

Preparing to Purchase



Your credit score takes into account years of past behavior, not just your present actions. In addition to making the right moves, you also have to be consistent. A few easy steps can push your score in the right direction. Here are seven simple ways to improve your credit score.

1. Watch those credit card balances

One of the major factors in your credit score is how much revolving credit you have versus how much you're actually using. The smaller that percentage is, the better it is for your credit rating. The optimum: 30% or lower. To boost your score, pay down your balances, and keep them low.

What you might not know: Even if you pay balances in full every month, you still could have a higher utilization ratio than you'd expect. That's because some issuers use the balance on your statement as the one reported to the bureau. Even if you're paying balances in full every month, your credit score will still consider your monthly balances.

2. Eliminate small credit card balances

Gather up all those credit cards on which you have small balances and pay them off as quickly as possible.

3. Leave (good) old debt on your report

Leave old debt and good accounts on as long as possible. Negative items are bad for your score, and most of them will disappear from your report after seven years. Good debt -- debt that you've handled well and paid as agreed -- is good for your credit. The longer your history of good debt is, the better it is for your score.

4. Limit how often you apply for credit

Every time you apply for credit, it can cause a small dip in your score that lasts a year. That's because if someone is making multiple applications for credit, it usually means he or she wants to use more credit. The FICO score, a score commonly used by lenders, ignores any such inquiries made in the 30 days prior to scoring. If it finds some that are older than 30 days, it will count those made within a typical shopping period as just one inquiry.

5. ALWAYS pay bills on time

One of the biggest ingredients in a good credit score is simply month after month of on-time payments. If you're bad about paying your bills -- or paying them on time -- it damages your credit and hurts your score. Saving money for a big purchase is smart. Just don't slight the regular bills -- or pay them late -- to do it.

6. Don't appear to be a risk

Sometimes one of the best ways to improve your credit score is to not do something that could sink it. Two of the biggies are missing payments and suddenly paying less or charging more than you normally do. Other changes that could scare your card issuer but not necessarily dent your credit score: taking out cash advances or even using your cards at businesses that could indicate current or future money stress, such as a pawnshop or a divorce attorney.

7. Regularly monitor your credit

While the score you can buy may not be the exact same one your lender uses, it will grade you on many of the same criteria and give you a good indication of how well you're managing your credit. It will provide you with specific ways to improve your credit score -- in the form of several codes or factors that kept your score from being higher. Another smart move: Regularly keep up with your credit report.

Smart consumer tip: You're entitled to one of each of your three credit bureau reports (Equifax, Experian and TransUnion) for free every 12 months through AnnualCreditReport.com. Stagger them. Send for one every four months, and you can monitor your credit for free.



Secure Employment



Unless you are retired or independently wealthy, you should commit to working for a specific company prior to beginning your home search. Once you have locked down a job, as long as you are in the same field, many Lenders will accept a letter from your future employer detailing rate of pay, start date, etc., as proof you have sealed the deal with an employer. If you are making a career move outside of your current field, GOOD FOR YOU! However, if purchasing a home in the near future is at the top of your priority list, please make sure to discuss your plans with a Lender.



Expenses Associated with Moving



Anyone that has moved at least once is well aware of the unexpected expenses being thrown at you left and right! Below are a handful of items to keep in mind when determining your moving budget.

- **UTILITY DEPOSITS** If you are moving to a new city or have never had utilities in your name, there is a good chance companies will require you to put down a deposit. Though some may be higher depending on your credit, averages are \$100 250/per company.
- **MOVING VAN OR TRUCK** If you are moving 10+ miles and have more than three carloads of belongings, you may want to consider renting a moving van or truck. Though I know it is difficult to part with certain personal objects, moving is a GREAT time to purge things that are just taking up space. Depending on how much you have, and how far you're moving, this can be quite a chunk of change. Example from personal experience: Atlanta to Wilmington for a household of five = \$1,400 for one 24' truck and one 17' truck.
- **Movers** If considering using a moving company to pack your belongings and move them to the new house while you're relaxing on the beach, PLEASE make sure to compare prices, read company reviews, and verify their insurance policy, and carefully review any clause related to damaged personal property. You want to be sure your items are covered. If the company is providing an estimate, please have them explain in detail how they determined the quote and what could cause the price to increase.
- **FURNITURE AND DÉCOR** When moving to the beach, you envision whites and pastels. You may not want to use your dark, masculine, wooden furniture that was perfect in your city home... so you go shopping! There are also those unfortunate times when furniture is damaged during transition, or just doesn't quite fit in the new home, therefore you are forced to purchase something new. If you are financially prepared, redecorating is fun! If you are not financially prepared, it can be super stressful!
- **RESTOCK YOUR PANTRY** When moving long distances, many times it is easiest to toss half eaten bags of chips, fruit, frozen meals, etc. It always blows my mind how much we spend on that first trip to the grocery store to fill your new shelves!
- **VEHICLE** When moving to a new state, you will need to register your vehicle(s) and update your insurance policy to reflect your new residence within 30 days of arrival. Reach out to your insurance company so you are aware of any additional charges.
- And most important, **pizza and beverages** for your friends and family that will help because no matter how much they love you, *NO ONE* enjoys moving ⁽²⁾



Expenses Associated with Purchasing a Home



Many times we think one of two extremes: (1) 100% financing means zero money out of my pocket! *or* (2) I'll never have enough money to purchase a home! Neither are 100% accurate! Though there are several checks you will need to be PREPARED to write, there is the potential to be reimbursed! I will discuss that in another section. Below are a handful of fees/expenses associated with purchasing a home:

- **DOWN PAYMENT** There are tons of loan programs so make sure to speak with a Lender to determine which program is best for you. It is always best to know how much you will be required to put down in order to obtain a mortgage *before* beginning your home search. FHA requires 3.5% of the purchase price as down payment. One local Lender is offering a program that will take as low as 3% down. And the two programs families looking to save money favor are USDA and down payment assistance.... which equates to no down payment and 100% financing. (I will provide a more details on loan programs in another section of this guide.)
- **INSPECTIONS** –Many local Lenders require a Termite Inspection. Prices range from \$50 175. You may also choose to purchase well/water, septic, HVAC, swimming pool, or Radon inspections. For the most part, it is up to you, the buyer, which inspections you deem necessary to put your mind at ease. I ALWAYS encourage my clients to have a home inspection performed by a LICENSED Home Inspector. