

# HOME BUYERS GUIDE



If you want to love where you live,  
or just need some solid advice —you can count on us.  
We're ready when you are.

## WHAT WE DO

We are passionate about Real Estate. We are local, so we know the area. Unlike most agencies, our team consists of specialists with varying areas of expertise, giving us a vast knowledge base in our industry. Whether it be buying or selling a home, new construction, land development, short sales, or foreclosures — you will be matched with someone who deeply understands the issues, and can speak intelligently about what to look for and what to avoid. This holistic knowledge, in turn, will help you make more informed decisions.

## WHY WE ARE DIFFERENT

We believe our clients are worth a personal investment, so we listen, advise and keep our promises. It's genuine, because we know a watered-down transactional mindset doesn't help anyone. As a result, we are confident that you will be thrilled with the home we find together, be enthusiastic about working with us again, and refer us to your friends and family. At the end of the day, we don't want you to be merely satisfied — We want you to be inspired.

# The Buying Process

## GETTING STARTED

Initially buying a home may seem like a relatively simple process. However there are many variables in a transaction that can make home-buying confusing. Being prepared and organized makes the process easier and much more enjoyable.

### Choose an Agent

Choosing a qualified agent to guide you through a real estate transaction is very important. Home buyers should give a lot of consideration when hiring a buyer's representative and this means conducting interviews, seeking referrals and researching the individual. It is important to ask potential agents a number of questions relating to their experience and routine. The agent you hire should have experience in your preferred neighborhood and it is also important for there to be a comfort level between you and the agent. Home buying is a highly personal experience and ultimately, you only work with one agent. You want to choose someone that you like, trust and respect and who feels the same way about you.

### Assess Your Finances

As a general rule, most experts say that your housing expenses should not exceed 28 percent of your gross monthly income. Remember that there are other costs involved in buying a home, such as moving, decorating and sometimes remodeling or repairs. Knowing where you will come out of the transaction will give you a lot more confidence going in.

### Getting Pre-Approved

In today's home-buying market, a mortgage pre-approval is not only essential; it is also incredibly easy to obtain – whether online, over the phone or in-person. A mortgage pre-approval lets you know exactly what you can afford to buy and it demonstrates to a seller that you are a willing and able buyer. It will also give you a head start in getting an actual loan commitment. Learn more about pre-approvals by visiting with one of our preferred lenders online or in person.

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### Creating a Wish List

Almost every home purchase involves some amount of compromise, which is why it is important to prioritize your wants and needs before you begin your search. There are many variables to think about depending on your lifestyle, budget and future plans. Some general considerations include:

- **Location** — Consider the factors that are important to you, such as schools; transportation; and neighborhood amenities like restaurants, shops and parks. Here are some ways to research an area you're considering.
  - Use local resources to help in the research. Below are some helpful links:
    - *Neighborhood Scout* – <http://www.neighborhoodscout.com/wa/vancouver/>
    - *Chamber of Commerce* – <http://www.vancouverusa.com/>
    - *Visitor Information Center* – <http://www.visitvancouverusa.com>
    - *City of Vancouver* – <http://www.cityofvancouver.us>
  - Drive/walk neighborhoods
  - Tap into your agent's knowledge and expertise in the area
- **Types of Home** — There are many different types of construction: detached homes, townhomes, condominiums, new-construction, fixers and vintage homes etc. Weigh the pros and cons of the type of home and what you can afford versus ideal features to help narrow your search.
- **Features and Amenities** — Home size, bedrooms, bathrooms, lot size, style, flooring, fenced etc. There are many different options for every type of buyer. Decide what features that you must have and then those that you would like to have. Keeping your options open will allow you to see homes that may otherwise have been excluded from your list and may in fact be your ideal home.

## FINDING YOUR PERFECT HOME

Once you have received your mortgage pre-approval and have selected a qualified real estate agent, you are ready to begin your home search. If you are looking for homes in Southwest Washington, we recommend using our website [www.livenorthwest.com](http://www.livenorthwest.com). Our website has every listing that is currently on the market and is pulled directly from the Multiple Listing Service. It will also provide all status changes in real time and you can save your searches and/or favorite homes. Many other popular websites don't provide you accurate and up to date information. We don't want you to find what you think is going to be the perfect home only to find out it isn't available!

