

Home Buying Guide



Putting the Pieces Together





Your Top Five

The five most important criteria for my new home are:

1. _____
2. _____
3. _____
4. _____
5. _____



A Complete Guide to the Home-Buying Process

Welcome! You are about to embark on the exciting journey of finding your ideal home. Whether it is your first home or your tenth home, a retirement home, or an investment property, we will make your home-buying experience fun and exciting. We can help you find the ideal home with the least amount of hassle, and we are devoted to using our expertise and the full resources of Prime Real Estate Solutions to achieve these results!

Purchasing a home is a very important decision and a big undertaking in your life. In fact, most people only choose a few homes in their lifetime. We are going to make sure that you are well equipped and armed with up-to-date information for your big decision. We are prepared to guide you through every phase of the home-buying process. This guide gives you helpful information before, during and after your transaction. Use its reference pages, note pages and agency explanations, as an invaluable guide on your home-buying journey.

Please keep this guide with you during your home-buying process. There are pages that contain important phone numbers and dates and areas for notes to help you stay organized.

So let's take an exciting journey together! We look forward to meeting your real estate needs every step of the way!

Sincerely,

Your Team at Prime Real Estate Solutions

Prime Real Estate Solutions, LLC

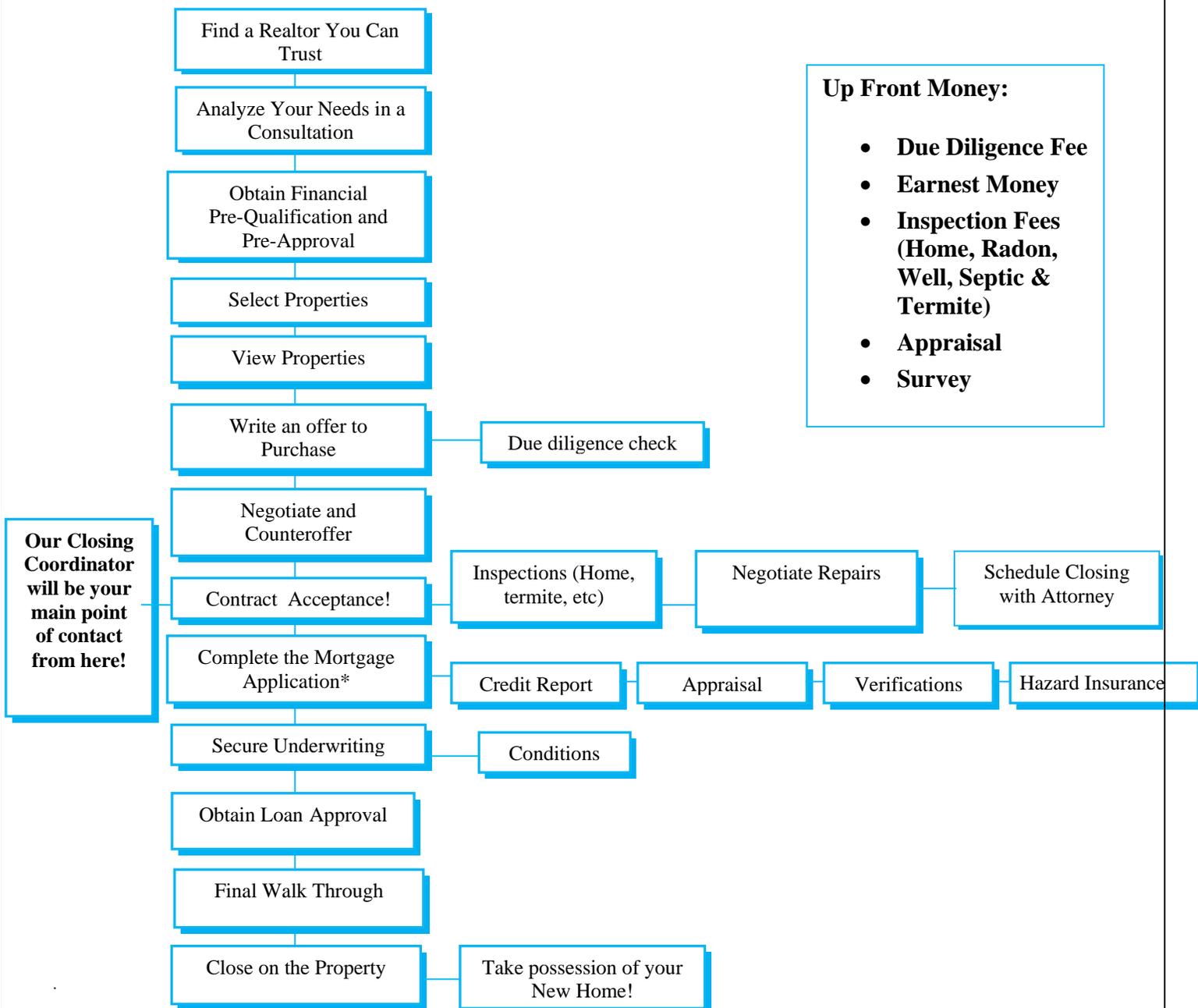
Phone: 704.774.6381

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The Home Buying Process

We have designed this guide to assist you with the purchase of your new home. We assure you that it is our goal to provide you with the most professional and informative service available. We are always just a phone call or text away!





Pre-Qualification and Pre-Approval

We require our buyers to apply for a loan and obtain approval **before** they find the home they want to buy. Why?

Pre-qualifying will help you in the following ways:

1. Generally, interest rates are locked in for a set period of time. You will know in advance exactly what your payments will be on offers you choose to make.
2. You won't waste time considering homes you cannot afford.

Pre-approval will help you in the following ways:

1. A seller may choose to make concessions if they know that your financing is secured. You are like a cash buyer, and this may make your offer more competitive.
2. You can select the best loan package without being under pressure.

HOW MUCH CAN YOU AFFORD?

There are three key factors to consider:

1. The down payment
2. Your ability to qualify for a mortgage
