

The Home Buying Process

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Getting Prepared

Buying a home is one of the most important investments you could make. It is, therefore, important that it be approached in the right manner. Consider some of the following suggestions as the preliminary groundwork that is needed to make this process flow smoothly.

Checking your Credit Rating

Even if you're sure that you have excellent credit, it's wise to double-check at the outset. Your ability to get a reasonable loan strongly depends on your credit score. Straightening out any errors or disputed items now will avoid troublesome holdups down the road when you're waiting for mortgage approval. To check your credit score you can register on the following web sites or call their toll free numbers. You are entitled to receive a summary of your credit report free of charge each year.

www.experian.com	(888) 397-3742
www.transunion.com	(800) 916-8800
www.equifax.com	(800) 685-1111

Once you receive a copy of your report, review it carefully. If you notice any errors or inconsistencies, you can work with the credit agencies to correct the mistakes. Credit bureaus are required to help you straighten things out in a reasonable time (usually 30 days). As you review the report, pay attention to the following items:

- Make sure that any outdated derogatory entries are deleted from your credit file. Adverse credit information is not supposed to be included on your report after seven years (except bankruptcy information which can be reported up to 10 years)
- Officially cancel inactive credit cards. If you have an inactive credit card with a \$5,000 limit, even though you owe nothing on it, some mortgage lenders will consider that a potential future debt. Too many inactive cards with significant credit limits could keep you from obtaining a mortgage loan. Don't simply cut up the cards, but officially cancel them, leaving enough time for the cancellation to reach the credit bureaus before your loan application.
- Hold off on making any major credit card or car purchases while you're anticipating going through the mortgage approval process. Any monthly payments that you're obligated to pay will be counted against your available monthly cash, and reduce the amount of the mortgage loan you'll be offered. Even if you've been pre-approved for a mortgage amount, that approval is subject to last-minute evaluations of your financial situation, and a spending spree for appliances, furniture and other "goodies" intended for your new home may negatively impact your chances for buying it.

Avoid the mistake of getting pre-approvals from multiple lending institutions. The credit bureaus keep track of each time that your credit rating is run.



Multiple inquiries can lower your credit score and have a negative impact on the approval for a loan.

Choosing the Right Agent

You may ask the question, "Why do I need a Buyer's Agent?" The simple answer is that a buyer's agent works for YOU. We will protect your best interests and negotiate the best possible position for you. We can answer your questions, give you advice and assist you in a purchase without any reservations. When you choose us to represent you as a buyers' agent, we will listen to your needs and preferences. This will help us to avoid showing you any property that would not be a serious consideration. At Ruo & Haschig Realty, we have a written goal that drives our services to you for each home purchase --- to obtain the best possible price with the most favorable terms, in a timely and convenient manner.

Becoming an Educated Buyer

With all of the current technology available a savvy buyer can come into the home-buying process well prepared. Consider some of the following suggestions to help you in this educational process.

- The web is certainly one of the best ways to search for homes. With our website, you can receive daily e-mails with new and updated listings based on the criteria that's important to you (i.e. location, price, size, age, condition, and a variety of other amenities).
- Search the entire MLS database for all homes, condos, land and multi-family properties at your convenience.
- View full listing sheets showing addresses, amenities, taxes, lot sizes, number of bedrooms or baths, siding, fireplaces, garages, room sizes and much more.
- Check schools and community profiles of your preferred cities or towns

The Pre-Approval Phase

One of the first major steps in the home buying process is becoming pre-approved by a bank, credit union or mortgage company. This evaluation includes analyzing your income, assets and present debt to estimate what you may be able to afford on a home purchase. Not only will this process tell you what you can afford, but it will also provide you with the information you need to decide what price range you will be comfortable with.

Obtaining a pre-approval is an important start to the home buying process. This means that you have in-hand a lender's written commitment to put together a loan for you – subject only to the specific house you want to buy passing the lender's appraisal.