### Review Listings

With your wish list created, we will present you with all available listings that meet your needs. In addition to price and attributes that you are looking for, pay attention to things like HOA dues, property taxes, how long the home has been on the market, type of sale etc. These things can have an effect on what you pay for a home.

### View Properties

When you have decided on some homes that you would like to view, we will research the properties you have selected, verify availability and schedule times to view the home.

### Compare Properties

Discuss each home that you see with us and provide feedback. Letting us know what you like and/or don't like about each property helps us to adjust parameters in order to provide you with the best homes in your price range.

## MAKING AN OFFER

Most likely, you will not be the only person that will love the house that you have decided you want to make an offer on. It is essential that you act quickly and make a reasonable offer for the home. While most buyer's focus on price, there are many other aspects of a real estate contract, including other terms that the seller will have to take into consideration when they are presented with an offer. Here are some of the most common elements of a contract:

### Price

The current state of the market is what determines price and most homes that are priced right will sell quickly. We will be able to provide you with a list of recently sold properties that are comparable to the home that you are making an offer on and they will in turn reflect what an accurate price for the home should be.

### Earnest Money

Earnest money is a deposit which secures that contract until closing. It is a deposit in good faith showing your desire to purchase the property. This deposit will be held with the escrow company until closing, at which point it will be applied towards your down payment and/or closing costs. If the sale fails due to contingencies covered in the contract, you will be refunded the money. If you present a breach in contract, then the seller is entitled to keep that money. It is generally thought of as a payment to the seller for the time that they have removed their home from the market.

### Financing Contingency

A finance contingency stipulates that in order for you to purchase a home, you must be able to obtain financing. If you cannot obtain financing after you submit the offer and are under contract, then your offer becomes void. The mortgage terms will be stated in the contract and establish timelines for obtaining financing.

### Home Inspection Contingency

A thorough inspection of the property by a licensed and bonded home inspector is highly recommended and will help protect you against structural, electrical and/or material problems that are not generally detected in a casual walk-through. The contingency states that the agreement to purchase the property is conditioned on your satisfaction of the inspection of the property. If you are not satisfied with the inspection, you have the option to request repairs / modifications to the property or other terms such as reduction in sales price. If agreements cannot be met, then you have the option to walk away and get your earnest money refunded. Please note that you will be the person responsible for hiring and paying for the home inspector.

### Closing Date

The closing date is the day when ownership changes hands and the date that the seller has agreed to vacate. The buyer can then occupy the property, unless otherwise negotiated.

### Counter-Offers

In most transactions, there is a fair amount of negotiation before both parties are satisfied. More often than not, there will be counter-offer made. This is where an experienced agent proves invaluable. We will work with you on your behalf in the contract negotiations and present them to the seller and their agent. We are negotiating to get the home and at the price that you want and with the terms that are comfortable for you.

## FROM OFFER TO CLOSING

There are many steps that must be taken between submitting the initial offer to the closing of the home.

- Open escrow with the title company and have you deposit the earnest money.
- Recommend home inspectors for you to consider when getting a home inspection.  
*We will be present at the home inspection so we are aware of any issues that may come up.*
- Obtain important documentation such as reports and/or property disclosures.
- Maintain contact with the lender and provide documentation necessary for the close of the sale.
- Monitor the timelines for the contingencies and make sure that they are being met.
- Schedule final walk through of the property.
- Coordinate closing with the escrow company.

## CLOSING & BEYOND

We will work closely with you, your lender, escrow officers and the seller's agent to make sure that everything is on track for a smooth and efficient closing. Typically, a few days prior to the actual closing date, your lender will forward all loan documentation to the title company and let you know any amount that you will need to bring in to close. You will be responsible for providing your down payment and closing costs when you sign closing documents. At closing, the escrow officer will walk you through the many documents that will need to be signed. If you would like, we can also attend the closing.

Once your purchase is complete, it does not mean that your relationship with the Live Northwest Team comes to an end. We are always glad to answer any questions that you may have or refer you to a variety of service providers/tradesmen to perform any work on your home for an easy transition.

