What Everyone Ought To Know About Buying Their First Home

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"Let me introduce myself and explain why I've created this FREE report to give you the information you need to find your first home!

Dear Home Shopper,

Buying a home can be confusing. Why? Because you're bombarded with misleading information, confusing claims, and poor advice from family and friends who aren't accountable or responsible to you for the advice they give.

How do you ever find solid, practical information that will help you find the right home? **You start by reading this free report.**

I'm making this report available to you so you can avoid some of the biggest pitfalls I see homebuyers make every day. In this fact-filled report, you'll discover the amazing secrets I've used to put many clients into the home of their dreams.

What I'm going to share has been thoroughly tested by my clients and by me. This simple yet profoundly powerful guide, contains a compilation of ideas I've discovered over my career, which have helped home buyers just like you.

If you have any questions about the information in this report, send me an email at fred@indyhouses.net or call me at **317-294-4425**. I've dedicated my business to helping people just like you and I'm happy to assist in every way.

Warmly,

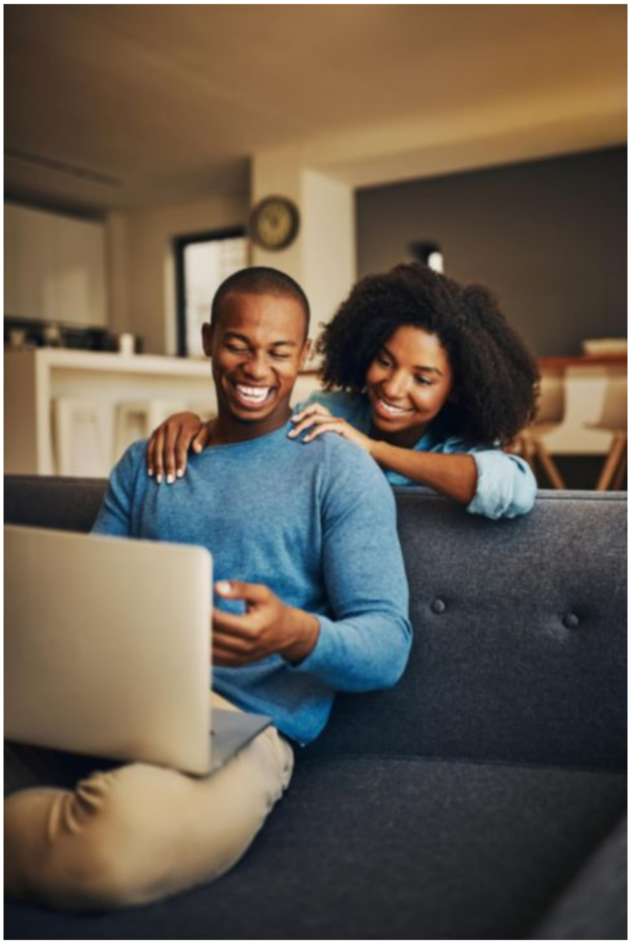
FRED KRAWCZYK & ASSOCIATES

Fred Krawczyk
REALTOR®/Broker

F.C. Tucker Company

P.S.: If you are feeling overwhelmed with the process of buying a home and you would like a personalized plan to get you from point A to point B, I invite you to set up a home buying consultation with me by calling **317-294-4425**. Reach out to me today!

Rent Vs. Buy



As a veteran Real Estate professional and one who has helped to guide many families through the all-important decision of whether to rent or buy, let me state the following:

In some instances, buying a home may not be right for you, although it can become the best lifestyle-related decision you ever make.

Depending on your situation, renting can represent the most logical and worthwhile pursuit for individuals and families. While, on other occasions, it can produce a less desirable outcome both financially and psychologically. Therefore, there is no general rule for whether you should purchase a home; especially given the unpredictability of both short-term and long-term home values and rental costs.

The purpose of this educational piece is twofold:

1. To provide you with information, which might assist you in achieving greater clarity and decision making resolve and
2. To introduce myself as an accomplished and knowledgeable realtor, ready to comprehensively assist you in both determining and executing your personally arrived at Real Estate and lifestyle related decisions, whether as a prospective renter or buyer.

When Renting is the Right Decision

There are times when you should leave the so-called American dream to others and come out ahead by strategically renting a great place for a short period of time. If you plan to own a home for only a short period of time, you will not have the opportunity to spread the upfront closing and selling costs over time. Ask yourself the following questions:

- Would a down payment be a financial strain?
- Do you plan to stay less than three years?

If you have answered yes to either of these questions, it may be best you continue to rent.

The Benefits of Home Ownership

1. The opportunity to build equity (wealth). According to research, homeowners develop 40 times the average worth than renters.
2. Social stability. According to The National Association of Realtors and the American Social Workers Journal, children from families who own homes versus rent score 9% greater in math and 7% higher in English.
3. Homeowners are more likely to participate within the community.
4. Homeownership can provide a greater sense of stability, higher self-image and freedom.
5. Homeowners benefit from lower crime rates.
6. Homeowners enjoy tax benefits and the opportunity to develop net worth. If they have a fixed mortgage not only will their monthly interest payments not go up, but oftentimes their mortgage can be paid off coinciding with when they will retire.

Questions to Ask a Real Estate Agent

When Considering Buying A Home

What home search services can you provide for me?

