Vero Coastal Homes
Real Estate Sales - Rentals - Property Management

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The Answer Book
For Buyers

A collection of how-tos, checklists, and worksheets
to help your buyers and sellers understand what to expect
during the real estate purchasing experience.

WHAT TO KNOW

7 Reasons to Own A Home

1. **Tax benefits.**
   The U.S. Tax Code lets you deduct the interest you pay on your mortgage, your property taxes, and some of the costs involved in buying a home.

2. **Appreciation.**
   Historically, real estate has had a long-term, stable growth in value. In fact, median single-family existing-home sale prices have increased on average 5.2 percent each year from 1972 through 2014, according to the National Association of REALTORS®. The recent housing crisis has caused some to question the long-term value of real estate, but even in the most recent 10 years, which included quite a few very bad years for housing, values are still up 7.0 percent on a cumulative basis. **Equity**. Money paid for rent is money that you'll never see again, but mortgage payments let you build equity ownership interest in your home.

3. **Savings.**
   Building equity in your home is a ready-made savings plan. And when you sell, you can generally take up to $250,000 ($500,000 for a married couple) as gain without owing any federal income tax.

4. **Predictability.**
   Unlike rent, your fixed-rate mortgage payments don't rise over the years so your housing costs may actually decline as you own the home longer. However, keep in mind that property taxes and insurance costs will likely increase.

5. **Freedom.**
   The home is yours. You can decorate any way you want and choose the types of upgrades and new amenities that appeal to your lifestyle.

6. **Stability.**
   Remaining in one neighborhood for several years allows you and your family time to build long-lasting relationships within the community. It also offers children the benefit of educational and social continuity.

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WHAT TO KNOW

7 Reasons to Work With a REALTOR®

1. **Ethical treatment.**
   Every REALTOR® must adhere to a strict code of ethics, which is based on professionalism and protection of the public. As a REALTOR®'s client, you can expect honest and ethical treatment in all transaction-related matters. The first obligation is to you, the client.

2. **An expert guide.**
   Buying a home usually requires dozens of forms, reports, disclosures, and other technical documents. A knowledgeable expert will help you prepare the best deal, and avoid delays or costly mistakes. Also, there's a lot of jargon involved, so you want to work with a professional who can speak the language.

3. **Objective information and opinions.**
   REALTORS® can provide local information on utilities, zoning, schools, and more. They also have objective information about each property. REALTORs® can use that data to help you determine if the property has what you need. By understanding both your needs and search area, they can also point out neighborhoods you don't know much about but that might suit your needs better than you'd thought.

4. **Expanded search power.**
   Sometimes properties are available but not actively advertised. A REALTOR® can help you find opportunities not listed on home search sites and can help you avoid out-of-date listings that might be showing up as available online but are no longer on the market.

5. **Negotiation knowledge.**
   There are many factors up for discussion in a deal. A REALTOR® will look at every angle from your perspective, including crafting a purchase agreement that allows enough time for you to complete inspections and investigations of the property before you are bound to complete the purchase.

6. **Up-to-date experience.**
   Most people buy only a few homes in their lifetime, usually with quite a few years in between each purchase. Even if you've done it before, laws and regulations change. REALTORS® handle hundreds of transactions over the course of their career.

7. **Your rock during emotional moments.**
   A home is so much more than four walls and a roof. And for most people, property represents the biggest purchase they'll ever make. Having a concerned, but objective, third party helps you stay focused on the issues most important to you.

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HOW TO

Prepare for House-Hunting

Know that there's no "right" time to buy.

If you find the perfect home now, don't risk losing it because you're trying to guess where the housing market and interest rates are going. Those factors usually don't change fast enough to make a difference in an individual home's price.

Don't ask for too many opinions.

It's natural to want reassurance for such a big decision, but too many ideas from too many people will make it much harder to make a decision. Focus on the wants and needs of the people who will actually be living in the home.

Accept that no house is ever perfect.

If it's in the right location, the yard may be a bit smaller than you had hoped. The kitchen may be perfect, but the roof needs repair. Make a list of your top priorities and focus in on things that are most important to you. Let the minor ones go. Also, accept that a little buyer's remorse is inevitable and will most likely pass.

Don't try to be a killer negotiator.

