



BERKSHIRE HATHAWAY | Verani Realty
HomeServices

The Road to Homeownership: 10 Steps to Buying a House





Are You Ready to Buy a Home?



Buying a home is a big financial commitment and is a complex process. Even if you already own a home, regulations and laws may have changed since the last time you purchased, so it can be a complex and confusing process whether you are a first-time homebuyer or are re-entering the market.

Knowledge and experience are the keys to a successful real estate transaction. Working with a real estate agent is the easiest way to do things, but in order for your real estate agent to help you in the best way possible, you have to ask some questions for yourself:

Do you know what you want?

One of the keys to making the home-buying process easier and more understandable is planning. In doing so, you'll be able to anticipate requests from lenders, lawyers and a host of other professionals. Furthermore, planning will help you discover valuable shortcuts in the home-buying process.

Why are you looking to buy?

Whether you are a first-time home buyer or entering the marketplace as a repeat buyer, you need to ask why you want to buy. Are you planning to move to a new community due to a lifestyle change, or is buying an option and not a requirement? What would you like in terms of real estate that you do not now have? Do you have a purchasing timeframe?

Can you qualify for a mortgage?

Financing is closely intertwined with finding a home. Financing is the difference between the purchase price and the down payment, commonly referred to as the mortgage. Your personal credit, debt-to-income ratio, and more will affect how large of a mortgage you can qualify for.

How much do you have for a downpayment?

Loans with 5 percent down or less are available -- in fact, loans from major lenders with no money down have appeared in recent years.

If you place less than 20 percent down, lenders will want the mortgage guaranteed by an outside third party such as the Veterans Administration (VA), the Federal Housing Administration (FHA) or a private mortgage insurer (PMI, or private mortgage insurance, is required by lender to protect against any mortgage defaults). Millions of VA, FHA and PMI loans are generated each year.

Not everyone, however, elects to purchase with little or no money down. Less money down means higher monthly mortgage payments, so most home buyers choose to buy with some cash up front.

How's your credit?

The best rates and terms are only available to those with solid credit. To get the best loans, make a point of paying credit cards, installment payments, rent and mortgage bills in full and on time for at least one year prior to purchasing a home.

Are you a first-time buyer?

It might seem that "first-time buyer" means someone who has never owned property before, but under most state programs, the term refers to those who have not owned property within the past three years. State-backed first-timer programs often feature smaller down payments and below-market interest rates. For details, speak with your local REALTOR®.

Are you familiar with the real estate market and jargon?

The more you know about the real estate marketplace, the more likely you are to effectively define (and eventually achieve) your goals. Verani.com has a wealth of real estate tips and information, and your REALTOR is also a valuable resource about everything from community amenities to pricing trends.

Feeling stuck? As an interesting exercise, it can be worthwhile to look at the questions above and to then discuss them in detail when meeting with a local Berkshire Hathaway HomeServices Verani Realty REALTOR®.

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Get a REALTOR

Buying and selling real estate is more of a complex matter than it seems. At first it might appear that by checking local picture books or online sites you could quickly find a home. But it is the right home, at the right price?

A basic rule in real estate is that all properties are unique. No two properties -- even two identical models on the same street -- are exactly alike. Homes differ, and so do contract terms, financing options, inspection requirements and closing costs (also, no two transactions are alike!).

In this maze of forms, financing, inspections, marketing, pricing and negotiating, it makes sense to work with professionals who know the community and the real estate business. Put aside uncertainty and work with a Verani REALOR!

The National Association of REALTORS® (NAR) includes 1 million brokers and salespeople - individuals bound together with a strong Code of Ethics, extensive training opportunities and a wealth of community information. NAR members are routinely active in PTAs, local government committees and a variety of neighborhood organizations. Being actively involved in community affairs provides Berkshire Hathaway HomeServices Verani Realty REALTORS® with a better understanding of the areas in which they are selling.

How do you choose?