Most top buyer agents provide a multitude of services. This would include everything from the initial homebuyer consult, to arranging a connection with a quality lender, and assisting you in becoming preapproved or at least prequalified. They can also connect you with vendors such as home inspectors, repair people, and other services you might need as the process moves forward. Furthermore, they will be entering your matches into their MLS system and looking at opportunities to find homes for you, including homes which are not yet on the market. These are often called pocket listings or quiet sales.

The most aggressive buyer agents will go out into the community after obtaining a profile of what you have in mind, and search for homes, find homes, and help you beat the crowd to some of the better properties in town.

What should I be looking for in a buyer agent?

Ideally, you really want to look for someone who is a market expert. Someone with experience in the community and who is familiar with the trends, the data, and any other statistics that might be needed to help you decide.

Do I have to sign a contract to commit to working with just one agent?

In many states, this is a common practice and many high-quality buyer agents do require that you sign a contract and commit to working with them exclusively.

The reason buyer agents do this is because they invest a lot of time and energy upfront and are only rewarded if you ultimately purchase a home from them.

Many home buyers feel they get the best service when they find a high caliber agent and commit in writing to working exclusively with them so the agent can dedicate their time and attention in helping them identify the home of their dreams.

The length of the contract can vary and may be negotiated. However, unless you have unique and very hard to find criteria, many buyer agents are satisfied with the 45-day or 60-day exclusive commitment.

Some agents may not ask you to sign a buyer broker agreement; they may simply ask you to make a verbal commitment. Think carefully before doing this because they will be committed to working with you. Make sure you are committed to working with them.

How does the real estate agent get paid for the services they provide?

Traditionally, the real estate agent is paid by the seller at the closing and, of course, only if the transaction closes. There is not a law which says it must be this way so there may be cases where a buyer would pay the real estate agent's commission, or would pay a portion of the real estate agent's commission but that situation is going to be rare and it is so rare in fact, it would be extensively discussed before it would ever be likely to come into play.

Am I allowed to select my own lender and other services or does the agent always choose them for me?

Most quality agents will have a good list of quality vendors who they consider an extension of their team. Not because they're getting kickbacks or special favors, but because they know these vendors have a track record of delivering superior service to their clients. And because they are loyal to those vendors, the vendors will go the extra mile to ensure their clients achieve their goals.

Nevertheless, you may select your own lender and other services. However, you really want to do so with great thought and care. Many transactions fall apart; a lot of stress can be added when you choose a lender or other affiliate who does not deliver at the level you need. If you have a lot of confidence in your real estate agent and they are an experienced veteran, it usually goes well for you to lean on them for guidance and recommendations.

What are the most important things I need to know about the current market to make a wise purchase?

First, you need to start with how long you plan to own the home and why you are buying the home. If you're looking to buy a home but you're planning on living there for only a year or two and you feel it's in a market where values are trending down, it may not be a good time for you to buy because you may end up stuck in that home.

However, if you're buying a home to live in and you're planning to stay there for a long period of time, you can buy in most markets and do fine over time. Every market has its ups and downs. Most homeowners, however, own their home 10-15 years so usually in most markets they make a nice profit. And, of course, there's more to buying a home than just appreciation. Owning a home you love, having a tax deduction and the opportunity to pay the home off in the future, is always a plus.

Ask a real estate agent to provide any market data about market trends in terms of prices moving up, prices moving down, the number of homes on the market, and the average days on market. This will give you a view of what's going on within your market. This should help you, along with the counsel of a good real estate agent, to make a wise decision.

What questions should I ask my real estate agent?

You may want to ask them what they are seeing in the local market. In other words, what you should you be prepared for when you're negotiating. For example, if you're in a rapidly appreciating market, then you may need to be aware of the list price, which is really nothing more than the opening bid at an auction. In other words, you may be bidding against other buyers.

You may also want to ask them if you are negotiating aggressively for a home you love, what some of the contingencies are you should remove and what you can do to make your offer as attractive and as clean and simple as possible.

Can you educate me on the process of writing and negotiating an offer so I can be prepared in advance?

Ask your agent for a copy of the purchase agreement. This will give you a chance to read over it and be comfortable with the clauses. Ask the agent to highlight anything, which might be concerning to you. When you find a home you love, you may have a limited window of time to quickly decide to make an offer. You're going to want to be very comfortable with the document you're signing.

Also, ask your agent how the negotiating process in your state and in your market work. You need to understand exactly what you can and cannot do, what you can and cannot expect, and what the responsibilities of the seller and the other agent are. This is exactly why it's important to sit down with your agent upfront and go through a thorough consultation, which includes a mini education on what to expect from the market.

Do you have a homebuyer's guide and other valuable reports I can access?

Many real estate agents do provide a guide about the local market, which outlines their services. They often have access to reports and data which, while you may be able to locate the information on the internet, you might not be aware of where to look for it or how to interpret it. Make a list of the items you would like to know or have provided and ask your real estate agent to put those items together for you.

What happens if I'm searching for a home and there are no active listings which fit my criteria?