## HOMEOWNERSHIP ADVANTAGES

### Investment

Every payment made is one step closer to acquiring a major possession and every improvement that you make adds value to your home, in addition to enhancing your life.

### Inflation Protection

Once the purchase of your new home is complete, most of your housing costs will not increase. The only increases you may have over time will be property taxes, insurance and maintenance costs.

### Equity

Your home will increase in value over time. Occasionally, there may be a slowdown in the market, but generally speaking, if you keep your home for more than a few years, you will have built up at least some equity. Equity in your home can be beneficial in case of emergency situations or even planning for retirement.

### Tax Advantages

The taxes that you pay on real estate and the interest paid on your mortgage loan is tax deductible. In many cases, the deductions received can actually make owning a home as affordable as renting.

### Overall Satisfaction

Homeownership continues to be the American Dream and for most people, owning a home simply makes life more enjoyable.



# LIVE NORTHWEST



# CREDIT REPORTS AND HOW THEY WORK

A credit report is a tool that provides lenders with the data to make decisions to determine if you are a good or bad credit risk. Credit bureaus collect information from lenders, merchants, landlords etc., and sell them to businesses so they can evaluate your application. Before buying, you should verify that your credit report is accurate and understand how it will affect the credit you get. **Information that makes up your credit report:**

**Personal Identifying Information:** This information will include your name, address (current and previous), social security number, date of birth, current and previous employers.

**Credit History:** This will provide bill paying history with banks, retail stores, finance companies, mortgage companies and any other places that has granted you credit. It will include information about each account such as type of account, how much credit/amount of the loan, what the monthly payment is, etc. They will also note if the account has been closed and more important, they will note if there were missed or late payments.

## Public Records

This will indicate if there are or have been any bankruptcies, tax liens or court judgments.

## In addition to credit reports, there are credit scores as well.

Credit scores are based on formulas that essentially uses all the information provided in your report to determine your credit risk based on a three digit number ranging from 300 - 850. The higher your number is will indicate the better credit risk.

**Report Inquiries:** This will be a list of anyone who has received a copy of your credit report. It will also list companies that have received your name and address in order to offer you credit. They companies that receive your name and address will not actually see your credit report, but that is where all the "pre-approved" solicitations come from in the mail.

**Dispute Statements:** This will report any disputes that you have filed pertaining to information found on the report. Not all information on credit reports proves correct and you are allowed to dispute errors if you have found a discrepancy.

# HOW CREDIT BUREAUS GET INFORMATION

A credit bureau is a clearinghouse for credit information about consumers. Though there are over 1,000 credit bureaus around the country, almost all are affiliated with one of the three large national credit bureaus – Experian, TransUnion and Equifax.

All of the transactions that you have involving credit are reported monthly to credit reporting agencies by the merchants/creditors. Some larger companies report to all three of the national bureaus, but some smaller companies choose to only report to one. That is why your reports will not always be the same. Your credit report will relay the history of your dealings with creditors, but there is still information in there that may not reflect well to potential creditors. Some general things to pay attention to:

## Open Credit Accounts

Even accounts that you don't use will still count towards your total available credit. According to some of the reporting agencies, you should maintain four to six credit cards to keep your credit score and debt balances healthy. Do not close your oldest card as it has the most history on it, but other than that, close the cards that you do not use. Cutting up a card does not mean that it is closed. You must call or write to the company and request that the account be closed.

## Missed Payments

Your payment history will make a big difference to a lender and you should always make at least the minimum payment on accounts, or consolidate accounts to reduce your payments. Delinquencies stay on your report for seven years, even if you have caught up on your payments.

## Maxed-Out Credit Lines

Credit lines that are maxed out can scare off potential lenders. This waves a big red flag indicating that you may be struggling financially for some reason. Some experts suggest moving debt around if this is the case to distribute it more evenly across different accounts.

## Debt-to-Income Ratio

If you have unsecured credit card debt that is more than 20% of your annual income, lenders may not want to give you the best deal on a loan. Work to reduce the debt-to-income ratio and you will be able to get better rates on the loans you seek.