Negotiation is definitely a part of the real estate process, but trying to "win" by getting an extra-low price or refusing to budge may cost you the home you love.

Remember your home doesn't exist in a vacuum.

Don't get so caught up in the physical aspects of the house itself that you forget about important issues such as noise level, access to amenities, and other aspects that also have a big impact on your quality of life.

Plan ahead.

Don't wait until you've found a home to get approved for a mortgage, investigate insurance, or consider a moving schedule. Being prepared will make your bid more attractive to sellers.

Choose a home first because you love it; then think about appreciation.

A home is still considered a great investment, but its most important role is as a comfortable, safe place to live.

HOW TO

Prepare to Buy a Home

Talk to mortgage brokers.

Many first-time home buyers don't take the time to get prequalified. They also often don't take the time to shop around to find the best mortgage for their particular situation. It's important to ask plenty of questions and make sure you understand the home loan process completely.

Be ready to move.

This is especially true in markets with a low inventory of homes for sale. It's very common for home buyers to miss out on the first home they wish to purchase because they don't act quickly enough. By the time they've made their decision, they may find that someone else has already purchased the house.

Find a trusted partner.

It's absolutely vital that you find a real estate professional who understands your goals and who is ready and able to guide you through the home buying process.

Make a good offer.

Remember that your offer is very unlikely to be the only one on the table. Do what you can to ensure it's appealing to a seller.

Factor maintenance and repair costs into your buying budget.

Even brand-new homes will require some work. Don't leave yourself short and let your home deteriorate.

Think ahead.

It's easy to get wrapped up in your present needs, but you should also think about reselling the home before you buy. The average first-time buyer expects to stay in a home for around 10 years, according to the National Association of REALTORS®' 2013 Profile of Home Buyers and Sellers.

Develop your home/neighborhood wish list.

Prioritize these items from most important to least.

Select where you want to live. Compile a list of three or four neighborhoods you'd like to live in, taking into account nearby schools, recreational facilities, area expansion plans, and safety.

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WHAT TO KNOW

About Credit Scores

Credit scores range between 200 and 850, with scores above 620 considered desirable for obtaining a mortgage. The following factors affect your score:

Your payment history.

Did you pay your credit card bills on time? Bankruptcy filing, liens, and collection activity also affect your history.

How much you owe and where.

If you owe a great deal of money on numerous accounts, it can indicate that you are overextended. However, spreading debt among several accounts can help you avoid approaching the maximum on any individual credit line.

The length of your credit history.

In general, the longer an account has been open, the better.

How much new credit you have.

New credit—whether in the form of installment plans or new credit cards—is considered more risky, even if you pay down the debt promptly.

The types of credit you use.

Generally, it's desirable to have more than one type of credit—such as installment loans, credit cards, and a mortgage.

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HOW TO

Improve Your Credit

Credit scores play a big role in determining whether you'll qualify for a loan and what your loan terms will be. So, keep your credit score high by doing the following:

Check for errors in your credit report.

Thanks to an act of Congress, you can download one free credit report each year at annualcreditreport.com. If you find any errors, correct them immediately.

Pay down credit card bills.

If possible, pay off the entire balance every month. Transferring credit card debt from one card to another could lower your score.

Don't charge your credit cards to the max.

Pay down as much as you can every month.

Wait 12 months after credit difficulties to apply for a mortgage.

You're penalized less severely for problems after a year.

Don't order items for your new home on credit.

Wait until after your home loan is approved to charge appliances and furniture, as that will add to your debt.

Don't open new credit card accounts.

If you're applying for a mortgage, having too much available credit can lower your score.

Shop for mortgage rates all at once.

Having too many credit applications can lower your score. However, multiple inquiries about your credit score from the same type of lender are counted as one if submitted over a short period of time.

Avoid finance companies.

Even if you pay off their loan on time, the interest is high and it may be considered a sign of poor credit management.

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HOW TO

Prepare to Finance a Home

Reduce debt: Lenders generally look for a debt load of no more than 36 percent of income. This figure includes your mortgage, which typically ranges between 25 and 28 percent of your net household income. So you need to get monthly payments on the rest of your installment debt—car loans, student loans, and revolving balances on credit cards — down to between 8 and 10 percent of your net monthly income.

