

You Found Your Home...Now Make the Offer!

There are some factors that you should consider when determining the correct amount to offer for a home:

- *Comparable Sales*
- *Inspection Results*
- *Supply and Demand*
- *How Long Has the Home Been on the Market?*

Comparable Sales — The sale price of similar properties in the neighborhood in which you plan to buy that sold within the last year or so. Comparable sales can be very helpful when you are trying to determine the value of a particular property.

First, gather as many recent sales of comparable or similar properties as you can in the neighborhood of the property you are considering to buy. Try to find sales no more than one year old. Sales over a year old may no longer be relevant due to changes in the economy, the current real estate market, etc.

Also, try to find properties with similar square footage (or living space), lot size (actual size of property — house, yard, etc.), same number of bedrooms and bathrooms, and the same age or year built. Plus, if your property has a view or a pool, compare only to properties with the same.

And, most importantly, if you live in a condominium, only compare to other condos. The same goes for duplexes, single-family detached homes, etc. You must compare apples to apples, otherwise, your comparables or comps will not be accurate.

Finally, try to find comps as close to your property as possible. Different neighborhoods have different characteristics such as the number of public



services, stores, churches, parks, etc. This, plus the average age of the neighborhood, can significantly affect the overall market value.

Once you have gathered several comparable sales, note the sale prices. In a perfect world, the sale prices should all be similar. If this happens, that should give you a good indication of your property's current market value.

Inspection Results — Generally you should do your own home inspection and a cost estimation of needed repairs *before* making an offer to purchase a home. Once you make a decision to buy the home, you should include an inspection contingency in the purchase contract and have the home you've selected *professionally* inspected. The severity of the problem uncovered during the home inspection and the cost of fixing it, may impact your offer amount.

Supply and Demand — A seller's market is characterized by demand exceeding supply, the purchase price is close to the asking price, and the houses don't delay on the market. If the property is listed at a price close to the market value, an initial offer price of 90-95% of the list price is normal. A very low offer might be rejected immediately. On the contrary, in a buyer's market, supply overtakes demand, houses are hard to sell, and the below-market offer will usually either be accepted or generate a counteroffer. When few offers are being made, an outright rejection of offers becomes unlikely.

How Long Has the Home Been on the Market? — If the home has been listed for sale for awhile, the seller may be more willing to bargain.

You should review all this information with your Realtor® prior to making any offer.

Using Your Home's Equity to Your Advantage!

Once you have purchased a home and are making monthly payments, you are in the process of building equity. The opportunity to use the equity you have built up in your home is one of the benefits of homeownership.

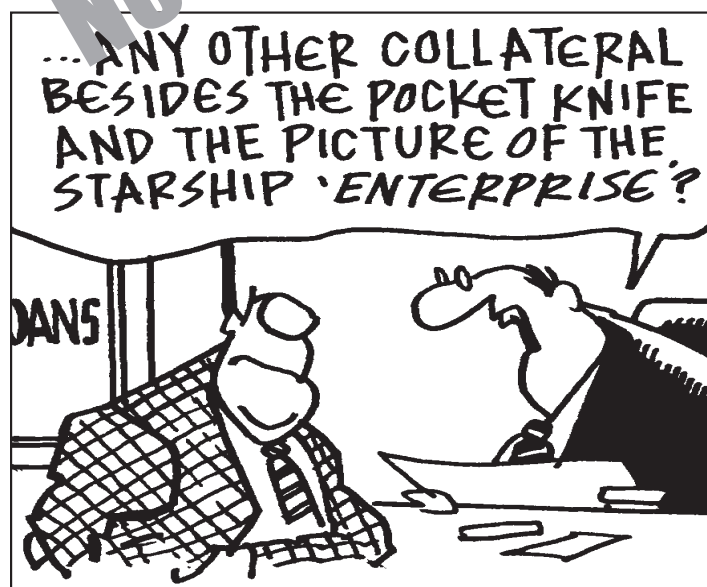
A "cash-out refinancing" may be a good idea for homeowners who want to draw on the equity built up in their house to get cash for a major purchase or for their children's education. However, cash-out refinancing is usually more advantageous when the item that was purchased has a similar expected life as the loan. Making improvements to your property or purchasing a second home are examples. Since the interest on a mortgage is generally low, borrowing money against your home can prove to be a sound move. Besides, the mortgage interest is usually tax deductible. (Please consult your tax advisor.)

Another possibility to use the equity of your home to your advantage is Home Equity Loans, also called "second mortgage" loans, which are available up to 80-85% of the appraised value of your home (check with your lender). Home Equity Loans often carry a higher interest rate determined by your creditworthiness and loan-to-value ratios on the property. Draw periods can range from 5 to 25 years (typically 5, 10, or 15 years). The qualifying process for a Home Equity Loan is very similar to that of a first mortgage.