3. The closing costs associated with your transaction.

DOWN PAYMENT REQUIREMENTS:

Most loans today require a down payment of between 5-10% depending on the type and terms of the loan. If you are able to come up with a 20-25% down payment, you may be eligible to take advantage of special fast-track programs and possibly eliminate mortgage insurance.

CLOSING COSTS:

You will be required to pay fees for loan processing and other closing costs. These fees must be paid in full at the final settlement, unless you are able to include them in your financing. Typically, total closing costs will range between 2-3% of your mortgage loan.

QUALIFYING FOR THE MORTGAGE:

Most lenders require that your monthly payment range between 25-28% of your gross monthly income. Your mortgage payment to the lender includes the following items:

- The principal on the loan (P)
- The interest on the loan (I)
- Property taxes (T),
- The homeowner's insurance (I).



QUALIFYING FOR THE MORTGAGE CONTINUED:

Your total monthly PITI and all debts (from installments to revolving charge accounts) should range between 33-38% of your gross monthly income. These key factors determine your ability to secure a home loan: Credit Report, Assets, Income, and Property Value.

DON'T HAVE A MORTGAGE CONSULTANT?

That's okay! We can help. We work with several trusted mortgage consultants who want to help. Just ask us for a recommendation.



The Ten Commandments When Applying for a Real Estate Loan

1. Thou shall not change jobs, become self-employed or quit your job.
2. Thou shall not buy a car, truck or van (or you may be living in it)!
3. Thou shall not use charge cards excessively or let your accounts fall behind.
4. Thou shall not spend money you have set aside for closing.
5. Thou shall not omit debts or liabilities from your loan application.
6. Thou shall not buy furniture.
7. Thou shall not originate any inquiries into your credit.
8. Thou shall not make large deposits without first checking with your loan officer.
9. Thou shall not change bank accounts.
10. Thou shall not co-sign a loan for anyone.



How to Buy a Great Home

There are many factors to consider when selecting a neighborhood that is right for you. Below are just a few of the many factors -- you may think of others that are important to you.

Neighborhoods have characteristic personalities designed to best suit single people, growing families, two-career couples, or retirees.

SCOUT THE NEIGHBORHOOD!

It is important that you scout the neighborhood in person.

- Talk to people who live there.
- Drive through the entire area at different times of the day, during the week and on weekends.
- Look carefully at how well other homes in the area are being maintained; are they painted, are the yards well cared for; are parked cars in good condition, etc.