If you're in a low inventory market this very well could happen. First, sit down and reexamine your criteria, including the areas you're willing to consider. If there are very few homes to see, the more you broaden your criteria and search area, the more opportunities will open up for you. In addition, look at your price range. Often buyers can afford a much higher price point than they're shopping for. And at the end of a lot of pain, they end up going up in price and finding a home they like. I seldom see buyers regret buying a home that cost just a little more but had everything they were looking for. You can change areas, your search criteria, expand your search location, eliminate some of the requests you have, and bump up the price of the home to offer more opportunities.

How much legwork and research should I do on my own?

If you have a strong real estate agent, virtually none. When you're committed to working exclusively with an agent, they're going to do all the research for you, they're going to be on the internet searching the MLS, out searching in the neighborhood, prospecting, searching expired listings, and for sale by owners. A strong buyer agent literally leaves no stone unturned to find you a great home.

In fact, questions you may need to ask when you're selecting a real estate agent are, "If you do not find matches of homes for me how exactly would you go about finding me a home? What else would you do to bring great options to the table?" If they don't have an answer, they may not be a real estate agent you should hire.

Should I go direct to the listing agent?

This is an interesting question and certainly it is not a problem in most cases to do so if it's a reputable agent who is really looking to facilitate a win-win situation and represent both parties fairly.

Get to know them and make sure you feel comfortable. The reason buyers do this is they're either hoping to negotiate a kickback, which most strong agents are not going to agree to, or they're going to be looking for an opportunity to have a leg up in the negotiation because they've gone directly to the listing agent who stands to profit more when they buy the home.

Now this may help and certainly may make some difference but when there are multiple bids, a reputable agent is going to present all offers to the seller, and ultimately the seller is going to make the decision, albeit with the guidance of the agent. Typically, they're going to make the decision based on who's the most qualified and what offer nets them the most money. Not based on the agent you're working with.

Nevertheless, it's important to make sure you're working with someone who is in good standing in the community and in the real estate community. Someone who is well-respected, ethical and honest and does a good job, because otherwise top listing agents may not want to work with your agent and may move your offer to the bottom of the pile. Buyers often believe it really doesn't matter who opens the door or writes the contract, and yet it does matter. If they're not someone the real estate community wants to work with, they may get in the way of getting your offer accepted.

Also, if they are a novice or inexperienced, they may not be able to appropriately negotiate on your behalf or navigate the problems of the transaction.

Is it better to work with multiple agents to find the best deal?

Well, when you think about it, that would make sense, however quite frankly the opposite is often true. Because when a buyer is working with multiple agents, the agents, knowing there is no loyalty, will often not support them. They could give their best properties and their best opportunities to the buyers who are loyal and committed exclusively to them.

This does make sense because the agent is investing a lot of their time and energy and talent upfront, and the only way they will get rewarded is if you ultimately buy a home from them. If you want a top notch agent to work for you, to leave no stone unturned in finding your home, to prospect and put all of their leverage to bear in bringing good homes to the table, then you're most likely going to want to consider committing to work exclusively with them, at least for a reasonable period of time.

What percent below the asking price should I offer?

This is an interesting question and has a difficult answer. I often have encountered buyers who have a formula in their head – that they should just offer 10% less or 15% less, because they read that somewhere in a book.

Well the reality is: there is no formula.

You need to examine a few things. First, what's going on in your market? Your real estate agent should be able to tell you how close to the asking price or even what percentage above the asking price most homes in the area are selling for, which should assist in making your decision. You also need to take into consideration how much you like the home. If you make a low offer, you may risk losing the home for a few thousand dollars. Determine how badly you want the property and what you're willing to pay for it to make sure another buyer doesn't get your home.

What tax credits or home buyer incentives should I be aware of?

You can write off the interest deduction and many of the costs of purchasing the home in the first calendar year you purchase it. You will need to discuss additional incentives with your lender and your agent to see if there'd be any BA credits or first-time home buyer or low-income credits.

When should I notify my landlord I am buying a home and how do I time my move?

It depends on your landlord and if you're renting month-to-month or have a lease. You should review the terms of your lease or your rental contract with your real estate agent and with your lender. They will advise you on how and when to notify your landlord. If you're courteous and gracious to the landlord and make it accessible for them to show the property while you're still living there, you might be able to negotiate something with them if there is a gap between when your lease is up and when you're ready to move into your new home.

Do I even need an agent at all?

Unless you're buying for sale by owner, it's going to make it difficult to go direct to a homeowner. You can certainly find a friend or an acquaintance or a neighbor who is selling their home and negotiate with them if their home is not listed with a real estate agent.

If you hear about an available home and the owners have not put it on the market, yes you could talk to them, you could work out a deal, you could put that deal in writing, you could go get a loan, get title insurance, get whatever documents are required in your state and you could close the deal without a real estate agent. But that's probably not likely to happen, because you would have to have friends who have a house you love.

For the most part, you're going to be out shopping in the market and most quality homes are usually represented by an agent because the sellers want to maximize their opportunity for exposure. If you go directly to a for sale by owner, you can often negotiate to bring your own agent in and they may or may not pay them, they may split the cost with you. It is a bit concerning to go direct to the owner because you have no one on your side, protecting you, helping you navigate the contract and that's exactly why most for sale by owners ultimately end up listing with an agent. Most of the quality buyers are going to be working through an agent. For a buyer, for the most part, working with an agent is going to be free. So why not hire the best consultative services you can and ultimately don't even have to pay for?

