

# The Home Buying Process

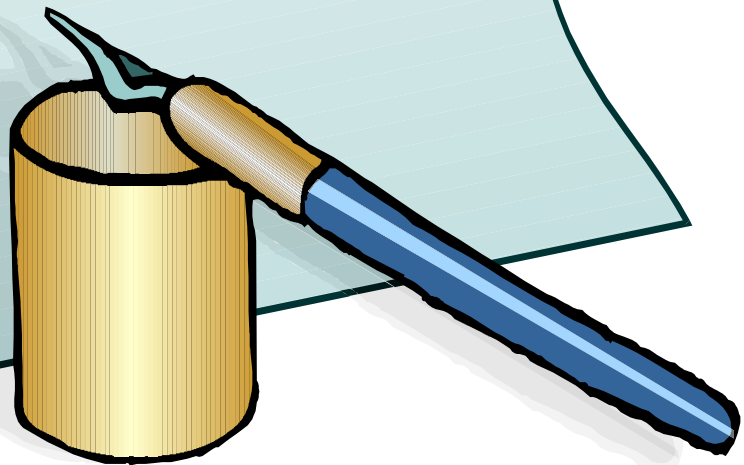


RE/MAX Services  
Joe & Gail Barrila

*To Our Valued Client,  
You are about to embark on an exciting journey  
seeking and securing the home of your dreams.  
My job is not only to see that you find that home  
at the best possible terms, but also to aid you in  
the entire process from beginning to end.*

*Here, is a package I have prepared for you to ex-  
plain the particulars of buying a home. You  
will find it useful to familiarize yourself with  
the various documents you will be experiencing  
during the home buying process.*

*Read the material over and feel free to contact  
me if you have questions or require any further  
information that you feel is pertinent to your  
specific situations.*



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## **WHY BUYER AGENCY ?**

In the past, real estate agents implicitly represented the seller. This was often confusing to both the buyer and seller as it was unclear as to whom the realtor had a relationship with when showing a home to an interested buyer. Additionally, even when the agent was working with just the buyer, his or her faithfulness and loyalty remained with the seller, not the buyer, leading to potential conflict of interest.

In recent years, through concern over consumer protection, Pennsylvania has passed legislation to require realtors to notify the consumers of the different relationships they might enter into with an agent during a real estate transaction. To protect buyers during the transaction, buyer agency creates a relationship where the agent has loyalty and confidentiality exclusively to the buyer; acting solely on their behalf unless otherwise specifically agreed upon between all parties to the transaction.

Buyer Agency has helped to alleviate much confusion with consumers and give them piece of mind.

# AGENT AND BUYER RELATIONSHIP

## *My Commitment To You:*

I am a full time professional Real Estate Agent. I am licensed by the state of Pennsylvania to provide real estate services. As a member of both the Pennsylvania and National Associations of Realtors, I abide by a strict code of ethics to provide you with the highest level of service. As an Associate Realtor, I am part of one of the strongest networks of professional Realtors. I earn my living by serving the needs of home buyers and sellers with integrity.

## *Skilled Service*

A large part of my work is performed "behind the scenes"; previewing homes, researching comparable sales, gaining market knowledge, evaluating changing legislations, and maintaining my professional credentials. For every hour I spend showing you homes, I have spent up to 10 hours preparing. I am constantly acquiring information that will help me to better serve you.

## *How I am Compensated*

I am not paid a traditional salary: I work entirely on commission, which I receive only if I initiate and complete a transaction for you. I am compensated only when all of your needs have been satisfied and you take ownership of your new home. All of the services I provide are uncompensated unless you purchase a home through me. Real estate commissions traditionally are paid at settlement from the Seller's proceeds.

## *Your Commitment To Me*

I will invest substantial time and effort in locating your home, and will represent you with unequalled integrity throughout the purchase of that home. In return, I request your loyalty—a commitment that you will work with me, exclusively, in selecting and purchasing your home.

## *Putting Me To Work For You*

If you see any home that interests you, ask me about it. If you call the broker of a property directly, you can jeopardize my ability to represent you. That is why I am here for you. If you would like to see new construction, I must accompany you on your first visit.

**Acknowledged By :** \_\_\_\_\_

**Date :** \_\_\_\_\_



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## **WHAT I CAN OFFER YOU ?**

**My Skills at Negotiating the Details of the Transaction and Representing your interests well**

**My Expertise in Handling The Complexities and to get you to a Successful Closing**

**Financial Information**

**Knowledge of the Neighborhood**

**Appropriate Houses to Consider  
( What you want and what you can afford in an area you want to live.)**

**Active Effort to Find you the  
“Right” Home.**



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## **FOR SALE BY OWNER**

**Homeowners trying to sell their home are usually doing so in hopes of saving the commission.**

**Usually a homeowner will work with an agent, and agree to pay the broker a commission.**

**If you should see a FSBO, please let me contact the owner and set the appointment.**



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## NEW HOMES

I CAN WORK WITH MOST BUILDERS AND GET ALL THE INFORMATION YOU NEED TO MAKE ANY DECISIONS, BUT I WILL NEED TO ACCOMPANY YOU TO THE PROPERTY ON THE INITIAL VISIT.