Some lenders only provide a pre-qualification letter. Pre-qualification is based on a simple and informal discussion with a lender in which the lender estimates the amount you can borrow based solely on what you tell him about your income and assets. The lender does no verification and isn't bound to make the loan when you're ready to buy. Pre-approval is based on documented and verified information. If a seller knows your financing is secure, any offer you make will be given much stronger consideration. Most sellers will now actually require a pre-approval letter with a Contract to Purchase their home. Otherwise sellers must tie the house up on a contract while waiting to see if the potential buyer can really obtain financing.

The down side is that you may be required to pay application fees up front to cover the lender's paperwork in verifying employment, income, assets, debts and credit rating. If you later decide not to use that particular lender, you'd have to start all over again elsewhere --- with no refund of your up-front money.

It is extremely important for you to have a pre-approval letter in-hand before you view property. If you don't have a specific lender that you wish to work with, we will be happy to recommend several quality lenders that will take care of your needs in a courteous and professional manner.

Agency Relationships

Make sure that you understand the three types of agencies (buyer, seller and disclosed dual), and how they will affect you in different situations. It is important that you know how you are being represented in the search for your home. On one of our first meetings, we will explain the differences and answer any questions that you might have.

Finding the Right Home

After establishing agency with us, there are many ways to be notified of new properties as they come onto the market. With the technology we use at Ruo & Haschig Realty, you can have your choice of daily notifications through our web site or daily e-mail. Inventory continues to fluctuate in the real estate market. It is imperative that you be aware of, and view, new listings very quickly as they come onto the market. We can set up a system that will work best for you.



When deciding on which home is right, there are a lot of factors that you should take into account in addition to the property itself.

These could include proximity to your workplace, local amenities such as shops, public transportation, schools and churches.

We can also assist you in finding homes that are For Sale By Owner (FSBO's). These homes need to be compared to similar properties on the market. Often the private home seller has priced his home higher than the market for similar homes. If you were to pay that price, you might "overbuy".

Be aware of the timeframe involved in making the necessary arrangements to see the homes

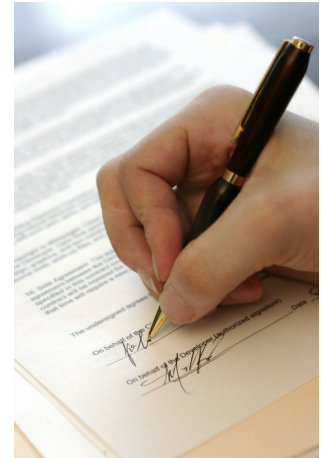
that appeal to you. Sellers will often require a 24 hour notice prior to a showing. Although you may be quite excited about these showings, please be patient. It may take a couple of days to set up appointments that will allow the viewing of these properties in a convenient and efficient manner. Also we recognize the fact that you may occasionally encounter opportunities to view a property when we are not readily available to accompany you (i.e. the typical weekend 'Open House'). In this case we would strongly recommend that you immediately inform the agent running the Open House that you are working with us. This will prevent any misunderstanding when we represent your interests if you decide to present an offer on this property and enter into a negotiation process in the future. We will provide you with several additional business cards that you can use in these situations to confirm to a showing agent that you have a working agency relationship with us. Another benefit to disclosing this relationship is that these showing agents will not then "bird-dog" you in an attempt to solicit your present or future business.

Submitting a Contract to Purchase

In Massachusetts the Contract to Purchase is also known as the Offer to Purchase and is the first of a two-stage process in negotiating an agreement between buyers and sellers. In New Hampshire the Contract to Purchase is also known as the Purchase and Sale Agreement, and this is the only legal document binding the buyers and sellers together.

After you have viewed the property and the interest moves into the “want” stage, we will help you prepare a formal written offer which will be presented to the sellers (Note that a Contract to Purchase real estate must be in writing). This contract/offer is a legally binding document that will include information such as:

- Purchase Price
- Deposit Amounts
- Timeframe That the Offer will Expire
- Purchase & Sale Signing Date (MA only)
- Proposed Closing Date
- Mortgage Amount
- Home Inspection & Bank Commitment Contingencies



Additional paperwork that should accompany your offer would include your Agency Disclosure, Pre-Approval Letter, Lead Paint Disclosure (if applicable) and your deposit check.

