price is agreed upon, the paperwork will be initialed by both parties. At that point, you typically will begin the process of arranging for an inspection and applying for a mortgage.



I'd like to have a professional look at the home before I buy it.

What does a home inspector do?

For your own safety, and to make sure you're getting your money's worth in the home you choose, using a professional home inspector is highly recommended. A home inspector will check a home's plumbing, heating and cooling, electrical systems, and look for structural problems, like a damp or leaky basement.

Usually, you call an inspector immediately after you've made an offer on a home. However, before you sign any written offer, make sure that it includes an inspection clause or other language which says that your purchase obligation is contingent on the findings of a professional home inspector. The contract forms Joe employs make specific reference to this important issue.

Your home cannot "pass" or "fail" an inspection, and your inspector will not tell you whether he or she thinks the home is worth the money you are offering. The inspector's job is to make you aware of repairs that are recommended or necessary.

A seller may be willing to renegotiate a price to accommodate needed repairs, or you may decide that the home will take too much work and money. A professional inspection will help you make a clear-headed decision.

In choosing a home inspector, consider one that has been certified as a qualified and experienced member by a trade association. Joe can refer you to several qualified inspectors.

Remember, the purpose of a home inspection is to help you learn things about the home that are not easily discoverable during your home-buying tour.
IT IS NOT INTENDED TO BE A "LAUNDRY LIST" OF MINOR REPAIRS FOR SELLERS TO COMPLETE.

IS there any way I can protect myself against emergency repair bills in my new home?

Yes. Home warranties offer you protection against many potentially costly problems not covered by your homeowner's insurance. They've become increasingly popular in recent years, and for good reason: the coverage can save you thousands in the event of a major mechanical breakdown, at a time when your cash reserves have been depleted by your down payment and moving expenses. Ask Joe whether a Home Warranty is offered when looking at homes. But remember, if it is not offered, feel free to ask for it when writing the offer to purchase. The Home Warranty will give you the peace of mind necessary to feel comfortable in your new home. In most cases, the warranty plan will cover appliances, hot water heater, air conditioning units, electrical systems, garage door openers, plumbing systems, heating systems, faucets, ceiling fans and water softeners. Check with your Buyer Representative regarding the specifics of the Home Warranty plan!

DO I need to talk to my insurance agent?

Yes, and the sooner the better. Most insurance professionals have a lot of experience in working with homeowners and can offer useful tips on home ownership, particularly regarding home safety and keeping your insurance premiums low.

Once you've found a home, work together to develop a homeowner's policy that meets your individual insurance needs. **You'll need to supply your pre-paid policy to your mortgage lender prior to closing.**

RE/MAX



5 Great Reasons To Be Pre-Qualified By A Lender

You will know in advance what your payments will be.

You won't waste time considering homes you cannot afford.

You can select the best loan package without being under pressure.
There are many options to choose from in today's market.

Sellers may find your offer to purchase more favorable if they know in advance of your ability to secure financing. This may make your offer more competitive if you are in competition with other offers.

Peace of mind.

What is the difference between pre-qualifying and pre-approval?

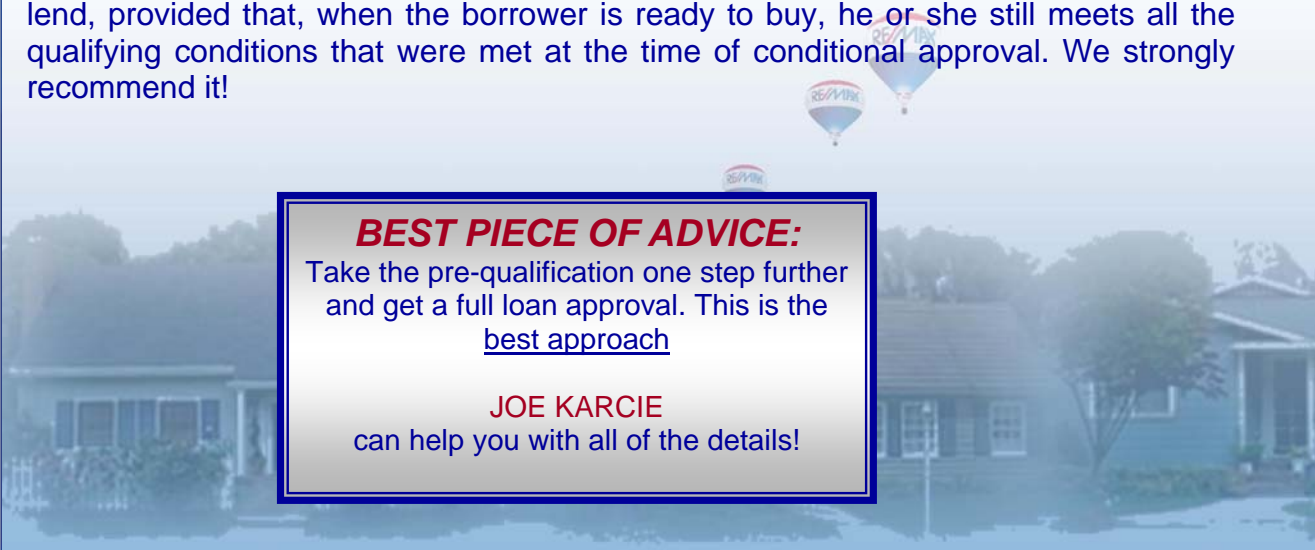
Pre-qualifying for a mortgage up to a certain amount is an increasingly popular practice among buyers who don't want to worry about going through the approval process after they've found the home they want. It's a verbal exchange in which the lender tells you in advance approximately how much money the buyer is able to borrow, based upon the information you provide the lender on your debt and income.