By letting me help you buy a home through the builder, I can represent your interest to make sure you get the best service possible.

You'll get more, but you won't pay more for it.



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## **What else will I do to help you during your real estate transaction?**

Signing an Agreement of Sale puts into motion the many tasks required to bring the seller and buyer to a successful closing. The list below itemizes some of the many services a realtor performs for his/her clients. I will handle the infinite number of necessary details with care and professionalism so you and your family can relax and focus on the move and your future.

### **Follow up :**

- Tax Certification
- Use & Occupancy
- Wood Infestation Certification
- Other Inspections and Follow for Receipt
- Condominium or Homeowners Association Documents
- Condo Insurance Certificates
- Water Payoff
- Sewer Payoff
- Trash Payoff
- Loan Payoffs
- Title
- Follow up for receipt of title
- Review and clear title
- Review borrower's loan commitment
- Track Deposit
- Track important contract dates
- Follow up with lender to make sure the job is getting done.
- Provide regular communication with all related parties to the transaction
- Issue settlement notices to all parties
- Review HUD-1 statement from the Title Company prior to settlement
- Attend settlement (or what I like to call Celebration Day)

## BUDGET BASICS WORK SHEET

The first step in getting yourself in financial shape to buy a home is to know what you make and what you spend now. List your income and expenses below.

<b>INCOME</b>	<b>\$\$\$</b>
<b>TAKE HOME PAY / ALL FAMILY MEMBERS</b>	
<b>CHILD SUPPORT / ALIMONY</b>	
<b>PENSION / SOCIAL SECURITY</b>	
<b>DISABILITY / OTHER INSURANCE</b>	
<b>INTEREST/ DIVIDENDS</b>	
<b>OTHER</b>	
<b>TOTAL INCOME=</b>	

<b>EXPENSES</b>	<b>\$\$\$</b>
<b>RENT/MORTGAGE (WITH TAXES, PRINCIPLE, &amp; INS)</b>	
<b>LIFE INSURANCE</b>	
<b>HEALTH / DISABILITY INSURANCE</b>	
<b>HOMEOWNERS OR OTHER INSURANCE</b>	
<b>CAR PAYMENTS</b>	
<b>OTHER LOAN PAYMENTS</b>	
<b>SAVING/ PENSION CONTRIBUTIONS</b>	
<b>UTILITIES (GAS, WATER, ELECTRIC &amp; PHONES)</b>	
<b>CREDIT CARD PAYMENTS</b>	
<b>CAR UPKEEP (GAS &amp; MAINTENANCE)</b>	
<b>CLOTHING</b>	
<b>PERSONAL CARE PORDUCTS (SHAMPOO, SOAP ETC.)</b>	
<b>GROCERIES</b>	
<b>FOOD PREPARED OUTSIDE THE HOME (RESTAURANT MEALS &amp; CARRY OUT)</b>	
<b>MEDICAL/ DENTAL/PRESCRIPTIONS</b>	
<b>HOUSEHOLD GOODS (HARDWARE, LAWN &amp; GARDEN)</b>	
<b>RECREATION/ENTERTAINMENT</b>	
<b>CHILD CARE</b>	
<b>EDUCATION</b>	
<b>CHARITABLE DONATIONS</b>	
<b>MISCELLANEOUS</b>	
<b>TOTAL EXPENSES =</b>	
<b>REMAINING INCOME AFTER EXPENSES =</b>	



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## Three Elements Are Crucial When Buying a Home...

- Down payment...
- ..Closing Costs..
- ..Qualifying for a Mortgage

# **GLOSSARY OF MORTGAGE TERMS**

**Adjustable Rate Mortgage (ARM)** -Mortgage Loans in which the interest rate and monthly payments may be adjusted periodically to correspond with changes in the cost of funds.

**Amortization** - Payment of debt in regular, periodic installments of principal and interest, as opposed to interest only payment.

**Amortization Schedule**—A schedule showing each payment of a loan to be amortized and breaking down the payment into the amount applied to principal and amount applied to interest.

**Annual Percentage Rate (APR)** - This is the cost of your credit expressed in terms of an annual rate. Because you may be paying "Points" and other closing costs, the APR disclosed is often higher than the interest rate on your loan. The APR can be compared to the APR for other loans for which you may have applied to give you a fair method of comparing price.

**Assumption Fee**—Lender's charge for paperwork involved in processing records for a new buyer assuming an existing loan.

**Balloon Payment**— When the final installment payment on a note is greater than preceding installment payments and it pays the note in full.

**Change Cap**— An interest rate cap which limits the increase on the interest rate from one adjustment period to the next.

**Life Cap**— An interest rate cap which limits the increase rate over the life of the loan.

**Certificate of Reasonable Value (CRV)** - The federal veterans administration appraisal commitment of property value.

**Closing Statement**— The statement which lists the financial Settlement between buyer and seller, and also the costs each must pay.

**Condominium**— A system of individual fee ownership of units in a multi—family structure, combined with joint ownership of common areas of structure and the land.