Your offer will be presented to the sellers of this property, and at this point you have moved into a negotiation stage. The sellers have the option to accept the offer, make a counter-offer or simply reject the offer. In case the sellers counter, we would help you analyze the terms the sellers have changed, and in accordance with your wishes we can accept, reject or counter these terms. We will have a ratified contract only after both parties have initialed every counter proposal and signed the contract. Note that a property is still considered available to all potential buyers until the sellers have signed and initialed your paperwork.

The deposit check that you will be including as part of the Contract to Purchase package is considered “earnest money” and is typically made payable to the agency that has listed the property for sale. This shows that you are earnest about your decision to buy. After the offer is ratified, we would send your check to the listing agency, and they would deposit it in their company’s escrow account. The amount of the check will go towards your closing costs at the time of settlement.

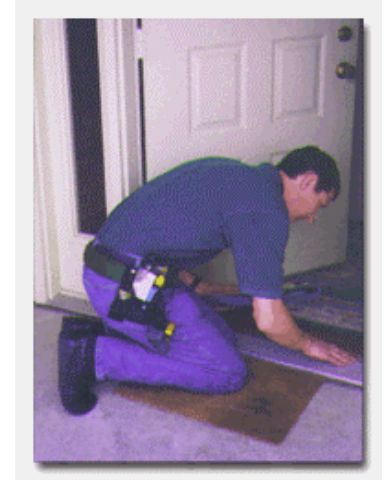
Dealing with Multiple Offer Situations

In some situations sellers will have competing purchase offers to consider. Sellers have several ways to deal with these multiple offers. Sellers can accept the “best” offer immediately, they can inform all potential purchasers that other offers are “on the table”, they can counter one offer while putting the other offers to the side awaiting a decision on their counter-offer, or they can counter one offer and reject all of the others. While we can offer suggestions and advice about how to work through this, the decision about how offers will be presented and dealt with are totally at the discretion of the sellers – not the listing broker.

Purchase offers generally are confidential. In some cases sellers may want all potential buyers to know the terms of these competing offers in order to encourage each buyer to make a better offer. Sellers also may instruct their listing broker to disclose offer details to other buyers on their behalf. Listing brokers need to make reasonable efforts to keep all buyer representatives up-to-date on the status of all offers. Although only one offer can ultimately be accepted, rest assured that we will continue to aggressively work with you and the listing agent until that decision is made. Our goal is that through prompt and open communication we will feel confident that you were dealt with fairly and honestly throughout the offer and negotiation process.

Scheduling a Home Inspection

The home inspection is not required, but highly recommended for any property. You have the opportunity to have the property inspected by an ASHI certified licensed Home Inspector – typically within 14 days from the day the offer was signed and accepted by the sellers. An additional 2 days may also be written into the contract in order to notify the sellers in writing of any home inspection issues that need to be addressed, or of your intention to withdraw from the Contract to Purchase and receive a full refund of your deposit. If the home inspector finds problems with the property, you may want to negotiate with the sellers to lower the price or to pay for certain repairs. You are strongly encouraged to attend the home inspection.



Finishing the Purchase & Sale Agreement (Massachusetts only)

The Purchase & Sale Agreement is typically signed 1-2 weeks from the initial Offer to Purchase. Once you are satisfied with the home inspection, the next step is to get the P&S signed by all parties. The P&S replaces the Offer to Purchase as the legally binding document until the Time of Performance (Closing). Both parties are encouraged to have the P&S reviewed by a real estate attorney on their behalf. Upon the signing of the P&S, your additional deposit is required. This amount is determined in the Offer to Purchase and will vary depending on the type of financing and/or what has been agreed upon by you and the sellers. This deposit will also be deposited into the listing agent's escrow account and will also go towards your closing costs at time of settlement (closing).