Pre-approval goes a step further than pre-qualifying. It is an actual commitment to lend, provided that, when the borrower is ready to buy, he or she still meets all the qualifying conditions that were met at the time of conditional approval. We strongly recommend it!

BEST PIECE OF ADVICE:

Take the pre-qualification one step further and get a full loan approval. This is the best approach

JOE KARCIE
can help you with all of the details!



What is a mortgage, and what are the benefits of different kinds of mortgages?

Simply put, a mortgage is a loan that a home buyer obtains directly from a lender to purchase real estate. The mortgage is a lien on the property that secures a promissory note (promise to repay the debt) that states the terms of the loan including the interest rate, and the number of payments.

The most popular mortgages available to home buyers today can be divided into two general categories: Those which offer fixed interest rates and monthly payments, and those where one or both of those factors are adjustable.

Fixed rate/fixed payment loans are more traditional, and remain the most popular home financing method, currently accounting for about two-thirds of all residential mortgages. Their advantages are well-known: You always know what your monthly principal and interest payment will be, so your basic housing cost will remain unaffected by interest rate changes until the mortgage is paid off.

Mortgages that entail flexible rates and/or payments have grown in popularity during periods of high interest rates and/or rapidly rising home prices. Many, including the popular ARMs (Adjustable Rate Mortgages), offer lower-than-market initial interest rates that allow buyers a measure of affordability unavailable in fixed-rate loans. The tradeoff may be higher interest rates and higher monthly payments later on.

What are the different types of lenders, and how do I choose the right one for me?

Before someone lends you the money to purchase your home, they'll want to know a lot about you. And you're entitled to know as much as you can about them, too.

It's important because getting a mortgage is not just a one-time signing of documents, a handshake and a check. You will be depending on your lender to fund the loan as promised, on time, and over the life of the loan, to keep good payment records, pay your taxes and insurance (if included in your monthly payment) and many other continuing services.

Look for a lender that has the authority to approve and process your loan locally. It's easier to obtain information on the status of your loan and discuss conditions directly with the person who will approve your loan, rather than some far away loan committee. It's important that your lender know home values and conditions in your local area. And while biggest doesn't always mean best, financial stability, reputation, qualifying procedures, and unique program benefits are what they offer home buyers.

Are there any mortgages especially designed for first-time buyers?

Today, first-time buyers enjoy a number of mortgage options that make purchasing a home more affordable by minimizing down payments and keeping monthly payments as low as possible during the early years of the loan.

Most ARMs feature an interest rate that is often below market for the first year, and may only rise gradually after that.

VA and FHA-insured loans call for extremely low down payment (0-5% of the purchase price), and often offer a below market interest rate. Similarly favorable terms can also be arranged with the help of Private Mortgage Insurance or PMI.

Finally, first-timers who can find a cooperative seller or third-party investor can look into such non-traditional financing methods as a lease/buy arrangement.

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Can I get an FHA or VA mortgage?

Just about anyone can apply for an FHA-insured mortgage through banks and other lending institutions. They are particularly well-suited for buyers of moderate income; the low down payment requirements (as low as 3% of the purchase price) are matched by a relatively low maximum mortgage amount.

Similarly, VA-guaranteed loans often require no down payment for up to four times the amount guaranteed by the VA. These loans are reserved for either active military personnel or veterans, or spouses of veterans who died of service-related injuries.

