

Buying a Home

A guide to achieving the American dream

Buying a home, whether it's your first or fifth, is a big and important task. The goal of your Davis & Hoyt Hensal Realty/ GMAC Real Estate Sales Associate is to guide you through each step, making it as stress-free and enjoyable as possible. With Premier Service® she/he can help you achieve just that. With a well organized, proven approach to the home-buying process, your Davis & Hoyt Hensal Realty Sales Associate can help you find the home of your dreams.

From her/his specialized market knowledge to mortgage, financing and the closing of the transaction, you are provided the luxury of Premier Service®, every step of the way.

Your Sales Associate will:

- u Help you in determining how much you can afford and want to spend.
- u Help define your housing priorities by discussing your specific needs, wants and desires
- u Recommend the right resources to help you reach your goals
- u Research and obtain information about houses and neighborhoods to help you make decisions.
- u Help you prepare for mortgage qualification.
- u Help you negotiate the best possible price

Deciding to buy

The right time to buy

Today, home buyers have more choices than ever before. They can choose financing options that are flexible and affordable, home styles that fit a variety of lifestyles, and professional services that make the process fast, effective and enjoyable. Here are some facts about homeownership that may surprise you:

- § Homeownership can be a good investment opportunity. A house offers leverage and the possibility for appreciation in value. And, you can use this investment while it's working for you!
- § You can't afford to overlook the tax breaks of homeownership. Since mortgage interest and property taxes are deductible, homeownership can save you money each year. Young people aren't priced out of the market. Figures from the National Association of Realtors put the average age of first-time buyers at 32 years old.
- § Renting doesn't protect you against rising prices. Rental units are just as susceptible as houses to increases in taxes, insurance, utilities and other costs. Landlords will pass along these increases to the tenants.
- § The waiting game is a losing game. Don't put off buying a home waiting for prices to come down.

How to get started

- § Choose a professional who specializes in residential real estate. She or he should have specific knowledge of the local real estate and mortgage markets.
- § Consider references carefully. An experienced, confident Sales Associate can provide you with names of recent buyers in your market with whom he or she has worked.
- § Select a professional who will listen to you. Your Sales Associate should be interested enough in you to find out about you and your housing needs and preferences.
- § Select a professional who puts service first. Strong customer service is key in today's real estate business. For Premier Service GMAC Real Estate Sales Associates, this service goes above and beyond giving buyers only what they expect and need.

Your Davis & Hoyt Hensal Realty Sales Associate can show you any house that's for sale in your market — not just the homes listed by our company. If you see a house for sale that you like, arrange a viewing through us.

Commit yourself to working with one Sales Associate who can learn your likes and dislikes in homes and make your home-buying process much easier. Turn to a Davis & Hoyt Hensal Realty Sales Associate for your real estate needs.

How much house can you afford?

Most people have a general idea of how much they feel comfortable spending. It's equally important how much the lender calculates you can afford.

- u Evaluate your financial situation as the lenders do. Typically, your total monthly housing costs of mortgage principal and interest payments, property taxes and hazard insurance (PITI) should not exceed 28 percent of your gross monthly income. Or, housing costs plus any outstanding monthly long-term debt should not exceed 36 percent of gross monthly income.
- u Determine how much your financial institution is willing to lend you. Call on your Sales Associate for help during the prequalification process.
- u Know how much you can afford in monthly payments. Lenders factor in sales price and down payment, but place more importance on how much you can handle monthly.

Mortgage Chart — Your guide to affordability

Your mortgage power may surprise you. This chart shows how much house you can afford at any given interest rate. To use it, simply find the monthly payment you can afford and read across to the nearest current interest rate. The point where the two intersect shows you how much mortgage that monthly payment will buy.