NEIGHBORHOOD FACTORS TO CONSIDER --

- Look for things like access to major thoroughfares, highways, and shopping.
- Listen for noise created by commerce, roads, railways, public areas, schools, etc.
- Smell the air for adjacent commerce or agriculture.
- Check with local civic, police, fire, and school officials to find information about the area.
- Research things like soil and water.
- Look at traffic patterns around the area during different times of the day and drive from the area to work.
- Find out if the neighborhood is near parks, places of worship, recreation centers, shopping, theaters, restaurants, public transportation, schools, etc.
- Find out if the neighborhood belongs to a Homeowner's Association.

Making An Offer



Once you have found the home you wish to purchase, you will need to determine what offer you are willing to make for the home. It is important to remember that the more competition there is for the home, the higher the offer should be – sometimes even exceeding the asking price. Remember, be realistic. **Homes are selling around 98% of list price in this market.** If the home has only been on the market for one day, expect to pay full price if not more. Make offers you want the other party to sign!

To communicate your interest in purchasing a home, we will present the listing agent with a written offer. When the seller accepts an offer it becomes a legal contract. When you write an offer, you should be prepared to pay *your due diligence fee* and an *earnest money deposit*. This is to guarantee that your intention is to purchase the property. Both will be credited back to you at closing. If you choose to cancel the contract prior to your due diligence date, the seller will keep your due diligence fee.

Due diligence fees are typically around \$500-\$1500 depending on the price of the home and the length of time you are requesting for your due diligence. During this time you'll be able to complete all inspections as well as make sure your financing for the home is secure.

Earnest money may be due at the time of contract or at the expiration of your due diligence period. It is typically around 1% of the purchase price.

After we present your offer to the listing agent it will either be accepted, rejected, or the seller will make a counter-offer. This is when we will negotiate terms of the contract if necessary.

The step-by-step contract procedure for most single-family home purchases is standard. The purchase agreement used is a standard document approved by the NC Real Estate Commission.

The purchase agreement or contract constitutes your offer to buy and, once accepted by the seller, becomes a valid, legal document. We are here to answer any questions you might have about the contract and to explain it to you.



What Happens Next

Now that you have decided to buy your home, what happens between now and the time you legally own the home?

Inspections – We will coordinate home inspection and termite inspection of the property within one week of having a valid contract. Payment of home inspection is due at time of inspection.

Repair Requests – After receiving a copy of the home inspection, we will request the items that are not in working order to be repaired. Please keep in mind that these items are not necessarily required to be fixed by the seller. The seller may opt to complete none of the repairs. It is then up to the buyer if they would still like to purchase the property. Most of the time though, repairs are negotiable and an understanding between buyer and seller may be reached.

Title Search – Copies of documents are gathered from various public records: deeds, deeds of trust, hoa associations, etc. by the closing attorney. Various assessments and matters of probate, heirship, divorce, and bankruptcy are addressed. Taxes are also checked to see what is owed. They will be prorated at closing.

Document Preparation – Appropriate forms are prepared for conveyance and settlement by the closing attorney

Settlement – An Attorney oversees the closing of the transaction: seller signs the deed, you sign a new mortgage, the old loan is paid off and the new loan is established. Seller, agents, attorneys, surveyors, Title Company, and other service providers for the parties are paid. Title insurance policies will then be issued to you and your lender.

Title Insurance - There are two types of title insurance:

- Coverage that protects the lender for the amount of the mortgage,
- Coverage that protects the equity in the property.

Both you and your lender will want the security offered by title insurance. Why?

Title agents search public records to determine who has owned any piece of property, but these records may not reflect irregularities that are almost impossible to find. Here are some examples: an unauthorized seller forges the deed to the property; an unknown, but rightful heir to the property shows up after the sale to claim ownership; conflicts arise over a will from a deceased owner; or a land survey showing the boundaries of your property is incorrect.

For a one-time charge at closing, title insurance will safeguard you against problems including those events an exhaustive search will not reveal.



Home Warranty Protection

NEW HOME WARRANTIES:

When you purchase a newly built home, the builder usually offers some sort of full or limited warranty on things such as the quality of design, materials, and workmanship. These warranties are usually for a period of one-year from the purchase of the home.

At closing, the builder will assign to you the manufacturer's warranties that were provided to the builder for materials, appliances, fixtures, etc. For example, if your dishwasher were to become faulty within one year from the purchase of your newly built home, you would call the manufacturer of the dishwasher – not the builder.

