

QUESTIONS BUYERS SHOULD ASK - BEFORE LOOKING, AND, CERTAINLY, BEFORE BUYING A HOME

Buyer: What should I do to get ready to buy a house?

Agent: Get a satisfactory bank letter from a reputable and reliable lender. It should be subject only to a satisfactory appraisal and a purchase and sale agreement. We have a list of lenders whom we know are good. We see a lot of bait and switch on rates and closing costs, and many lenders who simply do not live up to the promises they make when they start doing business with the buyer. We can not overemphasize how important it is to do business with any of the people we know because if a problem arises (and they always arise!), these people will be responsive to us and the team of attorneys, surveyors, title examiners and appraisers who work with that lender. We have an affiliated business arrangement with RMS Mortgage, LeaderBank and Prospect Mortgage. Our clients get special underwriting treatment and are always a priority. We have sought out the premiere mortgage institution to help our clients in this lending climate. Our lenders will get you a fabulous rate and protect you. Pre-Approvals from these reputable mortgage lenders will make your offer more attractive. We'll provide you with our favorite lenders' contact information, so you can take advantage of our special rates and services.

If you can learn from other people's mistakes, please learn from the many people with whom we have worked in the past who report that they wish they had not worked with someone unknown to us. Remember, if your bank is not prepared to close on closing day, you will be in default, and your deposit of five percent will be forfeited. We'd be glad to provide a list of people who wish they had taken this advice and subsequently incurred a lot of undue stress. This is likely to be the piece of advice you are most likely to ignore, but at least we can sleep at night knowing we tried to help you avoid the problems you may encounter with a stray lender.

If you already own a house, your bank letter should say that you are qualified to bridge if your current home is not sold. If you choose not to bridge, or don't qualify for a bridge, you may want to consider making an offer with a 48-hour kick-out clause, which would mean the sellers could come to terms with you but would continue to market their property. Should the seller receive a bona-fide offer, you would have 48 hours to either drop your contingency to sell your home, or to waive the contingency and go forward under the terms of your offer.

Buyer: What else do I need?

Agent: Deposit money. Arrange to have it now, so it will be ready when you need it, particularly if your money is tied up in your current home. Traditionally, 5% of the purchase price is given as a deposit on the home at the time that you sign your purchase and sale (minus your good faith deposit). If you need to use a home equity loan to gather these funds, banks will not give you a home equity loan if your house is on the market, thus you must get a home equity loan before the “For Sale” sign is in the ground or your property is listed in MLS.

Financing - You need to understand that you should not make a major purchase (car, etc) that could adversely affect your debt ratio. Check with your lender before making a big purchase before closing or adding to your credit card debt. Also continue to pay your bills on time. A 30-day late payment could drop your credit score before closing and raise your interest rate (and jeopardize your closing). Please also verify the financial information when your loan application is submitted - we’ve seen transposed numbers that weren’t discovered until the day prior to closing, thus causing a delay.

In addition, please know that your lender will provide you with a GFE, a Loan Estimate, detailing the sundry costs associated with purchasing a property. There are a myriad of bank fees, including title insurance, wiring/correspondence fees, recording fees, additional escrow deposits, tax service fee, attorney representation, bank closing fees - it is important that you review these fees and understand them. There are also seller adjustments, that need to be paid, but aren’t part of the loan.

Buyer: When do we start seeing property?

Agent: When I have your bank letter and you tell me you are ready to buy and we have a signed buyer’s agreement. If you still aren’t ready, please register on my website and start educating yourself on the market by tracking properties and following the new listings, price changes, under agreements and sold homes. We want you to have a good handle on the market so you will feel comfortable with the price you are paying for your home. You will need to tell me when you are ready to buy so I can be on full alert. Also, and this may appear to be fresh, but there is a phenomenon among many homebuyers that agents have identified. Agents continue to see homebuyers who seem to need to fail to buy several properties before they learn some hard lessons. For example, after losing several homes that they wanted because they would not put down a strong deposit, buyers finally borrow money from family or find another way to have a strong deposit so they will be able to buy the next house on which they offer. Or some homebuyers, set on getting a good bargain, continue to make bad offers on good properties, and continue to get outbid or rejected until they finally understand that a terrific house that is priced right might just warrant paying full price or more. Or, homebuyers, who “intend” to get their bank letter, fail to do so before the house of their dreams comes on the market and they are either trying to move heaven and earth to get a solid pre- approval with a bank over the weekend, or they lose the house to someone who was “ready” to buy. So we need to know, are you the type of buyer who can learn from other people’s mistakes, or do you need to make your own? We can guide you well if you take our advice.

