



*Frequently asked questions & answers buyers
want to know concerning the process of buying a home!*

When I start visiting homes, what should I be looking for the first time through?

The home you ultimately choose to call home will play a major role in your family's life. A home can be an excellent investment, of course; but more importantly, it should fit the way you really live with spaces and features that appeal to everyone in the family.

At each home, consider these important factors:

- Is there enough room for you now and in the near future?
- Is the home's floor plan right for your family?
- Is there enough storage space?
- Will you have to replace the appliances?
- Is the yard the size that you want?
- Are there enough bathrooms?
- Will your present furniture work in this home?

Is an older home as good a value as a new home?

It's a matter of personal preference. Both new and older homes offer distinct advantages, depending upon your unique taste and lifestyle. New homes generally have more space in the rooms where today's families do their living, like a family room or activity area. They're usually easier to maintain, too. However, many homes built years ago offer more total space for the money, as well as larger yards. Taxes on some older homes may also be lower. Some people are charmed by the elegance of an older home but shy away because they're concerned about potential maintenance costs.

Do I need to bring anything along when I'm looking at homes?

Bring your own notebook and pen for note-taking and a flashlight for seeing enclosed areas. Be prepared to "snoop around" a little. After all, you want to know as much as possible about the home you buy. Sellers understand that because their home is on the market, it will be looked over pretty thoroughly. Don't forget to bring along this Home-buyer's Book as a reference guide when you are looking at homes. If you need to go back to a home for another look, The Brad Korb Team will be happy to schedule an appointment. Be sure to ask any questions you have about the home, even if you feel you're being nosy. You have a right to know. It's important to know that the seller will supply the buyer with a Residential Property Disclosure, which will disclose any defects known by the seller.



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What should I ask The Brad Korb Team about each home I look at?

As a rule of thumb, ask any questions you have about specific rooms, features, or functions. Pay particular attention to areas that you feel could become “problem” areas—additions, defects, areas that have been repaired, etc. And above all, if you don’t feel your questions have been answered, ask until you do understand and are satisfied. In most cases, The Brad Korb Team will be able to provide you with detailed information.

What should I tell The Brad Korb Team about the homes I look at?

Tell The Brad Korb Team what you liked and didn’t like about each home you saw. It is important to really get a feel for what you’re looking for in a home in order to find your dream home. Don’t be shy about talking about a home’s shortcomings. Was the home perfect except for the carpeting? Let The Brad Korb Team know that, too!

How many homes should I look at before I buy?

There is no set number of homes you should look at before you decide to make an offer on one. That’s why providing The Brad Korb Team with as many details as possible up front is so helpful. The perfect home may be waiting for you on your first visit. Even if it isn’t, the house-hunting process will help you get a feeling for the homes in the community and narrow your choices to a few homes that are worth a second look.

If you’re looking in more than one community, try to make the most of each house-hunting trip. Stop by the local chamber of commerce to pick up promotional literature about the community. Or ask The Brad Korb Team for welcome kits, maps, and information about the schools, churches and recreational facilities.

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House Hunting Tip

When you find a home you may be interested in buying, make sure The Brad Korb Team asks the owner the following questions:

- How much money do you pay for monthly utilities?
- What features have you enjoyed most about living in this home?
- Are there defects or problem areas that need to be fixed right away?
- How old is the furnace and central air conditioning system?
- How old is the roof? Have you experienced any leaking?





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What should I think about when I'm deciding which community I want to live in?

There are obviously many factors to consider when you choose a community. A few things to look for in a community are good city services, nice parks with playground facilities, convenient shopping and transportation, and a track record of sound development and good planning.

As for individual neighborhoods within a city, there is no better source of information than The Brad Korb Team! The Brad Korb Team knows the communities and the people. Chances are they can help you find a neighborhood that really fits your family's needs.

Where can I get information about local schools?

Again, The Brad Korb Team is perhaps your best source. They know where the local schools are and can provide you with valuable information about school districts, including test scores, extracurricular activities, bus services, and more.

How can I find out what homes are selling for in a given neighborhood?

Home sales are a matter of public record. The County Appraiser's Office, a local residential appraiser, or the planning department for the locality, are all resources the buyer can call. All can be searched for recent sales histories, sale prices (or average sales prices), time on the market, and other listing information for sales in any given area.

