

## How to choose your Realtor®

A home is most likely the biggest purchase you'll ever make. When buying a home, a Realtor® is your representative in the process, so you want to find the right person to make the partnership work.

Allen Tate has more than 1,400 agents throughout the Carolinas. To find an Allen Tate Realtor, [click here](#).

As search for the right Realtor to guide you through the first time home buying process, here are few tips for ensuring a good fit:

**Ask friends and family for recommendations.** What did they like about their agent? Do they think you'd be a good fit for each other?

**Drive around the area where you'd like to live.** Is there a Realtor name you see more than once? Chances are that Realtor knows that area and would be a great resource for you.

**Interview more than one person.** Pick 2 or 3 candidates and arrange to meet for an interview. Ask these questions to help find your perfect fit:

1. How long have you been in the business? Do you have a website?
2. Can you give me a few referrals from past clients?
3. Do you have a staff? How is that to your clients' advantage?
4. Are you available to look at a home any time of day?
5. How often can I expect to hear from you?
6. How can I reach you?
7. Will you provide me with a list of homes that meet my criteria a few days prior to touring so that I can check them out online or drive by?
8. What types of homes/neighborhoods do you specialize in?
9. After we have written a contract on a home, what can I expect from you?
10. How do you assist me if we run into an issue during the appraisal or inspection process?
11. What can you offer me that a Realtor from another company cannot?

After you've carefully chosen your Realtor based on experience, reputation and your personal comfort level, you'll sign what's called a "Buyer's Agency Agreement" with the Realtor. Simply put, this agreement spells out that you have chosen this agent to work for you and your interests.

So what happens if you work together awhile and you find the relationship is not working for you? Simply talk with the Realtor about your concerns or speak to the Broker-in-Charge at your agent's office.

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## A step-by-step guide to buying your first home

Buying your first home can seem like an overwhelming process. Your Realtor® will help you understand the process and help you at every step along the way.

### Here is a step-by-step guide to buying your first home:

1. Get pre-approved for a home loan and arrange for financing. Allen Tate Mortgage can help.
2. Work with your Realtor to determine what you want—and what type of options fit your price range.
3. Start looking! Tools such as TateMobile and TateMap really come in handy!
4. Select the home you love and make an offer. Your Realtor will present the offer and take care of the negotiating.
5. Offer accepted!
6. Your Realtor will order a home inspection, termite inspection and survey.
7. Your Realtor will work with your lender to order an appraisal of the property.
8. Talk with your insurance agent about homeowners' insurance options. Allen Tate Insurance represents the nation's top carriers and offers competitive prices and coverage.
9. Ask your Realtor about a home warranty.
10. Your Realtor has a network to help you choose a real estate attorney to handle the closing. The attorney will complete a title search and provide title insurance. (Important note: You really need an attorney who specializes in real estate, and not the friend of a friend or a member of the family)
11. Schedule the closing. Find out exactly how much money you will need at closing prior to the date and obtain the checks you'll need.
12. Close on your home at the agreed upon date.

It's nice to have a familiar face at the closing table – your Realtor, who has been with you since the beginning, to see it through all the way to the exchange of keys – and beyond!

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## Real estate terms and definitions

**Annual Percentage Rate (APR):** The total yearly cost of a mortgage as expressed by the actual rate of interest paid. The APR includes the base interest rate, points and any other add-on loan fees and costs. APR is higher than the rate of interest that the lender quotes for the mortgage.

**Appraisal:** Mortgage lenders require an appraisal of the market value of a house a homeowner wants to sell or refinance. This protects the lender from lending more money on a house that is worth.

**Appraiser:** An appraiser is hired by lender to inspect the home and determine if it is worth the offered price. An appraiser is an unbiased third party who offers a reasonable and reliable opinion of value, based on comparable sales and listings.

**Assessed value:** The value of a property for the purpose of determining property taxes. This figure depends on the methodology used by local tax assessor and may differ from appraised or market value of the property.

**Buydown:** The part of the homebuyer's mortgage the builder or seller agrees to pay for the first few years. The term also refers to the practice of a seller paying a mortgage lender a predetermined amount of money to reduce his or her mortgage interest rate, thereby creating more attractive financing for a potential buyer.

**Cash Reserve:** Cash left over after closing on a home purchase, usually required by the lender, showing the purchaser can make the first two mortgage payments or cover a financial emergency.

**Closing Agent:** The person who likely works for a title or escrow company and focuses on the details required for the closing, including performing a title search, arranging for title insurance, coordinating money transfer between lenders, establishing an escrow account and recording the property transfer deed. (Master Title Agency provides title services for Allen Tate Company.)

