



EXECUTIVE
REALTY GROUP



Buyer's Guide

Home Buying Guide

Welcome to Executive Realty Group.

Most buyers who begin the process of looking for a home begin the journey filled with excitement and a bit of trepidation.

This is understandable when you consider that purchasing a home is one of the biggest financial decisions you will make during your lifetime.

We strive to make the home buying process a pleasant experience. We believe its an honor and privilege to help you own a home.

Whether this is your first home or your tenth, this guide is intended to help you navigate the home buying process.

Let's get started on the journey of getting you the home you want!

Randy Ledbetter

Executive Realty Group
Broker/Certified Residential Appraiser



Top 10 Reasons

To buy a home

1. **Quality of Life** - Home ownership is part of a better quality of life for most buyers. The quality of our living situation directly impacts how we feel.
2. **Tax Deductions** - Buying a home provides you with tax deductions for both mortgage interest and property taxes. Property taxes and qualified interest are deductible on an individual's federal income tax return.
3. **Spend Money to Make Money** - With the right real estate consultant, home ownership and the potential for appreciation means that ultimately you have the opportunity to get a return on your investment.
4. **Deferred Gain and Capital Gain Treatment** - A homeowner can exclude up to \$500,000 of capital gain tax if married and filing jointly or up to \$250,000 if single or filing separately when you sell your home. The home must have been the taxpayer's principal resident for the previous two years.
5. **Principal Accumulation** - As a homeowner, a portion of each amortized mortgage payment typically goes to principal, which in the long run is an investment.
6. **It's the American Dream** - Owning a home is THE American Dream. We work with many first-time home-buyers, and it truly is a dream come true for them.
7. **Independence** - For many homeowners, one of the greatest freedoms is acquired through home ownership. They can don't have a landlord and are no longer surrounded by neighbors in an apartment with thin walls. The freedom to do whatever they like with their homes is a big incentive for many new homeowners.
8. **Leverage** - These days you can still purchase a home for as little as 3.5% down. At the current interest rates, you can put less money down and put your money to work somewhere else.
9. **Why rent when you can own?** The real cost of renting at \$700 per month with a 6% increase in rent per year means you will pay \$110,719 over 10 years. Just think, you could almost pay off a home for that amount!
10. **Because you get to work with us**

5 Buying Tips

When Purchasing a Home

These 5 tips will save you time, money, and headaches.

1. **Get Pre-Qualified** – Before you can seriously consider purchasing a home, it's important to know exactly how much you can afford. This can be the scariest part of the buying process for some. It's perfectly natural to be nervous, but we can put you in touch with someone you can trust to help get you pre-qualified.
2. **Always Think Resale** – In the US, due to the mobility of our economy, the length of home ownership is about 5 to 7 years. This is important to keep in mind when looking for your next home. For instance, homes backing up to a busy street or railroad may sell for less and take longer to sell than other homes in the neighborhood.
3. **Aesthetics Can Be Changed** – Flooring, light fixtures, plumbing, paint colors and wallpaper can all be changed. Don't let the lime green wallpaper turn you off of your potential dream home. Think of how much fun it will be to make a home yours!
4. **Don't Wait!** – Too often, we have seen home buyers fall in love with a property, wait a few days to decide because they are nervous, and the home they fell in love with sold. If you love the home, don't wait for someone else to live in YOUR home – be prepared to write an offer!
5. **Compare Sales** – To determine the best price to offer, or to know if the asking price is reasonable, look at the recent sales of similar homes, called "comparable sales." Comparable sales are recent sales of homes that compare closely to the one you are looking to purchase. Specifically, you want to compare prices of homes that are similar in square footage, garage spaces, number of bedrooms and baths, lot size, etc. Let us help you with a Buyer's Market Analysis.

12 Critical Questions

To Ask Your Agent Before You Buy

Now that you know the home buying basics, the questions are: how will you make sure that you find your dream home? How will you find a real estate agent to represent you? Will he/she have the knowledge and expertise to help you with the biggest financial decision you will make during the next 5 years?