It is important that you obtain a mortgage pre-approval. This is an essential time-saver when you come upon the house you want to buy. Mortgage pre-approval is like securing a loan before you find a house, and it's real peace of mind to know exactly what you can afford. *Payments below are based on a 30-year amortization and include principal and interest only. Ask your GMAC Real Estate associate what to add for taxes and insurance.*

Monthly Payment	4.00%	4.50%	5.00%	5.50%	6.00%	6.50%	7.00%	7.50%	8.00%	8.50%	9.00%
\$300	62,837	59,208	55,885	52,836	50,036	47,463	45,092	42,905	40,885	39,016	37,285
\$400	83,783	78,944	74,513	70,449	66,717	63,284	60,123	57,207	54,513	52,021	49,713
\$500	104,729	98,680	93,141	88,061	83,396	79,105	75,154	71,509	68,142	65,027	62,141
\$600	125,675	118,416	111,769	105,673	100,075	94,926	90,185	85,811	81,770	78,032	74,569
\$700	146,621	138,152	130,398	123,285	116,754	110,748	105,215	100,112	95,398	91,038	86,997
\$800	167,567	157,887	149,026	140,897	133,433	126,569	120,246	114,414	109,027	104,043	99,425
\$900	188,513	177,623	167,654	158,509	150,113	142,390	135,277	128,716	122,655	117,048	111,854
\$1,000	209,459	197,359	186,282	176,121	166,791	158,211	150,308	143,018	136,283	130,054	124,282
\$1,100	230,405	217,095	204,910	193,734	183,471	174,032	165,338	157,319	149,912	143,059	136,710
\$1,200	251,351	236,831	223,539	211,346	200,150	189,853	180,369	171,621	163,540	156,064	149,138
\$1,300	272,297	256,567	242,167	228,958	216,829	205,674	195,400	185,923	177,169	169,070	161,566
\$1,400	293,243	276,303	260,795	246,570	233,508	221,495	210,431	200,225	190,797	182,075	173,995
\$1,500	314,189	296,039	279,423	264,182	250,188	237,316	225,461	214,526	204,425	195,080	186,423
\$1,600	335,135	315,775	298,051	281,794	266,867	253,137	240,492	228,828	218,054	208,086	198,851

What type of house do you want?

Next you'll want to define your needs, tastes and preferences for your new home. Your Davis & Hoyt Hensal Realty Sales Associate will assist you in this process and by discussing this now; you'll save plenty of time in the house-hunting process. Your Sales Associate will show you only the houses that fit these requirements.

- u Describe the style of house you like, whether it be two-story, contemporary, ranch or something else.
- u List your priorities in home features, such as a two- or three-car garage; gourmet kitchen; a family room or a formal dining room.
- u Think about your lifestyle. If you don't like yard work, ask your Sales Associate to show you condominiums, townhouses or garden homes with smaller yards.

Choosing a neighborhood

Bricks and boards may determine the cost of a home, but a neighborhood determines value.

- u Consider the identity of the neighborhood. The overall impression given by an area is key to its value.
- u Drive through and around the neighborhood. Value is enhanced by other well-maintained properties. Conversely, be cautious of areas with unkempt yards and homes, and businesses mixed in with residences.
- u Ask your Sales Associate about the property tax assessment in the area, including any special assessments or pending bond issues.
- u Pay attention to neighborhood zoning. Good residential communities are zoned to keep out commercial and industrial users. Ask about other regulations in the neighborhood, such as on-street parking. Find out if this area is governed by any covenants.
- u List which community services are important to you. Do you need to be close to shopping or a mass transit stop?
- u Get an idea of who lives in the neighborhood by talking with people who live there.

Factor in the costs of commuting as you're looking at neighborhoods. If your daily commute to work, school, shopping or other locations will be very long, you may have greater automobile expenses, such as gas, maintenance and insurance.

Picking the right home

Looking at houses

Your Davis & Hoyt Hensal Realty Sales Associate will show you the homes that meet your needs and weed out the ones that don't.

He or she will make arrangements for you to see only those homes that match your requirements, so your time is well spent. Remember to record your impressions about the homes you visit.

A key benefit of working with a Davis & Hoyt Hensal Realty Sales Associate is that you'll be informed about homes that are new on the market or those with price changes. He or she will identify all the potential sellers in your market by working with the entire real estate community — not just those who list with Davis & Hoyt Hensal Realty/GMAC Real Estate.