**Closing Costs:** Closing costs generally total from 2 to 5 percent of the home's purchase price and are in addition to the down payment. Closing costs include such things as points (that is, loan origination fee to cover lender's administrative costs), an appraisal fee, a credit report fee, mortgage interest for the period between the closing date and the first mortgage payment, homeowners insurance premium, title insurance, pro-rated property taxes and recording and transferring charges.

**Comparable Market Analysis (CMA):** A written CMA identifies houses comparable to the house for which the offer is made that sold within the last six months, are in the immediate vicinity, and are as similar as possible to the house in terms of size, age, and condition. By analyzing the sale prices of comparable houses currently on the market, one can determine whether prices are rising, flat, or declining.

**Contingency:** Conditions contained in almost all home purchase offers. The seller or buyer must meet or waive all contingencies before the deal can be closed. These conditions relate to such factors as the buyer's review and approval of property inspections or the buyer's ability to get the mortgage financing specified in the contract. Sellers may include contingencies as well, such as making the sale of their house contingent upon their successful purchase of another home. If a contingency cannot be met, the party for whom it was established may legitimately withdraw from a contract.

**Corporate Home:** A home previously owned by an employee whose corporation transferred him/her. In the process, he/she was unable to sell the home and the corporation purchased the house in order to allow the employee to move to a new location.

**Co-signer:** A co-signer co-signs (which literally means being indebted for) a mortgage. A cosigner cannot improve a credit report, but can improve the chances of getting a mortgage. Cosigners should be aware that cosigning for a loan will adversely affect future creditworthiness since that loan becomes what is known as a contingent liability against future borrowing power.

**Credit Report:** A report a lender uses to determine an applicant's credit worthiness. The lender uses the report to determine the applicant's ability to handle all forms of credit and to pay off loans in a timely fashion.

**Debt-to-Income Ratio:** Lenders generally figure a borrower shouldn't spend more than about 33 to 45 percent of monthly income for housing costs. Debt-to-income ratio measures future monthly housing expenses, which include the proposed mortgage payment (debt), property tax, and insurance, in relation to monthly income.

**Delinquency:** Delinquency occurs when a monthly mortgage payment is not received by the due date. The first time, missed payment is delinquent. The next time, a missed payment puts you in default.

**Down Payment:** The part of the purchase price that the buyer pays in cash, up front, and does not finance with a mortgage.

**Earnest Money:** A homebuyer's "good faith" deposit that accompanies a written purchase offer.

**Fixed-Rate Mortgage:** Loan terms that include a stable, unchanging interest rate (for example, 5.5 percent) for the life (term) of your 15- or 30-year mortgage.

**Foreclosure:** A legal process whereby property pledged as security for a debt is sold to satisfy a debt in the event of a default in payments or terms.

**FSBO:** A property that is For Sale by Owner and is not listed through a real estate broker.

**Home Warranty Plan:** A type of insurance that covers repairs to specific parts of the home for a predetermined time period.

**Homeowners Insurance:** Dwelling coverage to cover the cost to rebuild a house or the amount of the mortgage. The liability insurance portion of this policy protects against accidents that occur on the property. Personal property coverage pays to replace loss of worldly possessions and usually totals 50 to 75 percent of dwelling coverage. Flood or earthquake insurance is usually advisable in susceptible areas.

**House Inspection:** A house inspection is a necessity and should include: overall condition of the property, inside and out; electrical, heating, and plumbing systems; foundation; roof; pest control and dry rot. An inspection report enables a Realtor to ask the seller to either do repairs or reduce the purchase price.

**Insurance Agent:** An independent insurance agency (such as Allen Tate Insurance) represents a variety of homeowners' insurance carriers, giving access to the best rates and coverage.

**Interest:** Interest is what lenders charge to use their money. Lenders usually require borrowers to pay the interest that accrues from the date of settlement to the first monthly payment at closing.

**Interest Rate:** The amount charged for borrowing the principle amount. Lenders generally charge higher rates of interest on higher-risk loans. For fixed-rate mortgages, the interest rate has a seesaw relationship with the points. A high number of points is usually associated with a lower interest rate, and vice versa. For an adjustable-rate mortgage, the formula (the index plus the margin) determines how the interest rate is calculated after the teaser rate expires.

**Legal Fees/Attorney Fees:** Costs relating to having an attorney or law firm review and prepare the needed documents for your closing. These costs may include deed preparation (this cost is paid for by the seller), title search and closing packet preparation.

**Lock-In:** A lock-in is a mortgage lender's commitment and written agreement to guarantee a specified interest rate to the homebuyer, provided that the loan is closed within a set period of time.