If the homebuilder does not offer a warranty, BE SURE TO ASK WHY!

RESALE HOME WARRANTIES:

When you purchase a resale home, you can purchase warranties that will protect you against most ordinary flaws and breakdowns for at least the first year of occupancy. The warranty may be offered by either the Seller, as part of the overall package, or by the agent. Even with a warranty, you should have the home carefully inspected before you purchase it.

A home warranty program will give you peace of mind, knowing that the major covered components in your home will be repaired if necessary. Keep in mind that they often have exclusions for pre-existing conditions and during the initial 30 days of home ownership you cannot make a claim. Ask us for more details about home warranty packages.

WARRANTY INFORMATION

Company Name:	_____	Contact:	_____
Address:	_____	Phone:	_____
	_____	Fax:	_____
Policy Number:	_____	Policy Value:	_____
Coverage:	_____	Duration:	_____



Home Inspection

If you are purchasing a resale property, we highly recommend that you have a professional home inspector conduct a thorough inspection. The inspection will include the following:

- Appliances
- Plumbing
- Electrical
- Air conditioning and heating
- Ventilation
- Roof and Attic
- Foundation
- General Structure

The inspection is not designed to criticize every minor problem or defect in the home. It is intended to report on major damage or serious problems that require repair. Should serious problems be indicated, the inspector will recommend that a structural engineer or other professional inspect it as well.

Your home cannot “pass or fail” an inspection, and your inspector will not tell you whether he/she thinks the home is worth the money you are offering. The inspector’s job is to make you aware of repairs that are recommended or necessary.

The seller may be willing to negotiate completion of repairs or a credit for completion of repairs, or you may decide that the home will take too much work and money. A professional inspection will help you make a clear-headed decision. In addition to the overall inspection, you may wish to have separate tests conducted for termites or the presence of radon gas.

In choosing a home inspector, consider one that has been certified as a qualified and experienced member by a trade association.

We recommend you not be present at the time inspection so that the inspector will be able to fully focus on the job of inspecting your home. Prior to the inspection you may speak to the inspector and identify any concerns you have that you’d like him to take a closer look at. You will receive a detailed inspection report within 2-3 days after the inspection and the “Summary” section of the report will identify exactly which areas need attention. If you have any questions, the inspector will be able to answer them.



What you need to know about Home Inspections

- They are typically 2-3 hours*
- We do not recommend that you attend*
- You will receive a detailed inspection report within 2-3 days after the inspection is done*
- Once we request repairs, it may take several days for a response from sellers*
- You may ask for a credit towards your closing costs rather than the seller making repairs*

Typical Items Found in Inspection Reports:

For Homes that are >50 Years Old

- Structural repairs
- Lead Based paint
- Electrical outdated
- Mixed plumbing parts
- Foundation cracks
- Asbestos siding
- Older windows, roof, chimney, etc.
- Falling/lack of insulation

For Homes in the 80's-90's

- Masonite/hardboard siding
- Polybutylene Piping
- Windows that have lost their seals
- Wood trim rot
- Older systems that if not already replaced will need to be replaced soon

For All Homes in NC

- Mold
- Termites



What Is a Real Estate Closing?

WHAT IS A REAL ESTATE CLOSING?



A “closing” is where you and your buyer’s agent meet with some or all of the following individuals: the Seller, the Seller’s agent, a representative from the lending institution and an attorney, in order to transfer the property title to you. Our transaction coordinator will help schedule the date and place where the closing will occur. You will receive the keys AFTER the property has been recorded. Typically this is within a few hours of signing..

If financing the property, your lender will require you to sign a document, usually a promissory note, as evidence that you are personally responsible for repaying the loan. You will also sign a mortgage or deed of trust on the property as security to the lender for the loan. The mortgage or deed of trust gives the lender the right to sell the property if you fail to make the payments. Before you exchange these papers, the property may be surveyed, appraised, or inspected, and the ownership of title will be checked in county and court records.

At closing, you will be required to pay all fees and closing costs in the form of “guaranteed funds” such as a Cashier’s Check. Your agent or escrow officer will notify you of the exact amount at closing.

WHAT IS AN ESCROW ACCOUNT?