Increase your income: Now's the time to ask for a raise! If that's not an option, you may want to consider taking on a second job to get your income at a level high enough to qualify for the home you want.

Save for a down payment: Designate a certain amount of money to put away in your savings account each month. Although it's possible to get a mortgage with less than 5 percent down, you can usually get a better rate if you put down more. Aim for 20 percent of the purchase price.

Keep your job: While you don't need to be in the same job forever to qualify for a home loan, having a job for less than two years may mean you have to pay a higher interest rate.

Establish a good credit history: Get a credit card and make all your bill payments on time. Pay off entire balances as promptly as possible. Also, obtain a copy of your credit report, which includes a history of your credit, bad debts, and late payments. Ensure that it's accurate and correct any errors immediately.

Keep saving: Even if you have enough money to qualify for a mortgage and cover your down payment, you will also need to factor in closing costs, which can average between 2 and 7 percent of the home price, and incidentals such as the cost of hiring a home inspector.

Seek down payment help: Check with your state and local government to find out whether you qualify for special mortgage or down payment assistance programs. If you have an IRA account, you can use the money you've saved to buy your first home without paying a penalty for early withdrawal.

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VOCABULARY

Loans & Lending Terms

Term.
Mortgages are generally available at 15-, 20-, or 30-year terms. In general, the longer the term, the lower the monthly payment. However, shorter terms mean you pay less interest over the life of the loan.

Fixed vs. adjustable interest rates.
A fixed rate allows you to lock in a low interest rate as long as you hold the mortgage and, in general, is a good choice if interest rates are low. An adjustable-rate mortgage (ARM) usually offers a lower rate that will rise as market rates increase. ARMs usually have a limit as to how much and how frequently the interest rate can be increased. These types of mortgages are a good choice when fixed interest rates are high or if you expect your income to grow significantly in the coming years.

Non-traditional mortgages.
Also sometimes called "exotic," these mortgage types were common in the run-up to the housing crisis, and often featured loans with low initial payments that increase over time.

Balloon mortgage.
This is a form of non-traditional financing where your interest rate will be very low for a short period of time—often three to seven years. Payments usually only cover interest so the principal owed is not reduced. This type of loan may be a good choice if you think you will sell your home at a large profit in a few years.

Government-backed loans.
These loans are sponsored by agencies such as the Federal Housing Administration or the Department of Veterans Affairs. They offer special terms, including reduced interest rates to qualified buyers. VA Loans are open to veterans, reservists, active-duty personnel, and surviving spouses and are one of the only options available for zero down payment loans. FHA loans are open to anyone, and while they do require a down payment, it can be as low as 3.5 percent. Drawbacks include a slower loan process and—for FHA loans—the need to pay mortgage insurance.

However…
As the housing market shifts, so do lending practices. A mortgage broker—an independent professional who acts as an intermediary between you and lending institutions—may be able to help you find a better rate than you can on your own. Also, be sure to shop around; slight variations in interest rates, loan amounts, and terms can significantly affect your monthly payment.

QUESTIONS TO ASK

When Choosing a Lender

Loan terms, rates, and products can vary significantly from one company to the next. When shopping around, these are a few things you should ask about.

General questions:

What are the most popular mortgages you offer? Why are they so popular?

Are your rates, terms, fees, and closing costs negotiable?

Do you offer discounts for inspections, home ownership classes, or automatic payment set-up?

Will I have to buy private mortgage insurance? If so, how much will it cost, and how long will it be required?

What escrow requirements do you have?

What kind of bill-pay options do you offer?

Loan-specific questions:

What would be included in my mortgage payment (homeowners insurance, property taxes, etc.)?

Which type of mortgage plan would you recommend for my situation?

Who will service this loan—your bank or another company?

How long will the rate on this loan be in a lock-in period? Will I be able to obtain a lower rate if the market rate drops during this period?

How long will the loan approval process take?

How long will it take to close the loan?

Are there any charges or penalties for prepaying this loan?