**Loan Origination:** This fee is sometimes called a point or points. It covers the lender's administrative costs in processing the loan. Often expressed as a percentage of the loan, the fee will vary among lenders. Generally, the buyer pays the fee, unless otherwise negotiated.

**Mortgage Banker:** A mortgage banker works with a number of investors/lenders and can offer a variety of financing options. A mortgage banker also controls underwriting, ordering appraisals, preparing closing packages and funding the loans. A mortgage banker (such as Allen Tate Mortgage) can offer the best selection of rates and products.

**Multiple Listing Service (MLS):** A real estate agents' cooperative service that contains descriptions of most of the houses for sale. Real estate agents use this computer-based service to keep up with properties listed for sale by members of the Multiple Listing Service in their area.

**Notary Fee:** This fee is charged for the cost of having a person who is licensed as a notary public swear to the fact that the persons named in the documents did, in fact, sign them.

**Points:** Also known as a loan's origination fee, points are interest charges paid upfront when closing a loan. Points are a percentage of the total loan amount (one point is equal to 1 percent of the loan amount). For a \$100,000 loan, one point costs \$1,000.

**Pre-paids/Escrow Account Deposits:** These costs are for the payment of taxes and/or insurance and other items that must be made at settlement to set up an escrow account. The lender is not allowed to collect more than a set amount.

**Principal:** The principal is the amount borrowed for a loan. If the amount borrowed is \$100,000, the principal is \$100,000. Each monthly mortgage payment consists of a portion of principal that must be repaid plus the interest the lender is charging for the use of the money. During the early years of a mortgage, the loan payment is primarily interest.

**Private Mortgage Insurance (PMI):** Private mortgage insurance (also known as mortgage default insurance) is required if the down payment is less than 20 percent of a home's purchase price. Private mortgage insurance can add hundreds of dollars per year to loan costs. When the equity in the property increases to 20 percent, borrowers no longer need the insurance. Not to be confused with mortgage life insurance.

**Property Disclosure Statement:** Some states require that sellers give prospective buyers a written disclosure regarding all known property defects and all known material facts that may affect the property's value or desirability.

**Property Inspector:** A property inspector is hired to evaluate all major systems and components of the home for safety, operation and damage. The inspection provides a negotiation tool if repairs are necessary. Some lenders require a pest inspection. An inspection also gives a good baseline for understanding repairs that may be needed in the future.

**Pro-rations:** Certain items such as property taxes and homeowners association dues are continuing expenses that must be prorated (distributed) between the buyers and sellers at closing. If the buyers, for example, owe the sellers money for property taxes that the sellers paid in advance, the prorated amount of money due the sellers at closing is shown as a debit (charge) to the buyers and a credit to the sellers.

**Realtor® or Real Estate Agent:** A professional Realtor is trusted resource in buying a home. A Realtor can help locate the neighborhood that meets a buyers needs, navigate the process, understand the paperwork, make or accept an offer, arrange inspections, address problems and negotiate the sale of a house for a seller. A real estate agent earns the Realtor designation by advancing his or her professional credentials. Realtors typically earn a commission from the seller on the home that is purchased.

**Real Estate Attorney:** A real estate attorney can help evaluate any property issue, such as legal claims, title issues, co-ownership or homeowners' association covenants.

**Recording Fee:** The cost for having the new deed recorded. This puts the name of the purchaser in the public records as the owner of the home.

**REO (Real Estate Owned):** A property that goes back to the mortgage company after an unsuccessful foreclosure auction, i.e. property owned by a bank, such as foreclosures, deed in lieu, etc.

**Settlement or Closing Fee:** Fee paid to the settlement agent or escrow holder. The cost of the fee should be negotiated between the buyer and the seller.

**Short Sale:** This occurs when the proceeds of a real estate sale fall short of the balance owed on the property. The bank forgives the shortfall.

**Survey:** The lender may require that a surveyor conduct a property survey. This is a protection to the buyer as well. Usually the buyer pays for the surveyor's fee, but sometimes the seller may pay this.

**Tax Deductible:** Refers to payments that you may deduct against your federal and state taxable income. The interest portion of your mortgage payments, loan points, and property taxes are tax deductible.

**Tax Professional:** An accountant or other professional who helps the buyer understand the tax benefits of buying a home.

**Title Insurance:** Covers the legal fees and expenses necessary to defend a title against claims that may be made against the ownership of the property. The extent of coverage depends upon an owner's standard coverage or extended coverage title insurance policy.

**Veterans Administration Loan Plan:** Veterans with low or modest incomes may be able to get buydowns through a Veterans Administration Loan Plan that is available in some new housing developments.