**Conventional Loan**— A mortgage or deed of trust not obtained under a government insured Program (such as FHA or VA)

**Cooperative Ownership**—Also called a stock cooperative or a co-op. A structure of two or more unites in which the right to occupy a unite is obtained by the purchase of stock in a corporation which owns the building. Difficult to obtain financing because there is not individual ownership of each unit. A forerunner of the condominium.

**Deed of Trust**—A instrument used in many states in the place of a mortgage. Property is transferred to a trustee by the borrower (trust or) in favor of the lender (beneficiary), and re conveyed upon payment in full.

**Earnest Money**—Down payment made by a purchaser of real estate as evidence of good faith.

**Escrow Money**— Delivery of a deed by a grantor to a third party for delivery to the grantee.

**Federal Housing Administration (FHA)** - An agency of the federal government that insures mortgage loans.

**Home Warranty Insurance**— Private insurance insuring a buyer against defects (usually in plumbing, heating, and electrical) in the home he has purchased. The period of insurance varies and both new and used homes may be insured.

**Loan Origination Fee**—A one time set up fee charged by the lender.

**Title Insurance** - Insurance against loss resulting from defects of title to a specifically described parcel of real property. Defects may run to the fee (chain of title) or to encumbrances.

**Variable Interest Rate**—An interest rate which fluctuates as the prevailing rate moves up or down. In mortgages they are usually maximums as to frequency and amount of fluctuation. Also called "flexible interest rate"



## CLIENT PROFILE AND NEEDS ANALYSIS

<b>NAME:</b>	
<b>MAILING ADDRESS:</b>	_____ _____ _____
<b>E-MAIL ADDRESS:</b>	_____
Contact me by:	E-Mail _____ Phone _____ Mail _____
<b>PHONE #'s:</b>	Home: _____ Work: _____ Cell: _____
<b>TYPE AND STYLE OF PROPERTY INTEREST</b>	Single Family _____ Condo _____ Townhome _____ Duplex _____ Row Home _____ Colonial _____ Ranch _____ Other _____ Rural _____ City _____ Suburbs _____
<b>PRICE RANGE:</b>	<b>AREAS OF INTEREST:</b>
<b>IDEAL TIME TO MOVE</b>	
<b>MORTGAGE OR CASH:</b>	<i>If you are getting a new mortgage, be advised you should be pre-approved before looking.</i>  <i>Mortgage Contact</i> _____ <i>Cash</i> _____ <i>Mortgage</i> _____ <i>Source of down payment</i> _____
<b>SPECIFIC NEEDS:</b>	<b>MUST HAVE:</b> # of Bedrooms _____ # of Baths _____ Fireplace _____ Square Footage _____ Lot Size _____ Detached/Attached Garage _____ Driving Time to and from Work _____ <b>WISH LIST:</b> _____ _____
<b>HOME TO SELL:</b>	Yes _____ No _____ How long do you plan to live your new home _____
<b>CHILDREN:</b>	<b>SCHOOLS:</b>
<i>Any other information which will assist me in servicing your needs, including things you do not want:</i>	
_____	
_____	
_____	

## IDENTIFYING YOUR HOME NEEDS

The first step you can take in the home buying process is to establish a clear understanding of what you absolutely need and what you would want in a home. This will enable you, and your agent, to narrow down your search based on your requirements.

REMEMBER, IT'S YOUR HOME...  
MAKE YOUR DREAMS COME TRUE!

**You should first create three categories and assign your requirement under each one.**

*MUST ABSOLUTELY HAVE:* These are features that must be present

*WOULD LIKE TO HAVE:* Features you would want to have but are not necessary

*GOOD TO HAVE:* Features which may be an added bonus but you can do without.

### **LIST OF FEATURES YOU MAY CONSIDER:**

#### Location:

- **Commute Factor:** To work, school, shopping, market entertainment
- **General Location:** Neighboring setting, secluded, near school, church, good views
- **Town/City Data:** Town/City stats, schools, real estate taxes, property value, etc.
- **Local Services:** Sewer, water, trash disposal, police & fire, hospitals, public transportation
- **Any Nuisances:** Any nearby sources of noise, smoke, dust, hazardous waste, factories, etc.
- **Traffic:** Nearby road, street settings. Dead-end streets, etc.
- **Neighborhood:** New development, established development, gated community

#### House:

- **Price range:** Identify an approximate price range
- **Type of Unit:** Single family, town home, multi-family, condominium
- **House Type:** Colonial, Split, Ranch, Contemporary
- **Size:** Square footage of living space and lot
- **Age of House:** New construction, older home, historic
- **House Condition:** No work required, needs TLC, needs short/long term repairs
- **Total # of Rooms:** # of bedrooms, baths, master suite, laundry room – what floor?
- **Size of Rooms:**
- **Size of Kitchen:** Eat-in, island, peninsula
- **Basement:** Size, finished/unfinished
- **Attic:** Walk-up, pull down, finished/unfinished
- **Closets:** Size, number, other storage areas
- **Number of Levels:**
- **Front & Back Yard:** Wooded, landscapes, views, flat, hillside, etc.
- **Garage:** Attached, detached, under, for how many cars?
- **Extra Areas:** deck, porch, patio, sun-room
- **Appliances:** Refrigerator, washer/dryer, dishwasher, microwave, etc.
- **Other Amenities:** fireplace, central air, hardwood floors, wall-to-wall carpets, skylights, etc.
- **Security Features:** Auto garage door opener, deadbolt locks, security system
- **Other Special Needs:** wide hallways, high ceilings, etc.



