Let's Find a Great Home For You!

HOME BUYER'S GUIDE

Designed to assist my Buyers in the various aspects of the Home Buying Process

**Buying a home can be one of your
most significant investments in life.
I will provide you with detailed information
to ASSIST you in making
an intelligent and informed decision.
I will find you the BEST home for your situation
NEGOTIATE a good price
with the FEWEST hassles.**

**If that IS what you are LOOKING for,
You've come to the RIGHT PLACE.**

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RE/MAX Alliance is a full service real estate company. Listed below are a few of the reasons real estate buyers and sellers choose to work with **RE/MAX Alliance.**

- Independent member of **RE/MAX**…one of the largest real estate organizations in Colorado and the world.
- Member of the **RE/MAX Alliance Group**…the largest locally owned real estate organization in Colorado…currently composed of 15 offices locations throughout the Denver Metro and Boulder Valley area…over 700 licensed real estate professionals.
- Active member of **RE/MAX I**nternational referral network…over 90,000 professional **RE/MAX** real estate agents worldwide.
- Multiple Listing Service access in Boulder County, Weld County, Jefferson County, Adams County, Larimer County and all of Metro Denver.
- Interactive office of full-time professional agents …providing you with experienced service.
- Professional, responsive support staff that is available seven days a week to assist you.
- Marketing of properties through newspaper /magazine advertising, direct mail to select neighborhoods and the Realtor community, computerized Multiple Listing Service, and multiple Internet sites.
- Strong commitment to help you through team dynamics…more than 35% of our total transactions are done in-house.
- Employ all the most modern equipment…computers, software, fax machines, copiers, voice mail, 800# and website.
- Conveniently located office building with excellent access to the Boulder Valley and throughout Metro Denver.

Visit our website at www.homesincolorado.com and www.chrisermold.com

Reasons Why You Should Employ Me!

- **I Know the Business** – I have the knowledge, skill and experience that produce results. I have been a full time Real Estate Agent since 1996.
- **I Know how to Negotiate** – Rarely is an original offer accepted without further negotiation. An experienced third party, familiar with all aspects of real estate is best qualified to assist in providing guidance in the negotiation of a contract and to act as a mediator between Seller and Buyer.
- **I Know the Area –** I am a Colorado Native that has lived in the area my entire life. I live and work in the areas that I sell homes.
- **I Know how to Expedite** – Most transactions involve a search for financing and working with lenders, attorneys and title companies. I supervise and coordinate the details leading to a successful closing.
- **I am a Dedicated Full-Time Professional**– Real estate is my **business**. As such, I make a concerted effort to be available to my customers and clients. When you employ me you also get my office support staff. I have staff available each day and evening. I have been a member of the RE/MAX 100% club since 2000 and have been in the business since 1996..
- **I Guarantee my Work** – I work for nothing until you find a home for the price and on the terms and conditions acceptable to you. Then and only then do I get compensated.
- **I Believe in Education --** I believe strongly in continuing education and maintaining the most current knowledge and skills to keep my clients and myself up to date. I hold the following designations:

  ABR – Accredited Buyer Representative designation indicates a real estate agent specializing in representing buyers in the real estate transaction. ABR is conferred by the Real Estate Buyer's Agent Council (REBAC).

  CRS – The Certified Residential Specialist designation, offered through National Association of Realtors (NAR) denotes an agent who specializes in residential real estate. Only about 3% of the members of NAR have earned this designation.

- **My Goal --** . is to have a happy, healthy transaction so that my clients will refer me to their friends and families. 95% of my business was past clients and referrals.

Why Purchase a Home?

- **The Best Investment**… As a fairly general rule, homes appreciate about five percent a year. Some years will be more, some less. The figure will vary from neighborhood to neighborhood, and region to region.

  Five percent may not seem like that much at first. Stocks (at times) appreciate much more, and you could earn over six percent with the safest investment of all, treasury bonds.

  But take a second look…

  Presumably, if you bought a $200,000 house, you did not pay cash for the home. You got a mortgage, too. Suppose you put as much as twenty percent down – that would be an investment of $40,000.

  At an appreciation rate of 5% annually, a $200,000 home would increase in value $10,000 during the first year. That means you earned $10,000 with an investment of $40,000. Your annual "return on investment" would be a whopping twenty-five percent.

  Of course, you are making mortgage payments and paying property taxes, along with a couple of other costs. However, since the interest on your mortgage and your property taxes are both tax deductible, the government is essentially subsidizing your home purchase.

  Your rate of return when buying a home is higher than most any other investment you could make.

- **Stable Monthly Housing Costs**…When you rent a place to live, you can certainly expect your rent to increase each year – or even more often. If you get a fixed rate mortgage when you buy a home, you have the same monthly payment amount for thirty years. Even if you get an adjustable rate mortgage, your payment will stay within a certain range for the entire life of the mortgage – and interest rates aren't as volatile now as they were the late seventies and early eighties. Imagine how much rent might be ten, fifteen or even thirty years from now?

