



**RE/MAX**

**Properties**

**699 Summit Parkway  
Prattville, AL 36066**



**Margie Nunnelley  
Associate Broker  
546-2988**

**BUYERS "FIRST AID" KIT**

**My step by step process for helping a buyer.**

**I have developed this informational booklet to answer some of the many questions I am sure you have and to help avoid surprises during the purchase of your home. This booklet contains explanations of real estate procedures and provides you with what I hope are some useful tips. During any purchase or sale, a great deal of information is exchanged in a very short time, and this package will enable you to review some important details at your leisure.**

**I believe that finding a home should be a happy and fun process for everyone.**

## **AGENCY LAW - WHO REPRESENTS WHOM?**

**In a real estate transaction the buyer and seller must sign a RECAD statement, which explains the types of representation. This relationship is controlled by law. The agent can represent the seller and buyer in several ways.**

**As an agent representing you, the buyer, I would represent you in one of two ways:**

- a. If you purchase a home that is listed by RE/MAX Properties, (either by me or another agent in my office) our relationship is called a “Limited Consensual Dual Agency Agreement”.**
- b. If the home is not listed by RE/MAX Properties I will be your “Buyer’s Agent.”**

### **“Limited Consensual Dual Agent”**

**For both you and seller I will:**

- 1. Explain real estate terms and procedures.**
- 2. Explain closing cost and closing procedures.**
- 3. Provide information on the property and the neighborhoods.**
- 4. Help arrange for property inspections and financing.**
- 5. Prepare the standard purchase agreement.**
- 6. Provide information about comparable property for an informed decision on what price to accept and /or offer.**
- 7. Work to facilitate the sale and advise when experts should be retained to assist.**
- 8. Treat you and the seller fairly and honestly.**
- 9. I always recommend that the buyer order a home inspection.**

**For both you and the seller I CANNOT:**

- 1. Recommend a price the buyer should offer for the property.**
- 2. Recommend a price the seller should accept for the property.**
- 3. Disclose the price the seller will take or the price the buyer is willing to offer.**
- 4. Disclose confidential information I may know about the seller or buyer to the other party or to other agents.**
- 5. I must divulge all KNOWN facts and defects about the property to the you in order for the you to make an intelligent buying decision.**

## **“Buyer's Agent”**

**As a Buyer's Agent representing you and NOT the seller I will:**

- 1. Meet with you to determine specific housing needs and budget.**
- 2. Provide mortgage qualification assistance to facilitate the mortgage application process. This is optional but my advice and experience may help you consider the variety of companies and mortgages available for your needs.**
- 3. Conduct on-going search of housing availability, through the Multiple Listing Service.**
- 4. Schedule appointments and accompany you on all property showings.**
- 5. Complete a professional comparative market analysis on any home selected for purchase, providing factual data on recent comparable sales to assist the you in the offer and negotiation process.**
- 6. Assist you in structuring a Purchase Offer and represent your interests in all negotiations with the seller, maintaining absolute confidentiality.**
- 7. Schedule appointments to provide access to the property for Home Inspection.**
- 8. Manage the closing process, from contract to closing, to ensure that all necessary documentation is completed and available before closing date.**
- 9. Follow your instructions regarding any transaction, providing such instructions are legal and ethical, and maintain your confidentiality.**
- 10. Disclose all known facts to you that could affect the transaction.**
- 11. Provide you with copies of all documents.**
- 12. Accompany you to the closing.**

## **“Exclusive Buyer Agency Agreement”**

**An Exclusive Buyer Agency Agreement requires you to conduct your search and negotiations for real estate property through one specific agent for the term of the agreement. I do not ask my customers to sign this agreement. I do recommend that you choose one agent (whether me or someone else) for your search. This allows me to focus in on your needs and preferences and eliminated wasted time and effort for both of us. I try to preview homes before I show them to you and advise you when you would be wasting your time viewing a property. Almost all agents in this area work on commission and are paid only when a sale is completed.**

## **SHOULD YOU BUY A HOME NOW?**

Buyers frequently ask the question, "Should I buy a home?" or more specifically, "Should I buy a home today?" I have always felt that the answer to those questions is almost always an unqualified "Yes!"

## **DO YOU WANT TO GAMBLE WITH INTEREST RATES?**

1/4% = adds \$.20 per thousand per month on a 30 year mortgage. 1% = adds \$.80  
Therefore, a 2% change in interest rates equals \$1.60 for every \$1,000 borrowed! Time is Money! Waiting to buy could cost you more money than it's worth.