Your new house has to feel right — but emotions aside, it has to work right, too.

- u Hire a professional building inspector to make sure the house is in sound condition. Use his or her report to make informed decisions.
- u Ask your Sales Associate about the GMAC Real Estate Home Protection Plan as it is available in Connecticut. This warranty protects you in case of major mechanical system and problems with some appliances.

- u Decide which flaws you can live with and which you'd prefer to have repaired. You may also be able to refinance some repairs in your mortgage.

Outside the home

- § Do trees and shrubs appear healthy? Are large trees at least 30 feet from the house?
- § Is the lot sloped for proper drainage? Are there low spots near the house?
- § Do outdoor electrical outlets have ground fault current interrupters to prevent shock?
- § Is the outdoor lighting adequate?
- § Are there outdoor faucets or a sprinkler system?
- § Are sidewalks and driveways in good condition? Will water drain off them?
- § Is the house's surface in good repair? Are there cracks where materials meet at two walls or at windows and walls?
- § Do windows, doors and chimney sit plumb and square?
- § Is the roof free from sags and dips? Are shingles in good condition?
- § Are gutters in good shape, with tight seams and do downspouts point away from the house?
- § Do foundation walls have cracks larger than 1/4-inch wide?

The floor plan

- § Is the home divided into three distinct zones for working, living and sleeping?
- § Are eating areas (including those outdoors) easily accessible from the kitchen?
- § Does traffic through the kitchen flow outside the work area?
- § Are the stove, sink and refrigerator just steps apart in an efficient triangular configuration?
- § Do open appliance doors block doorways, cabinets or each other?
- § Do bedrooms have two uninterrupted wall surfaces for easy furniture arrangement?
- § Are baths accessible without having to cross a bedroom or other living space?
- § Does the main entry lead guests directly to the living room or make them figure out which way to go?

Basement to attic

- § Do basement walls have large cracks that indicate a shifting foundation? Mildew stains that indicate dampness/flooding? Is an unheated basement's ceiling insulated?
- § Are exposed beams and joists in good condition?
- § Is the attic well-insulated? Is there any evidence of water damage from a leaky roof?
- § Are floors springy or are they even and sturdy?
- § Are walls (particularly at door frames and windows) free from large cracks?
- § Do all doors and windows work smoothly?
- § Are bathroom fixtures in good condition? Does the faucet's water flow remain steady when toilets are flushed?
- § Does water drain well?
- § Are there enough well-placed electrical outlets in the rooms? Does the service to the house match its current electrical needs?
- § Is the capacity and recovery time of the water heater adequate for your family? Does the water heater show signs of rust?
- § Do kitchen appliances seem to be in good condition? Do any come with the sale? Will your appliances fit in the present spaces if need be?
- § Do furnace and/or air conditioning unit(s) appear well-serviced? Is the blower quiet?

Making your purchase: Extending the offer

When you find the perfect house, your Davis & Hoyt Hensal Realty Sales Associate will take you through a step-by-step process to make the purchase. You know the seller's asking price, now it's your turn to make

some important decisions.