- **Equity Build-up**…With each mortgage payment, you are buying something tangible. The longer you own your home, the greater your equity can potentially be!

- **Keep-up With Inflation**…Not all homes appreciate in value at the same rate; some years are better than others…but real estate historically has kept pace, and usually exceeded, the rate of inflation.

- **Income Tax Benefits**…Because of income tax deductions, the government is basically subsidizing your purchase of a home. All of the interest and property taxes you pay in a given year can be deducted from your gross income to reduce your taxable income.

- **Return on Improvements**… When you rent, you are normally limited on what you can do to improve your home. You have to get permission to make certain types of improvements. Nor does it make sense to spend thousand of dollars painting, putting in carpet, tile or window coverings when the main person who benefits is the landlord and not you.

  Since your landlord wants to keep his expenses to a minimum, he or she will probably not be spending much to improve the place, either.

  When you own a home, however, you can do pretty much whatever you want. You get the benefits of any improvements you make, plus you get to live in an environment you have created, not some faceless landlord. As a homeowner, you can recover all or part of the cost of the improvements when you sell your home.

- **Trade-up Value**…Even if your first purchase isn't your "dream home", you will be building equity that, one day, will make your dreams a reality.

- **Security For Retirement**…Unlike rent, which goes on forever, the mortgage on your home could someday be paid, providing you with "rent free" living for your retirement.

- **Investment Property**…For some homeowners, second houses or condominiums are proving to be good investments as income producers and/or tax shelters. As the owner of investment property, you can enjoy not only extra income, but also additional tax benefits.

The Business Cycle and Buying a Home

- **Recession and Expansion --** There are times when the economy is brisk and everyone feels confident about his or her prospects for the future. As a result, they spend money. People eat out more, buy new cars, and they buy new homes.

  Then, for one reason or another, the economy slows down. Companies lay off employees and consumers are more careful about where they spend money, perhaps saving more than usual. As a result, the economy decelerates even further. If it slows enough, we have a recession.

  During such a time, fewer people are buying homes. Even so, some homeowners find themselves in a situation where they must sell. Families grow beyond the capacity of the home, employees get relocated, and some may even find themselves unable to make their mortgage payment - perhaps because of a layoff in the family.

- **Supply and Demand --** When the supply of available houses is greater than the supply of buyers, appreciation may slow and prices may even fall, as happened in the early eighties and the early to mid-nineties.

  If you are lucky enough to purchase a home during a slow period, you can be reasonably certain the economy will begin to show strength again. At times, real estate values may even surge drastically. In many regions of the country, this is precisely what occurred in the late eighties and nineties.

- **Should You Try to "Time the Market"? --** One problem with attempting to time your purchase to the business cycle is that no one can accurately predict the future. Another challenge is that interest rates are generally higher during a depressed market and income may not be keeping up. For that reason, fewer people can qualify for a home purchase than in more prosperous times.

  Plus, this strategy generally works best for first-time buyers. People who already have a home usually need to sell it in order to buy their next one. If a "move-up" buyer wants to buy a home during a depressed market that means they usually have to sell one during the slow market, too. If a seller wants to sell his home to take advantage of a "hot" market when prices are fairly high, they generally have to buy their next home during that same hot market. It tends to equal out.

  Finally, the business cycle can change over time. Since 1983, we have had two fairly long expansions with only a slight recession in between each. You would not want to wait nine years to buy a home, would you? You could miss out on a substantial amount of appreciation by waiting, and end up paying much higher prices.

Key Steps to Buying a Home

- Needs Analysis/Qualification
- Defining Home Search
- Looking At Homes
- Selection of Home
- Pre-qualification with Mortgage Lender
- Purchase Agreement
- Negotiation
- Financing Search
- Home Mortgage Application
- Home Inspection
- Mortgage Processing
- Mortgage Commitment
- Closing
- Move In!!!

Things to Avoid Before Purchasing a Home

- **Don't Move Money Around --** When a lender reviews your loan package for approval, one of the things they are concerned about is the source of funds for your down payment and closing costs. Most likely, you will be asked to provide statements for the last two or three months on any of your liquid assets. This includes checking accounts, savings accounts, money market funds, certificates of deposit, stock statements, mutual funds, and even your company 401K and retirement accounts.

  If you have been moving money between accounts during that time, there may be large deposits and withdrawals in some of them.

  The mortgage underwriter (the person who actually approves your loan) will probably require a complete paper trail of all the withdrawals and deposits. You may be required to produce cancelled checks, deposit receipts, and other seemingly inconsequential data, which could get quite tedious.

  Perhaps you become exasperated at your lender, but they are only doing their job correctly. To ensure quality control and eliminate potential fraud, it is a requirement on most loans to completely document the source of all funds. Moving your money around, even if you are consolidating your funds to make it "easier," could make it more difficult for the lender to properly document. So leave your money where it is until you talk to a loan officer. Oh…don't change banks, either.