## **HOW DO I FIND THE RIGHT HOME?**

Some people feel that going through the Real Estate Classified Section and finding an ad that appeals to them is a good way to find a house. However, there is a better way. That is to sit down with your Real Estate Professional, and discuss your price range, desires, preferences, needed amenities and everything you really want and need in your next home. You will then have access to the entire Multiple List System, which covers almost all the properties listed for sale. You can leisurely select the homes that you would like to see. This consultation is the first step in your search for a home, and one I always perform before we look at a single house. This helps me to pick just the right homes to show you. By setting up appointments, you can see these homes in a short period of time and have a better idea of what is right for you. I will give you feature sheets on each home that we visit and you can jot down notes as you go from one home to the next. As we discuss with me all of your likes and dislikes about each home, I become more able to find just the right home for you. Many buyers are also going online to shop for a home. I have a web site, [margien.com](http://margien.com), where you have access to the same listing information that I and other agents have for Autauga, Elmore, and Montgomery counties. Unless you know the market area there is still no better way to look at homes than working with an agent.

## **WHAT PRICE HOME CAN I AFFORD?**

Most people use financing of one type or another to buy a house, since few of us can afford to pay for a home in cash. The amount you can afford will depend upon how much cash you have for your down payment plus the amount of loan you can afford, according to your income and debts. Before viewing any homes I will set up an appointment with a lender for you, so that you have an up-to-date estimate on all your costs and your qualification amount. Many lenders can pre-approve your loan before you go shopping for a house. This puts you in a very strong position when negotiating with a seller. This appointment can be a simple phone call and you will know in 10 or 15 minutes how you can qualify. The lender can only reveal your confidential financial information to me if you authorize them to do so.

## **WE'VE FOUND OUR DREAM HOUSE. WHAT NOW?**

Once you've found the right home you will want to review detailed information about the Purchase Agreement and decide what your offer will be. I will review the contract with you and, together with your lender, will provide you with an estimate of your projected costs. You will also have an opportunity to review the Property Condition Disclosure provided by the seller, which should list any known property defects. If the house was built before 1978, Federal law states that you must also receive a Lead Paint disclosure, and explanatory booklet.

## **CONTRACT NEGOTIATIONS**

How do you make an offer to purchase? Once a specific property has been selected, in order to buy the property several things must be satisfied: the offer must be in writing, there must be mutual agreement between all parties, and there must be something of value, or "consideration" in order to make the offer enforceable. The consideration typically takes the form of money order, personal check, or cashier's check. As your Real Estate Consultant, I will complete the Purchase Agreement with you. I will (through the sold market data for comparable property) recommend to you what price you should offer the seller. You decide what offer to make. However, starting with an offer that is excessively low will only get a full counter offer from the seller, in most cases. I will try to formulate your offer in terms, which are beneficial to you. I will explain the purchase agreement to you, and the various contract clauses that are placed within the contract for your protection. When you have signed the Agreement to Purchase, it will be presented to the seller, either in person or through the Listing Broker.

Following presentation one of several things may occur:

- 1. Once the contract has been presented to the seller, it may be accepted unconditionally. Congratulations, you have just purchased a home, or –**
- 2. The contract may be accepted in part by the seller, but other portions of the contract altered. This is called a "counter offer". You are not obligated to the terms of the counter offer. At that point you have the option of accepting, countering, or rejecting the counter offer, or –**
- 3. The contract may simply be rejected. Each Agreement to Purchase has a definite expiration time and date. In the event the seller takes no action prior to the expiration time/date, the contract is considered to be rejected. Please remember that any change to the contract constitutes a brand new offer, which may or may not be accepted. I'll be glad to discuss this further with you.**

Husband and wife may or may not sign all Agreements to Purchase. You may sign the contract and only one is on the mortgage and both on the deed or both on the deed and

**mortgage (in which case both husband and wife need to sign the contract.) This is a legal issue and should be addressed to a real estate attorney.**

**Once an Agreement to Purchase has been completed and signed by you and the seller, you should be prepared to provide a check made out to the listing company for the agreed upon deposit. This may be in the form of a personal check. The deposit will usually be held by the Listing Broker in his Escrow Account, and will be credited to you at the Act of Sale (or Closing).**

### **LOAN APPLICATION**

**Unless you are paying all cash and the sale does not involve a mortgage, you will be required to make official loan application, usually before you have found a home. Pre-approved loans can be a great advantage when negotiating your offer, as the seller will feel very comfortable accepting your offer if he knows that your loan is already approved. The loan processor will usually require a great deal of personal, financial and employment data. You should be prepared to provide two recent pay stubs, past two years tax returns, bank account numbers, approximate account balances, credit card numbers, creditors' addresses, and personal references. You are not obligated to use any suggested mortgage company. However, I will, if you wish, recommend one or more mortgage companies based on the best terms and service.**