- u Decide how much you should offer. Consider factors such as the home's length of time on the market, reasonableness of price, availability of financing and other costs.
- u Decide on your legal representation. This varies from one region of the country to the next. In Connecticut legal representation is the rule rather than the exception. Make sure you retain one who specializes in residential real estate transactions *in your area*.
- u Know what happens to your earnest money. The earnest money deposit shows that you're serious about buying the home. This deposit is held by a third party. In most areas of Connecticut the deposit is held in the escrow account of your Sales Associate's Broker until the contract of sale is fully executed. Once the contract of sale is signed by all parties in the transaction the deposit money is sent to the sellers' attorney to hold in his/her escrow account. It is held until the sale is closed or the contract is broken. If you buy the house, it is applied to the down payment or closing costs. If you fail to buy the house after the seller has accepted your offer, he or she may have the right to keep this deposit.
- u A title search will be done by the Buyer's attorney to prove the title is clear. The title should show no substantial claims or liens against the property.
- u The type of deed that you want the seller to convey to you is a fully executed warranty deed that transfers ownership rights (or title) to you.
- u Decide what conditions you want to place on buying the house. Your purchase may be made contingent on obtaining financing, a building inspector's satisfactory report or selling your present home. Real estate contracts today already include many of these standard real estate contingencies.
- u Spell out what you're buying in the contract. Common items to be specified include appliances, light fixtures, shades and drapes, storm windows, and flowers, shrubs and trees.
- u Determine what special provisions should be included, such as for property taxes, insurance costs and utility bills. Read all the small print carefully.
- u Determine the closing date and possession date you want. Your attorney will act as your settlement agent. You will need to allow yourself plenty of time for financing and all the paperwork in the transaction.
- u Your Sales Associate will take the offer to the seller or seller's agent. The seller will either accept, reject or counter your offer with changes in some of the terms. You may either sign or counteroffer at this point.
- u Sign the document when you both agree to the terms; it becomes a valid contract. In western Connecticut a binder agreement is often signed before the final contract is drafted. It will be your choice as to whether you want to sign a binder agreement or go right to contract. Your Davis & Hoyt Hensal Realty will discuss the positives and negatives of each with you.

Protecting Yourself

Two things can add to your peace of mind as you enter the final stages of home buying: home inspections and home warranties.

A professional inspection of a home prior to closing can lessen the chance for surprises. Even if you've arranged to have an inspection, you should still plan to take a "walk-through" of the property immediately before the final papers are signed.

A home warranty can protect sellers before the closing and buyers after the closing against the failure of major home systems during the warranty period. In most states, GMAC Real Estate offers a Home Protection Plan. This plan will pay to repair or replace items such as heating and cooling units, plumbing and electrical systems and appliances for 13 months after the sale. Ask your Sales Associate for specific information.

Financing Your Home

- u Your Davis & Hoyt Hensal Realty Sales Associate will be happy to assist you in choosing a mortgage provider.

Questions to ask the lender

- § What are the differences between the various types of adjustable-rate loans and fixed rate loans.
- § Is the mortgage open-ended? Can you borrow up to the amount of principal you've paid to make home improvements?
- § Will mortgage insurance be required for loans other than FHA-insured or VA guaranteed mortgages?
- § How much principal must be paid before the insurance requirement is dropped? What are the premiums and are the premiums refundable if you prepay the mortgage?
- § What reserves, such as those for property taxes or hazard insurance, are required? How long must you pay into these reserves? At some point, will you pay these costs directly?
- § What fees will be charged at closing, including such things as points, loan origination, abstracts, attorney's fees, appraisals, termite inspection reports or credit reports?

What the lender will ask

- § What is your total monthly income (including alimony, child support, savings interest and dividends)?
- § What are your assets? These include bank accounts, stocks and bonds, real estate, retirement funds and so forth.
- § What are your liabilities? These include installment loans, charge cards, auto or real estate loans and other debt.
- § What are your anticipated housing costs?
- § Do you have a copy of the contract of sale?
- § Can you provide credit references, including account numbers and balances on loans?
- § What is your job history?

Understanding financing options

The number and variety of financing options can seem overwhelming at first, but most fit in one of these main categories:

Conventional financing: Conventional mortgages are labeled as such to differentiate them from government-backed loans, such as FHA or VA loans.

ARMs: The interest rate on an adjustable-rate mortgage changes throughout the term to stay current with present interest rates. ARMs are most popular when rates are relatively high and appear to be dropping and when the difference between the ARM and fixed-rate is greater than 2 to 3 percent.

Standard fixed-rate mortgages: This traditional mortgage option is a loan with a constant interest rate and level and equal payments during a set period of time. These loans are predictable and particularly suited to people with steady incomes. These mortgages are most competitive against the adjustable-rate mortgage when their rates are less than 1.5 percentage points apart.