The best place to find a local REALTOR® is on Verani.com - Just click the link. Other sources include open houses, local advertising, Web sites, referrals from other REALTORS®, recommendations from neighbors and

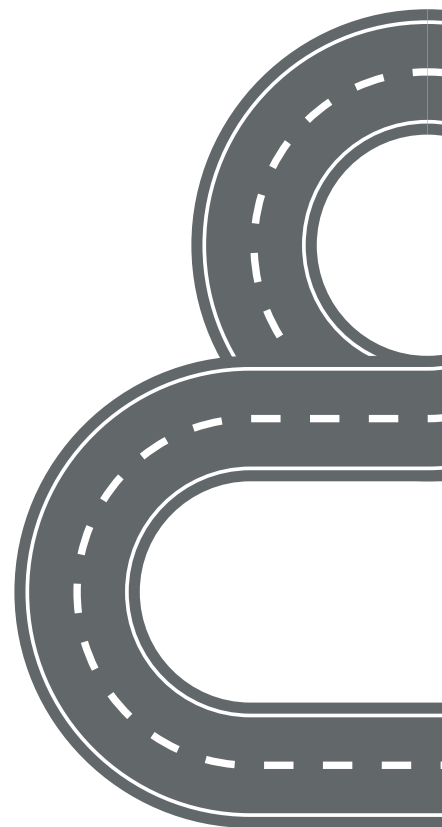


suggestions from lenders, attorneys, financial planners and CPAs. The experiences and recommendations of past clients can be invaluable. In many cases buyers will interview several REALTORS® before selecting one professional with whom to work. These interviews represent a good opportunity to consider such issues as training, experience, representation and professional certifications.

What should you expect when you work with a Berkshire Hathaway HomeServices Verani Realty REALTOR®?

Once you select your Berkshire Hathaway HomeServices Verani Realty REALTOR® you will want to establish a proper business relationship. You likely know that some REALTORS® represent sellers while others represent buyers. Each REALTOR® will explain the options available, describe how he or she typically works with individuals and provide you with complete agency disclosures (the ins and outs of your relationship with the agent) as required in your state.

Once hired for the job, your Berkshire Hathaway HomeServices Verani Realty REALTOR® will provide you with information detailing current market conditions, financing options and negotiating issues that might apply to a given situation. Remember: Because market conditions can change and the strategies that apply in one negotiation may be inappropriate in another, this information should not be set in stone. During your time in the marketplace your Berkshire Hathaway HomeServices Verani Realty REALTOR® will keep you updated and alert you to each step in the transaction process.





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Get Loan Pre-approval

Few people can buy a home for cash. According to the National Association of REALTORS® (NAR), nearly nine out of 10 buyers finance their purchase, which means that virtually all buyers, especially first-time purchasers, require a loan.

REALTORS® routinely suggest that consumers start the mortgage process well before bidding on a home. Your REALTOR® can help you find a selection of lenders. By meeting with lenders, either online or face to face, and looking at loan options, you will find which programs best meet your needs and how much you can afford. For instance, a first-time buyer may qualify for state-backed mortgage programs with little money down and low interest rates, while a repeat purchaser (someone who has

bought a home before) with more equity (money invested in the home) might want to get a 15-year loan and the lower overall interest costs it represents. Typically, first-time buyers opt for the traditional 30-year loan, with either a floating interest rate or a fixed rate of interest over the life of the loan.

REALTORS® also recommend pre-approvals for another reason: Purchase forms often require buyers to apply for financing within a given time period, in many cases, 7 to 10 days. By meeting with loan officers in advance and identifying mortgage programs, you won't have to quickly find a lender, check credit, and rush into a financing decision that may not be the best option.



Commonly asked questions

What is pre-approval?

"Pre-approval" means you have met with a loan officer, your credit files have been reviewed, and the loan officer believes you can readily qualify for a loan amount with one or more specific mortgage programs. Based on this information, the lender will provide a pre-approval letter, which shows your borrowing power. Mortgage financing can be obtained from mortgage bankers, mortgage brokers, savings and loan associations, mutual savings banks, commercial banks, credit unions, and insurance companies. You can visit as many lenders as you like and get several pre-approvals, but keep in mind that each one carries with it a new credit check, which will show up on future credit reports. A growing number of REALTORS® can also arrange financing.

How do I get pre-approval?

Real estate financing is available from numerous sources, including mortgage companies that have worked with local REALTORS® and in some cases, individual REALTORS® themselves. Based on his or her experience, the REALTOR® may suggest one or more lenders with a history of offering competitive programs and delivering promised rates and terms.

Why get pre-approval?

Although this is not a final loan commitment, the pre-approval letter can be shown to listing brokers when bidding on a home. It demonstrates your financial strength and shows that you have the ability to go through with a purchase. This information is important to owners since they do not want to accept an offer that is likely to fail because financing cannot be obtained.

How reliable is a pre-approval?

While pre-approval is not a loan commitment, it's still necessary for lenders to check such items as appraisals and the latest credit reports. Despite fluctuating interest rates, pre-approval nonetheless provides a reasoned, careful analysis of what you can afford.