Unfortunately, many people choose a real estate professional based on the idea that all real estate agents are basically the same. They sign with the first agent to come along, only to realize too late that they should have "shopped around."

The following questions are designed to help you avoid that mistake and know what to look for when selecting an agent to represent you.

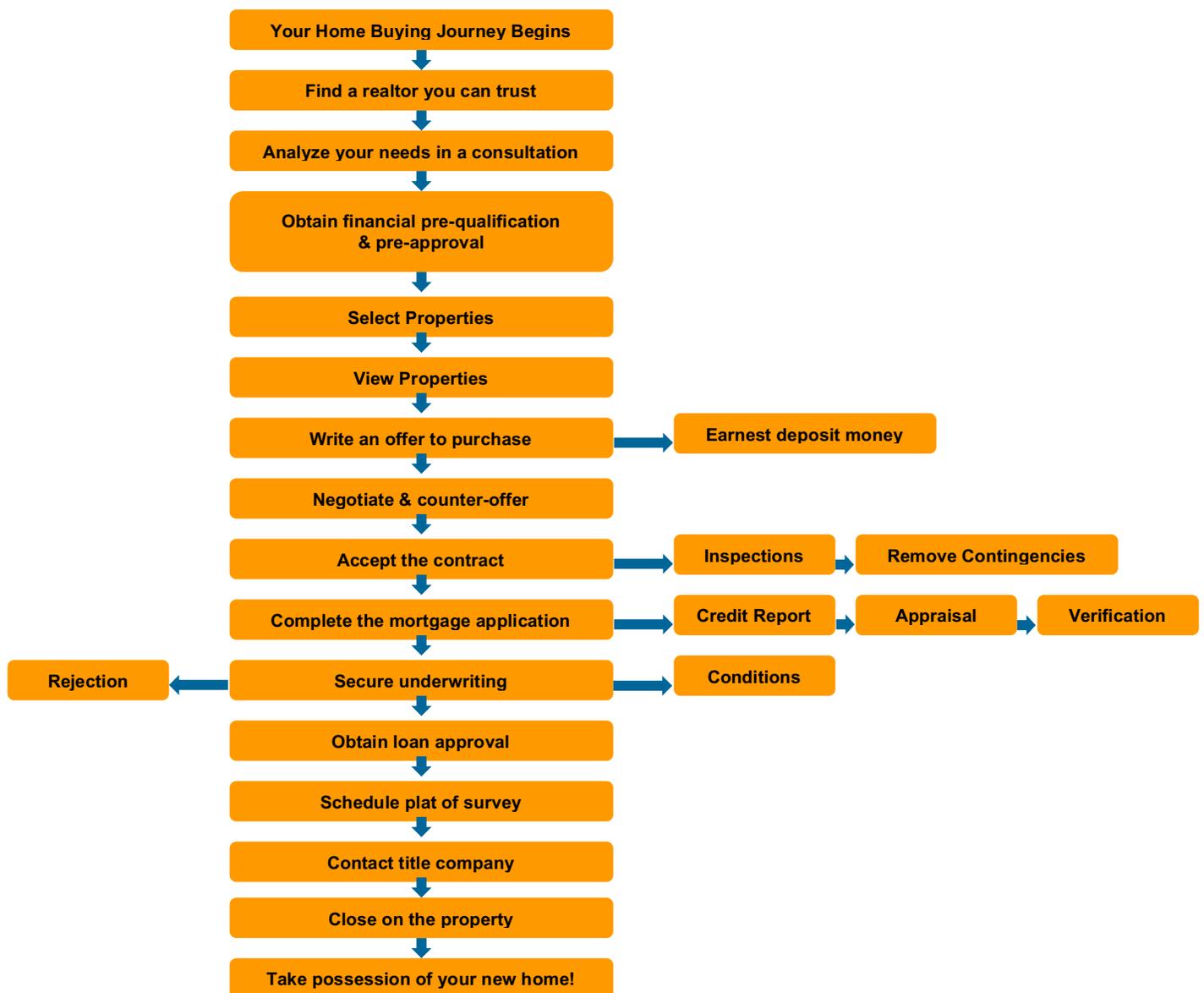
First, start by asking friends, acquaintances and/or family for the names of real estate agents they know. A personal referral is the absolute BEST way to select your real estate agent. Once you have compiled a list of names, use this guide to help you determine which agent is the best for YOU. We recommend interviewing at least 2-3 real estate agents.