## HOW A MORTGAGE WORKS

### What is a Mortgage?

According to the Webster's dictionary, a mortgage is "the pledging of property to a creditor as security for the payment of a debt." In simple terms, it is a legal contract that says if you don't pay the loan back (along with all of the fees and interest that are included with it), then the lender can have your house. In states following the "title theory," the lender holds the title to your house until the debt is completely paid off, and the lender will sell your house in order to get the money back if you can't make your mortgage payments. In states following the "lien theory" as Washington does, the mortgagee holds a lien on your property and can foreclose on that lien and sell your property in the event you default under the mortgage.

### Down Payment

Your down payment is the lump sum you pay up front that reduces the amount of money you have to finance. You can put as much money down as you want, or you can sometimes pay as little as 3% - 5% of the purchase price. The more money you put down, the less you have to finance and the lower your monthly payment will be.

### The mortgage payment is made up of:

- **Principal** — This is the total amount of money you are borrowing from the lender (after you've made your down payment). It is the amount of money that you are financing.
- **Interest** — This is the money the lender charges you for the loan. It is a percentage of the total amount of money you are borrowing.
- **Taxes** — Money to pay your property taxes is often put into an escrow account, meaning that the money is placed in the hands of a third party until it is time to pay or certain conditions are met. A portion of your property tax is added to your monthly mortgage payment and held in escrow until it is due.
- **Insurance** — There are several types of insurance that can come into play when you get a mortgage. You'll have hazard insurance to protect against losses from fire, storms, theft, etc., and if your home is in a flood risk zone and you're getting a federally insured loan, you'll have to get flood insurance. Unless you have at least 20 percent equity in your home, you'll also have to pay private mortgage insurance (PMI). This can sometimes be pretty expensive, so it makes sense to put as much into your down payment as you can. (Equity is the portion of your home's value that you have already paid for.)

### These pieces of your mortgage payment are referred to as PITI.

### Amortization

Mortgages are typically paid off in incremental payments that gradually chip away at the principal of the loan. This is called amortization. The portion of your payment that goes to pay the interest is much higher than the portion that goes to the principal -- at least for the first several years. These payments are precisely calculated and scheduled to pay off the loan in a specified period of time.

## TYPES OF MORTGAGES

There are many types of mortgages you can choose from. The type you choose will usually depend on the length of time you think you will be in your home or the other financial obligations you may have. If you think you will be there for a long time, then you may want a fixed rate mortgage with the lowest interest rate you can get.

However, there may be other considerations. What if you have kids who are going to be entering college in 10 years? In that case, you might consider getting an adjustable rate mortgage or a mortgage with a balloon payment so you can keep your payments low for the first few years in order to save for college. Once the kids are out of college, you can refinance at the current rate. If you don't think you'll be in your home for that long, then you may also want to look at other options.

### Fixed-Rate Mortgages

This type of mortgage offers an interest rate that will never change over the entire life of the loan. If you lock in a rate of 6 percent that calculates a payment of \$1,247 per month, then you know that in 20 years you'll still be paying \$1,247 per month. The only things that will change will be the property tax and any insurance payments that are included in your monthly payment. The length (known as the term) of your fixed rate mortgage can be 15, 20 or 30 years. These terms have an effect on the various benefits you'll get from your mortgage.

- **30-year fixed-rate** — The 30-year term gives you the maximum tax advantage by having the greatest interest deduction. While the fact that you're paying more interest may not seem like a benefit, you make lower payments with the longer term fixed-rate loan and you get a bigger tax deduction. If you will be staying in your home for many years (especially if you think your income may not increase tremendously), this may be the best option. This type of loan is also the easiest to qualify for.
- **15-year fixed-rate** — You can shorten your mortgage by 15 years and usually get a lower interest rate with the 15-year mortgage. The advantage with the shorter term, besides paying your loan off sooner, is that you'll also have more equity in your home sooner, but the down side is that you will also have a higher monthly payment.

### Adjustable-Rate Mortgage

An adjustable-rate mortgage (ARM) has an interest rate that changes based on changing market rates and economic trends. They usually offer an initial interest rate that is two to three percentage points lower than fixed-rate mortgages, but these rates are not fixed. If you do not expect to be in your home more than a few years, an ARM may be a good option.