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## **Tips for Finding Your New Neighborhood**

The neighborhood you choose can have a big impact on your lifestyle— safety, available amenities and convenience all play their part.

Make a list of the activities—movies, health club, church—you engage in regularly and stores you visit frequently. See how far you would have to travel from each neighborhood you're considering to engaging in your most common activities.

Check out the local school district. The Department of Education in your town can probably provide information on test scores, class size, percentage of students who attend college and special enrichment programs. If you have school age children, also consider paying a visit to schools in the neighborhood you're considering. A home in a good school district will be easier to sell in the future.

Ask the police department for neighborhood crime statistics. Consider not only the number of crimes but also the type— burglaries, armed robberies - and the trend of increasing or decreasing crime.

See for yourself. Once you've narrowed your focus to two or three neighborhoods, go there and walk around. Are homes tidy and well maintained? Pick a warm day, if you can, and chat with people working or playing outside.



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# The ABC's of Real Estate

## 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:

- Considering 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 Values
- Traffic
- Crime Rate
- Future Construction
- Proximity to Schools, Employment, Hospitals, Shops, Public Transportation, Cultural Activities (museums, concerts, theater, etc.) Freeways, Airports, Beaches, Parks, 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 financial 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 a home in a neighborhood that is a bit further out. 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 the sale price is decreasing, and whether there is active community involvement. You can also drive around the neighborhoods and see how many "sale pending" and "Sold" signs there are in a particular area.



## INTERNET WEB SITES YOU MAY WISH TO ACCESS

- **[www.phila-homes.com](http://www.phila-homes.com)**  
By Re/Max Services offers an up-to-date content rich site to search for homes on the market , school and community information
- **[www.rladirect.com/cgi-bin/muniframe.cgi](http://www.rladirect.com/cgi-bin/muniframe.cgi)**  
Contains information on each of the townships and the boroughs in various counties. Please call the municipality to ask any questions about taxes, future developments, etc.
- **[www.us202.com](http://www.us202.com)**  
Provides information on Route 202 new construction
- **[www.homefair.com/sr\\_homes.html](http://www.homefair.com/sr_homes.html)**  
Provides School Reports
- **[www.ashi.com](http://www.ashi.com)**  
The American Society of Home Inspectors site.
- **[www.philly.com](http://www.philly.com)**  
Newspaper site with sections on weather, sports, education, etc.
- **[www. Dep.state.pa.us/efacts](http://www.Dep.state.pa.us/efacts)**  
Area information from the department of environmental inspection.
- **[www.PA309connector.com/images/RT309\\_newslettermap.pdf](http://www.PA309connector.com/images/RT309_newslettermap.pdf)**  
Information about proposed connect between 309 and Sumneytown Pike



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## BUYING YOUR HOME?

What is it that I need to know to help you achieve your goals in this process? \_\_\_\_\_

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Describe perfect? \_\_\_\_\_

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Why is this important to you? \_\_\_\_\_

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## BUYER INFORMATION

Date \_\_\_\_\_ Name \_\_\_\_\_  
Buyer's Name \_\_\_\_\_ Home #: \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_  
Referred By \_\_\_\_\_ Office # \_\_\_\_\_ Fax # \_\_\_\_\_  
Company \_\_\_\_\_ Home # \_\_\_\_\_ Office # \_\_\_\_\_  
Address \_\_\_\_\_ Referral Source \_\_\_\_\_ % Agreed on \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_ Thank Referring Party \_\_\_\_\_  
What prompted you to call? \_\_\_\_\_  
What was it about the ad/home you liked? \_\_\_\_\_  
How long have you been looking for a home? \_\_\_\_\_  
Are you working with another agent? \_\_\_\_\_ If yes, who? \_\_\_\_\_  
How many homes have you seen with other agents? \_\_\_\_\_  
Why didn't you buy one of those? \_\_\_\_\_  
Do you own or rent? \_\_\_\_\_ Must you sell (complete lease) before buying? \_\_\_\_\_  
How many are in your family? \_\_\_\_\_  
How soon do you need to move? \_\_\_\_\_  
If we find the right property, are you prepared to make a decision at that time? \_\_\_\_\_  
Is there anyone else who will be helping you make a decision about buying? \_\_\_\_\_  
Where are you employed? \_\_\_\_\_ What is your combined income? \_\_\_\_\_  
If we commit 100% to you, will you commit to buying your new home from us? \_\_\_\_\_  
What is the best time reach you? \_\_\_\_\_