**In addition to providing your lender with all the information required, you should be prepared to pay for the appraisal fee and credit report when you make loan application. Depending upon the contract, closing costs may be paid by the seller, paid by you, or paid from the proceeds of your loan.**

**For purchasers who are self employed, the lender will require that you furnish a great deal of documentation to support your income history. It is recommended that you contact your lender immediately to obtain a list of current requirements. It is certainly wise to do this before you begin your search for a new home. Depending on the activity in the real estate market, loan approval usually takes between 7 and 45 days. Your processor will provide you with an estimate of costs and a loan commitment for up to 60 days. This commitment will lock you into current loan terms and protect you from rate increases.**

**In real estate matters, TIME IS TRULY OF THE ESSENCE! In order to ensure a smooth sale, loan application must be completed in a timely manner, and all dates on the purchase agreement strictly adhered to. As the lender verifies the information you have provided, he will sometimes ask you for more information. Please make sure that you provide all additional information promptly. This will help in making the loan process as speedy as possible.**

## **SURVEY**

**Your lender may not require a survey of the property. A survey is simply a one-dimensional drawing as if you were looking down onto the property from above.**

**A survey provides:**

- a. Lot dimensions**
- b. Easements**
- c. The position of the home on the property, where applicable**
- d. Location of out-buildings, fences, pools, etc.**
- e. Any encroachments**
- f. Flood Zone**

**It is strongly recommended that a survey or copy of a survey be obtained on all purchases of real estate, whether or not the lender requires one. A survey can help eliminate many boundary disputes and ensures that you are purchasing the correct property. Even in cash sales, purchasers are encouraged to obtain a current survey, simply to protect themselves. Costs vary according to the property, but a typical residential survey is in the \$200 - \$300 range.**

## **APPRAISALS**

**An appraisal is ordered on almost all real estate sales covered by a mortgage. The mortgage company orders an appraisal upon initial loan application. The cost of an appraisal is normally borne by the seller if the seller is paying all closing cost. Appraisals normally take one week to complete. During very active market periods, the time it takes for an appraisal can vary significantly. If an appraisal is not required, should you get one anyway? An appraisal is one person's opinion of the value of a particular property on a specific date. An appraisal gives some assurance to the you that the price they are paying represents a fair market value and appraisals are always recommended.**

## **INSPECTIONS**

**When purchasing real estate with improvements (dwellings, barns, pools, etc.) it is incumbent upon you to thoroughly inspect the property. Most Purchase Agreements allow for inspections by the purchaser, and/or his representatives. The cost is normally borne by the purchaser. A basic professional home inspection usually costs in the \$200 - \$450 range depending on the property. Soil testing, radon testing, lead paint testing and other specialized tests will cost more. The Agreement usually specifies that inspections be completed within 10 days of contract acceptance, and items of concern to you should be addressed in writing during this time. Inspections may include, but are not limited to, home inspection, roof, plumbing and electrical systems, structural, square footage, pool inspection, well and septic system inspections, etc.**

**The inspection should be for the purpose of determining the physical condition of the property so that the you can make a knowledgeable decision to purchase, and not for the purpose of establishing a list of cosmetic repairs for the seller to perform. An inspection report should not be considered an opportunity to re-negotiate the contract unless a major defect is discovered. You may then have a valid reason to ask for repairs or for release from the contract.**

**Most inspectors will give a list of marginal, fair or defective items. The list will then be sent to the seller and he will indicate what repair he will make and that list will be sent back to the purchaser for approval.**

**The Purchase Agreement will also give you the opportunity to have the property inspected for termites. The mortgage company may not require a termite inspection. All home should have a termite inspection and if the mortgage company does not require one the you should pay for this inspection.**

**Purchase agreements may specify that all systems and appliances are to be in working order on the date of the act of sale. In that case, it is incumbent upon the you to conduct an appliance and systems check a day or two prior to closing and to ensure everything is as it was when the purchase agreement was signed. I will provide a check list and accompany you on this “walk-thru” inspection. You will be required to sign a statement that everything was checked and was in working order, or the exceptions so noted.**