- How often your interest rate adjusts is determined by the terms of the loan. You may choose a six-month ARM, a one-year ARM, a two-year ARM, or some other term. There is usually an initial period of time during which the rate won't change. This might be anywhere from six months to several years. For example, a 5/1 year ARM would mean the initial interest rate would stay the same for the first five years and then would adjust each year beginning with the sixth year.
- There will also be caps, or limits to how high your interest rate can go over the life of the loan and how much it may change with each adjustment.
- The interest rates for ARMs can be tied to one-year U.S. Treasury bills, certificates of deposit (CDs), the London Inter-Bank Offer Rate (LIBOR), or other indexes. When mortgage lenders come up with their rates for ARMs, they look at the index and add a margin of two to four percentage points. Being "tied" to these index rates means that when those rates go up, your interest goes up with it. The flip side is that if they go down, your rate also goes down.

### Balloon Mortgage

A balloon mortgage offers an initial interest rate that is lower than fixed-rate mortgages. It keeps this low fixed rate for five to seven years and then requires a "balloon" payment. The balloon payment is the final payment of the loan and pays off the entire balance. Monthly payments are low because the payments for those first five to seven years are amortized at a low interest rate over the total length of the loan. If you plan on either selling your home, paying it off, or refinancing it before the balloon payment is due, then this type of mortgage is good deal.





## TIPS FOR FIRST TIME HOME BUYERS

Purchasing your first home is a big step and with it comes some very serious decisions. If you break down the home buying process into these simple steps and follow these important tips, you will find the process less intimidating, and much more manageable.

**Before You Begin, Ask Yourself One Question** — Will you live in your next home for at least 3 years? If the answer is "Yes," you should probably purchase, rather than continue renting. With average appreciation, you will start making money on your home within the first few years. Every year after that will put more money in your pocket! The most expensive aspect of real estate is buying & selling, so the longer you can live in the home the better. However, purchasing makes sense if you can make as little as a 36 month commitment.

**Down Payment** — A hefty down payment is not always necessary to purchase a home. You can still get into a property with as little as 3-5% down.

**Get Pre-Approved** — Pre-approval is a very important step, and the step that first time home buyers dread the most. Qualifying to buy a home is pretty easy and requires relatively little work for you. Pre-approval is what gives you buying power and allows you to make an offer on your dream home when you've found it. More importantly, pre-approval will let you know how much your new home will REALLY cost - in monthly payments.

**Consult a Real Estate Professional ASAP** — Many first time home buyers avoid contacting a real estate agent because they dislike high pressure sales. However, real estate agents have an advantage because they have access to the Multiple Listing Service, which is a database that lists roughly 99% of the homes for sale in any given market. This means that your agent doesn't have to sell - they merely presents your options. The most important qualities to look for in an agent are their knowledge of your specific market and their willingness to help. You will find that the help and insight will be invaluable.

**Make a List of "Must Haves" & "Wants"** — You will find your search is easier, and you will be more confident in your decision, if you take a methodical approach to your search. The best way to organize your search is to make two lists: One with your "must haves" and one with your "wants". Your "must haves" are the requirements in your new home. Great examples of your "must haves" are price, school district, size, etc. Your "wants" are the qualities that you would like for your new home to have, but it's not a necessity. Some examples of "wants" are flooring, kitchen appliances, and type of exterior. By taking the time to articulate what you need and want in your new home, you will know exactly what to look for when viewing prospective homes.

**Pick Your Favorite Neighborhoods** — Most home buyers already have a good idea of where they would like to live because of school districts, work, or other factors. However, neighborhoods can be pretty different, even in the same area of the city. Ask your agent to email you a list of homes in the specific area of town you're interested in. Take a drive through the different neighborhoods on the list that they have sent you, and choose your favorites.

**Make Your Decision** — Homebuyers often hesitate after they've found the right home because they're not confident about their decision, or their decision-making process. Your home is probably the largest investment of your life, and it's normal to feel anxious before submitting an offer. If you do your due diligence - and you have if you followed the steps above - then you will have your bases covered. If you've found a home that meets all of your "must haves", most of your "wants", is in the right neighborhood, and in your budget - it's the home for you!