Start the Real Estate Search

The housing market is complicated because the stock of homes for sale is always in flux. If it were possible to print a complete list of every home for sale at this very moment in a given community, such a list would become obsolete within seconds as new homes become available and properties now for sale are put under contract. In effect, buyers are trying to aim at a moving target.

The challenge becomes finding the property which best meets your needs. Every home has unique aspects that make up its value -- there may even be a lot more aspects than you'd expect. Several structurally similar properties may well represent radically different designs, commuting distances, lot sizes, tax costs, interior dimensions, and exterior finishes.

Because of this, it is important to know your wants and needs, identify preferred markets, and have access to constantly updated real estate information. Berkshire Hathaway HomeServices Verani Realty agents can be the guidance system that allows you to hit that moving target!

List your preferences

Everyone's preferences are different, so it's important to list the features and benefits you want in a home. Consider such things as pricing, location, size, amenities (extras such as a pool or extra-large kitchen) and design (one floor or two, colonial or modern, etc.).

In addition to the features and style of the house, list what you are looking for in a community. All neighborhoods and communities have a unique, special nature that gives them identity and value. One community may be well known for historic homes while another offers both suburban living as well as easy access to downtown office areas.

Know your priorities

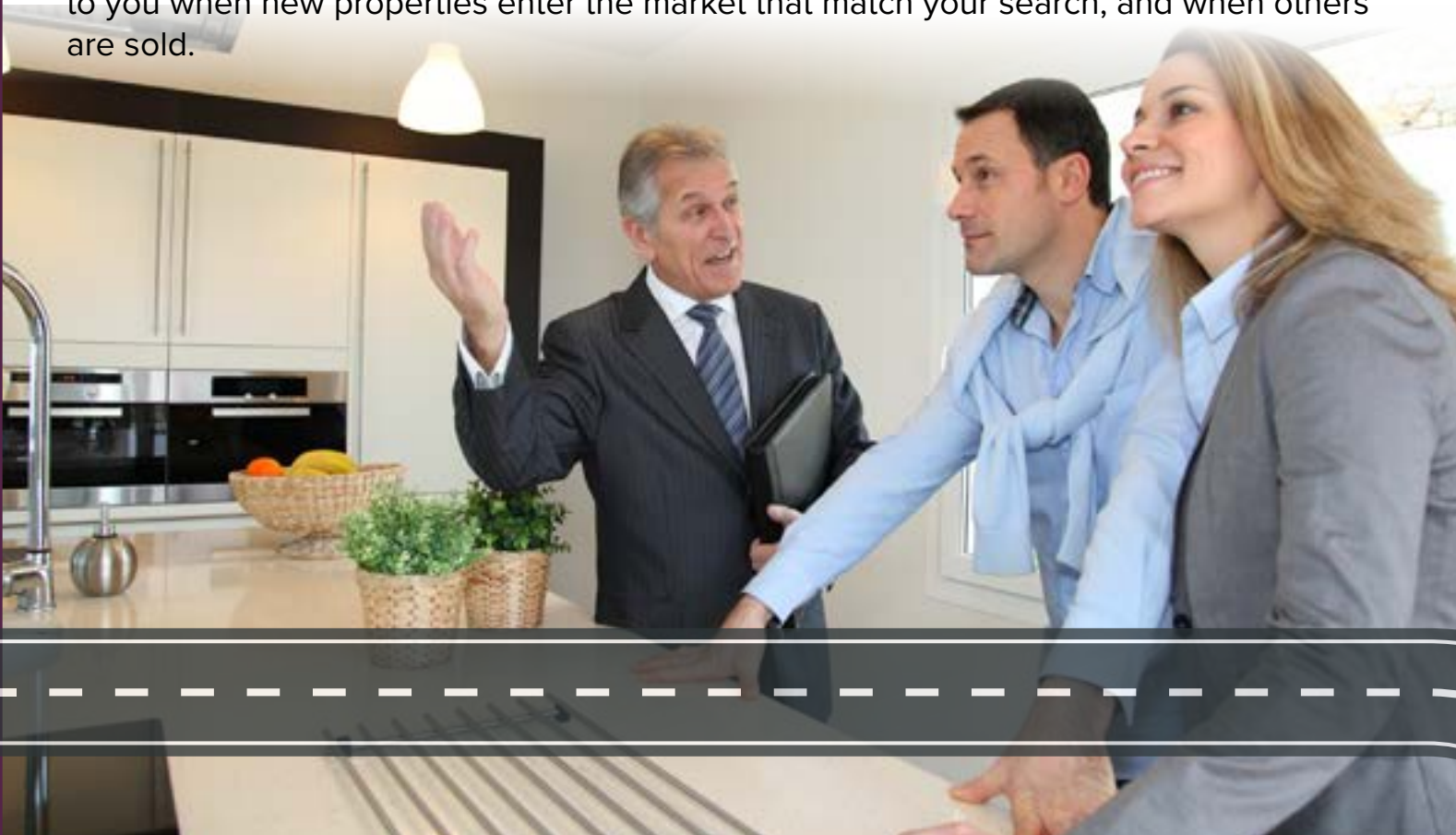
Next, it's important to consider your priorities. If you can't get a home at your price with all the features you want, then you should know what features are most important. For instance, would you take fewer bedrooms in exchange for a larger kitchen? A longer commute for a bigger lot and lower cost?