**I STRONGLY RECOMMEND INSPECTIONS FOR YOUR OWN PROTECTION.**

### **INSURANCE**

**Prior to closing, you MUST be able to show proof to your lender that you have obtained adequate insurance on a property with improvements. There are so many different types of insurance policies available that it would be impossible to cover them all in any detail. It does pay, however, to shop around to obtain the best possible price and terms. You may wish to investigate the difference between simple coverage and actual replacement cost coverage. Replacement cost coverage costs a little more, but the coverage escalates with the value of the home. It may also pay full replacement cost on contents of your house should they be damaged or stolen (as opposed to depreciated value.) This could be a significant advantage in the future. Homeowner’s policies do not usually cover damage caused by rising water, and your lender may also require that you carry flood insurance on the property based on the survey.**

### **TITLE INSURANCE**

**At the closing table you will notice that, if there is a mortgage involved in the sale of the property, "lender's title insurance" is usually required. This is part of the closing cost**

and is paid according to who pays closing cost. This title insurance covers **ONLY** the lender in the event there is a title problem in the future. The closing attorney/notary will explain that purchaser's title insurance is also available at a fairly low cost, but it remains your option to purchase. It is a one-time charge and is usually cheaper if purchased at the closing. Should you purchase owner's title insurance? This is entirely your choice, of course. It is an additional precaution and could avoid financial loss in the future, in the event there is a problem discovered with the title **AFTER** the sale.

### **REASONS TO BUY OWNER'S TITLE INSURANCE**

- **Conveyances altered before recording**
- **Instruments executed under fabricated or expired Power of Attorney**
- **Fraud, duress or coercion in securing essential signatures**
- **Deeds delivered after death of grantor or grantee, or without consent of grantor**
- **Invalid, suppressed, undisclosed and erroneous interpretation of wills**
- **Undisclosed or missing heirs**
- **Deeds by persons of unsound mind**
- **Deeds by minors**
- **Deeds by persons supposedly single but secretly married**
- **Birth or adoption of children after date of will**
- **Mistakes in recording legal documents**
- **False representations in appointment of Guardians and Administrators**
- **Undisclosed community property rights**
- **Liens for unpaid estate, inheritance, income and gift taxes**
- **Destruction or mistakes of records, which may later appear**
- **False or misleading statement of fact**
- **Tax titles invalid because of irregularity of proceedings, reversals of court decisions**
- **Defective foreclosures of mortgages**
- **Old unsettled estates**
- **Errors by administrators and executors**
- **Insufficient evidence to establish title by inheritance**
- **Falsification of records**
- **Illegal acts of trustees**

### **TAXES AND HOMESTEAD EXEMPTION**

**REMEMBER, FAILURE TO APPLY FOR HOMESTEAD EXEMPTION COULD COST YOU A GREAT DEAL OF MONEY!**

**The attorney will explain at closing how to apply. If you do not apply the tax will be about three times the normal tax.**

### **MORTGAGE PAYMENTS**

**This remains an area where many homeowners are confused. When paying RENT, the tenant pays in advance of actually renting the property. When you close on the home you are buying, the first full payment does not become payable until some 30 to 45 days later. However, at closing you will pay interest from the date of closing until the end of the month in which the property is closed. You then “miss a month” and your first full payment becomes due on the first of the subsequent month. The confusion exists primarily when the property is sold. Simply remember that your payment is after the fact, rather than before the fact. For example, a mortgage payment, which is due on the first of August, pays the interest for July.**

### **CLOSING COSTS**

**The term “closing costs” covers a multitude of fees, which are involved in any real estate transaction. The lender will have fees which you will be responsible for paying, and the closing attorney will also have fees for researching the title, preparing paperwork, etc. A simple rule of thumb to follow is to ask who is responsible for which cost. The following are some items that are normally considered purchasers closing costs.**

- a. Purchaser's attorney fees**
- b. Title Search or Abstract**
- c. Recording Fees**
- d. Lender's Title Insurance**
- e. Purchaser's Title Insurance (normally paid by purchaser if desired)**
- f. Document preparation**

**Closing costs in this market area are usually paid by the seller.**

**The purchaser usually pays extra discount points, VA funding Fee, and pre-paids.**

### **PRE-PAID EXPENSES**

**This is a description that simply means TAXES, INSURANCE, and PMI. In order to purchase a home, a buyer must have sufficient cash available, in addition to his down payment and closing costs, to pay for approximately 14 months of home owners insurance, 2 months of PMI and 2 months of taxes. There are few, if any, loan companies that will permit a seller to pay for a purchaser's pre-paid items.**

### **HOME WARRANTY PLANS**

**When investing in a home, be it new or previously owned, it is always a good idea to have some type of warranty placed on it. There are several Homeowners Warranty**

**Plans available. They are similar, in that they all cover mechanical items only and not structural items. Typically, plans cover air conditioning units, heating units, electrical and plumbing systems, built-in appliances, etc. Some restrictions apply to each plan, and each plan has some form of deductible.**

