

Opening the Door To  
Home Ownership

Above  
the Crowd!®

Home Buyers Guide

*“Coffee Talk with  
Real Estate Experts”*



*“Let’s Talk! We’ll bring the coffee!”*

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## HOME BUYERS GUIDE

### Loan Application

Unless you are paying all cash and the sale does not involve a mortgage, you will be required to make an official loan application within 5 to 10 working days of the contract acceptance.

The loan processor will require a great deal of personal, financial and employment data. You should be prepared with approximate account balances, account numbers, creditor's addresses, personal references, etc. To assist you in this regard, your Real Estate consultant can provide you with a list of mortgage lenders that can prequalify or pre-approve you before you find a home suitable to your needs.

Your Real Estate consultant will "shop" for the best interest rates and terms. You are not obligated in any way to use the recommended mortgage company. However, your Real Estate consultant has researched the market and makes the recommendation based on the best terms and service. The choice, however, remains yours.

By using the preapproval services of a lender, your Real Estate consultant can, when acting as a buyers' agent and as your fiduciary, normally help you negotiate a lower purchase price on the home you select. Most sellers will give either a better price or better terms to a buyer who can show that their financing is arranged in advance. Please make sure that you are preapproved for financing.

For purchasers who are self employed, you will be required to furnish a great deal of supporting documentation as to income history. Call the loan processor immediately to obtain a list of terms required.

Depending on the activity in the real estate market, loan approval can take between 20 and 45 days. Your processor will provide you with an estimate of costs and a loan commitment for up to 45 days and in rare cases, 60 days. The commitment will lock you into loan terms.

In real estate matters, TIME IS TRULY OF THE ESSENCE! In order to help insure a smooth sale, loan application must be completed in a timely manner.

### **Survey**

On most residential purchases where a mortgage exists, a mortgage survey of the property is required. A survey is simply a one dimensional drawing as if you were looking directly down onto the property from above.

A survey provides:

- (a) Lot dimensions
- (b) Easements
- (c) Position of home on property where applicable
- (d) Location of out buildings, fences, pools, etc.
- (e) Any encroachments
- (f) Flood zone

The cost of the survey is normally borne by the purchaser. It is strongly recommended that a survey be obtained on all purchases of real estate whether one is required or not. A survey can help eliminate many boundary disputes and helps to insure you are purchasing the correct property. Even in all cash sales when a survey is not required, purchasers are encouraged to obtain a current survey simply to protect themselves.

### **Appraisals**

An appraisal is ordered on almost all real estate sales covered by a mortgage. The mortgage company orders an appraisal upon initial loan application.

The cost of an appraisal is normally borne by the purchaser. Appraisals normally take about a week from start to finish. During extremely active market periods, the time it takes for the appraisal to be done can vary significantly. Your Real Estate consultant can advise you based on current market trends as to the length of time it may take.

If an appraisal is not required, should you get one anyway? An appraisal is one person's opinion as to value on a specific date. An appraisal gives some assurance to the purchaser that the price they are paying represents a fair market value. In that regard, appraisals are always recommended.

### **Inspections**

When purchasing real estate with improvements (dwellings) it is incumbent upon the purchaser to inspect the property. Our RE/MAX Alliance Premier purchase agreement gives you a very strong inspection provision. Should you have any objection to any circumstance on or in the vicinity of the property, you can terminate your agreement to purchase within the agreed upon inspection period. Most other real estate contracts give either the seller or the home inspector a right to make you accept repairs on a home with defects. We believe that you, the purchaser, should have the sole determination as to whether a home has passed as inspection or not. The cost is normally borne by the purchaser. Please note that a seller is in no way obligated to make any repairs discovered by an inspection unless so specified in the purchase agreement.

What about the condition of the home at closing? Again, it is incumbent upon the purchaser to conduct a "walk-thru" inspection approximately 2 days prior to closing to insure everything is as it was when the purchase agreement was accepted.

### **Pre-Paid**

What are “pre-paids”? Pre-paids is a description that to most real estate people means TAXES and INSURANCE. In order to purchase a home, a buyer must have sufficient cash available in addition to the down payment and such, to pay approximately up to 14 months of pre-paid home owners insurance, and two or more months of property taxes. There are very few loan companies, if any, that will permit a seller to pay for the purchasers pre-paid items.

### **Insurance**

Prior to closing, you MUST be able to show proof that you have obtained adequate insurance on a property with improvements. There are so many different types of insurance policies available that it would be impossible to cover them in any detail. It does pay, however, to shop around to obtain the best possible price and terms. You may want to investigate the difference between simple coverage and actual replacement cost coverage. Replacement cost coverage costs more but escalates with the value of the home. This could be a significant advantage several years from the time you purchase the house.