Buyer: How long will it take to find the right property?

Agent: That depends on your karma. But you will be surprised that if you truly focus on homes that meet your criteria and needs, and not get distracted by the 18,000 homes in our MLS, that if you view this as a process of elimination and not selection, that your focus will pay off in helping you find the right home sooner than later. You could find a fantastic house the first day, or it may take months. Are you ready to pull the trigger if you find something that meets your needs right away? We see buyers who find a good house, and then pass because it was so easy to find so fast, and then these buyers search for that house for the next 18 months. **Are you ready to buy if a home speaks to you? According to the Massachusetts Association of Homebuyers, the average homebuyer in Massachusetts, because these consumers know the market so well through the internet, takes 10 weeks in their search and views 11 properties personally. Our success rate is shorter because we will help you focus on only those homes that meet your needs.**

Buyer: I want to buy SMART. How?

Agent: We'll tell you what we tell Sellers about Buyers. We tell sellers that a lot of buyers – particularly first-time homebuyers – are “shallow and don't have the vision thing... they only see what they see, so you have to create the vision.” Many buyers fall for the sex and sizzle: the décor, paint colors and furniture.” They don't pay attention to the items and systems that may be expensive to replace or repair – roof, heating system, electric, plumbing, etc. We want to educate you to buy smart and show you how to build equity in a property.

What is buying SMART? Don't necessarily fall for the cosmetics. Buying smart is buying good location, flow, light, amenities, and space for the price. If you can see past clutter and outdated decorating, you stand a good chance to buy into a property with more equity once you've done some cosmetic overhauls. The quintessential “Little Old Lady House” may have shag carpet, eagle wallpaper and older kitchens and baths. But it may also have a new roof and heating system and a lot of the amenities you want, like a fireplace, garage and nice yard, which would be expensive or impossible to install – the painting of the rooms and floor refinishing won't cost much but will increase the value of the house tremendously. In other words, some work is a very good RETURN ON INVESTMENT. The mantra “location, location, location” still rings true. Or, buying a house that is super done, is always a good deal because sellers who have “over-invested” in their home can never get back all the money they poured into a property.

Buyer: If I follow your advice, will things go smoothly?

Agent: Not necessarily, we say **real estate is fraught with disaster** and we know that in this economy every deal is complicated. But **you have a lot of control on how this unfolds.** For instance, if you use a bank that we recommend, you will be working with people who will make every effort to conduct the transaction smoothly. Too many banks make promises on which they can't deliver, or use people who aren't invested in making this work on your schedule. **Therefore, your bank selection is critical to making this transaction go as smoothly as possible.**

A bank we know will use surveyors, title examiners and conveyancing attorneys we know. We won't recommend anyone who would fall down on the job. If you choose to work with someone we don't know, we won't have any influence in the transaction, which could mean missed deadlines, title problems that crop up at the last minute, or people who are not invested in helping to make this work. Know that your 5% deposit is at risk and can be kept by the seller if your bank isn't ready to close on your contract closing date. Getting a loan is like an FBI investigation. Its grueling. It's important you respond quickly to your lender's requests for documentation. Also, anticipating in advance that a lot of things will come up at your home inspection will help you deal with the problems that WILL MOST CERTAINLY ARISE when you do your home inspection.

Buyer: What is the purpose of a home inspection?

Agent: The **purpose of a home inspection is to allow you to investigate the house and uncover the issues that you will need to address during your ownership.** There are always issues - and some may be costly. You need to take that into consideration when you make your offer. Buyers are often shocked to discover that houses that looked so good and well cared for still have so much work that needs to be done. **You will only be disappointed in the home inspection if you do not anticipate such issues when you make your offer. Remember, the seller does not have any obligation to fix, upgrade or repair the house.** The buyer has the right to investigate what he is buying. Most agents don't disclose as much as they should. We can tell you that at RE/MAX Leading Edge we price homes knowing that there will be thousands and thousands of dollars worth of work to be done found at the home inspection, because there always is. Thus we price them accordingly. So you will want a cash reserve to help pay repair of items that your home inspector feels should be addressed right away. **ASK FOR A SELLER'S STATEMENT OF PROPERTY CONDITION before you make your offer.** Not every office will provide one, but it will give you a heads up about water in the basement and past termite treatments - both of which are much more common than you would think. **NOTE: If you are trying to buy a home with a contingency to sell your house or a 48-hour kick-out clause - EXPECT TO DO AN INSPECTION even though you may be kicked out.** You need to know before you sell your house that the home you want to buy is in acceptable condition. Yes, you will pay for a home inspection fee if you get kicked out, but that is the tradeoff for not being able to perform and buy the house. Everyone is taking a risk when there is a contingency clause in an offer agreement. The seller is risking that he/she will have less activity because someone already wants his/her house and yet he/she doesn't have a solid deal because it is "flagged" in the MLS, and the buyer risks that someone will come and buy the house before he/she sells his/her existing home. Home inspection fees vary from inspector to inspector and come with a variety of services attached to the fee, which is non-refundable. You often will find that a professional tradesperson may need to be consulted (exterminator, heating company, etc.) and there is sometimes a fee associated with the visit. Rest assured, we have a variety of resources available to assist us with most concerns.