An escrow account is a neutral depository held by your lender for funds that will be used to pay expenses incurred by the property, such as taxes, assessments, property insurance, or mortgage insurance premiums which fall due in the future. You will pay one-twelfth of the annual amount of these bills each month with your regular mortgage payment. When the bills fall due, the lender pays them from the special account. At closing, it may be necessary to pay enough into the account to cover these amounts for several months so that funds will be available to pay the bills as they fall due.

PRIME

REAL ESTATE SOLUTIONS



Moving

CONGRATULATIONS! You have closed on your new home and now you are ready to move! The next few pages contain tips and checklists so that your move is as organized and effortless as possible. Think about your move as a series of small projects that you can begin while your home is under contract. Your move will progress as your contract and closing progress. That way, when the day comes to physically move your belongings, most of the details will be taken care of.

Keep detailed records – some moving expenses are tax deductible!

Keep detailed records of all moving expenses if your move is job related. Many expenses, including house-hunting trips, are tax deductible. If your move is 35 miles or more from your home, you can deduct your family's travel expenses, including meals and lodging; the cost of transporting furniture, other household goods and personal belongings; food and hotel bills for up to 30 days in the new city if you have to wait to move into your new home; and the costs associated with selling your old home or leasing your new home.

Note: There is a ceiling on deductions which is outlined in detail in the IRS's Publication 521, "Tax Information on Moving Expenses," available free from the IRS offices.

UTILITIES - Make arrangements for canceling home utilities such as the following. Advise them of your desired date for final reading and give them your new address for final billing. Request deposit return if appropriate, and arrange for immediate service at your new address.



Helping Children Cope with the Move

1. Show the children the new home and their new room prior to moving. If this is not possible, pictures or videos will help them visualize where they are going.
2. Assure children that you won't forget their friends.
3. Make a scrapbook of the old home and neighborhood.
4. Throw a good-bye party. At the party, have their friends sign a t-shirt.
5. Have your children write good-bye letters and enclose their new address. You may wish to call the other children's parents so that they will encourage return letters.
6. When packing, give your children their own boxes and let them decorate them.
7. Start a scrapbook for your new home.
8. Visit your children's new school, park, church, etc... Take a camera.
9. Help your children invite new friends over to your new home.
10. Let your children choose a new favorite restaurant. This will help them feel in control of their new environment.
11. Encourage your children to send letters about their new home to their friends.
12. Involve your children in groups, sports, and activities like the ones they used to participate in.
13. Remember, even if you only lived in a home for a few years, to a young child it is nearly their entire lifetime.



New Home Checklist

Heating System

- Check filters every month.
- Have annual system maintenance service done one month before the heating season.

Electrical System

- To prevent power outages, limit the number of appliances plugged into one circuit.

Air Conditioning

- Check filters every month.
- Have annual system maintenance service done one month before the air-conditioning season begins.
- Keep the condensing unit free of debris.

Microwave

- Do not use pans or dishes that are metal or have metallic trim.
- Only use mild soap and/or baking soda to clean the interior. Abrasive cleaners or scouring pads can damage the lining.

Refrigerator

- Clean the interior shelves, shell and gaskets every three months.
- Once a year, clean the coils on the back or underneath.

Range/Oven

- To avoid damaging the burners, do not use extra-large/heavy cooking pots and pans.
- If you have a self-cleaning oven, do not use any other method to clean it.

Dishwasher

- Mineral deposits on the heating elements can be cleaned with vinegar.
- Be sure dishes don't block or damage the spray arm.

Garbage disposal

- To clean the disposal, push a full tray of ice cubes through it while running cold water.
- Always remember to run water during use and for at least 2 minutes after you finish. This prevents stoppages.

Washer/Dryer

- Clean the lint screen after each load of clothes has been dried and the unit is empty.



Real Estate Glossary

Acceptance: the date when both parties, seller and buyer, have agreed to and completed signing and/or initialing the contract.

Adjustable Rate Mortgage: a mortgage that permits the lender to adjust the mortgage's interest rate periodically on the basis of changes in a specified index. Interest rates may move up or down, as market conditions change.

Amortized Loan: a loan that is paid in equal installments during its term.

Appraisal: an estimate of real estate value, usually issued to standards of FHA, VA and FHMA. Recent comparable sales in the neighborhood is the most important factor in determining value

Appreciation: an increase in the value of a property due to changes in market conditions or other causes. The opposite of depreciation.