Do not wait until the last minute to begin researching home owners insurance. Your Real Estate consultant can refer you to several excellent insurance providers.

### **Title Insurance**

At the closing table, you will notice that if there is a mortgage involved in the sale of the property, you will most likely have a cost involved for “title insurance”. This is a cost that is normally borne by the purchaser and seller together and provides protection to you and the mortgage holder in the event there is a title problem in the future. The closing agent will explain your coverage to you in detail at the time of closing.

If your lender doesn't require you to get title insurance, should you still purchase it? There is no easy answer as to whether a purchaser should obtain an owners policy of title insurance. It is a form of insurance. Failure to obtain the insurance

could result in a financial loss. In the future in the event there is a problem discovered with the title after the sale.

You are strongly encouraged to discuss purchaser's title insurance with the closing attorney to insure that you have a complete understanding of the ramifications of not having the insurance.

### **Taxes**

Taxes and the prorations used in Lucas and Wood Counties are a source of continuing confusion for home buyers and home owners. During the great depression in the 1930's a tax holiday on the payment of property taxes has led to a system today where the proration method used can make a difference in the price a purchaser pays for a property. It is customary in Lucas County to prorate taxes with the "due date" method which can allow a seller to not pay taxes for up to one year of the time that they have lived in the home. This built in delay will thus cause you, the buyer, to pay for these taxes for a period when you didn't live in the home. Is this fair? No – but only if you cannot sell the home in the future under the same terms and due date method.

A problem arises in Wood County where some sellers expect this due date method and some buyers may legitimately claim that is not due. The result in Wood County it is important to consider the net effect of the tax proration method expected, negotiated and used. It is an important part of your offer to purchase. Generally, in Perrysburg, Rossford, Northwood and Perrysburg Township, the Lucas County or due date method is used and expected by sellers-if you as a purchaser grant this proration method, be certain to sell your home, whenever you do sell it, with the same proration method, in order to recoup the extra tax outlay you gave to the person you bought the home from.

### **Mortgage Payments**

This remains an area where many homeowners are confused. When paying RENT, the tenant pays in advance of actually renting the property. When you close on your home that you are buying, the first payment does not become payable until some 30 to 45 days later. You will pay, however, at the closing, interest from the date of closing until the end of the month in which the property is closed.

The confusion exists primarily when the property is sold as to which payments still must be made. Simply, remember, your payment is after the fact, rather than before the fact.

### **Closing Costs**

There is no clear cut definition of what constitutes closing costs. A simple rule of thumb to follow is to ask who pays for what? The following are items that are normally considered closing costs.

- (a) Purchaser's attorney fees
- (b) Title search or abstract
- (c) Recordation fees
- (d) Lender's title insurance
- (e) Closing room fees

The following items are sometimes included in the term "closing costs"

- (a) Discount points
- (b) Origination fee
- (c) VA funding fee
- (d) Survey
- (e) Appraisal fee
- (f) Loan application fee

It is imperative that the purchaser understand exactly what costs he/she is responsible for. Any variation from the normal and customary split of closing costs must be addressed on the offer to purchase.

## **Who Pays for What?**

The following is provided for general information only. This is based on who NORMALLY pays specific costs.

Down payment – Purchaser

Deposit – Purchaser

Discount point – Purchaser

Origination fee – Purchaser

Loan application fee – Purchaser

Appraisal fee – Purchaser

Survey fee – Purchaser

Attorney fees – Purchaser and Seller

Title search/abstract – Purchaser

Recordation fees – Purchaser and Seller

Lender's title insurance – Purchaser

Owners title insurance – Seller

Home warranty plan – Either purchaser or seller

Real estate commission – Either purchaser or seller

Termite inspection – Purchaser

FHA/VA underwriting fee – Seller

VA funding fee – Either purchaser or seller

A recent change in the VA regulations now permits either the seller or purchaser to pay the discount points for the Veteran.



### **Who Represents Whom?**

The question is often asked by buyers. “If I work with you to find my new home, who exactly do you represent?” Excellent question!

The licensed real estate person historically has represented the owners of the property being offered for sale. However, that same real estate person owes ethical and legal service to ALL parties. In this example the real estate person represents the seller but must act in ethical manner towards the purchaser. This means, for example, he/she must divulge all known facts about a property, both good and bad. Over the past two years we have seen an increase in the number of REALTORS who represent the purchaser of the real estate, not the seller.

The buyer’s agent works for you, not against you. The buyer’s agent’s job is to find the right property at the right price as directed by you, the client.