**Zoning:** Certain city and county government bodies have the power to regulate the use of land and buildings. Zoning codes or ordinances regulate building heights, yard sizes and the percentage of lot coverage by buildings.



## Who pays my Realtor®?

Your Buyer's Agent works for YOU. It's in their best interest to get to know you and what you're looking for, answer your questions, and walk you through the process. Only after you've closed on a home does your agent get paid. However, professional Realtors do sell homes to make a living, so they *do* get compensated following a successful transaction.

You do not directly pay the Realtor. Usually – but not always – the Realtor is paid from proceeds received by the seller. It's all part of the selling price of the house, so this is not part of the money you will bring to closing. While this is a common industry practice, your Realtor should advise you well in advance if there could be a deviation from the norm.

If you go through the process and decide not to buy, you have no financial obligation to your agent.



## Things to know as a first-time homeowner

First, understand that the process of buying your first home can be stressful, frustrating and emotional. You're making a major purchase and you'll probably look at a lot of houses before you find the right one for you. It won't happen overnight.

- **Take a look at your current budget and savings.** Can you afford a house payment and all the expenses that go with owning a home? Talk to a mortgage consultant about what you can afford.
- **Have a price range in mind, but be willing to be flexible.** The monthly payment difference on a \$205,000 vs. \$200,000 30-year loan in today's market is less than \$6. (Rates vary, so ask your Realtor® or Mortgage Consultant to run the numbers with the latest rates.) Ask your Allen Tate Mortgage consultant about opting for a lower interest rate over paying points at closing. It could save you money in the long run.
- **Start your search with location, location, location.** It's the most important thing. Consider your commute, nearby schools, the neighborhood, the community and the people who live there. You can change a lot about your home, but you can't change where it is located. Research taxes, recently sold properties and zoning/land use changes. Sign up for Market Report at [allentate.com](http://allentate.com) for the areas you're most interested in. Visit the neighborhood you're considering at different times of the day.
- **Overestimate everything.** Small repairs can add up. Even if the home is in good shape, consider expenses such as window treatments, decorating, rugs or landscaping. Include higher utility bills in your budget and build up your savings for unexpected expenses.
- **Be honest with yourself.** Don't buy a fixer-upper if you don't enjoy "surprises" or have a knack for home improvement projects – or a referral to a trustworthy, efficient contractor. (If you do love the idea of turning a run down home into exactly the home you want, consider a 203(k) mortgage, a renovation/rehab loan program that combines a traditional home mortgage with a home repair loan, giving you the flexibility to buy a home that needs repair and fold the cost of those repairs into a single mortgage.)
- **A newly built or new construction house may be right for you.** New housing is available in all price ranges.
- **If you hate yard work, consider a townhouse or condo.** There are many options, but only you can determine what's best for you.
- **Bring a pen and paper, camera and tape measure** when looking at houses. Bring a friend or family member for an objective opinion. Don't rely on your memory – if you look at a lot of homes it can be confusing.

### Allen Tate Exclusive Insider's Tips:

- **Talk to the neighbors.** Ask how long they've lived there, what they enjoy about the neighborhood. Ask them what they wish they'd known before they moved in.
- **Don't buy if you can't stay put for at least a few years.** You need time to build equity.
- **Talk to your Allen Tate Insurance agent.** Get an idea of the difference in rates from area to area, single-family vs. condo and find out what they'll need from you. This will save you time when you're anxious to close the transaction on your first home

Remember, it's never too late to turn back. Spending time with a Realtor doesn't obligate you to buy a home. You might get into the process, only to find that owning a home really isn't right for you. Being concerned is one thing; after all, it's a big step. But if you have real concerns about the commitment you're making or any aspect of buying, remember that you're in charge. Talk to your Realtor about your concerns and whether now is the right time for you. You may change your mind. It's perfectly OK to do that.

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## I'm buying new construction. Do I need a Realtor®?

When it comes to buying new construction for your first home, there are several key players to a successful transaction.

The first is your Realtor®. A Realtor can help you find and compare different communities, builders and floor plans. Once you've made a selection, your Realtor can help you negotiate the contract, explain the process and be your advocate throughout the transaction.

The other member of the team is the on-site sales agent. This agent is the expert on the community and can answer questions specifically about the home you're considering. Once you make a selection, the on-site sales agent, who works for the builder, can help you make flooring and lighting selections and write your sales contract.

Using a Realtor will not affect the home's price. The seller (or builder in this case) pays the buyer's agent (that's your Realtor). The cost of buyer representation is paid by the builder. Using a Realtor as your representative in this transaction won't increase the price of the home, nor will not using a Realtor reduce the price of the home. Buying a home is likely the biggest investment you will ever make. It's a good idea to have a Realtor on your team.