- **The Effect of Changing Jobs --** For most people, changing employers will not really affect your ability to qualify for a mortgage loan, especially if you are going to be earning more money. For some homebuyers, however, the effects of changing jobs can be disastrous to your loan application.

How Changing Jobs Affects Buying a Home

Salaried Employees-If you are a salaried employee who does not earn additional income from commissions, bonuses, or over-time, switching employers should not create a problem. Just make sure to remain in the same line of work. Hopefully, you will be earning a higher salary, which will help you better qualify for a mortgage.

Hourly Employees-If your income is based on hourly wages and you work a straight forty hours a week without over-time, changing jobs should not create any problems.

Commissioned Employees-If a substantial portion of your income is derived from commissions, you should not change jobs before buying a home. This has to do with how mortgage lenders calculate your income. They average your commissions over the last two years.

Changing employers creates an uncertainty about your future earnings from commissions. There is no track record from which to produce an average. Even if you are selling the same type of product with essentially the same commission structure, the underwriter cannot be certain that past earnings will accurately reflect future earnings.

Bonuses-If a substantial portion of your income on the new job will come from bonuses, you may want to consider delaying an employment change. Mortgage lenders will rarely consider future bonuses as income unless you have been on the same job for two years and have a track record of receiving those bonuses. Then they will average your bonuses over the last two years in calculating your income.

Changing employers means that you do not have the two-year track record necessary to count bonuses as income.

Part-Time Employees- If you earn an hourly income but rarely work forty hours a week, you should not change jobs. There would be no way to tell how many hours you will work each week on the new job, so no way to accurately calculate your income. If you remain on the old job, the lender can just average your earnings.

Over-Time-Since all employers award overtime hours differently, your overtime income cannot be determined if you change jobs. If you stay on your present job, your lender will give you credit for overtime income. They will determine your overtime earnings over the last two years, then calculate a monthly average.

Self-Employment-If you are considering a change to self-employment before buying a new home, *don't do it.* Buy the home first.

Lenders like to see a two-year track record of self-employment income when approving a loan. Plus, self-employed individuals tend to include a lot of expenses on the Schedule C of their tax returns, especially in the early years of self-employment. While this minimizes your tax obligation to the IRS, it also minimizes your income to qualify for a home loan.

If you are considering changing your business from a sole proprietorship to a partnership or corporation, you should also delay that until you purchase your new home.

- **No Major Purchase of Any Kind --** This includes furniture, appliances, electronic equipment, jewelry, vacations, expensive weddings…and automobiles, of course.

Don't Buy a Car-When an individual's income starts growing and they manage to set aside some savings, they commonly experience what may be considered an innate instinct of modern civilized mankind. The desire to spend money.

Since North Americans have a special love affair with the automobile, this becomes a high priority item on the shopping list. Later, other things will be added and one of those will probably be a house.

However, by the time home ownership has become more than a distant and hopeful dream, you may have already bought the car.

It happens all the time, sometimes just before you contact a lender to get pre-qualified for a mortgage.

As part of the interview, you may tell the loan officer your price target. He will ask about your income, your savings and your debts, then give you his opinion. "If only you didn't have this car payment," he might begin, "you would certainly qualify for a home loan to buy that house."

Debt-to-Income Ratios and Car Payments-When determining your ability to qualify for a mortgage, a lender looks at what is called your "debt-to-income" ratio. A debt-to-income ratio is the percentage of your gross monthly income (before taxes) that you spend on debt. This will include your monthly housing costs, including principal, interest, taxes, insurance, and homeowner's association fees, if any. It will also include your monthly consumer debt, including credit cards, student loans, installment debt, and…car payments.

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Sources of Initial Investment

- Raise, bonus, profit-sharing, employer loan or advance against these items
- Pension or IRA – borrow against, withdraw or cash out
- Income tax refund
- Special corporate financing for transferees
- Negotiable securities … stocks and bonds
- Credit union … line of credit, bridge loan, credit cards
- Personal unsecured loan from bank
- Loans, trust, inheritance or gifts with gift letter from relative
- Letters of credit from bank or individuals
- Sale of present home
- Exchange with Seller … condo for home, etc.
- Refinancing home you intend to keep
- Note and deed of trust secured by other real estate
- Blanket mortgage
- Sale of assets to generate cash
- Refinancing automobile
- Personal loan using assets (jewelry, equipment, cameras, etc.) as collateral
- Accumulate down payment between date of purchase and date of closing
- Save it … establish a budget and control expenses
- Have Seller pay all allowable closing costs
- Credits through lease with option to buy or labor and materials for fix-up
- Finance personal property items in sale separately from the home purchase
- Use co-mortgagor or co-grantor to help qualify for maximum mortgage
- Cash values in life insurance
- Christmas Club funds
- Pledge dividends from stock or other securities
- Pick-up stock options
- Nothing down financing from Veterans Administration for eligible veterans
- Deposit return on rental contract
- Assignment of future rents
- Loan secured by your business
- Partner who contributes cash or credit