### **Fair Housing**

It is very simple, I DO NOT discriminate in any way involving the listing and or sale of real estate! The person who selects me to handle the sale or purchase of their property recognizes that I am working for them in accordance with Fair Housing Laws. As such, prospective purchasers who are otherwise qualified to look at properties will be shown properties regardless of race, color, religion, sex, age, etc. Sellers who list with me also must adhere to the Fair Housing Laws of the United States and the State of Ohio. A seller may not refuse to sell their property based on race, color, religion, sex, etc. of the prospective purchasers.

### **Home Warranty Plans**

There are several home warranty plans available in today’s real estate market. They are all different but most operate on comparable principals.

Home warranties can be purchased by purchasers or sellers. Should a seller purchase a plan, the plan can cover the home during the period the home is made available for sale. If such items are built-in appliances, hot water heater, plumbing, etc. should they fail during the listing period, they may be eligible for repair or replacement with a small deductible. The seller plan has certain

limitations that apply during the listing period, but covers most items for the purchasers after closing. Be sure to read the policy for coverage and deductible information.

In the event a seller elects not to provide a warranty, a purchaser can obtain one. The plan has the same deductible and covers the purchaser for one year after closing. The actual provisions of the plan are too complex to list, read the policy carefully. If you have any questions, please consult your warranty provider.

Should you invest in a warranty? Some sellers purchase them, some do not. Most homes sell without a home warranty. They represent not only a valuable marketing tool, they also can prevent misunderstanding and hard feelings after closing. Some statistics indicate that homes with warranties have obtained higher sales prices than homes without warranties.

### **Contract Negotiations**

How does a purchaser make an offer to purchase (Purchase Agreement)? Once a specific property has been selected, in order to purchase the property, two things must be satisfied. The offer must be in writing and there should be an earnest money deposit.

It is paramount that you understand the contract process.

When an offer is written, your Real Estate consultant will notify the listing REALTOR. Contracts should not be negotiated over the phone unless you, the buyer, have left the area. Read all contracts.

Your REALTOR will complete the Purchase Agreement with you. Your REALTOR, however, cannot advise you as to what specific price to offer the seller, only you can do this. Your consultant can advise you as to the various contract clauses that are placed on a contract for your protection. Your consultant may also provide you with market data in order for you to make a knowledgeable decision.

If your REALTOR is working for you as a buyer's agent, he or she can conduct an evaluation of home pricing trends and values for the area around the home you desire to purchase, and then make a recommendation as to the Buyer's Agents opinion of value for the specific property you desire to purchase. This opinion of value is not an appraisal.

Once an agreement to purchase has been completed and signed, you should be prepared to provide your consultant a check for all or part of the deposit, the balance will be by promissory or demand note. Once the contract has been presented to the seller:

- (a) It could be accepted, unconditionally
- (b) The contract may be accepted in part but with other portions of the contract altered. When this happens, this constitutes a "counter offer". You are in no way obligated in any way to the terms of the counter offer. You then have the option of accepting, countering, or rejecting the counter offer.
- (c) The contract may be simply rejected

Each agreement to purchase has a definite expiration time and date. In the event the seller takes no action prior to the expiration time/date, the contract is considered rejected.

If one or both of the parties required to sign will be out of the state, you may want to consider having an attorney draft a Power of Attorney for the other party or the party's representative. This simplifies the process and eliminates a great many problems.

**IMPORTANT NOTICE:** Whenever any change is made on a contract, that contract as originally written no longer exists and the contract as amended is now your offer to purchase as made to the seller. Once a change is made, the seller has absolutely NO obligation or responsibility regarding the original contract.

I will endeavor to present you with options to help you meet your goals. The decisions of acceptance, rejection or counter remains the responsibility of the owners.

## **Contingent Offers**

Often times, purchasers must sell a property in order to obtain sufficient cash to purchase a home. This may also apply to you in purchasing your next home.

When this situation occurs, you may submit an agreement to purchase with a “last right of refusal” contingency clause. This simply means you agree to purchase the home at some future date. But only when and if your present home sells. A contingent contract may also apply when you must wait for some external event to occur in order to obtain needed cash. An example may be the settlement of a claim, settlement of a will, cashing of bonds, stocks, etc.

This form of contingency usually means that the home you have an accepted offer on will continue to be shown and marketed. In the event a subsequent offer is received, the seller will come to us and ask for your response during a pre-determined time as to whether you can or will remove the contingency and proceed with the sale or to cancel the agreement.

A “closed” contingency means that a seller will take their home off the market and agree not to consider any subsequent offer-it is rarely used.