It's something to consider as you protect yourself in the transaction.

Which Home Search Services Your Agent Should Provide:

1. In-depth Home Buyer Consultation
2. Arrange a free pre-qualification and introduction to quality lender
3. Enter your criteria in their search system and notify you of new matches via email as they occur
4. Be available to show you property as needed
5. Review and revise the search criteria as needed
6. Write the contract to purchase and handle the negotiations
7. Open escrow and supply the lender with the necessary paperwork
8. Arrange all inspections and appraisals
9. Keep you updated on all aspects of the transaction throughout the process
10. Supply reputable vendor referrals as needed
11. Arrange a final walk-through
12. Arrange signing of loan documents
13. Deliver the keys
14. Provide quarterly updates on market conditions post-closing

Home Buying Process

Find an Agent You Can Trust

↓

Analyze Your Needs in a Consultation

↓

Obtain Financial Pre-Qualification & Pre-Approval

↓

Select Properties

↓

View Properties

↓

Write an Offer to Purchase → **Earnest Deposit Money**

↓

Negotiate & Counteroffer

↓

Complete Mortgage Application → **Inspection** → **Remove Contingencies**

↓

Accept the Contract → **Credit Report** → **Appraisal** → **Verification**

↓

Rejection ← **Secure Underwriting** → **Conditions**

↓

Obtain Loan Approval

↓

Schedule Termite & Survey

↓

Contact Title Company → **Title Exam & Insurance**

↓

Close the Property

FHA Loans

Perfect for the First-Time Home Buyer or Those with a Small Down Payment

What are FHA loans and how do they work?

FHA is probably the second most common loan in the U.S. for buying a home; with a conventional loan being first.

FHA is a loan guaranteed by HUD, the U.S. Department of Housing and Urban Development. With a HUD/FHA loan, HUD/FHA isn't on the hook for a loan if the buyer defaults. The lenders involved, or insurance companies they pay, have that responsibility. What this means is the program is paid for by the participants in it — not by taxpayer dollars. There are fees or insurance premiums the lenders pay to cover it so it's all financed by the people using it.

FHA is the Federal Housing Authority, the actual agency which guarantees the loan. These entities — HUD and FHA — do not actually lend the money. The money comes from a lender; whether a bank or some other funding source or company. They guarantee the loan once it's made.

Since they're guaranteeing the loan, they get to make rules about what loans get made. Lenders that are "FHA-approved" issue their loans (lend you money to buy a house) based on several guidelines from FHA.

HUD sets those guidelines through FHA (the agency is run by or under the department) and lenders comply with them. Therefore, the lenders have been vetted by an outside authority, and a pretty big one at that — the U.S. government.

What type of guidelines are there?

The guidelines involve everything that buying a home involves: down payments, credit scores, income calculations, and so on. This follows on the overall vetting process as another good thing because there are baselines for the super-vital parts of the process of buying a home. Instead of wondering "how much" of this or "when am I OK here?", FHA guidelines flat out tell you.

Should everyone get an FHA loan?

The people who benefit the most from FHA loans are those who have saved less money for their down payments — not out of any kind of mistake or bad behavior — it's simply how much time they've been saving for or how much has accrued in their 401(k), which can contribute to the down payment, and so on. The program might also appeal to people on the lower range of a good credit score. For instance, if you have a strong down payment — 10 to 15% or more — and excellent credit, you'll want a conventional loan.

FHA loans are out there to offer terms to buyers who might not qualify conventionally through a bank or credit union. It gives people access to the credit markets who may not otherwise receive approval.

What are the guidelines?

A down payment is almost always 3.5% for 99 out of 100 cases. There are rare instances where you may have to come up with a down payment higher than 3.5%. In general, however, it's the required percentage and the interest rate on the loan will be the same whether you put down 3.5% or 35%.

One caveat or exception here is if you put a little more down — say 5% instead of 3.5% — you can get a lower monthly premium for the insurance. But it makes such a small difference on the monthly payment it's not usually worth doing. You might as well take the extra 1.5% and start working on the home to get it exactly how you want it or maybe go out to dinner for a week to celebrate buying it.

Bottom line here is anyone with a lower down payment amount saved, is probably best with an FHA loan.

Do I have to be a first-time home buyer to qualify for an FHA loan?

While FHA is not a first-time homebuyer loan by design, it is the choice of many first-time buyers because they haven't been building up equity in a home they own and only have a minimal down payment.

An FHA loan is a low down-payment loan, which often means first-time homebuyers. But it doesn't have to.

There's one requirement for an FHA loan: you can't currently have another FHA loan, which is outstanding. You may only have one FHA loan at a time, which means if you're at a home, now, and looking to move up, tap the equity and get a bigger place, or move down as an empty nester — you can't get an FHA loan for the new house if you have an outstanding FHA loan with the home you're in now. You'd have to sell the home you're in first, which tends to be tough as you're also trying to move into a new place.

Basically, an FHA loan must be "owner-occupied", meaning you must live there. You can't take out an FHA loan on a rental property or an investment or a home you're planning to flip. It works that way for one simple move so you can't get a new FHA loan for the new home. If you buy with an FHA and five years later want to make it a rental, you're not going to get a new FHA loan on the home you move into. In that case, you would have to refinance the existing loan and close it out with a new conventional loan, which might now be possible for all the equity built up in five years. Then you can keep it as a rental and move into your new place, with a new 3.5% down FHA loan.