### Present Home

### Future Home

**Price Range**\$ \_\_\_\_\_ To \_\_\_\_\_  
**Down Payment**\$ \_\_\_\_\_ **MonthlyPmt** \_\_\_\_\_  
**# Bedrooms** \_\_\_\_\_ **# Baths** \_\_\_\_\_  
**Square Footage** \_\_\_\_\_  
**House Type:** Single Family, Townhouse/Condo,  
Patio Home, Other **Pool:** Yes or No  
**Parking:** 2 garage, 3 or more garage, Carport  
**Special Features:**

**Price Range**\$ \_\_\_\_\_ To \_\_\_\_\_  
**Down Payment**\$ \_\_\_\_\_ **Monthly Pmt** \_\_\_\_\_  
**# Bedrooms** \_\_\_\_\_ **# Baths** \_\_\_\_\_  
**Square Footage** \_\_\_\_\_  
**House Type:** Single Family, Townhouse/Condo,  
Patio Home, Other **Pool:** Yes or No  
**Parking:** 2 garage, 3 or more garage, Carport  
**Special Features:**

#### Action Needed:

\_\_\_\_\_ Mail/Deliver Buyer Orientation-Relocation  
\_\_\_\_\_ Package  
\_\_\_\_\_ E-Mail Properties to Buyer  
\_\_\_\_\_ Put on Letter Schedule

#### Action Taken:

\_\_\_\_\_ Buyer Orientation:  
\_\_\_\_\_ Properties Mailed  
\_\_\_\_\_ Buyer Orientation—Relocation Package Delivered \_\_\_\_\_  
\_\_\_\_\_ Properties Mailed \_\_\_\_\_

#### Action Needed:

\_\_\_\_\_ Thank You Letter  
\_\_\_\_\_ Follow up in \_\_\_\_\_ Days  
\_\_\_\_\_ Change Status to

#### Action Taken:

\_\_\_\_\_ Referred to Lender for Prequalification  
\_\_\_\_\_ Schedule Showing

**Comments:** \_\_\_\_\_



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## **PROPERTY INSPECTION**

There is a provision in the Agreement of Sale that gives you the right to inspect the mechanical, electrical, plumbing and structural portions of the property.

There are inspection companies that provide services of this type. You can accompany the inspector to ask questions and receive a written report itemizing any areas of concern.

It is very important that you make sure the inspector meets the Pennsylvania State Requirements.







# Buyer's Final Checklist



## TWO WEEKS BEFORE CLOSING

- Call the electric company to arrange for service to be put in your name. (if you never had service in your name with the electric company they may require a personal visit.)
- Call the water company to arrange for service to be put in your name.
- Make the arrangements for phone service at your new home.
- Make arrangements to have the mail forwarded to your new address.
- Make sure you have sent everything to the mortgage company that they requested.

## ONE WEEK BEFORE CLOSING

- Pick up your original insurance policy from your insurance agent and receipt for one paid year.
- Make sure your mortgage company is listed on the policy.

## DAY BEFORE CLOSING

- Make the arrangements to obtain a bank check for closing. Funds must be certified and the check must be written out to the title/abstract company.

## DAY OF CLOSING

- Bring 2 forms of identification to closing, including one Photo ID (your valid drivers license is fine)
- Bring your bank check
- Bring your insurance policy and paid receipt
- Bring your original paperwork
- If you have any cancelled checks or paid receipts for inspections, lenders fees, tests, etc... bring them to settlement.
- Bring your personal checkbook to settlement, as your costs are estimated.



## MLS MEMBER

As a member of the TREND Multiple Listing service, I can show you any property listed with any Real Estate Company

If you should see an ad in the paper or a sign in a yard, call me to find out the information.

If you want to see it, I will make the appointments and show you the property.



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## **EIGHT WAYS TO IMPROVE YOUR CREDIT**

*Credit scores, along with your overall income and debt, are a big factor in determining if you'll qualify for a loan and what loan terms you'll qualify for.*

1. Check for and correct errors in your credit report. Mistakes happen, and you could be paying for someone else's poor financial management. Keep documentation of all communication with creditors and credit reporting bureaus.
2. Pay down credit card bills. If possible, pay off the entire balance every month. However, transferring credit card from one card to another could lower your score.
3. Don't charge your credit cards to the maximum limit.
4. Wait 12 months after credit difficulties to apply for a mortgage. You are penalized less for problems after a year.
5. Don't order items for your new home you'll buy on credit – such as appliances – until after the loan is approved. The amounts will add to your debit.
6. Don't open new credit card accounts before applying for a mortgage. Having too much available credit can lower your score.
7. Shop for mortgage rates all at once. Too many credit applications can lower your score, but multiple inquiries from the same type of lender are counted as one inquiry if submitted over a short period of time.
8. Avoid financial companies. Even if you pay the loan on time, the interest is high and it will probably be considered a sign of poor credit management.



## TAKE CHARGE OF YOUR CREDIT

### Who Knows More About Your Finances, You or Your Automobile Salesman?

Gone are the days when a hopeful couple sat across the desk from their local banker anxiously awaiting his decision on their loan application. Today, the fate of their loan and the rate of their interest hinges on a computer generated number...your credit score.