If there is a downside to these loans, it's the qualifying process. Though you apply for government-insured financing through a lending institution, the Federal Housing Administration or the Department of Veterans Affairs must insure or guarantee the loan and may require specific documentation or procedures not necessarily required for conventional financing. That may take more time than is generally required for conventional mortgage approval. Additionally, FHA-required insurance must be added to your payment. Make sure the lender you select has approved authority by each of these agencies to ensure a quicker loan process.

FINANCING TIP

Anyone can apply for an FHA Mortgage, provided the loan amount does not exceed the maximum allowed by law.

How much of a down payment will I need to buy a home?

A down payment of 20 percent has been the benchmark for conventional financing, but today, many options are available, **some requiring as little as 5 percent down.** For buyers who qualify for conventional financing but can't handle the high down payment requirements, lenders offer this financing with PMI, or *Private Mortgage Insurance*. Designed to protect the lender against default by the borrower, PMI allows you to obtain traditional financing with a down payment significantly lower than the standard 20 percent. By using PMI, you may be able to get a fixed rate or adjustable rate mortgage by putting as little as 5 percent down.

As with an FHA-insured loan, you must pay premiums for PMI coverage, the amount of which are determined by the lender. Moreover, PMI premiums are often lower than FHA insurance, and may be paid as part of your monthly mortgage payment, in annual installments, or in a lump sum at the time you obtain the loan. Your mortgage expert can help you determine which down payment option is right for you and your budget.

How does a lender determine the maximum mortgage I can afford?

The three primary areas lenders examine in determining the size of mortgage you can handle include your monthly income, non-housing expenses, and cash available for down payment, moving expenses and closing costs. There are a number of different ways lenders interpret these variables to estimate your mortgage capacity. The most popular method is detailed here. Most lenders feel a family should spend no more than 28% of its gross monthly income on housing costs, including the mortgage, insurance, and real estate taxes. Also, these housing costs plus your long-term debts (car loans, student loans, etc.) shouldn't exceed 36% of your income. If your down payment is 10% or lower, most lenders will tighten these restrictions even further. Some lenders may also include home maintenance costs and utility payments in their calculations.

What are the steps involved in the loan process?

The information your lender needs is not much different than what is needed when you apply for a major credit card: names and addresses of your employer and bank account numbers and balances. The lender will also need other financial information such as installment payments, auto loans, charge cards, and department store accounts. The location and description of the property is also required. Your lender will verify this information with your present and past employers, order a routine credit report on your current and past accounts, and order a professional appraisal of the property you're wanting to purchase.

Allow yourself two to four weeks to complete the application process. Then once all the verifications have been completed, your lender will underwrite and approve the loan. Overall, the time from the date of application to the date of move-in is generally four to five weeks for conventional loans and five to seven weeks from the date of application for FHA and VA loans.

What are "Points"?

In real estate, the term "point" refers to 1% of the total mortgage loan amount. Buyers often pay lenders this supplemental fee, calculated in points, to get a better interest rate on a particular mortgage.

For instance, a lender may offer you a choice of two 30-year mortgages: the first at 10% with no points, and the second at 9-1/2% with an additional three points. If the loan is for \$100,000, those three points will cost you an extra \$3,000 up front—but you'll get a payback of significantly lower monthly payments (\$840.85 vs. \$877.57) for the lifetime of the loan.

Many lenders will advise you to pay the points for the better rate if you can afford it, especially if you plan on keeping the home for more than a few years. Like interest, *the money you pay for points may be tax-deductible*, and the investment may pay for itself through savings generated by lower monthly payments. We suggest you call your tax preparer.

What is APR, and how is it calculated?

The Annual Percentage Rate is a calculated rate of interest for a loan over its projected life. This rate includes the interest, all points (which are considered prepaid interest), mortgage insurance, and other charges associated with making the loan that the lender collects from the borrower. The APR is calculated by a standard formula that all lenders use. This enables the borrower to comparison shop between lenders and/or loan products.

What is a good faith estimate?

Your lender or loan agent must provide you with a good-faith estimate within three days of your application. This is the information you need to make a fair and accurate judgment when shopping for a loan. Your estimate is a written document that shows all the costs that can be estimated in advance by the lender. You need this information so there are no surprises on the day you close your sale on the property to be purchased. You will be expected to pay closing costs.

You should review all costs, know which are non-refundable in the event your loan is not approved, and be prepared to pay outstanding fees at closing. You may also want to compare these costs to those charged by other lenders when shopping for your home plan.

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What does my monthly mortgage payment include? And what does PI and PITI stand for?