What are some downsides to FHA? What are the differences between an FHA loan and a conventional loan?

The main difference is the mortgage insurance premium. No matter what, with an FHA loan, you must pay it. You could put 50% down and you would still have to pay for the insurance. It's how an FHA loan can even be made because the insurance premium goes into the fund which guarantees FHA debts.

Therefore, it makes sense that if you have enough of a down payment to go with a conventional loan, you should do it. It will save you from paying the insurance premium.

With a conventional loan you can often get rid of the mortgage insurance but with an FHA loan you never will. You cannot get a "lender-paid" deal where you trade a slightly higher interest rate for no insurance. You can't get rid of it at all until the loan is gone.

Maybe you can do that through a later refinance after you build up equity but that's later. Right now, you're paying it.

The Truth About Your Credit

Did you know there are more than 55 different scoring models?

FICO is the most common; it's the one most people have heard of — so much so that people talk about "the FICO score". The letters in FICO stand for the company responsible for it: Fair Isaac & Co. Two men, Fair and Isaac, founded the company 60 years ago.

So now it's an acronym everyone knows, but few people know anything about. FICO is a measure of our credit worthiness based on the debt agreements we have and whether we've made payments on time, what our outstanding balances are, and so on.

FICO uses a complex mathematical algorithm whereby the information in your credit report is plugged in and they kick back a score. Therefore, there is a lot of variation possible among the results. There are scores, which are better or worse, but it isn't correct to say there's one perfect score. The algorithm is occasionally changed to reflect new financial realities of the current time.

The figuring and your final score are both complex and a shortcut for anyone looking to lend you money. The major reporting agencies, those companies separate from FICO, including Experian and TransUnion, look at common factors, break them up into categories (types of debt) and then the lender — not the reporting agency — decides.

The main areas lenders look at are how long you've had credit and how you're using it. So the total number of credit accounts and the number of years they've been open, and then balance information — how much you've borrowed against the total amount available.

Not surprisingly the longer you've had credit, the better, and lower balances — also better. If you've had accounts open for a long time it means you've paid on them for a long time — the evidence is there for all to see. If you haven't paid those bills you have a different problem, so we're focusing on saying yes, you've paid the bills and you haven't gone and run up the balances again.

Young people will have less of a history with credit. They may have made all their payments but they haven't had the credit very long so they will not even be able to get the highest scores out there.

Those who have had the same credit for many years and have made all their payments on time, etc., will achieve the 800 and 850 scores.

Different people have different credit scores and there will most likely be a variation between your own scores if you look at one credit reporting company vs. another using one or another of those 55 scores.

What if you have some issues on the credit report?

It’s not the end of the world. I’ve seen people with maxed out credit and they still get a good FICO score because there are other factors like making your payments on time. If you have a long credit history of not making payments on time, then that’s not good. The history needs to be a good history.

If you have some derogatory entries, the lender who is looking at lending you half-a-million dollars or more, will want some answers. It could be you’re disorganized — but you have plenty of money so eventually you pay all your bills. It could also be you don’t pay your debts.

These things taken together — high use of credit, late payments, lack of history — end up being pretty good indicators of the type of people we are, at least financially.

The last factor is also the smallest one and it’s the total amount of credit you have. If you have a long history, low use, and no late payments but it’s all on one card, that’s not as good as multiple accounts. It’s a smaller issue than the other three but it plays into the results.

Will Credit Inquiries Impact My Credit Score?

Credit inquiries are when someone checks your credit. This has a temporary effect on your credit numbers. When a potential lender pulls your credit report, they see who looked at your credit over the last six months. After six months it falls off.

There’s a formula at work here but basically every inquiry affects your score by 1 to 2 points. It doesn’t sound like a lot but if you apply for several cards it adds up. Just 10 inquiries in the last six months and you might be down 20 points; that’s going to affect your interest rate and other aspects of the loan.

“Why does someone *looking* at my report affect credit scores?” As with everything else it’s related to how it reflects on your behavior. The lender will look at the inquiries and say, “This person is applying for a lot of credit — more credit than the income from their job would support. Why is that?” Or they’re going to ask themselves about the results you got from those inquiries: “Why are these other lenders saying no to requests for credit from this person?”

The exception here, of course, is when you apply for credit, there’s an inquiry, and you get that loan or that credit card. This reflects on your credit. Even better is when you’re buying your second or third home. The lender considering you today looks other lenders who said, “Yes, we’ll front this person $600,000” and then the lender will look at several years — perhaps a decade or more — of on-time payments. This increases your credit.

What if you have no credit whatsoever? How can you build it up?

There’s a specific formula to get credit and build it quickly when you’re just starting out.

First, get a secured credit card. Put money into a savings account with a bank that is going to issue you the card. These are often about $300 to $500 or so and you can apply online in many cases. The amount of credit the bank grants equals the amount in the account. You can’t touch the account while the credit card is open and in 12 to 18 months, if you have the good credit history we talked about before, the bank will release your funds back to you and the card becomes a standard card. In the meantime, you’re working, which means you might qualify for other small credit cards without a savings account. In any event, once the 12 to 18 months is up, you’ll have the credit history you need to apply for the regular card.