### What's the Score?

The FICO credit score reflects dozens of parameters in one's financial history. For years, this number (named for developers, Fair, Isaac & Company) was a tightly guarded secret. Congress has now secured your right to know...take advantage of it.

Score 700 - 850 - smooth loan process best interest rates

Score 550 - 699 - medium risk; higher interest rates

Score 300 - 549 - sorry, no loans or credit cards

### Know Your Score

Are you counting on a new car, a new roof, new furniture? Before you talking financing, send for your credit report and FICO score. If there are errors or other surprises, contact creditors to make corrections or negotiable settlements. Also, be sure to notify the credit bureau or your dispute, and get letters and documentation to show your lender.

Legitimate black marks on your credit won't disappear quickly. It takes seven years; ten for bankruptcy. How ever, time and your diligence can turn things around. Lenders will give recent responsible activity due consideration.

### What Helps:

- Pay all bills – and pay on time
- Maintain 2 – 4 credit cards
- Close unused credit or store cards
- Keep balances well below the limit
- Pay more than the minimums
- Establish long-term credit history

### What Hurts:

- Too many credit cards or zero cards
- High non-mortgage debt
- Delinquent accounts
- Frequent jobs or address change
- Charge offs (bills marked uncollectible)
- Bankruptcy

## Big Three Credit Bureaus

(The cost to order a credit report ranges from free to \$12.50)

### **Equifax Information Services, LLC.**

800 – 685 – 1111

[www.equifax.com](http://www.equifax.com)

### **Experian**

888 – EXPERIAN

[www.experian.com](http://www.experian.com)

### **TransUnion LLC Disclosure Center**

800 – 888 – 4213

[www.transunion.com](http://www.transunion.com)



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## **FIVE FACTORS THAT DECIDE YOUR CREDIT SCORE**

*Scores range between 200 and 800. Scores above 700 are considered desirable for obtaining a mortgage. These factors will affect your score:*

1. *Your Payment History.* Whether you paid credit card obligations on time.
2. *How Much You Owe.* Owing a great deal of money on numerous accounts can indicate that you are over-extended.
3. *The Length of Your Credit History.* In general, the longer the better.
4. *How Much New Credit You Have.* New credit, either installment payments or new credit cards, are considered risky, even if you pay promptly.
5. *The Types of Credit You Use.* Generally it's desirable to have more than one type of credit – installment loans, credit cards, and a mortgage, for example.



## **NINE STEPS TO GET YOUR FINANCES IN ORDER**

1. Develop a family budget. Instead of budgeting what you'd like to spend, use receipts to create a budget for what you actually spent over the last six months. One advantage of this approach is that it factors in unexpected expenses such as car repairs, illnesses, etc., as well as predictable costs such as rent.
2. Reduce your debt. Generally speaking, lenders look for a total debt load of no more than 36% of income. Since this figure includes your mortgage, which typically ranges between 25 - 28 % of income, you need to get the rest of installment debt - car loans, Revolving balances on credit cards - down to between 8 - 10 percent of your total income.
3. Get a handle on expenses. You probably know how much you spend on rent and utilities, but little expenses add up. Try writing down everything you spend for one month. You'll probably see some great ways to save.
4. Increase your income. It may be necessary to take on a second, part-time job to get your income at a high enough level to qualify for the home you want.
5. Save for a down payment. Although its possible to get a mortgage with only 5% down - or less in some cases—you can usually get a better rate and a lower overall cost if you if you put down more.
6. Create a house fund. Don't just plan on saving whatever is left toward a down payment. Instead decide on a certain amount a month you can save, then put it away as you pay your monthly bills.
7. Keep your job. While you don't need to be in the same career forever to qualify, having A job for less than two years may mean you have to pay a higher interest rate. Some careers this is not true. Any gaps in employment will need to be explained.
8. Establish a good credit history. Get a credit card and make payments by the due date. Do the same for all your other bills. Pay off the entire balance promptly. Call the creditors and reporting bureaus to resolve any disputes and get letters and supporting Documentation to provide to your lender.
9. Build your savings early. Your saving should be "seasoned" for a minimum of one month and preferably two. Large movement of funds in or out of your asset accounts must be documented. Borrowed funds that are not secured against a property are not acceptable. Gifts are acceptable, but must be from immediate family members.

# **MAXIMUM LOAN FINDER CHARGE**

## **CURRENT INTEREST RATE FOR MORTGAGE LOAN**

<b>MONTHLY PAYMENT YOU CAN AFFORD</b>	<b>9%</b>	<b>10%</b>	<b>11%</b>	<b>12%</b>	<b>13%</b>	<b>14%</b>	<b>15%</b>
<b>\$300</b>	\$37,284	\$34,185	\$31,501	\$29,120	\$27,120	\$25,319	\$23,726
<b>\$400</b>	\$49,712	\$45,580	\$42,002	\$38,887	\$36,159	\$33,759	\$31,634
<b>\$500</b>	\$62,140	\$56,975	\$52,502	\$48,608	\$45,199	\$42,198	\$39,543
<b>\$600</b>	\$74,568	\$68,370	\$63,003	\$58,330	\$54,239	\$50,638	\$47,451
<b>\$700</b>	\$86,995	\$79,765	\$73,503	\$68,052	\$63,279	\$59,078	\$55,360
<b>\$800</b>	\$99,423	\$99,423	\$91,160	\$84,004	\$77,773	\$72,319	\$67,517
<b>\$900</b>	\$111,851	\$102,555	\$94,504	\$87,495	\$81,359	\$75,957	\$71,177
<b>\$1,000</b>	\$124,279	\$113,950	\$105,005	\$97,217	\$90,399	\$84,397	\$79,086