The Bank Appraisal

The appraisal is often confused with the home inspection, however, they serve completely different purposes. The bank will send a licensed appraiser to the property. If you are applying for an FHA or VA loan, the appraiser will additionally be looking for safety or other conditions (a big one is peeling paint) which may not be acceptable to the lender. If any issues are present, they will be listed on the VC Appraisal Form, which will be provided to the lender. Any issues listed must be satisfied prior to closing. The appraiser must use recently sold properties that are comparable to the subject property to determine if the property is worth the amount that the bank is going to lend to you. The appraisal fee must be paid to the lender and/or the appraiser up front. This is a closing cost that is POC (paid outside of closing).

The Mortgage Commitment

The mortgage commitment is the final approval of your mortgage application. A specific date for this commitment is always included in the Contract to Purchase, but is typically about 30 days after signing the contract. If you are not able to obtain a written mortgage commitment from your lender by the agreed upon date, you may notify the sellers in writing and receive a full refund of your deposit. The sellers in this case would more than likely want a written explanation from the lender as to why the mortgage application was denied. If the bank needs more time to provide you with a written mortgage commitment, you may request an extension for mortgage commitment from the sellers in writing. If the sellers are unable or unwilling to execute an Extension, then you would receive a full refund of the deposit if the request was made within the proper timeframe. It is very important to read your mortgage commitment in full. All commitment letters will have conditions attached, which means the commitment is subject to those items listed as conditions. You must meet all of the conditions prior to closing. If you cannot meet a condition, the loan will not close, and your deposit money could be in jeopardy.



Getting Ready for the Closing

Prior to the day of closing, you will be required to provide proof of Homeowner's Insurance to your lender. You must pay for one year of insurance up front and/or provide the insurance Binder as

proof to the lender. The insurance company of your choice will typically fax the Binder to the lender and provide the original to you. The original should be brought to closing.

During the week prior to closing you will need to make arrangements to have all of the utilities changed into your name effective as of the day of closing, unless other arrangements for occupancy have been made.

Ideally a walk-through inspection is scheduled on the morning of closing or a day before. In any case it should be scheduled as close to the closing day as possible. The purpose of the walk-through is to make sure that all systems of the house are in working order and all the conditions in the contract are satisfied. We will walk through the house with you – room by room – as you check everything including lights, fans, stove, dishwasher, washer, dryer, doorbell, etc. Anything out of order should be noted. At the time of settlement, funds from the sellers could be withheld by the closing attorney to pay for repairs.

Final Closing Details

An important point to keep in mind is that the closing attorney represents the lender at closing, NOT you, the buyers. We will work with you to schedule an appropriate and convenient time with the closing attorney's office. The closing will take place most commonly at the office of the closing attorney or the Registry of Deeds. The deed to the property needs to be recorded at the Registry of Deeds for the transaction to be complete.

Be prepared to sign a lot of paperwork. The closing attorney will explain all the documents that you are required to sign, and if you have any questions you can ask the attorney or we will be available throughout the closing as well.

During the closing you will have the opportunity to purchase Owner's Title Insurance as part of the closing process. Owner's Title Insurance is usually issued in the amount of the real estate purchase. It is purchased for a one-time fee and lasts as long as you or your heirs have an interest in the property. Only Owner's Title Insurance will fully protect you if a problem should arise with the title that was not uncovered during the title search. Owner's Title Insurance also pays for any legal fees involved in defending a claim to your title.

Plan on bringing the following items to the closing:

- A picture ID of all the people who will be listed on the final deed
- If not a US citizen, check with your loan officer for any specific documents
- The original insurance binder
- A bank or cashier's check made out to the closing company or yourself for the settlement closing costs. This amount will usually be provided by the closing attorney no more than one day in advance.
- Your personal checkbook in case the closing cost estimate was slightly less than what is required.

Lastly you will receive the keys to your new home at the end of the Closing.

Congratulations!!! You are now the proud owner(s) of your new home.