Second, get a car loan. The loan is secured in part by the car itself and the dealers. You may not get the best rate because you don't have any credit history but remember, the goal is to get the car and the loan that goes with it.

People disagree as to why, but a car loan has a lot of heft when you apply for a home loan. Maybe it's because banks lend for both, or because a car is considered so crucial to our lives that if you qualify for a loan to buy one, we're back with that future home lender looking at the car loan and saying, "Here's someone I can trust."

See what we're doing here? You've got a secured card, a good job, a car loan — it's all coming together.

But it's taking me two years!

First, you must do it and you are doing it, so that's positive. Every loan available is what we call a "trade line" and you need to open up those lines and keep them open and do all the "good credit" behaviors we discussed earlier: pay on-time, keep balances low, and so on. Rule of thumb, we want three trade lines open for 24 months. It's a guideline, not a hard-and-fast rule, but there it is.

Second, you're going to be super ready. You've started to talk with a lender and your agent and you're taking the necessary steps to ensure everything is clean from the start, which can only get better.

What if I haven't used my credit card or credit line in a long time? Should I close it, so it doesn't affect my score?

When you close out a card you've had for 10 or 20 years what you just did is cut off 10 or 20 years of positive credit history. The credit history you spent two decades building will no longer exist.

Closing credit accounts changes things — big time. It's better to have a card open and unused than to have had the card and then close the account completely. Just keep the zero balance.

Of course, it's better to use it occasionally — but even that doesn't have to mean "debt" in the formal sense. Just keep it open and set a small, automatic monthly charge on it like ten dollars a month for Netflix.

Make sure there's no annual fee. You don't want to pay extra for having the account but don't do anything crazy with it either. Charge 10 to 20 dollars a month on it and set your bank account to automatically pay it.

Even that small amount of activity is enough. You want monthly reports to credit bureaus which say, "This person is a good user of credit, charging something every month and paying it off all the time, on-time, every month."

We get people who say, "You know, I've got a good score, I'm at 740, 780, top tier, I'm good."

I tell them, "You can always go higher." Every bit is better. Our credit scores can fall, and they can rise, and you want them to rise.

What about short sales, foreclosure, or bankruptcy?

First, there's a timeline involved: "How long will you have to wait? What were the conditions when credit or the home loan went bad for you? What kind of loan are you trying for now?" and so on.

The general range for "seasoning" as we call it is between 2 and 7 years. But there are available programs where you may have a foreclosure but are able to get a loan the next day. You could get a loan, but it will be an ugly one so let's not understate that. But you could do it.

Other options flow upward from there. The more seasoning you can get, the more options will become available to you and the better the loan will be.

Some basic guidelines are a short sale requires less seasoning than a foreclosure; different kinds of bankruptcy require different lengths of time, and multiple events can change things too.

One key point is while many people think you must wait the full 7 years because of a bankruptcy, this is rarely the case.

What's the quickest way for someone to boost their credit score 20 or 30 points and get a better interest rate, or a better loan?

Time is again your friend here. Just as with the issue of what we called "seasoning", there's nothing better than adding to the length of time where your credit is good whether you're starting with no credit, normal credit, bad credit, a short sale, foreclosure or bankruptcy.

Needs and Wants

Name____

Adress ____

Telephone: (Home)____________(Work)_________________(Cell)______________________

Children (names/ages)____

Pets: ____

Hobbies/Special Interests ____

Best times/days to look at homes _______________________________________

Reason for move / purchase ____

Current home: Purchase (Date/Price)____________ Estimated Equity _________________

Other ____

____

____

Like about present home	Dislike about present home
______________________	______________________
______________________	______________________

Needs

Type of home (number of stories)______________________

Style of home ______________________

Size of garage needed______________________

Exterior desired ______________________

Lot size/yard features ______________________

Number of bedrooms needed __________ Number of baths needed __________

Special rooms needed ______________________

Distance to:

Employment__________ Public transportation__________ Chruch__________

School__________ Shopping__________ Other__________

Other special needs______________________

____

Wants

Include features the buyer would like to have such as a family room, dining room, patio, porch, fireplace, heating/cooling systems, built-ins, recreation, sauna, hot tub, swimming pool, etc.

____

____

Estimated Move Up Purchase Price: ______________________

Information to be Reviewed with Your Lender

Employment and Income

Purchaser
Employer_______________________________

Address_________________________________

Position_________________________________

How long__________Years______________

____Months Total gross monthly income
(include overtime, bonuses, other incentive pay)

Earnings for last three years

20____$______________

20____$______________

20____$______________

Co-Purchaser
Employer_______________________________

Address_________________________________

Position_________________________________

How long__________Years______________

____Months Total gross monthly income
(include overtime, bonuses, other incentive pay)

Earnings for last three years

20____$______________

20____$______________

20____$______________

Is purchaser or co-purchaser eligible for federal VA?________________________________

Is purchaser or co-purchaser eligible for any special home mortgage programs?