Buying your first home can seem very intimidating, but can be extremely exciting. If you think that buying a home is right for you, it probably is. Make sure and follow these important tips and you'll know you made the right decision when you find your first home.

# MISTAKES TO AVOID WHEN BUYING A HOME

A great way to make the home-buying process flow smoothly is to educate yourself and learn from mistakes others have made. This can make the difference between buying the home of your dreams and being disappointed.

**Not Getting Pre-Approved** — If you receive pre-approval from a reputable lender, your negotiating position is strengthened. It shows agents and sellers you are serious about buying a home.

**Not Seeking Guidance** — Real estate professionals are trained in buying, selling and inspecting. Find someone you respect and trust and allow them to help – it will benefit you in the end.

**Randomly Choosing an Agent** — Don't jump from agent to agent just because you saw their name on a sign outside of a house you like. Choose the one you feel most comfortable with and who will focus on your needs.

**Not Enough Information** — Obtain market statistics and sales records for the area you are considering buying a home in so you know how things (prices, conditions etc.) stack up in that neighborhood.

**Not Making the Correct Price Comparison** — Don't assess the value of a house only on the asking price. Your real estate agent should compile reports that reflect and compare the selling price of similar houses that have recently sold.

**Forgetting to Calculate All Costs** — When calculating the maximum price you can afford, don't forget to include hidden costs. Calculate a reasonable price range and look for a house that is closer to the middle or lower end of your range.

**Not Asking Enough Questions** — You're not supposed to know everything about buying a home. Remember, this is potentially the biggest purchase you will make in your life – your agent is there to answer any questions you may have.

**Not Looking Past the Decorating/Cosmetics** — Don't choose a house because you like or don't like the interior decorating – that is not what you are buying and it will probably go with the seller when they move. Check out the actual structure of the house!

**Not Thoroughly Inspecting** — Go through the house with a fine-tooth comb. You don't want to find out after you've bought the house that the roof is leaking. Open cabinets, turn on every switch, notice details, move stuff away from the walls, look in the attic, turn on faucets.

**Not Making a Strong Offer** — Pay only what you can afford. The seller can always make a counter-offer, and you can counter-offer again until you settle on a suitable price, or you can simply walk away.

**Not Doing Your Homework** — Knowledge is power. There is so much information out there today with the internet and online tools. Consumers themselves now have access and see exactly what homes are listed at and being sold for. It pays to do your homework when buying a new home and there is no excuse to be unprepared. For access to MLS listings, you can go to our website at [www.livenorthwest.com](http://www.livenorthwest.com) and sign up.

**Trying to Make a Clever Investment** — When buying a home, it is very important to make an investment that fits the needs of you and your family. There are so many people that are trying to become real estate investors and property “flippers” from watching different shows on TV. No matter what, every investment carries some type of risk.

**Choosing A Poor Location** — Location matters. Even within every neighborhood and subdivision, there is a difference in location. Is it on a busy street? Are there unsightly views? Are there uncommon noises? These are just a few examples that can cause a home not to sell as easily as similar homes in a same subdivision.

**Overlooking Interior Features for an Attractive Exterior** — The home may have gorgeous curb appeal, but you will not be living on the lawn. No matter how attractive the exterior is, you need a home that is livable.

**Overlooking Functionality** — Do you really need a formal dining room and living room? Would you be happier with an eat-in kitchen, a great room and a den to use as a home office? The house only needs to fit one family...Yours.

**Not Having a Home Inspection** — This is not the time for surprises. In the long run, it will pay to have a home inspection performed by a qualified, respected professional. You may be able to save yourself a lot of money and headaches by finding out about potential issues before purchasing a property.

**Not Researching Builder's on a New Home** — If you are buying a new home, talk to three or four people who live in the builder's homes and see what they have to say. If one builder did all the houses in a neighborhood, talk to the residents and get their input. It's also a great way to meet your potential neighbors.

**Being Impatient** — Buying a home is an extremely big decision. You need time to review all the information and what is available. Hasty decisions can lead to mistakes. That is why it is always smart to work with a full time real estate agent who knows the intricate market.

**Waiting** — If you wait too long, you might just pass up the perfect home for you. Even in a slower market, nice homes that are priced right will sell very fast.