Home Ownership Worksheet

Sales Price $________________________ *Down Payment $__________________*

Loan Amount $____________________ *Loan Term_____* *Interest Rate____%*

Monthly Payments (Principal & Interest) $___________________________

Monthly Tax Payments (Estimate) $___________________________

Monthly Insurance (Estimate) $___________________________

Other (Association Fees, PMI, etc.) $___________________________

Total Monthly Payment (A)

Expense Items for Tax Purposes $___________________________

First Month Interest $___________________________

Monthly Tax Deposit $___________________________

Total Deductions (B)

Total Monthly Payment (A) $___________________________

Minus Total Deductions (B) $___________________________

Actual Monthly Payment $___________________________

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Selecting Your Home

By allowing me to show you products of the better builders and previously owned homes for sale, you will be in a position to select the home that best meets your needs.

What to Look For…

- **Location –** neighborhood schools, churches, shopping, health care facilities, bus service, neighborhood appearance, busy streets and highways, commercial activities, etc.

- **Features –** bedroom configuration, garage, fireplace, appliances, sprinkler system, basement – finished or unfinished, heating system, fenced yard, patio or deck, landscaping, etc.

- **Neighborhood Amenities –** swimming pool, tennis courts, clubhouse, homeowner covenants, parks, etc.

- **Style of Home –** ranch, two-story, tri-level, four level, contemporary, bungalow, etc.

- **Home Protection Plan –** optional buyer coverage with deductible may include: electrical system; heating system; plumbing; washer and dryer; hot water heater; range/oven; refrigerator; dishwasher; disposal; compactor; central or wall unit air conditioners, etc. (This plan can be purchased by buyer or seller.)

Selecting a New Home…

In this area, real estate brokers work closely with new home builders. I can introduce you to the better builders and help you select the area and home style you prefer. You should be aware that prices set by area builders are often firm. <u>There is no negotiation and no financial advantage for purchasers who "buy direct" from the cooperating builder</u>. The sales agent in the models works for the builder. I work for <u>you</u>!

Mortgage Financing

A *necessary* step in the purchase of your home is a *no obligation* meeting with one or more lenders before looking at properties. This meeting will help determine the loan amount you can qualify for, the range of properties to fit your budget, and an estimate of all costs involved in both formal loan application and the final closing. It is also an opportunity to discuss and compare a wide variety of loan programs. The type and amount of the loan to be applied for must accompany a purchase offer, this is called your **pre-qualification letter.**

Closing Costs

Closing costs are usually less than 2.5% of the loan amount for government-backed loans.

Conventional loan closing costs can be estimated using 1.5% of the loan amount plus the front end fees (including loan origination fee). These can vary widely depending on the lender loan discount fee (points) being charged. A "point" equals 4% of the *loan amount*. Your lender will provide a good-faith estimate of these costs before loan closing.

In estimating closing costs, the following should be included:

- Appraisal Fee (normally paid at loan application)
- Credit Report Fee (normally paid at loan application)
- Loan Origination Fee
- Loan Discount Fee
- Interest per Diem Adjustment
- Mortgagee's Title Insurance Fee
- Homeowners Insurance Premium/Escrow
- Survey
- Recording Fees
- Documentary Fee
- Tax Certificate
- Tax Escrow
- Flood Insurance (if applicable)
- Loan Closing Fees
- Lender Funding Fee
- Inspection Cost (typically paid separate from closing)

Making an Offer to Purchase

When you select your new home, I will communicate with the selling party by means of a written offer. When the buyer and seller accept the offer, it becomes a legal contract. In Colorado, we use contract forms approved by the Colorado Real Estate Commission.

The information below is required when filling out the purchase contract. Some of these items I will explain in further detail in the next few pages.

- ***Your Name*** – How you will take title to the property.

- ***Amount of Earnest Money Deposit*** – At the time a written offer on the property is initiated, you will generally be required by the seller to include a personal check, cashier's check or cash. The amount deposited will be kept in the trust account of the real estate company handling the listing and not turned over to the seller.

  Generally the amount is negotiable; however, the range of acceptable deposit is usually between 2% and 5% of the purchase price. A personal check is most often used.

  This money represents your sincerity in the attempt to purchase the property and is totally refundable if the offer is not accepted or if some condition in the contract is not satisfied, for example, if the financing is not approved. The deposit applies in full toward the purchase price at closing if the offer is accepted and all conditions are satisfied.

- ***Offering Price*** – The amount you are willing to pay; the amount of down payment and loan amount – loan terms – and your agreement to pay for an appraisal of the home.

- ***Inclusions/Exclusions*** – Items to be included/excluded from the home such as blinds, curtains, appliances, etc.

- ***Title Insurance*** – In Colorado, this item is normally paid for by the Seller.