Some lenders now offer Home Equity Lines of Credit that allow you to

obtain cash advances with a credit card or to write checks up to a certain credit limit. Home Equity Lines also use the equity in your home as collateral for the amount of credit you request.

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How to Search for the “Perfect” Home!

Your search for the perfect home may take you to a number of houses, some of which will interest you more than others. It is therefore important to make a list of all the homes you visit and track the features of each home in a format that you can use for objective comparison.

When you look at a home, you'll need to inspect it from the ground up. Keep notes. If a camera is available, attach a photo or multiple photos (including interior/exterior) to each description so you can better evaluate each property.

Check on the condition of the plumbing, heating and electrical systems. Examine the condition of the doors, windows, floors and the roofing. Note any items that appear to need repairs or replacement. The severity of the problem uncovered during the home inspection and the cost of fixing it, may impact your offer amount.

You should also be concerned about potential environmental hazards in and around the home. These can include asbestos, lead, radon, and other chemical contaminants that may cause health problems.

There are many other factors to consider when purchasing a home. Here are just a few:

- ✓ If you have children, you may want to know if there are other children in the neighborhood and what schools or playgrounds are nearby, and the quality of those schools?
- ✓ Is the house suitably located for schools, churches, shopping facilities, major transportation such as airports and train stations, and the distance to your place of work?
- ✓ Is the house located so that you and your family won't be bothered by noise, dirt, and danger from major highways, freeways, and other streets with heavy traffic?
- ✓ Will the house afford living accommodations which are sufficient to

the needs and comfort of your family?

- ✓ Will the number of rooms in the house accommodate your desired furniture and lifestyle?
- ✓ Does the driveway provide easy access to the garage?
- ✓ Is the home's lot size and lawn/garden areas satisfactory?
- ✓ Do the home's windows provide sufficient light and air?

Analyze your future housing expenses, including utilities, insurance, and property taxes. If you are required to become a member of a neighborhood homeowner's association, ask about the dues or fees, rules and special assessments. The dues/fees or periodic assessments that are payable to the association may be a significant expense item. Consider reading the association's declaration of covenants and restrictions *before* you buy and find out if you can live by them.

A homeowners' association manages the common areas of a planned unit development (PUD) or condominium project. In a PUD project, it holds title to the common elements. In a condominium project, it usually has no ownership interest in the common elements.

If you are considering purchasing a condominium, learning everything you can about the homeowner's association is especially important. Poorly managed associations can drag down property values and make living there sometimes difficult for residents. Find out if dues are expected to increase and if any special assessments are planned. Best of all, speak with current residents to get *their* views on the association's finances and how it operates.

Most important of all, don't rush to buy; the home you select should meet all or at least the majority of your and your families needs.

For more information, or to see the “Search Strategy” we use when assisting customers in shopping for the “perfect” home, contact our office today!

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From the Inside: Home Loan Refinancing Q & A

Q. “When should I ‘lock in’ an interest rate?”

Nobody can predict what interest rates will do. But historically, rates rise faster than they come down. So if you're thinking about buying a home or refinancing your mortgage, lock in your rate now — you can always refinance later if rates drop again. Any near-future drop in interest rates may not be drastic enough to impact your monthly mortgage payment. Of course, every situation is different, so it's important to consider all of your options and consult your lender.

Q. “Should I pay points to get a lower rate?”

Paying points may or may not be your best option, depending on what you're doing. Points paid on a loan you've refinanced can be deducted from your taxes only in small increments — typically, 1/30th a year for a 30-year mortgage, for example. This means it could be several years before your lower rate makes up for the points you pay. However, if you're buying a home, points paid are a tax-deductible expense for that year. Please consult your tax advisor.

Q. “Are there really loans with no closing costs?”

There are few loans that truly have no closing costs. Lenders can sometimes roll the costs into the amount of your loan. So, because you're

not paying any costs up front, it's called a “no closing cost” loan. While slightly increasing your mortgage might be acceptable to you, keep in mind that it's not really a *cost-free* loan.

Q. “How long does it take to refinance?”

Refinancing normally takes anywhere between two and four weeks, depending on a few factors:

- Do you have a recent home appraisal?
- Are you in an area that appraisers can get to easily?
- Are there plenty of other comparable homes in your neighborhood?

Usually, getting the home appraisal is what slows the process down the most. During refinancing booms, appraisers can be difficult to schedule. Also, having your paperwork ready helps to speed the process along much faster.

If you have any questions regarding refinancing or any other question you think we might be able to help you with, feel free to contact our office today!

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