The chart describes the approximate maximum amount of a loan, assuming 30 year term at the given interest rate. To use it, locate the maximum payment you can afford down the left side then read across to the current interest rate. Where interest rate and affordable monthly payments cross, you will find your approximate maximum mortgage amount.

# **THE MORTGAGE APPLICATION**

## **The following should be brought to the mortgage application for a conventional loan:**

- Two year's W-2 forms (signed)
- Your last pay stubs from your present employer
- Copies of the last two months bank statements, from all accounts
- Names and addresses of all places of employment during the last two years and states employed.
- Name and address of landlord and phone number
- Copies of leases on any rental units presently owned.
- Copy of agreement of sale on present real estate (if sold)
- Check or money order payable to mortgage company for credit report and appraisal.

## **The following will be required if down payment or settlement costs are coming from a gift:**

- Gifts already given—You'll need a copy of donor's withdrawal slip for funds given and buyer's deposit slip showing funds entering buyers account.
- Gift to be given - You'll need a statement from the donor's bank stating that the amount of the gift is available in the donor's account. When fund's are given, a copy of certified check or bank check and a copy of buyer's deposit slip showing funds entering buyers account will be needed.

## **If applicant of co-applicant is divorced or separated:**

- If previously married , you will need a copy of the divorce decree
- If obligated to pay child support, you'll need a copy of the court order or the last six months of canceled checks.

## **If Self Employed:**

- Copies of the last two years tax returns
- If incorporated, copies of a profit and loss statement, up to and including the preset quarter.

## How Much Income Do You Need For \$200,000 Mortgage?

INTEREST RATE	MONTHLY PAYMENT		
	P + I	T + I	Total
11%	\$762	\$167	\$929
11.5 %	\$792	\$167	\$959
12 %	\$823	\$167	\$990
12.5%	\$854	\$167	\$1,021
13 %	\$885	\$167	\$1,052

P + I = Principle + Interest  
T + I = Taxes + Insurance  
Total represents actual monthly payment on mortgage at a given interest rate.



# THE MORTGAGE WORKSHEET

## Mortgage Payment

Gross monthly income \$ \_\_\_\_\_

Less any long - term debt - \_\_\_\_\_

Multiply by .28 for a 90% Loan;  
.32 for 80% \* \_\_\_\_\_

Less Taxes and Insurance  
(calculate the annual amount,  
then divide by 12) - \_\_\_\_\_

Maximum Monthly Mortgage  
Payment you can afford. \$ \_\_\_\_\_

Down Payment  
Total Cash Available \$ \_\_\_\_\_

Less closing costs  
(as a rough estimate on a  
New mortgage with about 2 points  
Figure 4 % of the mortgage  
amount for closing costs)

**Cash available for down payment** \$ \_\_\_\_\_

*Lenders use "income ratios" of about .28 for a 90% with 10 percent down payment and about*

# Monthly Housing Budget Worksheet

Monthly mortgage, tax and Insurance payment	\$ _____
Maintenance (Obtain figure from real estate agent)	+ _____
Gas (Obtain estimate through gas company)	+ _____
Electric	+ _____
Water	+ _____
Waste	+ _____
<b>Total Monthly Costs</b>	<b>\$ _____</b>

## Mortgage Factors

Take the maximum monthly payment you can afford and divide it by the appropriate factor for your interest rate.

Interest Rate	Factor
11%	.009523
11.5%	.009903
12%	.010286
12.5%	.010673
13%	.011062

# **INFORMATION NEEDED FOR LOAN APPLICATION**

## **Checking, Savings, CD's, Money Market and IRA Accounts**

- Names and addresses of institutions
- Account numbers
- Balances
- Most recent 3 months statements

## **Loans (car, mortgage, student, credit union, etc.)**

- Names and addresses of creditors
- Monthly payments and balances
- Account numbers and purpose of loan

## **Credit Cards**

- Card name and name of bank that issued card
- Account numbers
- Monthly payments and balances

## **Employment Information**

- Names and addresses of all employers for 2 full years (past and present) with dates of employment.
- 2 current pay stubs
- Last 2 years income information

## **Self Employed**

- Last 2 years personal tax returns
- Last 2 years corporate or partnership tax returns
- Year to date profit and loss statement

## **Real Estate Owned**

- Value of property
- Agreement with terms if rented
- Names and addresses of lenders
- Monthly payments, balances and account numbers.

## **Personal Assets**

- Year, model and value of cars
- Cash value of life insurance
- Stock and bonds value
- Value of furniture, jewelry, etc.