However, an easier way for you to get this information is to simply ask The Brad Korb Team. If you're interested in a particular home, we may be able to provide you with a list of comparables—sale

prices of homes in the area that are roughly the same size and age as the home you're considering. Although there will certainly be some differences between the homes—the house next door may have an extra bedroom or the one down the block may be older than the one you're looking at—it's a good way to evaluate the seller's asking price.

I'd like to have a professional look at the home before I buy it. What does a home inspector do?

For your own safety, and to make sure you're getting your money's worth in the home you choose, using a professional home inspector is highly recommended. A home inspector will check a home's plumbing, heating and cooling, electrical systems, and look for structural problems like a damp or leaky basement.

Before you sign any written offer, we will make sure that it includes an inspection clause or other language which says that your purchase obligation is contingent on the findings of a professional home inspector.

Your home cannot "pass" or "fail" an inspection, and your inspector will not tell you whether he 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.

A seller may be willing to renegotiate a price to accommodate needed 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.

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Remember, the purpose of a home inspection is to help you learn things about the home that are not easily discoverable during your home-buying tour. **IT IS NOT INTENDED TO BE A “LAUNDRY LIST” OF MINOR REPAIRS FOR SELLERS TO COMPLETE.**

Is there any way I can protect myself against emergency repair bills in my new home?

YES—home warranties offer you protection against many potentially costly problems not covered by your homeowner’s insurance. They’ve become increasingly popular in recent years, and for good reason . . . the coverage can save you thousands in the event of a major mechanical breakdown at a time when your cash reserves have been depleted by your down payment and moving expenses.

When looking at homes, ask The Brad Korb Team if a home warranty is offered. But remember if it is not offered; feel free to ask for it when writing the offer to purchase. The home warranty will give you the peace of mind necessary to feel comfortable in your new home. In most cases, the warranty plan will cover appliances, hot water heater, air conditioning units, electrical systems, garage door openers, plumbing systems, heating systems, faucets, ceiling fans, and water softeners. Check with The Brad Korb Team regarding the specifics of the home warranty plan!

How do I determine the amount of my initial offer?

There is really no rule to use in calculating a realistic offer. Naturally, the buyer wants the best value and the seller wants the best price, but negotiations can be influenced by many factors, such as a seller who may be changing jobs and wants to sell quickly or a buyer who really wants a specific home. After you’ve looked at the home’s features, asked

questions, checked comparables, and talked about it with The Brad Korb Team, you should have a good idea of what the home’s value is in the current market. Consider what you can afford, and make an offer that you consider to be fair. Most buyers and seller negotiate on price with both sides "giving" a little until both agree.

If I’m moving a considerable distance, is there any way I can gather information before I start traveling?

YES, The Brad Korb Team is proud to be associated with top Realtors across the country. Whether you’re moving across town, across the nation, to Mexico, Canada, or the United Kingdom, we can help. We understand your needs, concerns, fears, anxieties, and joys, but most of all, we know how to get you and your family from here to there with minimal stress and inconvenience.

Should I move myself or use a moving company?

In almost every case, you can save yourself time and energy by using a reputable moving company to help you move. Ask The Brad Korb Team, friends, and coworkers for recommendations, then get estimates from several companies. Don’t choose a mover based on price alone—consider the reputation and professionalism of the company, too. Work closely with the moving company to coordinate your efforts and your move will go smoothly and efficiently.





Loans/Mortgages

How much of a down payment will I need to buy a home?

A down payment of 20% has been the benchmark for conventional financing, but today many options are available, some requiring as little as 0% down. For buyers who qualify for conventional financing but can't handle the high down payment requirements, lenders offer this financing with PMI (Private Mortgage Insurance). Designed to protect the lender against default by the borrower, PMI allows you to obtain traditional financing with a down payment significantly lower than the standard 20%.

Government-insured loans are also available from 0% to 3% down.

How does a lender determine the maximum mortgage I can afford?

The three primary areas lenders examine in determining the size of the mortgage you can handle are your monthly income, non-housing expenses, and cash available for down payment and closing costs.

There are a number of different ways lenders interpret these variables to estimate your mortgage capacity. The most popular method is detailed here. Most lenders feel a family should spend no more than 28% of its gross monthly income on housing costs, including the mortgage, insurance, and real estate taxes. Also, these housing costs plus your long-term debts (car loans, student loans, etc.) shouldn't exceed 36% of your income—or government loans at 29/41% ratio.