______________________________Type__________________________________

____

Assets and Liabilities of Purchaser(s)

Assets

Checking (bank)______________$________ _

Checking (bank)______________$________

Savings (bank) ______________$________ _

Stocks/bonds ______________$________

(market value)________________

Life insurance ______________$________

(cash value)___________________

Real estate $_____________

(equity available from sale)

Other_________________________$________

Other_________________________$________

Other_________________________$________

TOTAL_________________________$________

Liabilities

Unpaid balances | Monthly payments

Real estate $____________$___________

Automobile $____________$___________

Automobile $____________$___________

Charge accounts

(monthly payments beyond six months)

$____________$____________

$____________$___________

Alimony/child support

Other $____________$___________

Other $____________$___________

TOTAL $____________$___________

Have you been involved in any bankruptcy, mortgage foreclosure, garnishment, judgment or receivership proceedings, or any other credit problems in the past 7 years?

Money available for initial investment $________________________

Money available for monthly investment $________________________

Estimated home price range $______________________ to $________________________ *

NOTICES/DISCLAIMER

This is not a loan application and may not apply in every circumstance. Price range and costs can vary depending on the type of financing selected. Figures are based upon an estimated home purchase price and are not guaranteed to be complete or accurate. Any and all representations made by the sales executive to the purchasers as to their ability to qualify for a new home is subject to receipt of a satisfactory credit report. The Realtor/Broker has an ethical obligation to quote the full asking price of the property being offered for sale. If your current home (which you may be selling) does not close title prior to the closing of the home, which you are purchasing, you may incur additional carrying charges for bridge financing. The Realtor/Broker hereby discloses he/she may also be representing the purchasers in the capacity of a seller of their existing home. All financial information should be discussed with your CPA or financial advisor.

4 Steps to Buying a Home

Step 1: Make a Commitment to Act

I can't tell you how many times people have requested this report and then said to me, "If I would have known what you just showed me, I would have avoided so many problems!"

I've shared a few simple ideas in this report. Ideas, which if acted upon, could prove to be worth thousands of dollars when buying your home. But these ideas are only as good as the action put into them. Decide to act right now.

Step 2: List Your Objectives

Jot down what your goals are in buying your home. What is your ultimate goal? Buying quickly? Getting a fixer-upper? What school district do you prefer?

What do you expect from the agent you hire? How often do you want them to communicate with you? How many homes do you expect to view? If so, how often do you expect to view them?

Step 3: Contact an agent who works with homebuyers

Of course, I'd love to be the agent you choose to work with, but let's face it, I'm not right for everyone. That's why I've given you the questions to ask your potential agent – or as I like to call them – your marketing partner.

If you would like additional information, please reach out to me at **317-294-4425** or via email at **fred@indyhouses.net**.

Step 4: Act

Do I need to say anything more? Reach out to me and let's talk about buying your new home. Let's work together!

FRED KRAWCZYK & ASSOCIATES

Fred Krawczyk
REALTOR®/Broker

F.C. Tucker Company

Glossary of Terms

A
Acceptance – The time at which an offer to purchase is accepted. The fact that it was accepted must be relayed to the person that made an offer for all parties to be bound to the contract.
Amortization – The repayment of a loan over time. With each payment, there is a reduction of both principal (the original amount borrowed), plus the interest.
Appraisal – A professional determination of value. Mortgage companies usually require an appraisal of the property by a licensed, disinterested party before agreeing to loan money on the property. Methods of determining value may be based on many things, such as comparable sales in the area, the cost approach, the income approach, or the highest and best use of the property.
As-Is Condition – Disclaiming any warranties or representations regarding the condition of the property.
B
Back-Up Contract – A contract or offer that is in a secondary position to an already existing contract. This contract shall be elevated to the first position if some condition in the first contract is not met. If the first position contract is consummated, then the second contract is no longer in effect.
Bridge Loan, also called a **swing loan -** A short term loan used to transition in between paying off an old loan, and the inception of permanent financing. This is often used to build or purchase a new home, when the previous home is still owned, but is up for sale. Once the previous home is sold, and the owner receives the proceeds from that sale, permanent financing is usually obtained.
C
Certificate of Title - A statement verifying who has the rights and responsibilities of ownership in a property. This may be ascertained by a public record search but does not guarantee that any other parties may not stake a claim to the property. Title insurance protects against claims that may arise against the title.
Clear Title - Ownership that is free of liens, defects and encumbrances, beyond those which the owner agrees to accept.
Closing - The transaction where title passes from seller to buyer and the seller is paid. A settlement statement shows all costs incurred and gained by both parties.
Closing Costs – The expenses incurred in obtaining the property and transferring title to the new owner. This may include, but is not limited to attorney's fees, points, title charges, credit report fee, document preparation fee, mortgage insurance premium, inspections, survey, appraisals, prepayments for property taxes, deed recording fee, and homeowner's insurance.
Commitment Letter, also known as a **loan commitment** - A written offer by a lender to make a loan by a particular date under certain conditions. A buyer has more clout with a seller if they submit a letter of loan commitment from their lender to the seller at the same time, they submit their offer to purchase to the seller than a buyer who has not even applied for the loan yet.

Contingency - A condition that must be met before a contract is legally binding, or before a sale is to be completed. The contingency provides an out or an escape from performing if the condition is not met.