- ***Date for Closing*** – If you are using equity from the sale of your current home, check with your listing broker or attorney to determine when your equity will be available. (In some states, equipty is not always available at the time of closing, but follows by a few days.) Other factors affecting the date of closing are the length of time to approve your loan and the date the seller agrees to give possession.

- ***Date of Possession*** – Although the possession date is a negotiable item between you and the seller, it is customary for possession to be delivered at closing.

- ***Signatures*** – In Colorado, an offer and acceptance must be signed by **ALL PARTIES** to the agreement before a contract is consummated.

Determining Your Offer Price

When we prepare an offer to purchase a home, you already know the seller's asking price. But what price are you going to offer and how do you come up with that figure?

Determining your offer price is a three-step process. First, we look at recent sales of similar properties to come up with a price range. Then, I will analyze additional data, such as the condition of the home, improvements made to the property, current market conditions, and the circumstances of the seller. This will help you settle on a price you think would be fair to pay for the home. Finally, depending on your negotiating style, you adjust your "fair" price and come up with what you want to put in your offer.

Comparable Sales

The first step in determining the price you are willing to offer is to look at the recent sales of similar homes. These are called "comparable sales." Comparable sales are recent sales of homes that compare closely to the one you are looking to purchase. Specifically, we want to compare prices of homes that are similar in square footage, number of bedrooms and bathrooms, garage space, lot size, and type of construction.

If the home you are interested in is part of a tract of homes, then we will most likely find some exact model matches to compare against one another.

There are three main sources of information on comparable sales, all of which are easily accessed by a real estate agent. It is somewhat more difficult for the general public to access this data, and in some cases impossible. Two of the most obvious information sources are the public record and the Multiple Listing Service.

Comparable Sales in the Public Record

The most accessible source of information on comparable sales is the public record. When someone buys a home the property is deeded from the seller to the buyer. In most circumstances, this deed is recorded at the local county recorder's office. They combine sales data with information already known about the property so they can assess property taxes correctly.

Provided there have been no additions to the property, the information available from the public record is usually correct regarding sales price, square footage, and numbers of rooms. This makes it easy to use the public record as a source of data for comparable sale information.

Accessing the data is another matter, at least for the general public. Realtors can look up this information through the multiple listing service (MLS). The MLS compile the data directly from the county recorder's office.

One problem with the public record is that it tends to run ***at least*** six to eight weeks behind. Add another four to six weeks for the typical escrow period and you can see the data is not current. The most current information is the most valuable.

Comparable Sales in the Multiple Listing Service

Once a property is sold and the transaction has closed, the selling price is posted to the listing in the Multiple Listing Service (MLS). Over time, it has become a huge database on past sales, containing much more information on individual homes than can be gleaned from the public record. This information is only available to real estate agents who are members of the local Multiple Listing Service. I will provide you with this data to help determine your offer price.

How Property Condition Affects Your Offer

Since you have toured the property you are interested in, you should know how it compares to the general neighborhood. All you have to do is put the home in one of three categories - average, above average, or below average.

When evaluating a home's condition, there are a number of things you should consider. Structural condition is most important - items such as walls, ceilings, floors, doors and windows. Then paint, carpets, and floor coverings. Pay special attention to bathrooms and bedrooms and whether the plumbing and electricity work efficiently. Look at the fixtures, such as light switches, doorknobs, and drawer handles. The front and back yards should be in reasonably good shape.

The missing ingredient will be information on the condition of the homes from your comparable sales list. Provided you chose the right agent to represent you, they will have actually visited most of those homes and be able to provide key insights.

How Home Improvements Affect Your Offer Price

Even when comparing exact model matches within a tract of homes, you should note whether the previous owners have made any substantial improvements. Cosmetic changes should be largely ignored, but major improvements should be taken into account. Most important would be room additions, especially bedrooms and bathrooms. Other items, like expensive floor tile or swimming pools should be taken into account, too, but should be discounted. A pool that costs $20,000 to install does not normally add $20,000 in value to the home. Rely on your agent to give you guidance in this area.

How Market Conditions Affect Your Offer Price

A hot market is a "seller's market." During a seller's market, properties can sell within a few days of being listed and there are often multiple offers. Sometimes homes even sell ***above*** the asking price. Though most buyer's want to get a "deal" on a home, reducing your offer by even a few thousand dollars could mean that someone else will get the home you desire.

A slow market is a "buyer's market. During a buyer's market properties may languish on the market for some time and offers may be few and far between. Prices may even decline temporarily. Such a market would allow you to be more flexible in offering a lower price for the home. Even if your offered price is too low, the seller is likely to make some sort of counter-offer and you can begin negotiations in earnest.

More often than not, the market is simply "steady," or in transition. When a market is steady, no real rules apply on whether you should make an offer on the high end of your range or the low end. You could find yourself in a situation with multiple offers on your desired house, or where no one has made an offer in weeks.

Transition markets are more difficult to define. If the economy slows unexpectedly, people who buy on the high end of a seller's market could find their home loses value for several years. So far, no one has proven reliable in predicting when markets change or how good or bad the real estate market will become.