Here are the questions you should ask each agent:

1. ***Can you send me some information about yourself?***
Look for professionalism and consistency. What are their professional accomplishments?
2. ***How do you approach your work?***
Look for a businessperson that has a strategy and a good support network.
3. ***How many homes have you closed in the past year?***
Look for an agent who is active in your area and at the top of their industry. Part-time agents are simply unable to keep up with the ever-changing demands of the market. A good rule of thumb is a minimum of 10-15 transactions per year. Why settle for less?
4. ***What is the dollar volume of homes you have sold in the last year?***
Beware of agents who use their company status vs. their own.
5. ***How long have you been in business?***
Longevity in the industry does not always mean success. However, look for an agent that has been in the business for a minimum of three years. The fall-out ratio for agents in business less than 3 years is over 80%. While experience is important, accomplishments are more important. How many homes have they sold in the area you are looking?

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6. ***Do you have a personal assistant or other support staff working for you?***
Most top agents employ (out of their own pocket) an assistant or staff. It is imperative that the agent has support in order to take care of the details of the transaction. How can your agent be actively showing homes to clients and working on the details of your closing at the same time? Things will fall through the cracks and that could cause critical problems for you.
 7. ***What will you do keep me informed?***
Do you want daily or weekly reports from your agent? Will the agent be able to meet these expectations? Determine how much communication you want, and then find an agent who will give you the attention and time you want and deserve.
 8. ***Can you provide me with further resources I may need?***
The best agents have built strong relationships with other professionals. For example, loan officers, attorneys, home inspectors, etc ... and can often get expedient service or be able to "cash in a favor" for you should a problem arise.
 9. ***Can you give me some references from other clients you have worked with?***
Don't be afraid to ask for references. An agent who provides great service and is proud of their work will be happy to provide references. Look at their ratings and reviews on social media and the internet.
 10. ***What is the best way for me to get in touch with you?***
You should know exactly how to get through to your agent or their assistant.
 11. ***What awards or accolades have you received in the past couple of years?***
Make sure that your agent is a professional, well regarded, and at the top of the industry. They will be more knowledgeable and will be able to best represent your interest.
 12. ***Are you a fiduciary? And how will you represent my best interests?***
Absolutely do not hire someone that you don't believe will represent YOUR best interests at all times. Have your agent give you examples of how they represent their client. Remember that finding the home is the easy part, true representation begins when you sign a contract and continues through negotiation and closing.

Home Buying Process



Home Buying Process

Here's what you should do after you've selected a real estate agent:

1. Get pre-qualified with a lending specialist
2. Shop for your dream home with an accomplished real estate professional
3. Choose a top 2 list
4. Place an offer on #1
5. Be prepared for a counter offer
6. Sign and date the effective contract
7. Take note of the option period
8. Order inspections and negotiate repairs
9. Terminate or proceed with the contract
10. After final approval, go to closing to sign and own your new home

In addition to the 10 steps to buying a home, consider the following up-front costs in order to determine if you have the appropriate cash reserves to get started:

- Earnest money – typically 1% of sales price - the amount of earnest money is negotiable and varies with the value of the property
- Inspection fee - \$400 - \$450
- Appraisal - \$325-\$425
- Credit report - \$75

Now that you know the up-front costs, let's explore what you will need in order to determine your buying power and how to get pre-qualified for financing.

The Pre-Qualification & Pre-Approval Processes

Now that you know you want to buy a house, how do you know how much you can afford and if you can qualify for a loan? The way to get started is to go through the pre-qualification and pre-approval process with a lending specialist.