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WORKSHEET

Define Your Dream Home

Write in your preferences and rate them: 3 = Vital, 2 = Very Important, 1 = Neutral, 0 = Not important

LOCATION	PREFERENCES	RATE
Neighborhood		
School district		
Near public transportation		
Near airport		
Near expressway		
Near shopping		
Great views		
TYPE		
Single-family / condo / townhome		
Minimum / maximum property age		
Willingness to renovate		
Architectural style		
Open floor plan		
SIZE & MAKEUP		
Minimum # of bedrooms		
Minimum # of bathrooms		
Eat-in kitchen		
Family room		
Formal dining room		
Formal living room		
Garage (number of cars)		
Outdoor space (size/use)		
Laundry room		
AMENITIES		
Wood floors / carpeting		
Heating / cooling system types		
Fireplace		
Pool		
Other special needs/preferences:		

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QUESTIONS TO ASK

When Considering a Condo or HOA

Condominiums, townhomes, and properties located within a homeowner association offer certain perks, but it's important to consider them in your decision process.

How much storage is available?

Some properties include storage lockers, but there may not be attics or basements to hold extra belongings.

How's the outdoor space?

Your yard may be smaller than you'd find in a traditional single-family home, so if you like to garden or entertain outdoors, this may not be a good fit. But if you dread yard work, it may be the perfect option.

Are amenities important?

Many properties offer swimming pools, fitness centers, and other facilities that would cost much more in a single-family setting.

Who handles maintenance and security?

Property managers often hire professionals to care for common areas and perform in-unit repairs. Keyed entries and doormen may regulate access to your home when you're not there (good news if you travel).

Are there required reserve funds and association fees? How much are they?

Although fees generally help pay for amenities and provide savings for future repairs, the HOA or condo board determines these fees, and you'll have to pay them even if you're not in favor of the improvements.

What are the association rules?

Although you have a vote on future changes, association rules can dictate how you use your property. Some condos prohibit home-based businesses; others prohibit pets or don't allow owners to rent out their units. Read the covenants, restrictions, and bylaws carefully before you make an offer.

Can I meet other residents before making an offer?

You will share space and decision-making duties with your neighbors when part of a homeowner association, so it's important to make sure you can work together. If possible, try to meet your closest prospective neighbors before you decide on a place.

QUESTIONS TO ASK

The Condo Board

Before you purchase a condo, you should have an attorney review property documents for you. However, you should contact the board yourself ahead of time. You'll learn how responsive and organized its members are and be alerted to potential problems.

How many units are owner-occupied?
Generally, the higher the percentage of owner-occupied units, the easier the condo will be to resell.

What covenants, bylaws, and restrictions govern the property?
Carefully read the bylaws to determine if you can abide by them. Also, find out if there are grandfather provisions that allow current owners more rights than you would have as a new owner, such as the ability to rent out your unit.

How much does the association keep in reserve?
Ask how the money is being invested.

Are association assessments keeping pace with the annual rate of inflation?
Smart boards raise assessments a reasonable percentage each year to build reserves for funding future repairs.

What does the assessment cover?
Ask specifically about common-area maintenance, recreational facilities, trash collection, and snow removal (if applicable).

What special assessments have been mandated in the past five years, and how much of that was the responsibility of individual owners?
Some special assessments are unavoidable. But repeated, expensive assessments could be a red flag about building conditions or fiscal policy.

What's the turnover rate?
This will tell you if residents are generally happy with the building.

What other projects has the developer built?
Try to visit one, and ask residents about their perceptions. Also, request an engineer's report if the building has been converted from another use.

Are multiple associations involved in the property?
In very large developments, umbrella associations also may require separate assessments.

QUESTIONS TO ASK

When Choosing a Home Inspector

Do you belong to a professional association?

There are many associations for home inspectors, but some groups confer questionable credentials or certifications in return for nothing more than a fee. Make sure the association your home inspector names is a reputable, nonprofit trade organization.

How experienced are you?

Ask inspectors how long they've been working in the field and how many inspections they've completed. Also ask for customer referrals. New inspectors may be highly qualified, but they should describe their training and indicate whether they work with a more experienced partner.

Do you focus on residential inspection?

Home inspection is very different from inspecting commercial buildings or a construction site. Ask whether the inspector has experience with your type of property or feature. The inspector should be able to provide sample inspection reports for a similar property. If they recommend further evaluation from outside contractors on multiple issues, it may indicate they're not comfortable with their own knowledge level.

Do you offer to do repairs or improvements?

Some state laws and trade associations allow the inspector to provide repair work on problems uncovered during the inspection. However, other states and associations forbid it as a conflict of interest.