How Seller Motivation Affects Your Offer Price

Truthfully, it is rather rare that a seller's motivation will dramatically affect the price of a home, but it is often possible to save a few thousand dollars. The most common "motivated seller" is someone who has already bought his or her next home or is relocating to a new area. They will be under the gun to sell the home quickly or face the prospect of making two mortgage payments at the same time. Since that can drain a bank account quickly, most sellers want to avoid such a situation and may be willing to give up a few thousand dollars to avoid the possibility.

There are also family crises that can motivate a seller to make a quick deal. However, when you see a real estate ad that mentions "divorce," "motivated seller," "relocation," or something to that affect, beware. Although the facts may be true, that does not necessarily mean the seller is motivated to make a quick and costly sale. Most likely, the ad is more designed to generate phone calls and leads rather than sell the home.

The Final Decision on Your Offer Price

Comparable sales information helps you to determine a base price range for a particular home. Adding in the various factors like property condition, improvements, market conditions, and seller motivation help determine whether a "fair" price would be at the upper limit of that range or the lower limit. Perhaps you will feel a fair price is outside of that price range.

The "fair" price should be approximately what you are willing to agree on at the ***end*** of negotiations with the seller. The price you put in your offer to ***begin*** negotiations is totally up to you and depends on your negotiating style. Most buyers start off somewhat lower than the price they eventually want to pay.

Although your agent may provide advice and guidance, you are the one who makes the decision. The price you put in the offer is totally up to you

Title Insurance

Most types of insurance are self-explanatory. They protect against losses from events that may occur in the future, such as fire, theft or collision. Title insurance, however, protects against defects in title that may arise from events, which happened in the past.

The seller has extremely strong rights, as do their family and heirs. There may also be others in addition to the owner who has rights in the property. These may be governmental bodies, contractors or individuals who have unpaid claims against the property.

Anyone who has a claim is, in a sense, a part owner. The property may be sold without the party who has a claim knowing about the sale, and the buyer may know nothing about such a claim at that time. Regardless, these claims may remain attached to the real estate.

It is important the buyer be protected against any undiscovered claims, which may arise in the future. Title insurance provides this protection.

The title insurance company searches the public records in order to insure a title. A title search may uncover unpaid taxes or mortgages, easements, judgments against previous owners, and other court actions, which may affect title to the real estate. The title insurance company finds and reports such defects in title so these matters can be corrected.

Defects in title don't always appear in the public records. Protection against the loss from claims on real estate that cannot be discovered by examination of the public record is a benefit title insurance provides. If a claim is made against a title, the title insurance company protects the insured by defending the title, in court if necessary, at their expense. By bearing the cost of settling the claim, if it proves valid, the Title Company insures the buyer a clear title and that they keep possession of their property.

Title insurance provides assurance that every possible cloud (defects in title) on the title to the property can be discovered from the public records. It is insurance that if any undisclosed claim covered by the policy arises out of the past, it will be disposed of, or the insured will be reimbursed, exactly as the title policy provides.

The Closing Date

It is absolutely essential that you include a closing date as part of your offer. This way both you and the seller can make plans for moving, and the seller can make plans for buying his or her next home. Though most transactions actually do close on the right date, do not be so inflexible that a delay creates insurmountable problems.

For example, if you are renting and need to give the landlord notice that you are moving out, you may want to allow a little flexibility. Otherwise, if your purchase closes a few days late you could find yourself staying in a motel with your belongings packed in a moving van somewhere while you pay storage costs.

There are also times when closing can be delayed by weeks, through no fault of your own. Have back-up plans prepared for such a contingency.

Counter Proposal

Once an offer has been made, the seller has three options:

1. Accept the offer as written.
2. Reject the offer outright.
3. Reject the offer and make a counter proposal with different conditions, terms, amounts, etc.

Should the seller make a counter offer, the buyer then has the same three options.

When all parties agree on the terms of a contract, have initialed all changes, and have signed the agreement, the contract is then in full force and binding upon all parties to the agreement subject to any conditions. Possible conditions include loan approval, inspections, sale of another property, and delivery of pertinent documents. Specific time limits are set for each condition in the contract.

Homeowners Insurance

All lenders on residences being financed and occupied by the owner(s) normally require homeowners insurance. This furnishes protection on the property from loss or damage for both the homeowner and the lender. This type of insurance also covers garage, storage sheds, fences, personal possessions, etc. The amount of insurance coverage is usually based on the amount of the loan or set by an insurance evaluation (replacement cost approach) on the house, similar to a real estate appraisal. It is the buyers' responsibility to obtain this insurance before closing.

Homeowner's insurance coverage and rate are automatically reviewed by the insurance company annually and upgraded based on the local cost index. If the lender is *escrowing* for the homeowners insurance, the lender receives an annual statement from the insurance company for the premiums. In most cases, the homeowner receives a copy of the annual insurance renewal policy and premium; with twelve months prepaid (plus two additional months) at closing.