Buyer: When is it fair to negotiate on the home inspection?

Agent: You've just hired an expert to pick your new home apart top to bottom. Be mentally prepared in advance for how tough the news will inevitably be. Given that you understand that lots and lots of issues and problems are going to come up after a good home inspection, we will borrow our office's attorney's definition for "fair to negotiate", given that he represents both buyers and sellers, and he has developed the following definition that he thinks is fair to both parties. He thinks **it is fair to negotiate on anything that comes up that is serious (that would cost more than \$1000 to fix) that you could not have anticipated from viewing the house or reading the seller's description of property providing that a home inspector deems the work necessary to do "immediately."** If a roof was found to be leaking or a heating system would need to be replaced immediately because of a crack, or if termites (not just old termite damage) or pest damage that is structural needs to be treated and repaired, these items would qualify as "serious, expensive, need to be done immediately, and items that the buyer could not have known about when making an offer." This does not cover an ancient heating system or roof that your home inspector will tell you is at end of life, because those items are like an 80-year old man, they could expire tomorrow or last another 15 years. Use your eyes when you view the home: you can tell that a heating system is old or that a roof has a lot of wear when it is roof tiles are curled. Know that when you make your offer those items will probably need replacement in the near future.

Buyer: I've been thinking about a property I saw last week and think I might want to make an offer on that home. Would you tell me if another offer comes in?

Agent: Do you want to get in a bidding war? If you want to make a commitment to a property follow Nike's advice, "Just do it." **If you wait for another offer to come along, the property is likely to be more expensive.** Even in a slow market many homebuyers will recognize a good house at the right price, so you don't want to wait if one of the good ones comes along - that's when the price is driven up. Competition is good for the seller, not the buyer.

Buyer: I'm not sure I want to sign a Buyer's Agreement.

Agent: Please know that we will introduce the idea of a Buyer's Agreement with you at our first meeting. We would not want to engage in an agreement unless you were happy with us and we are confident that we can help you find what you want in your price range. Our agreements can be voided if things aren't going well, so they aren't scary, but it is important to go over the obligations and duties for both the buyer and the agent, and to also let you know the limits of what we do as your buyer's agent. Should we choose to work together, it is a form required by our office. Please understand that I have to make a business decision about how I spend my time. **If you want me to diligently show you every home that looks intriguing in your price range, I am willing to do that if I know that at the end of day, I will be paid.** Certainly, that makes sense to you and seems fair. My buyer's contract can be voided by either party at any time with 30 days notice if for any reason you are not happy with my services or I don't feel like you are doing your part to find the right property. Naturally, if you decide to purchase a home I showed you, you would be stuck working with me until closing.

Buyer: When will I need to sign the buyer's contract?

Agent: In our first meeting we will go through a list of my services and what our obligations are to you, the buyer, and what obligations you, the buyer, have to us, the agent. Let's see if we have good chemistry! At our first meeting you will have a choice as to whether to hire us as a buyer's agent or a facilitator. If we see property at our first meeting and you have not chosen to hire me, don't expect me to be giving you advice and counsel about the property, I'm not your agent yet; I'm a door opener, a transaction facilitator. We all know you don't need a buyer's agent to find a house, but you need a buyer's agent to evaluate the property and guide you through the complications of the transaction. If you do not value my services and do not want to sign an agreement with me than it is best that we don't meet a second time. If you want to work with me as your buyer's agent we will sign the agreement at our second meeting and devise a plan to successfully identify a good property that meets your needs.

Buyer: You are willing to show me property, evaluate property, help me negotiate the best price and guide me through the complications you say occur in every deal and it doesn't cost me anything up front. Why?