**Sometimes, sellers offer a Home Warranty Plan with the home, in which case the seller pays for it. However, in the event a seller does not provide a home warranty the purchaser can buy one. The warranty plan normally runs for one year from the date of purchase. Some plans are renewable. Costs vary, but typically are in the \$350-450 range. You may purchase additional coverage for such things as swimming pools and spas. Please understand, machines being what they are, an appliance or air conditioning unit may work perfectly one day and fail the next. There is usually no warning when a machine is about to fail, and it would be most difficult to prove that a seller had prior knowledge that something was defective. The warranty plans have saved homeowners millions of dollars.**

**Imagine, should an air-conditioning compressor fail, the repair could cost hundreds of dollars to repair or replace. For the simple payment of a small deductible, the compressor may be repaired or replaced.**

## **HOME WARRANTY PLANS ARE WORTH THEIR WEIGHT IN GOLD!**

### **WHAT HAPPENS AT THE CLOSING OR SETTLEMENT?**

**This is the time when the buyers, sellers, real estate agents and the lender's representative meet to sign the final papers to transfer the title from one owner to the next. At this time the buyer brings a check for the cash down payment and closing expenses, the bank brings the check for the amount of the loan, and the seller brings the keys to the house. The seller signs the title (or deed) over to the buyer. Both the buyers and sellers sign other documents relative to Federal law, and a settlement sheet is drawn up so that all parties understand their costs. If a loan is involved, there will be several papers relating to the loan to be signed by the purchasers. All costs will be shown on the Settlement Statement. This form is furnished to give you a written statement of your actual settlement costs. If possible, I will review the settlement statement and closing procedures with you prior to closing. Typically, when you leave the table, you will have the keys to the house, you will have signed the mortgage and you can take possession of your new home!**

### **WHO PAYS FOR WHAT?**

**ITEM**

**PURCHASER**

**SELLER**

<b>Down Payment</b>	<b>X</b>	
<b>Deposit</b>	<b>X</b>	
<b>Discount Points</b>	<b>X</b>	
<b>Origination Fee</b>	<b>E</b>	<b>E</b>
<b>VA Funding Fee *</b>	<b>X</b>	
<b>Loan Application Fee</b>	<b>E</b>	<b>E</b>
<b>Appraisal Fee</b>	<b>E</b>	<b>E</b>
<b>Survey Fee</b>	<b>E</b>	<b>E</b>
<b>Title Search/Abstract</b>	<b>E</b>	<b>E</b>
<b>Lender's Title Insurance</b>	<b>E</b>	<b>E</b>
<b>Attorney Fees</b>	<b>E</b>	<b>E</b>
<b>Recording Fees</b>	<b>E</b>	<b>E</b>
<b>Tax Certificates</b>		<b>X</b>
<b>Homeowners' Warranty Plan</b>	<b>E</b>	<b>E</b>
<b>Real Estate Commission</b>		<b>X</b>
<b>Termite Inspection</b>	<b>E</b>	<b>E</b>
<b>Underwriting Fee**</b>	<b>E</b>	<b>E</b>
<b>Tax Service Fee ***</b>		<b>X</b>

**\*In VA sales, the purchaser usually pays the VA Funding Fee. However it can be paid by the seller, if he agrees, or the purchaser can include the fee in the mortgage amount.**

**\*\* In FHA and VA sales the seller must pay the underwriting fee**

**\*\*\* In FHA and VA sales, the seller must pay for the tax service fee**

**Reminder: This table represents costs NORMALLY paid by either party. Almost anything is possible, provided all parties agree and it is within the law and complies with the mortgage company's underwriting guidelines.**

## **FAIR HOUSING AND THE LAW**

**It is very simple. RE/MAX Properties, Inc., and its associates do not discriminate in any way involving the listing and/or sale of real estate. Prospective purchasers who are financially qualified to look at properties will be shown properties regardless of race, color, religion, sex, age, familial status, handicap, etc.**

**I hope the information in this booklet has been helpful to you. Buying a home is an exciting and often scary experience. I will work hard to make sure that you not only find the home you want, but that you have an enjoyable time. We have covered a great deal of material in this booklet. If you have any questions on any of the things covered, or any other real estate matters, please don't hesitate to call me at (334) 546-2988**

**The information contained in this document was obtained from sources deemed to be reliable. It is believed to be accurate, but is not guaranteed. The buyer should carefully verify all facts and figures.**

**Information contained herein is not intended nor should it be construed as legal advice.**