Know your needs

Lastly, consider your needs for several years into the future. If you'll need a larger home, maybe now is the time to buy a bigger house rather than moving or expanding in the future. If you expect your income to increase, perhaps you should consider a more expensive home financed with a loan program where monthly payments increase in the future.

Target your search

With your list of needs, wants, and priorities in hand, go to our search page! Some people prefer to search by location or price; others prefer to have local REALTORS® suggest properties; and many buyers prefer both approaches. Regardless of your choice, it's important to target your search. By using basic measures such as general location and affordability, you can refine your search and focus on homes that offer the most desirable features. You can even create saved searches, and get updates emailed to you when new properties enter the market that match your search, and when others are sold.





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Choose a Home

A house is shelter, but a home is far more. It's where you live, relax, entertain friends, raise families, and work. A home is where you spend much of your life, so choosing a house is an enormous decision. But how do you know if a house is the one?


The best approach is to look at as many homes as possible. Keeping organized during your search can also help. Maintain a file with information on each of the homes you like. You can print out listing pages and then make notes for each one -- what you liked, questions you had, agent contact data, etc. -- so you can compare homes side by side. Once your choices have been narrowed, your REALTOR®

can help with finding out more specific information. All you need to do now is narrow your choices down to one!



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Get Funding



Often the cost of real estate financing is greater than the original purchase price of a home (even after including interest and closing costs). Because financing is so important, buyers should have as much information as possible regarding mortgage options and costs. Local REALTORS® can provide mortgage information, discuss financing options and recommend loan sources. In addition, some REALTORS® also originate loans.

To obtain a loan you must complete a written loan application and provide supporting documentation. Specific documents include recent pay stubs, rental checks and tax returns for the past two or three years if you are self-employed. During the prequalification procedure, the loan officer will describe the type of paperwork required.

Make an Offer

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Once you've narrowed down your search to "the one," it's time to make an offer. REALTOR® groups, working with legal counsel, have developed forms that are appropriate for real estate transactions in specific communities. Such documents include numerous sale conditions, whose wording should be carefully reviewed to assure that they reflect the terms you want to offer. REALTORS® can explain the general contracting process in your community as well as their own role.

While much attention is spent on offering prices, a proposal to buy includes both the price and terms. In some cases, terms can represent thousands of dollars in additional value for buyers (or additional costs). Terms are extremely important and should be carefully reviewed.

How much should I offer relative to the asking price?

You sometimes hear that the amount of your offer should be X% below the seller's asking price or Y% less than you're really willing to pay. In actual practice, the offer depends on the basic laws of supply and demand: If many buyers are competing for homes, then sellers will likely get full-price offers and sometimes even more. If demand is weak, then offers below the asking price may be appropriate.





How do I make an offer?

The process of making offers varies around the country. In a typical situation, you will complete an offer that the REALTOR® will present to the owner and the owner's representative. The owner, in turn, may accept the offer, reject it or make a counter-offer. Because counter-offers are common (any change in an offer can be considered a "counter-offer"), it's important for buyers to remain in close contact with REALTORS® during the negotiation process so that any proposed changes can be quickly reviewed.

No aspect of the home buying process is more complex, personal or variable than bargaining between buyers and sellers. This is the point where the value of an experienced REALTOR® is clearly evident because he or she knows the community, has seen numerous homes for sale, knows local values and has spent years negotiating real estate transactions.



Get Insured

No one would drive a car without insurance, so it figures that no homeowner should be without insurance. The standard idea behind all forms of real estate insurance is to protect owners in the event of catastrophe. If something goes wrong, insurance can be the bargain of a lifetime and save you a lot of heartache.