Pre-Qualification versus Pre-Approval

1. Pre-Qualification is the process whereby a bank determines how much money they will lend given your income, assets, and debts. Pre-qualification is typically done over the phone with a lending specialist. The lending specialist will do a partial credit review over the phone. They will collect basic financial information. When you begin the Pre-approval process, the lending specialist will perform an in-depth check of your credit.
2. Pre-Approval is a more formal process and includes completing a loan application on-line and providing documentation regarding income and assets. During the Pre-approval process the lending specialist will ask for authorization to check credit to analyze debt ratios. Pre-approval is typically done when you start looking for houses with a real estate agent or prior to writing an offer.

What Factors Affect What I Can Afford?

There are three factors that affect how much you can afford:

1. The down payment - do you have enough liquid cash to make a down payment?
2. Your ability to qualify for a loan -this is determined during the Pre-qualification & Pre-approval processes.
3. The associated closing costs on your home.

How Much is My Down Payment?

Most loans today are made with a down payment between 3.0% to 20%. Contrary to what many people think, there are still loans that have lower down payment requirements and different terms. Keep in mind, if you are able to come up with 20-25% as a down payment, you can eliminate the need for private mortgage insurance.

How Much are Closing Costs?

You will be required to pay closing costs plus fees for acquiring the loan. These fees must be paid in full at the closing unless you include them in your financing. Typically, closing costs will range between 3-6% of your mortgage loan.

What Does my Monthly Mortgage Payment Include?

Most lenders require that your monthly payment range between 29-36% of your gross monthly income. Your mortgage payment to the lender includes the following:

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

This is what we call **PITI** and your total monthly PITI and all debt (from installments to revolving charge accounts) should range between 36-45% of your gross monthly income. These key factors determine your ability to secure a home loan: credit, assets, income and debt ratios.

How Much Home

You Can Afford

Use the following chart to determine your monthly principal and interest payments at various interest rates for either a 15 or 30-year term:

Interest Rate Factors Per \$1,000					
Interest Rates	Term 15 Years	Term 30 Years	Interest Rates	Term 15 Years	Term 30 Years
4	7.40	4.77	8	9.56	7.34
4 ¼	7.52	4.92	8 ¼	9.70	7.51
4 ½	7.65	5.07	8 ½	9.85	7.69
4 ¾	7.78	5.22	8 ¾	9.99	7.87
5	7.91	5.37	9	10.14	8.05
5 ¼	8.04	5.52	9 ¼	10.29	8.23
5 ½	8.17	5.68	9 ½	10.44	8.41
5 ¾	8.30	5.84	9 ¾	10.59	8.59
6	8.44	6.00	10	10.75	8.77
6 ¼	8.57	6.16	10 ¼	10.90	8.96
6 ½	8.71	6.32	10 ½	11.05	9.15
6 ¾	8.85	6.48	10 ¾	11.21	9.33
7	8.99	6.65	11	11.36	9.52
7 ¼	9.13	6.82	11 ¼	11.52	9.71
7 ½	9.27	6.99	11 ½	11.68	9.90
7 ¾	9.41	7.16	11 ¾	11.84	10.09

1. Find the appropriate interest rate from the chart above.
2. Look across the column to the appropriate term to determine your interest rate factor.
3. Multiply the interest rate factor by your loan amount in \$1,000s.

Example:

- Interest Rate = 5%
- Desired term = 30 years
- Interest rate factor per \$1,000 = 5.37
- Mortgage = \$200,000
- Monthly Principal & Interest = \$1,074 (5.37 x 200)

Add your monthly insurance premium and your property tax to your principal and interest to determine your total monthly payment. The above information is provided as a guide. We strongly recommend that you contact a qualified lending specialist to determine exactly home much you can afford.

Loan Application

Checklist

Most lenders will have you submit an application online for pre-approval. Following is the information you will need to provide during the loan application process (these documents are usually uploaded to the lending specialist through a secured link):

General

- Non-expired Government ID and social security number
- Name and complete address for past 2 years of residence

Income

- Employment history, including names, addresses, phone numbers for the past 2 years.
- Copies of your most recent pay stubs and W-2 forms (past 2 years).
- Verification of other income (social security, child support, retirement).
- Copies of signed tax returns including all schedules (past 2 years).
- Social security & pension award letters.
- If you have rental property income, copies of all signed lease agreements.