How long will the inspection take?

On average, an inspector working alone inspects a typical single-family house in two to three hours; anything less may not be thorough.

How much?

Costs range from $300 to $500 but can vary dramatically depending on your region, the size and age of the house, and the scope of services. Be wary of deals that seem too good to be true.

Will I be able to attend the inspection?

The answer should be yes. A home inspection is a valuable educational opportunity for the buyer and a refusal should raise a red flag.

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WHAT TO KNOW

About the Home Inspection

Some items should always be examined.

Structure
The home's "skeleton" should be able to stand up to weather, gravity, and the earth that surrounds it. Structural components include items such as the foundation and the framing.

Exterior
The inspector should look at sidewalks, driveways, steps, windows, doors, siding, trim, and surface drainage. They should also examine any attached porches, decks, and balconies.

Roofing
A good inspector will provide very important information about your roof, including its age, roof draining systems, buckled shingles, and loose gutters and downspouts. They should also inform you of the condition of any skylights and chimneys as well as the potential for pooling water.

Plumbing
They should thoroughly examine the water supply and drainage systems, water heating equipment, and fuel storage systems. Drainage pumps and sump pumps also fall under this category. Poor water pressure, banging pipes, rust spots, or corrosion can indicate larger problems.

Electrical
You should be informed of the condition of service entrance wires, service panels, breakers and fuses, and disconnects. Also take note of the number of outlets in each room.

Heating and air conditioning
The home's vents, flues, and chimneys should be inspected. The inspector should be able to tell you the water heater's age, its energy rating, and whether the size is adequate for the house. They should also describe and inspect all the central air and through-wall cooling equipment.

Interiors
Your inspector should take a close look at walls, ceilings and floors; steps, stairways, and railings; countertops and cabinets; and garage systems. These areas can reveal leaks, insect damage, rot, construction defects, and more.

Ventilation/insulation
Inspectors should check for adequate insulation and ventilation. Insulation should be appropriate for the climate. Without proper ventilation, excess moisture can lead to mold and water damage.

WHAT TO KNOW

About the Appraisal Process

Once you are under contract, your lender will send out an appraiser to make sure the purchase price is in line with the property's value.

Appraisals help guide mortgage terms.

The appraised value of a home is an important factor in the loan underwriting process. Although lenders may use the sale price to determine the amount of the mortgage they will offer, they generally only do so when the property is sold for less than the appraisal amount. Also, the loan-to-value ratio is based on the appraised value and helps lenders figure out how much money may be borrowed to purchase the property and under what terms. If the LTV is high, the lender is more likely to require the borrower to purchase private mortgage insurance.

Appraised value is not a concrete number.

Appraisals provide a professional opinion of value, but they aren't an exact science. Appraisals may differ quite a bit depending on when they're done and who's doing them. Also, changes in market conditions can dramatically alter appraised value.

Appraised value doesn't represent the whole picture of home prices.

There are special considerations that appraised value doesn't take into account, such as the need to sell rapidly.

Appraisers use data from the recent past.

Appraisals are often considered somewhat backward looking, because they use sold data from comparable properties (often nicknamed "comps") to help come up with a reasonable price.

There are uses for appraised value outside of the purchase process.

For buying purposes, appraisals are usually used to determine market value or factor into the pricing equation. But other appraisals are used to determine insurance value, replacement value, and assessed value for property tax purposes.

QUESTIONS TO ASK

About Property Tax

It's natural for the sale price of a home to loom large in your mind. But don't forget to look at what your property tax bill might be.

What is the assessed value of the property?

Assessed value is generally less than market value. A recent copy of the seller's tax bill will help you determine this information.

How often are properties reassessed in this area?

In general, this will happen annually, but properties in areas of slower growth may be reassessed less often.

When was the last reassessment done on this property?

Most significant tax increases on an individual property can be linked to when that property was last reassessed.

Will the sale of the property trigger a tax increase?

Depending upon where you live, the assessed value of a property may increase based on the amount you pay for it. And in some areas, such as California, taxes aren't allowed to increase until the property in question is resold.

Is the tax bill comparable to other properties in the area?

If not, it might be possible to appeal the assessment and lower the rate.

Does the current tax bill reflect any special exemptions for which I might not qualify?

For example, many tax districts offer reductions to those individuals 65 and older.