Farmers Home Administration (FmHA) loans: The government makes these loans available to persons of moderate to very low income in rural or non-metropolitan areas.

FHA-insured loans: The Federal Housing Authority will insure a mortgage on a new or existing single-family house for up to 97 percent of the property value. Down payments on FHA-mortgages are low, and the loans are assumable.

VA-guaranteed loans: The Veterans Administration guarantees lenders against loss if a property is foreclosed due to default. These loans are available to eligible veterans and may be used to buy, refinance, construct or repair a house.

Settling up with the lender

- § Within three days of applying for the loan, your lender should issue you a good faith estimate of the fees charged for closing. This estimate may not include deposits for hazard insurance or property taxes.
- § Loan origination fees are a percentage of the loan that cover the lender's administrative costs. The loan discount, called points (with each point being 1 percent of the loan), is extra interest paid to the lender to make up the difference between market interest and the interest of the loan.
- § Other charges at closing may include the costs of a survey, appraisal or inspection, as well as the lender's services in obtaining mortgage insurance for you. If you assume a mortgage, you'll pay an assumption or transfer fee.
- § Charges for fees include title/abstract searches and recording and transfer charges.
- § Mortgage interest, the first year's *hazard insurance*, and first year's *mortgage insurance* (if required) are paid to the lender in advance.
- § Reserved deposits used by the lender to pay for hazard insurance, property taxes and possibly mortgage insurance are paid at this time.
- § Commissions and other fees include a variety of services, such as document preparation, notary services, handling the schedule, warranties and others.

Rely on the expertise of your Davis & Hoyt Hensal Realty Sales Associate during the critical final stages of the home buying process. He or she can answer questions, serve as your representative, and attend to the important details that affect your purchase.

Final details and closing the deal

- u Take a final walk-through of the property just before closing to see that everything is as it should be. If there are any problems or unresolved issues, take care of them before closing.
- u Sign the note promising to repay the loan and mortgage, with the house as your security for the note.
- u Sign the other papers fulfilling governmental regulations and transaction information.
- u Look carefully over the numbers in the closing or settlement statement — the last one to appear — before signing.

Here's the day you've been waiting for. The papers are in order and money has been exchanged. You're handed the keys — the home is now yours!

Calling it your own

Moving In

Considering the quantity and value of your possessions, as well as the type of place you're moving from and to, you must decide the best method to move:

Professional movers: First, ask for estimates from several companies, and base your decision on the costs and reputation of the mover.

Moving yourself: You can probably cut your moving bill in half if you pack your possessions and move them in a rented truck, but the amount of work and worry will increase. Plus, you'll want to review your homeowner's insurance policy to see if it covers your possessions during a move.

Remember to save all your receipts from the move, whether you choose a professional mover or do the job yourself. If you're moving in conjunction with a job and you itemize your tax returns, you may be able to write off the moving expenses.

Making the house your home

Finding a house is one thing, but making it your home is another. Consider these ideas to make your home comfortable, welcoming and yours right from the start:

- u Set up one room in your home immediately after moving. Keep all boxes and clutter out of it; arrange familiar furniture and items. Use this room as a haven as you tackle the entire house.
- u If you have children, set up their rooms right away to give them a feeling of being home.
- u If necessary, give walls a fresh coat of paint before unpacking items. Use curtains or throw pillows to adapt your furnishings to an existing color scheme.
- u Draw up a floor plan to help you decide where to put furniture before you lug it around.
- u Create a focal point in each room by drawing attention to an architectural feature — add artwork above the mantel or use an unusual drapery treatment on a window with a view.

After the sale

The relationship you've forged with your Davis & Hoyt Hensal Realty/GMAC Real Estate Sales Associate doesn't end when the sale is over. Feel free to contact him or her with any questions you might have even after you're settled. And, don't forget to call when you're ready to make another move.

Compliments of Davis & Hoyt Hensal Realty/GMAC Real Estate

Service You Deserve. People You Trust. ®

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