What are the steps involved in the loan process?

The information your lender needs is not much different than what is needed when you apply for a major credit card: names and addresses of your employer and bank account numbers and balances. The lender will also need other financial information, such as installment payments, auto loans, charge cards, and department store accounts. The location and description of the property are also required, as well as a professional appraisal of the property you want to purchase.

Are there any mortgages especially designed for the first-time buyers?

Today, first-time buyers enjoy a number of mortgage options that make purchasing a home more affordable by minimizing down payments and keeping monthly payments as low as possible during the early years of the loan.

Most ARMs (Adjustable Rate Mortgages) feature an interest rate that is often below market for the first year and may only rise gradually after that, therefore, lowering your house payment in the beginning.

VA and FHA-insured loans call for extremely low down payment (0-3% of the purchase price) and offer the benefit that 100% of your down payment can come as a gift.

Finally, first-timers who can find a cooperative seller or third-party investor can look into such nontraditional financing methods as a lease/buy arrangement.



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Can I get an FHA or VA mortgage?

Just about anyone can apply for an FHA-insured mortgage through banks and other lending institutions. They are particularly well suited for buyers of moderate income; the low down payment requirements (as low as 3% of the purchase price) are matched by a relatively low maximum mortgage amount.

Similarly, VA-guaranteed loans often require no down payment for up to four times the amount guaranteed by the VA. These loans are reserved for active military personnel, veterans, or spouses of veterans who died of service-related injuries.

What are "points"?

In real estate, the term "point" refers to a percentage, usually 1% of the total mortgage loan amount. Buyers often pay lenders this supplemental fee, calculated in points, to get a better interest rate on a particular mortgage.

For instance, a lender may offer you a choice of two 30-year mortgages: the first at 10% with no points and the second at 9% with an additional three points. If the loan is for \$100,000, those three points will cost you an extra \$3,000 up front—but you'll get a payback of significantly lower monthly payments (\$840.85 vs. \$877.57) for the lifetime of the loan.

Many lenders will advise you to pay the points for the better rate if you can afford it, especially if you plan on keeping the home for more than a few years. Like interest, the money you pay for points may be tax-deductible, and the investment may pay for itself through savings generated by lower monthly payments. We suggest you call your tax preparer for more information.

What is APR, and how is it calculated?

The annual percentage rate is a calculated rate of interest for a loan over its projected life. This rate includes the interest, all points (which are considered prepaid interest), mortgage insurance, and other charges associated with making the loan that the lender collects from the borrower. The APR is calculated by a standard formula that all lenders use. This enables the borrower to comparison shop between lenders and/or loan products, based not just on interest rate charged but also on fees incurred to obtain the best rate.

What is a good faith estimate?

Your lender or loan agent must provide you with a good-faith estimate within three days of your application. This is the information you need to make a fair and accurate judgment when shopping for a loan. Your estimate is a written document that shows all the costs that can be estimated in advance by the lender. You need this information so there are no surprises on the day you close on the property to be purchased. You should review all costs, know which ones are non-refundable in the event your loan is not approved, and be prepared to pay outstanding fees. You may also want to compare these costs to those charged by other lenders when shopping for your home financing plan.

What does my monthly mortgage payment include? And what does PI and PITI stand for?

The bulk of your monthly mortgage payment goes toward paying off the principal and interest of your loan (often lenders refer to this as "PI" or Principal and Interest). In addition, most lenders require that you pay a sufficient amount to cover your local real estate tax, plus your homeowner's or hazard insurance (this "total" payment is referred to as "PITI" or Principal, Interest, Taxes, and Insurance).



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This amount is placed in an escrow account from which your lender then pays your tax and insurance bills as they come due. When shopping for a loan, it is important to ask the lender if the monthly payment you are being quoted is PI or PITI.

What are the respective advantages of 15-year and 30-year terms?

As you'd expect, a 15-year monthly mortgage means higher monthly payments than an equivalent 30-year loan . . . but not as much higher as you think. At the same rate of interest, payments on the 15-year mortgage are roughly 20-25% higher than a loan that takes twice as long to pay off. But one of the benefits of choosing a 15-year mortgage is that you can generally get a lower interest rate for an otherwise similar loan. Another advantage is faster equity build-up because a larger portion of your early payments are going to pay off principal. This makes the 15-year mortgage an ideal alternative for couples approaching retirement or anyone else interested in owning their home free and clear as quickly as possible.