## **CHOOSING A NEIGHBORHOOD**

With so many homes on the market, you'll never get anywhere unless you narrow your choices. You can begin this process by first identifying one or a few neighborhoods that are right for you by:

- Consider local factors
- Using neighborhood strategies

### **Factors To Consider When Evaluating A Neighborhood**

When evaluating a neighborhood, you should investigate local conditions. Depending on your own particular needs and tastes, some of the following factors may be more important considerations than others:

- Quality of Schools
- Property taxes
- Traffic
- Crime rate
- Future construction
- Proximity to: schools, employment, hospitals, shops, public transportation, cultural activities (museums, concerts, theaters, etc.) prisons, freeways, airports, beaches, parks and stadiums

Whether you're moving across the country or across town, you can count on us to help you through every step of the process.

### **Neighborhood Search Strategies**

If you're a first time buyer with limited resources, it's a wise purchasing strategy to buy a home that meets your primary needs in the best neighborhood that fits within your price range.

You can maximize your home purchase location by incorporating some of the following strategies into your neighborhood search:

- Look for communities that are likely to become “hot neighborhoods” in the coming years. They can often be discovered on the periphery of the most continuously desirable areas.
- Look for a home in a good neighborhood that is a bit farther out of the city. If commuting is a concern, purchase a home that is close to public transportation.
- Look at the neighborhood demand by asking us whether multiple offers are being made, whether the gap between the list price and sale price is decreasing, and whether there is active community involvement. You can also drive around neighborhoods and see how many “sale pending” and “sold” signs there are in a particular area.
- Look into purchasing a condominium or co-op, rather than a house, in a desirable neighborhood. This way you still may be able to purchase in a prime area that you otherwise could not afford.

## INSPECTORS TOP 10

### 1. **The house has poor drainage.**

This is the most common problem found by home inspectors. To improve drainage you may have to install a new system of roof gutters and downspouts or have the lot re-graded to better channel water away from the house.

### 2. **The house has faulty wiring.**

An insufficient or out of date electrical system is a common problem, especially in older homes. This is a potentially hazardous defect and not to be taken lightly. You may have to replace the entire electrical system, or at least part of it, to bring this home up to code or to make it safe.

### 3. **The roof leaks.**

If the roof has water damage, it may be caused by old or damaged shingles, or improper flashing. It's cheap and relatively easy to repair shingles and small amounts of flashing, but if the roof is old, you face a much larger expense to replace the whole thing.

### 4. **The house has an unsafe heating system.**

An older heating system or one that has been poorly maintained can be a serious health and safety hazard. You may have to repair or replace the old furnace. This is a major expense, but new furnaces are more energy-efficient, which will probably save you money down the line. If your heating system is anything but electrical, install carbon monoxide detectors in a couple of locations in the house.

### 5. **The whole house has been poorly maintained.**

Examples of poor maintenance include cracked or peeling paint, crumbling masonry, broken fixtures or shoddy wiring or plumbing. You can easily repaint a wall, replace a fixture or repair a brick wall, but makeshift

electrical or plumbing situations are serious and potentially dangerous problems. Replace any such wires or pipes.

**6. The house has minor structural damage.**

Minor structural damage means the house is not likely to fall down, but you should deal with the problem before it becomes more serious. Such damage is usually caused by water seepage into the foundation, floor joists, rafters or window and door headers. First you need to fix the cause of the problem (a leaky roof, for example) then repair or replace any damaged pieces. The more extensive the damage, the more expensive it will be to repair.

**7. The house has plumbing problems.**

The most common plumbing defects include old or incompatible piping materials and faulty fixtures or waste lines. These may require simple repairs, such as replacing a fixture, or more expensive measures, such as replacing the plumbing itself.

**8. The house's exterior lets in water and air around windows and doors.**

This usually does not indicate a structural problem rather poor caulking and weather stripping that require relatively simple and inexpensive repairs.

**9. The house is inadequately ventilated.**

Poor ventilation can result in too much moisture that wreaks havoc on interior walls and structural elements. It can also cause allergic reactions. Install ventilation fans in every bathroom or regularly open windows in your home. To repair damage caused by poor ventilation you may only have to replace drywall and other inexpensive pieces. If you have to replace a structural element, it will be more expensive.

**10. The house has an environmental hazard.**

Environmental problems are a new and growing area of home defects. They include lead based paint (common in homes built before 1978), asbestos,



formaldehyde, contaminated drinking water, radon and leaking underground oil tanks. You usually need to arrange a special inspection to determine environmental problems, and they're usually expensive to fix. For example, it costs \$1,000 to install a radon ventilation system, and about \$6,000 to remove a leaking oil tank.