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CHECKLIST

Your Mortgage Application

Every lender requires documents as part of the process of approving a mortgage loan. Here are documents you're generally required to provide..

- ☐ **W-2 Tax returns** — or business tax returns if you're self-employed — for the last two or three years for every person signing the loan.
- ☐ **At least one pay stub** for each person signing the loan.
- ☐ **Account numbers** of all your credit cards and the amounts for any outstanding balances.
- ☐ **Two to four months of bank or credit union statements** for both checking and savings accounts.
- ☐ **Lender, loan number, and amount owed** on installment loans, such as student loans and car loans.
- ☐ **Addresses** where you've lived for the last five to seven years, with names of landlords if appropriate.
- ☐ **Brokerage account statements** for two to four months, as well as a list of any other major assets of value, such as a boat, RV, or stocks or bonds not held in a brokerage account.
- ☐ **Your most recent 401(k)** or other retirement account statement.
- ☐ **Documentation to verify additional income,** such as child support or a pension.

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HOW TO

Buy in a Tight Market

Increase your chances of getting your dream house in a competitive housing market.

Get prequalified for a mortgage.
You'll be able to make a firm commitment to buy and your offer will be more desirable to the seller.

Stay in close contact with your real estate agent.
Your agent will be on the lookout for the newest listings that meet your criteria. Be ready to see a house as soon as it goes on the market — if it's a great home, it will go fast.

Scout out new listings yourself.
Browse sources such as realtor.com and local real estate listing sites. Set up alerts for the neighborhoods and characteristics you're looking for. Drive through your target neighborhoods, and if you see a home you like for-sale, send the address and listing agent's name to your agent, who can schedule a showing for you.

Be ready to make a decision.
Spend plenty of time in advance deciding what you can afford and must have in a home so you won't hesitate when you have the chance to make an offer.

Bid competitively.
Your first inclination may be to start out offering something less than the absolute highest price you can afford, but if you go too low in a tight market, you will likely lose out.

Keep contingencies to a minimum.
Restrictions such as needing to sell your home before you move can make your offer unappealing. Remember that, if the market is tight, you'll probably be able to sell your house rapidly. You can also talk to your lender about getting a bridge loan to cover both mortgages for a short period.

But don't get caught in a buying frenzy.
Just because there's competition for a home doesn't mean you should buy it. And even though you want to make your offer attractive, don't neglect inspections that help ensure the house is a sound investment.

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WHAT TO KNOW

About Homeowners Insurance

A homeowners insurance policy will protect you against certain losses and damage to your new home and is generally required by lenders prior to closing. Some lenders will collect the money you owe for homeowners insurance as part of your monthly mortgage payment and place it in an escrow account, paying the insurer on your behalf when the bill is due.

Coverage exclusions:

Most insurance policies do not cover flood or earthquake damage as a standard item. You may need to buy these types of coverage separately.

Dollar limitations on claims:

Even if you are covered for a risk, there may be a limit on how much the insurer will pay. For example, many policies limit the amount paid for stolen jewelry unless items are insured separately.

Replacement cost:

If your home is destroyed, you'll receive money to replace it only to the maximum of your coverage, so be sure your insurance is sufficient. This means that if your home is insured for $150,000 and it costs $180,000 to replace it, you'll still receive only $150,000.

Actual cash value:

If you choose not to replace your home when it's destroyed, you'll receive replacement cost minus the depreciation. This is what's referred to as actual cash value.

Your liability:

Generally, your homeowner's insurance covers your liability for accidents that happen to other people on your property, including medical care, court costs, and awards by the court. However, there is usually an upper limit to the amount of coverage provided. Be sure that amount is sufficient, especially if you have significant assets.

WHAT TO KNOW

About Title Insurance

Title insurance protects your ownership right to your home, both from fraudulent claims against your ownership and from mistakes made in earlier sales, such as misspellings of a person's name or an inaccurate description of the property. In some states it is customary for the seller to purchase the policy on your behalf.

Your mortgage lender will require it.

Title insurance protects the lender (and the secondary markets to which they sell loans) from defects in the title to your home—which could include mistakes made in the local property office, forged documents, and claims from unknown parties. It ensures the validity and enforceability of the mortgage document. The amount of the policy is equal to the amount of your mortgage at its inception. The fee is typically a one-time payment rolled into closing costs.