The 30-year fixed mortgage remains the standard mortgage with an array of valuable benefits designed especially for buyers who expect to stay in their home for a long time. Because the borrower pays more interest than principal for the first 23 years, the tax deduction is substantial. And as inflation causes income and living expenses to increase, your unchanging monthly mortgage payments account for a relatively smaller portion of income as the years go by.

Do Adjustable Rate Mortgages offer any protection against rising rates?

YES, ARMs and other variable rate or payment

plans offer lower-than-market interest rates initially, but because they are tied to the interest rates of U.S. Treasury Bills or other indexes, interest rates may rise later in the loan term. However, many such loans offer built-in safeguards designed to minimize the effect of any rapid escalation in interest rates.

One such safeguard is the rate cap. Many ARMs include provisions for the maximum amount your rate can rise, both annually and over the life of the loan. For example, if your initial rate is 8%, the loan may include 1% annual and 5% lifetime caps . . . which means that even if rates rise dramatically, you'll pay no more than 9% next year, 10% the following year, and so on until a maximum rate of 13% is reached. ARMs may also allow your rate to decrease when the index to which it is tied goes down. As you might expect, decreases are usually capped as well.

A second protective device included in some ARMs is the payment cap. Under this provision, your monthly payments may rise by only a set dollar amount. The potential disadvantage of this type of cap is that it can slow or even reverse your equity build-up. If rates rise dramatically, you could actually wind up owing more principal at the end of the year than you did at the beginning.

Of course, ARM holders can also consider refinancing to a fixed-rate loan after a few years. Some ARMs even include a provision for converting to a fixed rate after a set period of time.

How can I find out what my property tax bill will be?

Usually the total amount of the previous year's property taxes is included on the listing information sheet for the home you're interested in. Remember, tax rates change from year to year, so the previous year's tax bill should be considered simply as a ballpark figure of what you would pay.

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What can I do if I have a fixed-rate loan, and interest rates go down?

When interest rates drop significantly, the homeowner should investigate the financial advantages of refinancing. Essentially, this means taking out a new loan to pay off your existing loan.

Refinancing may require paying many of the same fees paid at the original closing, plus origination fees. Most mortgage experts agree that if you can get a rate 2% less than your existing loan and you plan on staying in your home for at least 18 months, refinancing is a good investment.

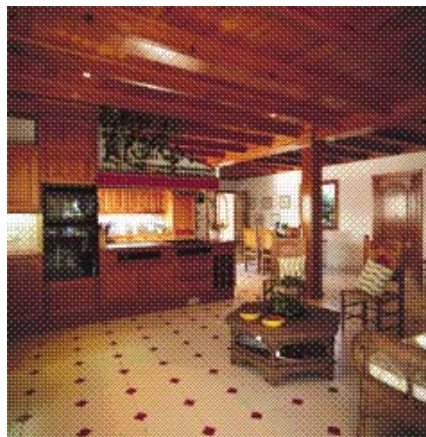
What is the difference between pre-qualifying and pre-approval?

Pre-qualifying for a mortgage up to a certain amount is an increasingly popular practice among buyers who don't want to worry about going through the approval process until after they've found the home they want. It is a verbal exchange in which the lender tells you in advance approximately how much money you are able to borrow, based upon the information you provide the lender on your debt and income.

Pre-approval goes a step further than pre-qualifying. It is an actual commitment to lend, provided that, when the borrower is ready to buy, he or she still meets all the qualifying conditions that were met at the time of conditional approval. We strongly recommend it!

Can I pay off my loan early?

If you can afford it and are interested in the considerable advantages of having more equity and/or owning your home free and clear at the earliest possible date, the answer in most cases is yes. If you're unsure about the rules governing prepayment, review your mortgage agreement, as some do have pre-payment penalty clauses.



WANT TO PAY OFF YOUR LOAN EARLY?

Save extra every month.

With the interest you earn on your savings, you may be able to make an extra payment at the end of the year. Pay an extra twelfth of your payment monthly and your 30-year mortgage will pay off in 22 years.

Whichever method you choose, be sure to clearly indicate that the excess payment is to be applied to the principal.