Assets

- Copies of all bank statements from checking/savings accounts (past 2 months).
- CD certificates and statements for retirement accounts (most recent 2 months or quarterly statement).
- Gift funds will need gift letter of proof of gift.

Creditors

- Credit cards (current balances and monthly payments).
- Installment loans (car, student, etc.).
- Mortgage loans (property address, lender with address, account numbers, monthly payment and balance owed on all properties presently owned or sold within the last 2 years). Bring proof of any sold properties.
- Childcare expense/support (name, address, phone number). [VA loans only]

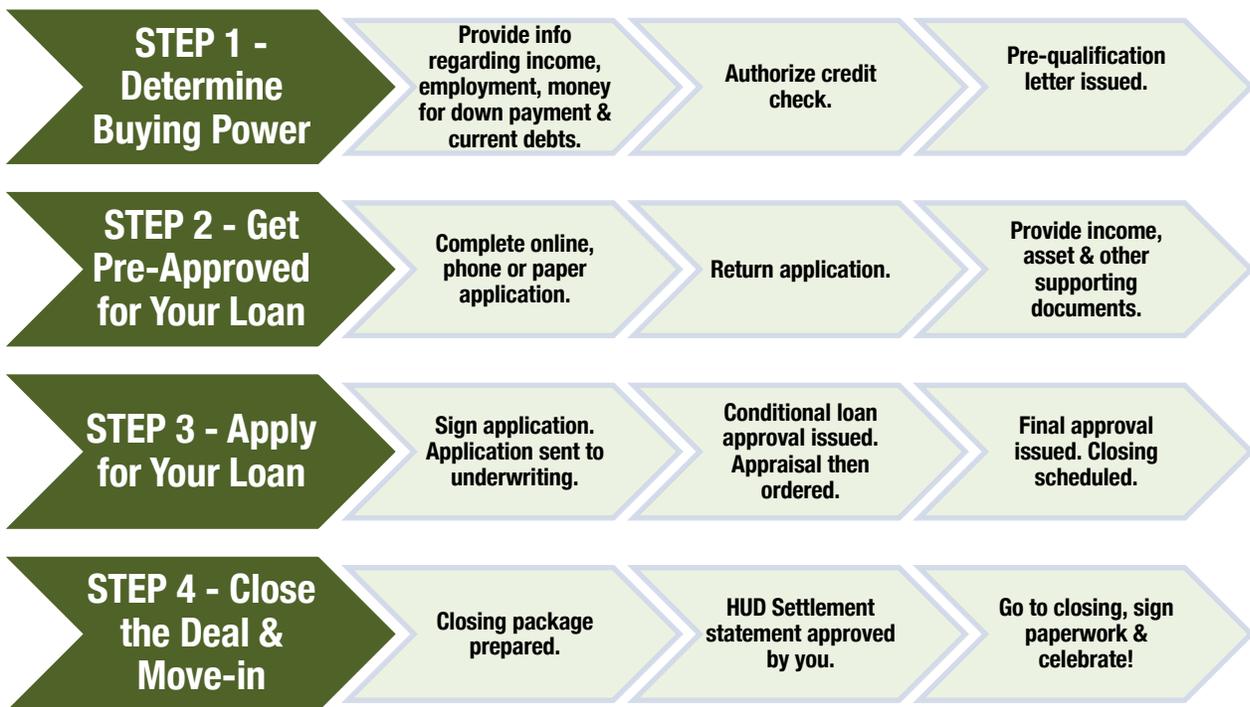
Other

- Bankruptcy – bring discharge and schedule of creditors.
- Adverse credit – bring letters of explanation.
- Divorce – bring your divorce decrees, property settlements, quitclaim deeds, modifications, etc.
- VA only – bring Form DD214 and Certificate of Eligibility.

Hassle-Free

Loan Process

Our preferred lending specialist provides the following 4-step process:



10 Things to Avoid

When applying for a home loan

Last but not least, follow these important rules to ensure a smooth loan process:

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

I hope you have found this guide valuable. When you are ready, give me a call!

Thanks,
Randy Ledbetter
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Broker/Certified Residential Appraiser