Assumable Mortgage: purchaser takes ownership to real estate encumbered by an existing mortgage and assumes responsibility as the guarantor for the unpaid balance of the mortgage.

Bill of Sale: document used to transfer title (ownership) of PERSONAL property.

Cloud on Title: any condition that affects the clear title to real property.

Consideration: anything of value to induce another to enter into a contract, i.e., money, services, a promise.

Deed: a written instrument, which when properly executed and delivered, conveys title to real property.

Discount Points: a loan fee charged by a lender of FHA, VA or conventional loans to increase the yield on the investment. One point = 1% of the loan amount.

Due Diligence Fee: Upfront money that you pay to the Seller to give you time to do your home inspections, appraisal and get loan approval. Should you back out prior to the expiration of due diligence period, you will lose your due diligence fee, but your earnest money will be refunded. If you close on the home, this fee will be credited back to you at closing.



Due Diligence Period: Length of time that you have to make sure you are moving forward with the transaction. Typically this will be 30 days but may be shorter or longer depending on the circumstances.

Earnest Money Deposit: This money is typically due at the expiration of the due diligence period and is a deposit held for you by the closing attorney until closing when it will be credited back to you. If you fail to close for any reason, the earnest money is forfeited to the seller.

Easement: the right to use the land of another.

Encumbrance: anything that burdens (limits) the title to property, such as a lien, easement, or restriction of any kind.

Equity: the value of real estate over and above the liens against it. It is obtained by subtracting the total liens from the value.

Escrow Payment: that portion of a mortgagor's monthly payment held in trust by the lender to pay for taxes, hazard insurance and other items as they become due.

Fannie Mae: nickname for *Federal National Mortgage Corporation* (FNMA), a tax-paying corporation created by congress to support the secondary mortgages insured by FHA or guaranteed by VA, as well as conventional loans.

Federal Housing Administration (FHA): an agency of the *U.S. Department of Housing and Urban Development* (HUD). Its main activity is the insuring of residential mortgage loans made by private lenders. The FHA sets standards for construction and underwriting but does not lend money or plan or construct housing.

FHA Insured Mortgage: a mortgage under which the *Federal Housing Administration* insures loans made, according to its regulations.

Fixed Rate Mortgage: a loan that fixes the interest rate at a prescribed rate for the duration of the loan.

Foreclosure: procedure whereby property pledged as security for a debt is sold to pay the debt in the event of default.

Freddie Mac: nickname for *Federal Home Loan Mortgage Corporation* (FHLMC), a federally controlled and operated corporation to support the secondary mortgage market. It purchases and sells residential conventional home mortgages.



Graduated Payment Mortgage: any loan where the borrower pays a portion of the interest due each month during the first few years of the loan. The payment increases gradually during the first few years to the amount necessary to fully amortize the loan during its life.

Lease Purchase Agreement: buyer makes a deposit for future purchases of a property with the right to lease property in the interim.

Lease with Option: a contract, which gives one the right to lease property at a certain sum with the option to purchase at a future date.

Loan to Value Ratio (LTV): the ratio of the mortgage loan principal (amount borrowed) to the property's appraised value (selling price). Example – on a \$100,000 home, with a mortgage loan principal of \$80,000 the loan to value ratio is 80%.

Mortgage: a legal document that pledges a property to the lender as security for payment of a debt.

Mortgage Insurance Premium (MIP): the amount paid by a mortgagor for mortgage insurance. This insurance protects the investor from possible loss in the event of a borrower's default on a loan.

Note: a written promise to pay a certain amount of money.

Origination Fee: a fee paid to a lender for services provided when granting a loan, usually a percentage of the face amount of the loan.

Private Mortgage Insurance (PMI): see *Mortgage Insurance Premium*.

Second Mortgage / Second Deed of Trust / Junior Mortgage / Junior Lien: an additional loan imposed on a property with a first mortgage. Generally, a higher interest rate and shorter term than a "first" mortgage.

Settlement Statement (HUD-1): a financial statement rendered to the buyer and seller at the time of transfer of ownership, giving an account of all funds received or expended.

Severalty Ownership: ownership by one person only. Sole ownership.

Tenancy In Common: ownership by two or more persons who hold an undivided interest without right of survivorship. (In event of the death of one owner, his/her share will pass to his/her heirs.

Title Insurance: an insurance policy that protects the insured (buyer or lender) against loss arising from defects in the title.