## **Other**

- Contract of sale on home being purchased
- Listing on home being purchased
- Contract of sale on present home being sold, if applicable
- Divorce decree/ separation agreement, if applicable
- Checkbook for application fee



# AGREEMENT OF SALE

You will be required to complete a buyers financial statement for review By the listing agent and the seller. A copy is attached. Your honesty is Of the utmost importance on this form, the sellers acceptance of the offer is based upon the information provided.

You are required to disclose where your assets for the down payment and closing costs will be coming from.

You are required to disclose your salary and debts so that your ability to obtain a mortgage is clearly revealed.

Based upon the price you wish to offer for the home, I will prepare an estimate of closing costs. This figure will be verified and updated 24 hours before closing so that you may bring a certified check to settlement.

We will write the agreement of sale together. You will need to decide the following:

- The names in which title is to be taken
- The price you wish to offer
- The down payment you wish to give (10% is the industry standard however, this Is negotiable)
- The date on which you wish to make settlement
- The inspections and tests you wish to have done on the house
- Any inclusions you are expecting to stay with the house must be typed into the agreement of sale

# AGREEMENT OF SALE

Buying your home will be a very exciting process! While in pursuit you will be excited about the future and finding just the right home. Finding your dream home is just the beginning of the home buying process.

## **How much do I offer ?**

Your agent will prepare a competitive market analysis of the home. You will receive a seller's disclosure statement. This information will be a guide for you to decide what to offer. A seller will be looking at the entire offer; price, terms and conditions. As a buyer, it is important that you position yourself so that your offer is strong:

- Mortgage commitment in hand contingent on an appraisal
  - What to do if the appraisal comes in lower than the sale price?
    - Put down more money?
    - Mortgage more money?
- Sufficient funds to close
- Full understanding of what inspections and contingencies will be necessary
- What to do if there are multiple offers on the home you want.
  - Go above asking price
  - Waive certain contingencies
  - Put more money down

## **What information must I give to the seller?**

You will be required to complete a buyer's financial statement. A copy is attached. Your honest y is of the utmost importance on this form. This seller's acceptance of the offer is based upon the information provided. You will disclose your salary and debts so that your ability to obtain a mortgage is clearly revealed. You will also disclose where your assets for the down payment and closing costs will be coming from.

## **What Paperwork must be prepared?**

You and your realtor will write the agreement of sale together. You will need to decide the following:

- Names in which title is to be taken
- The price you wish to offer
- The down payment you wish to give
- The date on which you wish to make settlement
- The inspections and tests you wish to have done on the house.
  - Home inspection
  - Radon test
  - Lead base paint test
  - Wood Infestation inspection
  - Mold and/or any environmental inspections or tests
- Any personal property included or excluded with the home
- The amount of and type of mortgage loan you desire.



## Winning When there's more than one offer!



In today's hot economy, when well-located, well priced homes often receive more than one offer, the professional buyer's representative needs a tool to fight in this emotional battle.

One effective tool we've found is to include language in the Additional Provisions portion of the purchase contract saying your buyer will pay \$ X more than any other offered price, usually up to a maximum of \$ Y. To be sure that your buyers aren't hoodwinked, be sure to request evidence of the size of the competing offer.

Although the following language needs to be approved by your attorney and/or the buyer's attorney, here's the language we use;

Should the "other" offer on said property be equal to or higher than \$249,900. Buyer's hereby agree to pay \$500.00 more than said "offer" up to a maximum of \$255,000, provided Seller shows Buyer evidence of any such offer price.

Obviously, there are several variables in the language. The price (\$249,900) is the price offered by your buyers. The amount more (\$500.00) should vary with the price of the property; i.e., it could be \$1,000 , \$2,500, \$5,000 etc.

The maximum (\$255,000) depends on what your buyers are willing to pay. This clause can be left out when buyers really want the property and can afford it. Regarding the maximum, if it is higher than what you believe the property will appraise for, you may want to ass language indicating that your buyers waive any appraisal conditions.

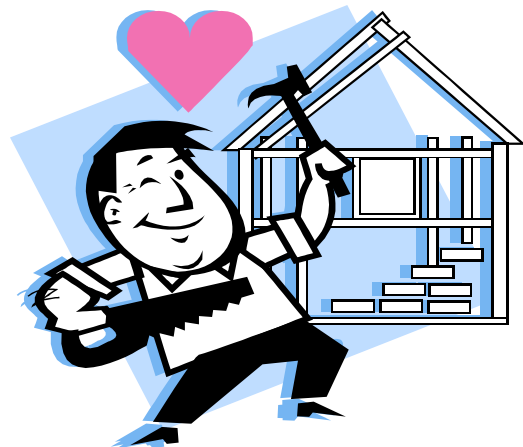
# HOME PROTECTION PLAN

As an additional benefit, some Sellers provide a Home Protection Plan for the buyer. The coverage is good for one year on selected items:

- Central Heating System
- Electric Central Air System
- Interior Plumbing
- Built –in Appliances
- Electric Pool Equipment

If the home you choose does not have a Home Protection Plan, you can Acquire the coverage yourself.

**Ask us and we  
will get you  
copies of several  
companies**



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