There are two different policies to consider purchasing.

The first policy, the one your lender will require, protects the lenders investment. You may also purchase an owner's policy that provides coverage up to the purchase price of the home you are buying.

You have the right to choose your provider.

You can shop around for a lower insurance premium rate at a wide variety of sites online. You should first request quotes from a few companies and then reach out and speak to them. Ask about hidden fees and charges that could make one quote seem more attractive than another. Also, find out if you're eligible for any discounts. Discounts are sometimes available if the home has been bought within only a few years since the last purchase as not as much work is required to check the title. You can also ask your lender or real estate professional for advice or help with getting quotes.

Even new construction needs coverage.

Even if your home is brand-new, the land isn't. There may be claims to the land or liens that were placed during construction that could negatively impact your title.

VOCABULARY

Transaction Documents

When you walk away from the closing table with a big stack of papers, know what to file away for future reference.

Loan estimate

Your lender is required to provide you with this three-page document within three business days of receiving your loan application. It will show estimates for your interest rate, monthly payment, closing costs, taxes, and insurance. You'll also learn how your interest rate and payments could change in the future, and whether you'll incur penalties for paying off the loan early (called "prepayment penalty") or increases to the mortgage loan balance even if payments are made on time (known as "negative amortization").

Closing disclosure

Your lender is required to send this five-page form—which includes final loan terms, projected monthly payments, and closing costs—three business days before your closing. This window gives you time to compare the final terms to those in the Loan Estimate (see above), and to ask the lender any questions before the transaction is finalized.

Mortgage and note

These spell out the legal terms of your mortgage obligation and the agreed-upon repayment terms.

Deed

This document officially transfers ownership of the property. In a cash deal, it goes to you, but otherwise you won't get the deed until you pay off the mortgage.

Affidavits

These are binding statements by either party. For example, the sellers will often sign an affidavit stating that they haven't incurred any liens on the property.

Insurance policies

These documents provide a record and proof of your coverage, be they insuring the title or the property itself. Homeowners insurance documents will generally be your responsibility, while proof of title insurance will be given to you at the closing table.

CHECKLIST

Your Final Walk-Through

Closing time is hectic, but you should always make time for a final walk-through to make sure that your home is in the same condition you expected it would be. Here's a detailed list of what to check for on your final walk-through.

- ☐ Basement, attic, and every room, closet, and crawl space have been checked.
- ☐ Requested repairs have been made.
- ☐ Copies of paid bills and warranties are in hand.
- ☐ No major, unexpected changes have been made to the property since last viewed.
- ☐ All items included in the sale price—draperies, lighting fixtures, etc.—are still on site.
- ☐ Screens and storm windows are in place or stored onsite.
- ☐ All appliances are operating (dishwasher, washer/dryer, oven, etc.).
- ☐ Intercom, doorbell, and alarm are operational.
- ☐ Hot water heater is working.
- ☐ Heating and air conditioning systems are working.
- ☐ No plants or shrubs have been removed from the yard.
- ☐ Garage door opener and other remotes are available.
- ☐ Instruction books and warranties on appliances and fixtures are available.
- ☐ All debris and personal items of the sellers have been removed.

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CHECKLIST

For the New Owners

Before the property changes hands, consult this list to make sure these items are transferred with the house.

- ☐ **Owner's manuals and warranties** for any appliances left in the house.
- ☐ **Garage door opener(s).**
- ☐ **Extra set of house keys.**
- ☐ **Other keys.** Think beyond the front doors; do you have any cabinets or lockers built into the home that require keys?
- ☐ **A list of local service providers,** such as the best dry cleaner, yard service, plumber, and so on. You're not just helping the new owners, but also the local businesses you're leaving behind.
- ☐ **Code to the security alarm** and phone number of the monitoring service if not discontinued.
- ☐ **Smart home device access.** Any devices listed as fixtures need to be reset for the new homeowner. Make sure your account information and usage data are wiped from the device so that they may use it. Check with your device's manufacture to find out how to do this.
- ☐ **Numbers to the local utility companies.** This can be especially helpful to owners who may not yet have easy access to the Internet in the new home.
- ☐ **Contact info for the condo board or home ownership association,** if applicable.

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