What kind of insurance should I get?

There are various forms of insurance associated with home ownership, including these major types:

- **Title insurance:** Title insurance is purchased with a one-time fee at closing. Title insurance protects owners in the event that title to the property is found to be invalid. Coverage includes “lenders” policies, which protect buyers up to the mortgage value of the property, and “owners” coverage, which protects owners up to the purchase price. In other words, “owners” coverage protects both the mortgage amount and the value of the down payment.
- **Homeowners insurance:** Homeowners insurance provides fire, theft and liability coverage. Homeowners policies are required by lenders and often cover a surprising number of items, including, in some cases, property such as wedding rings, furniture and home office equipment.
- **Flood insurance:** Flood insurance is generally required in high-risk flood-prone areas. This insurance is issued by the federal government and provides as much as \$250,000 in coverage for a single-family home plus \$100,000 for its contents. Local REALTORS® can explain which locations require such coverage.
- **Home warranties:** With new homes, buyers want assurance that if something goes wrong after completion the builder will be there to make repairs. But what if the builder refuses to do the work or goes out of business? Home warranties bought from third parties by home builders are generally designed to provide several forms of protection, such as workmanship for the first year, mechanical problems like plumbing and wiring for the first two years, and structural defects for up to 10 years.

Home warranties for existing homes are typically one year service agreements purchased by sellers. In the event of a covered defect or breakdown, the warranty firm will step in and make the repair or cover its cost.

How do I get insurance?

The time to obtain insurance and warranty coverage is at closing, so speak with your REALTOR® or insurance broker prior to closing. Be sure to ask about limitations, costs, deductibles and “endorsements” (additional forms of coverage that may be available).



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Close on Your Home

Closing (also known as settlement or escrow) is a brief process where all of the necessary paperwork needed to complete the transaction is signed. Closing is typically held in an office setting, sometimes with both buyer and seller at the same table, sometimes with each party completing their papers separately. In many cases, buyers and sellers don't need to attend a specific event - signed paperwork can be sent to the closing agent via overnight delivery.

Whatever the case, the result is that title to the property is transferred from seller to buyer. The buyer receives the keys and the seller receives payment for the home. From the amount credited to the seller, the closing agent subtracts money to pay off the existing mortgage and other transaction costs. At closing, transfer taxes must be paid and other claims must also be settled (including closing costs, legal fees and adjustments). Deeds, loan papers, and other documents are prepared, signed and filed with local property record offices.





One of the best parts of settlement is that buyers and sellers need to do very little. Before closing, buyers typically have a final opportunity to walk through the property to assure that its condition has not materially changed since the sale agreement was signed. At closing itself, all papers have been prepared by closing agents, title companies, lenders and lawyers. This paperwork reflects the sale agreement and allows all parties to the transaction to verify their interests. For instance, buyers get the title to the property, lenders have their loans recorded in the public records, and state governments collect their transfer taxes.

Also at closing, determine the status of the utilities required by the home - items such as water, sewage, gas, electric and oil service. You want utility bills to be paid in full by owners as of closing, and you also want services transferred to your name for billing. Usually such transfers can be done without turning off utilities. REALTORS® can provide contact numbers and related information.



Enjoy Homeownership!



You've done it! You've looked at properties, made an offer, obtained financing and gone to closing. The home is yours. Now what?

Here are some good things to do that will help relax your mind after the home buying process:

- The papers you received at settlement are extremely valuable, so hold on to them! In the short-term they can help establish tax deductions for the year in which the property was purchased. In the future, such papers will be important for tax purposes when the property is sold, and in some cases, for calculating estate taxes.
- About two weeks after closing, contact your local property records office and confirm that your deed has been officially recorded. Such records are public notices that show your interest in the property.





- Moving in: It is generally understood that sellers will leave homes “broom clean” when moving out. This expression does not mean “vacuumed” or “spotless.” Broom clean makes sense because it means the house is ready to be painted and cleaned. Now is the time to prepare to start living in your new home.
- Many owners make a photo or video record of the home and their possessions for insurance purposes and then keep the records in a safety deposit box. For most owners a home is the largest single asset they hold, so it makes sense to protect that asset. Your insurance provider can recommend what to photograph and how to secure it.
- You will want to maintain fire, theft and liability insurance. As the value of your property increases, such coverage will also rise. Again, speak with your insurance professional for details.

Lastly, have a party! Ultimately what’s most important is that home ownership should be a wonderful experience. Enjoy!