**Not Buying at All** — If you can afford to purchase a home and you decide not to purchase, you will be losing out on the benefits of tax deductions, building equity, and the appreciation in value. Over a long period of time, real estate has always been an extremely profitable investment and will continue to be so in the future.

## NEW HOME BUYING MISTAKES

With all the options to choose from, it is very easy to overlook crucial elements to your new home buying experience that could cost you greatly in both time and money. Here are some different things to watch out for when purchasing a new construction home from a builder.

### **Choosing Low ROI Upgrades or too Many Upgrades —**

This is a very common mistake made by new home buyers who don't consider the resale value of their home in the future. When buying a new home, be sure to stick with the essential upgrades like two sinks in the master bathroom, high quality cabinetry and top quality padding under the carpeted areas. Once you start getting into different upgrades, you may not see that return for a few years. And remember, will potential future buyers think those upgrades are important as well, or is it something that is specialized for you.

### **Not Examining Your Lot Choice/Unit Thoroughly**

— There are some very important aspects to choosing a lot for your new home to be built on. Among them are: terrain, location and lot shape which can affect your surroundings. These are all things that must be considered when choosing your lot.

**Finding Communities First and Vitals Second** — To save yourself heartache and frustration, be sure to hammer out your lifestyle requirements before even searching for a community to build a home in. Being close to a highway or public transportation is a definite plus in today's market.

### **Overlooking the "Inspection" Clause in Builder**

**Contracts** — A dirty little secret in the new home industry is the fact that some builders send out contracts with a clause stating that they don't allow home inspections by an independent, third party home inspector until after the closing and you own the home. They offer to do a walkthrough of the home with you before you close but chances are, unless you are a licensed home inspector with many years of experience, you won't notice any red flags beyond the superficial.

**Not Using a Buyer's Agent** — When looking for a new home, be sure to find a buyer's agent who specializes or has a strong background in new construction. There are

numerous important steps when buying a new home that an agent who specializes in this area will be prepared to work with such as price negotiation, lot choice, researching future development around the community and the pros and cons of building materials your builder will use in the construction of your new home. Little things in the contract can cost you lots more money in the long run. Most of the time, the buyer agent's services are paid for out of the builder's marketing budget, so it pays to work with a professional when shopping around.

### **Using the Builder Endorsed Financing Company out of Convenience**

— In some instances you will find that the builder's in-house lender financing and incentives will cost you more money in the long run than if you had financed your purchase through an outside lender. Rule of thumb: Always check your financing options with the builder's in-house lender, a mortgage broker and a loan officer for a direct lender before signing the purchase contract. Many times the builder will have loopholes in the contract that will make it difficult for you to work with an outside lender and will ultimately cost you more money. The builder may offer \$3,000 off the asking price to use their finance company, but they are usually making up for it somewhere else. Beware.

### **Believing Everything You Read in Advertisements**

— Always verify everything you read in real estate advertisements including newspaper ads and the community's standard features list.

Buying a new home is a wonderful, dazzling experience that will cater to your every need. By using reasonable care and professional guidance you will enjoy many great years in your new home and reap substantial rewards from your diligent buying efforts when selling your home in the future. And remember, everything is negotiable. Even if the contractor says that their terms and prices are standard, there is always room for negotiation.

## NEGOTIATIONS

Negotiations are a part of almost every real estate transaction. And how they're handled goes a long way toward determining the success of a deal. Here are a few key things that I have helped in completing many successful negotiations:

1. Before negotiation begins, try to find out the motivation of each party. It's not always price. A flexible closing date could be just as important. This will help you formulate a strong offer going in.
2. Keep the negotiations away from an "us" versus "them" mentality. The goal is to truly create a win-win situation for both parties. Otherwise, you will never reach an agreement.
3. Keep negotiations alive, even if offers and counteroffers drag on over a long time. Many deals come back from the brink. And many times weeks after an original offer.
4. People often say, "Don't get emotional", but it is hard with larger purchases. Fortunately, even the most emotional client can look like a cool customer behind the right agent. Share your feelings with your agent so you can refocus on the task at hand. In the end, you usually wind up with what's important to you.

# LOVE WHERE YOU LIVE



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