It is important the information on all insurance policies be shown precisely the way the lender requires it. This information is best obtained by the insurance agent working directly with the lender. Also, with very few exceptions, lenders require an actual insurance policy at closing and will not close on a binder.

Physical Inspection

- Home inspections provide the buyer with accurate information regarding the home, including any required repairs, potential problems and recommendations.

- Inspections focus on the major components such as foundations, roofs, electrical, heating/cooling and plumbing systems.

- Although outward appearances of the home are important to the buyer, the inspection does not detail cosmetic or decorative issues.

- Components of the home such as doors, windows, electrical outlets are also part of the inspection, and are randomly inspected during the process.

- The professional home inspector does not validate building code or regulatory compliance. However, recommendations that would improve the safety of the home are included.

- Generalized terms, used within the home inspection industry, rating the inspected component as Acceptable, Marginal or Defective are standard responses with the inspection report.

- All inspections should meet or exceed standards established by the American Society of Home Inspectors (ASHI).

- General home inspections do <u>not</u> include a comprehensive inspection and analysis of sewage septic systems. So, if your home has a septic system is should be cleaned and inspected/evaluated by a professional septic system contractor.

- No excavation, disassembly or removal of obstructions is performed.

- The Buyer is encouraged to be present during the inspection, and is strongly encouraged to be present at the close for a brief walk through with the NPI inspector.

Final Walk-Through

Before closing, I will schedule a time for you to revisit the property to ensure it is in proper condition and to inspect that any required repairs have been preformed. This should be done no sooner than five days before you intend to close.

Radon Gas

Radon is a radioactive gas. It comes from the natural decay of uranium that is found in nearly all soils. It typically moves up through the ground to the air above and into your home through cracks and other holes in the foundation. Your home traps radon inside, where it can build-up. Any home may have a radon problem … this means new homes, well-sealed homes and drafty homes, and homes with or without basements.

Radon is estimated to cause many thousands of deaths each year. When you breathe air containing radon, you can get lung cancer. In fact, the Surgeon General has warned that radon is the second leading cause of lung cancer deaths. If you smoke and your home has high radon levels, your risk of lung cancer is especially high.

Testing is the only way to know if you and your family are a risk from radon. The EPA and Surgeon General recommend testing all homes for radon. Testing is inexpensive and easy. There are also professional inspection companies that can do the testing.

If a radon problem does exist, there are simple and inexpensive ways to fix the problem. Even high levels of radon can be reduced to acceptable levels.

The average indoor radon level is estimated to be about 1.3 pCi/L, and about 0.4 pCi/L of radon is normally found in the outside air. The U.S. Congress has set a long-term goal that indoor radon levels be no more than outdoor levels. While this goal is not yet technologically achievable in all cases, most homes today can be reduced to 2 pCi/L or below.

For the EPA's copy of Home Buyer's and Seller's Guide to Radon visit the following website:
www.epa.gov/iaq/radon/pubs/hmbyguid.html

Lead-Based Paint

If the home you are selling was built before 1978, it may contain lead-based paint. About 75% pre-1978 buildings have lead-based paint.

Lead can …

- cause major health problems, especially in children under 7 years of age
- damage a child's brain, nervous system, kidneys, hearing or coordination
- affect learning
- cause behavior problems, blindness and even death
- cause problems in pregnancy and affect a baby's normal development

Lean poisoning means having high concentrations of lead in the body. Anyone can get lead poisoning, but children under 7 are at the greatest risk, because their bodies are not fully-grown and are easily damaged. Women of childbearing age are also at risk, because lead poisoning can cause miscarriages, premature births and the poison can be passed on to their unborn babies.

The lead hazards that children most often touch are lead dust, leaded soil, loose lead chips and chewable surfaces painted with lead-based paint. A child may be harmed when it puts into its mouth toys, pacifiers or hands that have leaded soil or lead dust on them

If your home contains lead-based paint, contact a company that specializes in lead-based paint abatement. Have professionals do the job correctly and safely.

Information provide by U.S. Department of Housing and Urban Development

The Closing

When all necessary documents have been obtained and title problems, if any, cleared, a closing is held. Although some Realtors perform this function in their own offices, the title insurance company most often provides the service.

At this time, settlement sheets covering costs and prorations are reviewed, documents are signed to be recorded, and funds are disbursed. In Colorado, in most closings, disbursement of funds occurs simultaneously with the providing and signing of all required documents, and prior to recording. It is possible, however, that disbursement of funds may be held until actual recording has been done.

Cash or certified funds from the buyer are required to cover the down payment and buyer closing costs. This figure will be determined one or two days prior to closing, during review of the settlement sheet. Certified checks should be made out in the buyers' name, who will then endorse the check over to the title company at closing. A picture identification (driver's license) is also required for proof of identity.