Agent: Because this is our job and we are compensated at closing. We will be acting as your buyer's agent and will include our fee in your offer which will come out of the seller's proceeds at the closing. The seller has already agreed to compensate a buyer's agent in MLS, so we will formalize it in our offer to the seller. All we ask for in the meantime is your loyalty until closing. Always, Always, Always call us about any property that interests you and make sure we are the ones who show it to you. Otherwise you may need to pay two buyers agents, the agent that shows you the property, and us, because RE/MAX Leading Edge is your exclusive buyer's agent and will be compensated when you buy a home. Problems can easily be avoided if you follow the rules to always call us when you want to see any property.

Buyer: Should I use an attorney?

Agent: Good idea. But don't use a friend, relative or any attorney who doesn't specialize in real estate or isn't from the area in which you are buying and isn't familiar with our standard contracts. Would you use a dermatologist for an orthopedic problem? Out-of-state relatives who do real estate are flummoxed by the way real estate is done here and impose other culturally accepted terms in your contract that will harm or spoil your transaction and can cause unnecessary consternation. Why would you use a lawyer who specializes in anything other than real estate locally? A good attorney will also make the transaction go more smoothly - we can't emphasize enough the importance of having not just an attorney, but a **GOOD, SAVVY, REAL ESTATE ATTORNEY. ALSO, a contract is a contract. If you want to be able to move things into the garage early or clean the rugs in an empty house before closing, or be able to measure for window treatments, you are only allowed to do what is in the contract.** If you make a request of the seller keep in mind that the seller does not have to grant the request - no matter how reasonable. Remember it is just a request. The only obligations either party has in a transaction are those that are spelled out in the contract. So make sure you can live with your contract.

Buyer: What if I can't reach my buyer's agent and I want to see a property?

Agent: Home viewing emergencies are rare. But if you can't contact your buyer's agent, call our office and explain the situation. Someone here will arrange to have you see the property that intrigues you. If you call the listing office remember, a) they are working for the other team (the seller) and can't help, aid, advise or assist you in the transaction and do not owe you any confidentiality, loyalty or fiduciary responsibility, and b) the agent with whom you have been working has educated you about the process and given an immense amount of time to listen to your requirements and needs, select property, schedule property and show you property. Also, if you have signed a Buyer's Agreement your agent is entitled to a fee when you buy a home, regardless of who showed you the property or took the offer; so it only complicates matters for everyone if you call another agency and could be costly to you. **If you are not happy with the service you are receiving from your RE/MAX Leading Edge agent, contact him or her and discuss the situation so either you can work out the problem between you, or find another agent and void your contract. But, at the very least, you would owe an agent a call before you began working with someone else. If you are happy with your agent, he/she will appreciate your loyalty and in return work very hard to find you the best home.**

Buyer: When is it "official" that I have bought a home?

Agent: When you make an offer, you do not have an agreement until the seller signs the contract. This can be one of the most frustrating periods in the transaction, because you don't have a deal until you have the seller's signature. Be patient, because we have no control over the seller, the other agent, or the showings that could be taking place while we are negotiating. Timing is everything, and losing a property during negotiations can be devastating. So acting on something and being decisive can be the difference between winning your bid on the house or losing your bid. We know that the negotiation is open until the fat lady sings, so you can't blame sellers for taking a better offer if they can. Although it is common courtesy for a seller's agent to call if another offer comes in, it is not required. **Remember, the sellers and their agents do not have any obligation to you.** They do not need to communicate or offer you another chance to increase or enhance your offer if they feel they have a deal they want to pursue, although we think that it is a courtesy that should always be extended to make sure all parties have a chance to make the best offer. Also you risk losing the house for which you have an accepted offer if you don't comply with the dates for home inspection, financing and signing of the purchase and sale. All of which are in your control. **Take dates in your contract seriously.**

Buyer: I don't want to get in a bidding war to buy a house, can this be avoided?

Agent: If you want to buy a house that intrigues other buyers, you definitely won't get the house unless you make an offer. **Pouncing on a quality property quickly and paying for it quickly usually gets you the home you want.** When a home is new to the market, you won't find the sellers very negotiable, so you won't have much choice but to pay or wait out the market to see if it sits for a while. A lower offer may be attractive to the seller later.

Buyer: What if I REALLY want a house that other buyers want?