The bulk of your monthly mortgage payment goes toward paying off the principal and interest of your loan. (You may hear lenders refer to this as “PI”, for Principal & Interest). In addition, most lenders require that you pay a sufficient amount to cover your local real estate tax, plus your homeowner’s or hazard insurance. (You may hear this “total” payment referred to as “PITI”, or Principal, Interest, Taxes & Insurance.) This amount is placed in an escrow account, from which your lender then pays your tax and insurance bills as they come due. When shopping for a loan, it is important to ask the lender if the monthly payment you are being quoted is PI or PITI.

What are the respective advantages of 15-year and 30-year terms?

The 30-year fixed rate mortgage remains the standard mortgage, with an array of valuable benefits designed especially for buyers who expect to stay in their homes for a long time. Because the borrower pays more interest than principal for the first 23 years, the tax deduction is substantial. And as inflation causes income and living expenses to increase, your unchanging monthly mortgage payments account for a relatively smaller portion of income as the years go by.

As you’d expect, a 15-year monthly mortgage means higher monthly payments than an equivalent 30-year loan, but not as much higher as you may think. At the same rate of interest, payments on the 15-year mortgage are roughly 20-25 % higher than a loan that takes twice as long to pay off. And one of the benefits of choosing a 15-year mortgage is that you can generally get a lower interest rate for an otherwise similar loan. Another advantage is faster equity build-up because a larger portion of your early payments are going to pay off principal. This makes the 15-year mortgage an ideal alternative for couples approaching retirement or anyone else interested in owning their home free and clear as quickly as possible.

DO adjustable rate mortgages offer any protection against rising rates?

Yes. ARMs and other variable rate or payment plans offer lower-than-market interest rates initially, but because they are tied to the interest rates of U.S. Treasury Bills or other indexes, interest rates later in the loan term may rise. However, many such loans offer built-in safeguards designed to minimize the effect of any rapid escalation in interest rates.

One such safeguard is the rate cap. Many ARMs include provisions for the maximum amount your rate can rise, both annually and over the life of the loan. For example, if your initial rate is 8%, the loan may include 1 % annual and 5% lifetime caps ... which means even if rates rise dramatically, you’ll pay no more than 9% next year, 10% the following year, and so on until a maximum rate of 13 % is reached.

ARMs may also allow your rate to decrease when the index it is tied to goes down. As you might expect, decreases are usually capped as well.

A second protective device included in some ARMs is the payment cap. Under this provision, your monthly payments may rise by only a set dollar amount. The potential disadvantage of this type of cap is that it can slow or even reverse your equity build-up. If rates rise dramatically, you could actually wind up owing more principal at the end of the year than you did at the beginning.

Of course, ARM holders can also consider refinancing to a fixed rate loan after a few years. Some ARMs even include a provision for converting to a fixed rate after a set period of time.

How can I find out what my property tax bill will be?

Usually, the total amount of the previous year's property taxes is included on the listing information sheet for the home you're interested in. Remember, tax rates change from year to year, so the previous year's bill should be considered simply as a "ballpark" figure of what you would pay. For a more precise projection, call the local assessor's office for assistance, or simply ask Joe.

What can I do if I have a fixed rate loan, and interest rates go down?

When interest rates drop significantly, the homeowner should investigate the financial advantages of refinancing. Essentially, this means taking out a new loan to pay off your existing loan.

Refinancing may require paying many of the same fees paid at the original closing, plus origination fees. Most mortgage experts agree that if you can get a rate 2% less than your existing loan, and you plan on staying in your home for at least 18 months, refinancing is a good investment.

What is the difference between pre-qualifying and pre-approval?

Pre-qualifying for a mortgage up to a certain amount is an increasingly popular practice among buyers who don't want to worry about going through the approval process after they've found the home they want. It's a verbal exchange in which the lender tells you in advance approximately how much money the buyer is able to borrow, based upon the information you provide the lender on your debt and income.

Pre-approval goes a step further than pre-qualifying. It is an actual commitment to lend, provided that, when the borrower is ready to buy, he or she still meets all the qualifying conditions that were met at the time of conditional approval. We strongly recommend it!

Can I pay off my loan early?

If you can afford it, and are interested in the considerable advantages of having more equity and/or owning your home free and clear at the earliest possible date, the answer in most cases is yes. The FHA, VA, and even some states do not allow lenders to charge penalties for paying mortgages early or refinancing. In fact, many lenders now include space on monthly statements for borrowers to itemize any additional principal payment they wish to include with their regular payment. If you are unsure about the rules governing pre-payment, review your mortgage agreement.

WANT TO PAY OFF YOUR LOAN EARLY?

Save extra every month.

With the interest you earn on savings you may be able to make an extra payment at the end of the year.

Pay an extra twelfth of your P & I payment monthly.

Or just send whatever extra you can every month.

Whichever method you choose, be sure to clearly indicate that the excess payment is to be applied to principal.