Conventional loan or **conventional mortgage** - A real estate loan, which is neither insured by the government agency FHA nor guaranteed by the Veterans Administration. Typically, subject to the terms of their institution, the conditions may be more flexible, as the lender is not required to follow federal guidelines. The lender looks to the credit of the borrower and the security of the property to insure payment of the debt.

Counteroffer - If the receiver of an offer makes any changes to the original offer, it is considered a rejection of the initial offer and becomes a counteroffer.

D

Deed of Trust - Some states use a deed of trust to convey property being held as security for a loan. This document is then conveyed to a trustee and can be used to sell, mortgage or subdivide the property.

Deposit – (also called Earnest Money) - A good faith deposit of a sum of money offered by the prospective purchaser at the time of the offer to purchase. These funds are typically deposited into an escrow account and held until the real estate closing takes place. At the closing, the buyer is most often given credit for the earnest money that has already been paid, but in some cases, it may be returned to the buyer at closing. These funds may also be returned to the buyer in some cases if the contract on real property doesn't go through to a final sale.

E

Earnest Money (also called Deposit) – Funds given by the buyer and held in an escrow account until the real estate closing. In some cases, these funds are refundable if the loan fails to close, but if the loan does close, the purchaser is given credit at closing for the earnest money.

Escrow – A neutral third party holds other people's funds in a secure account for future use. An earnest money deposit is held in a real estate broker's *escrow* account. It is the broker's account, but he is holding the buyer's funds in the account for safekeeping until closing. In the case of a mortgage, the total monthly mortgage payment may include funds to pay for future taxes and insurance paid in addition to the principal and interest. This escrow is held by the lender until taxes and insurance are due, at which time the mortgage company pays the taxes and insurance on the borrower's behalf. After the taxes and insurance are paid, the lender may re-adjust the total monthly payment to insure sufficient funds for future escrowed items.

Exclusive Agency Listing – A written agreement between a property owner and a real estate broker giving the broker the exclusive right to sell the property for a specified period and at a specified fee. Agents whose licenses are held by a broker may sign on their broker's behalf.

F

First Right of Refusal - A legal right by an individual giving that person the first opportunity to purchase or lease real property.

H

HUD -The U.S. Department of Housing and Urban Development. This is the agency responsible for enforcing the federal Fair Housing Act. Among HUD's many programs are urban renewal, public housing, rehabilitation loans, FHA subsidy programs, and water and sewer grants. The Office of Interstate Land Sales Registration, the Federal Housing Administration (FHA) and the National Mortgage Association (GMNA) are all under HUD.

L

Loan Commitment - A lender's written approval granting a specific loan amount, conditions, and a set time limit for closing the loan.
Loan Origination - The process of applying for a mortgage loan.
Loan Originator - The person who assists borrowers in obtaining their new loan.
Loan to Value - The ratio of the amount of the loan divided by the value or sales price of the home.
Lock In - An agreement in which the lender guarantees a specified interest rate for a certain amount of time at a particular cost.
N
Non-Conforming Loans - Loan amounts that exceeds FNMA's $417,000 (as of July 2006) maximum lending**.**

P
Possession - The buyer occupying the property that is purchased or a tenant occupying the property that is leased. In a real estate sale, possession is rarely granted prior to closing when the seller receives their funds.
Prequalification - Having a mortgage lender advise that debt ratios and credit report plus other factors show a borrower qualifies for a particular loan amount before signing a contract.
Purchase and Sale Agreement - The contract between the buyer and seller stating terms, conditions, sales price and other pertinent information about the property being purchased.
Q
Qualify - To meet the guidelines based on debt, income, and credit worthiness.
Qualifying Ratios - Comparing a borrower's income to their proposed monthly housing expense. Also comparing their income to monthly housing expense added to all the borrower's other debt obligations.
Quit Claim Deed - A document by which one property owner releases his or her claims, rights and interest in a particular property.
R
Rate Lock -When the lender issues a written commitment to a borrower as to a specific interest rate for a specific period.
Real Estate Owned – (REO) - Real estate that is owned by a bank or financial group. Usually a result of their borrowers defaulting on the loan and the subsequent foreclosure of the property from that buyer.
Right of first refusal - The right to the first opportunity to lease or purchase real property. For example, apartment tenants might retain the right of first refusal when their units are being converted to condominiums.
S
Sweat Equity - The equity earned as a result of the owners' labor in upgrading and improving the property.
T
Tax Lien - A lien against a property for unpaid taxes.
Ten Thirty-One Exchange – (1031 Exchange) – A means of deferring capital gains taxes on real estate exchanges for like kind properties. This is allowed under the U.S. Internal Revenue Code, Section 1031.
Term - The length of time it will take to pay the mortgage in full.

Time Limit of an Offer - An offer should include a specified time period during which the other party must decide to accept, reject, or counter the offer.
Title Company -The company that, for a fee, checks and insures the title against liens, ownership claims, and title problems.
Title Insurance - An insurance policy that may be purchased to protect the new owner from any liens or clouds against the title. In order to issue title insurance, the issuer will perform a title search in the county records. Since title is searched at the time of closing, title insurance is usually less expensive at the time of closing, rather than if a buyer called the title company at a later time as an additional title search would have to be performed prior to issuing the insurance.
Title Search - A review done by the title company's representative of all records available to determine if the title is indeed clear of all liens and claims.