Agent: The buyer who makes the most attractive offer will most likely get the house. **REMEMBER** - you may not get a second chance to make a better offer. We don't control the listing side, and there is no guaranty that you will be told there is another offer on the table. So by starting low with the intent of raising your offer, you may lose a house for a price you were willing to pay. We ask that you keep that in mind. The seller will take the highest price combined with the best terms. Here are a few good strategies if you find yourself in a multiple offer situation: **Pay an odd number** - in multiple offer situations, most people come in at round numbers. For example if a house is being offered for \$399,900, a buyer who knows they are in a bidding war may offer \$405,000. We suggest paying an extra \$1,100, by offering \$406,100, it could be the difference in getting the property at the end of the day. **Also, if you know you are all set on your financing, consider eliminating your financing clause and writing that the only financing contingency is a satisfactory appraisal at the selling price.** Your deposit is on the hook after the financing commitment date anyway, so why not make your offer more attractive to the seller by putting a more solid deal together and not hinging your offer on financing? There is little risk if you are pre-approved by a reputable bank and have good job security. The next option when you want to make an offer is not for the faint of heart, but might make the difference in having your offer accepted. **You may want to consider eliminating your home inspection clause.** We recommend that you do a home inspection, but by waiving the clause you are signaling to the seller that you won't negotiate on the price after a home inspection, which will often be most appealing to a seller. **If the home inspection turns up scary items and you do not want to move forward with the contract, you will loose your \$1,000 deposit if you have waived/eliminated your home inspection clause.**

Buyer: I need to sell my house/condo/property in order to buy another house. How does that work?

Agent: There are a lot of strategies to employ when you need to sell one property to buy another. You need to know that it is the rare or very non-savvy seller who would ever allow you to purchase a home contingent on the sale of your home, but there are ways to work this out. **When a real estate transaction transpires there is always risk, and you cannot reasonably have a "risk free" transaction, because that would mean the other party was assuming all the risk.** Standard contracts are framed in such a way that a buyer puts their money where their mouth is. In other words, after the financing contingency is satisfied (the buyer gets a commitment from the bank to get the loan), then the buyer is expected to close on the closing date. If the buyer does not close, the standard contract is written so that the seller would retain the deposit. We recommend that if you want to make an offer on a property with a home sale contingency, you should offer it with a 48-hour kick-out clause. A seller may be amenable to accepting such an offer so long as the clause is satisfied at the time of purchase and sale.

It is critical for you to understand that as a buyer you can't have it both ways. You cannot make your purchase contingent on the sale of your house up until the closing date because that puts the seller of the home you wish to purchase at a terrible risk if that seller needs to buy another home him/herself. If tragedy strikes, and your buyer is not able to perform on your home, you get to keep your buyer's deposit, but it is not fair to think that you will not be obligated to buy the house you want and have your deposit returned, which leaves the seller without the ability to move forward on his/her next purchase and he/she will lose his/her deposit on his/her next house (he/she would need a deposit from you to take an emergency bridge loan so he/she could buy his/her next house). **In other words, everyone, in every transaction has to be willing to put up money that would not be refundable if you were not to buy the house.** That is what keeps the chain in real estate greased and working. So you can't be in the position of getting to keep one deposit if you aren't willing to risk your deposit. It needs to be a two-way street. Ah, the golden rule. Treat people the way you want to be treated. If this is always adopted in real estate, as in life, things go much better for all involved.

Buyer: Tell me more about short sales and foreclosures. I want a bargain!

Agent: Opportunities abound, and there are certainly some great deals in the marketplace today, but BUYER BEWARE. There are risks involved in these transactions. How much risk can you stomach? Distressed sellers and banks own distressed properties. These distressed sellers or banks do not have the money for regular maintenance of the property. Are you prepared to deal with these problems? There is a reason these properties are cheap – because they most likely need work and they come “as is.” So expect to have cash on hand for the unexpected surprises that you will likely find. Also dealing with these properties is not for the faint of heart – it can take time, sometimes months and months, to get an answer back from the bank about your offer. Are you prepared to wait it out? If you are on a deadline to move or don't want to risk not buying a home in this market with low interest rates right now, you may not be a good candidate for a short sale (we call them LONG sales) or a foreclosure.

Buyer: What should I do if I go to Open Houses on my own?

Agent: Open Houses are a great way to see many properties in a short amount of time and explore the inventory; **we encourage you to see as many properties as you can. ALWAYS sign in using your agent's name and company at every open house you attend.** After you have gone through the open houses, please call us and report your feedback on the properties - it serves two purposes: your feedback will enable us to assist you in your search and it is likely that the listing agent will be asking us how you like the house and we'd like to have an answer.

We wish you the best of luck and thank you for working with our company. RE/MAX Leading Edge, Home of the Best Agents. We look forward to working with you and finding you a house that meets your needs, fits your lifestyle and that you will enjoy owning.