QUESTIONS TO ASK AT CLOSING

- Has the Seller notified public service, trash removal, post office and newspaper for change of service and forwarding address?
- Has the Buyer notified the above of beginning service date?
- Have the purchaser and seller agreed on possession date and time if the seller is occupying the property following closing?
- Did the Seller leave warranty and operating instructions for the appliances?
- How will the Buyer obtain keys to the property?

Tips on Having a Garage Sale

- Allow plenty of time – three or four weeks – to prepare for the sale.
- Choose a date that will not conflict with holidays.
- Weekends are more convenient for more people than weekdays.
- Your sale is likely to attract more people if you join together with neighbors in an effort to have more merchandise. Some homeowners' groups are sponsoring neighborhood sales that are proving popular!
- Practical household goods are popular items; adult clothing has less appeal.
- Merchandise your items attractively in neat, clean surroundings.
- Cluster like items together; pace the more desirable items in the back of the garage so browsers are urged to look at other merchandise on their way to the most popular items.
- All items should be lean, polished, and in good repair.
- Locate your appliance table near an outlet so customers can try before they buy!
- Be sure that there is adequate parking space and a place to load large items.
- Have plenty of bags and boxes for packing and newspapers for wrapping lass items.
- Place a classified ad in the local paper. Include 3-4 items for sale, directions and other details.
- Take advantage of free publicity on bulletin boards in grocery stores and other public places.
- Provide directional signs to your property.
- If your home is listed for sale, have flyers about your home available for people to take.
- Visit other sales to form an idea of how to price things. Be prepared to bargain down your prices.
- Post a notice that all sales are final and payment must be in cash.
- Have plenty of change in a cash box that is kept in a protected spot. Keep a record of sales, especially when there are several sellers. One recording method that is simple and efficient is to use small white stickers for prices. When items are purchased, remove the sticker and placed it next to the name of the seller on a piece of paper.
- On a hot day, have ice water or lemonade available so people will stay longer, and on cold days serve hot chocolate.
- Tell your real estate agent about some of the major items in your sale. I may have a client looking for just that thing!

Moving Checklist

- Send change of address cards to:
  - Post office
  - Charge accounts
  - Subscriptions
  - Friends
  - Relatives
  - Mail order clubs (books, tapes)
  - Firms which you have time payments
  - Past employer to receive W-2

- Make arrangements with moving company.

- Disconnect/transfer utilities and advise where to send final bills.
  - Water
  - Gas/electric
  - Trash
  - Cable/satellite
  - Phone

- Cancel deliveries:
- Milk
- Newspapers
- Other

- Transfer bank accounts:
- Checking
- Savings
- Safe deposit box

- Obtain birth and baptismal records for all family members.

- Draw up a floor plan of where your furniture should be placed. This avoids confusion for you and your movers.

- Transfer memberships:
- Church
- Clubs
- Civic organizations

- Notify insurance companies:
- Health
- Life
- Auto
- Home owners

- Check with insurance agent on coverage of life, car and household goods en route to new home.

- Obtain school records for children

- Obtain legal records

- Check to see if will must be rewritten when moving across state lines.

- Obtain medical records:
- General practitioner
- Dentist
- Optometrist
- Other doctors

- Have drug prescriptions refilled.

- Have car tuned-up for trip.

- Pack all valuables, jewelry, important papers (birth certificates, deeds) to take with you personally.

Moving Your Pets

Cats and Dogs – Cats and dogs can either be shipped by air or taken along in the car. If you are flying to your new destination, your cat or dog can ride in the baggage compartment. Your pet will need a health certificate from your vet. Call the airline in advance to find out about special boxes they may have. If you are going to make a container for your pet, make sure that the container complies with airline regulations. It is a good idea to put a piece of clothing with your scent in the animal's box so he/she feels more at home.

If you aren't flying with your pet but are having it shipped by air, make sure that someone is on the other end to pick your pet up at the airport and take car of him/her until you arrive. The easiest way to car for your pet before your arrival is a kennel. Many kennels can take your pet several days before your move (keeping him/her safe and out of your way). Or you can take your pet to the airport and arrange to have a kennel on the other end pick him/her up and take car of him/her until you arrive.

Think twice about taking your dog or cat with you on a long cross-country trip. Not only can animals get car sick, but also being cooped up in a car all day can make them nervous and upset. They must be fed and have plenty to drink (make sure that you take along a water dish), they have to make "rest stops," and they have to be on a leash to keep them from running off anytime the car door is opened.

Some motels and hotels don't allow pets. Others have special facilities for handling travelers' pets. Call in advance and check out the available literature on hotels along your route. National chains usually publish such information.

Smaller Animals -- Hamsters, birds, mice, and such can be transported in the family car fairly easily. Make sure that the animals have enough food and water in their cages and are out of drafts or extreme temperatures. Cover cages with a cloth to keep the pets quiet and restful.

Fish -- It is not practical to move fish in their aquarium. A gallon of water weighs eight pounds. Plan on giving the fish away and restock the aquarium when you arrive at your new home.

Your veterinarian and pet stores are also valuable sources of information.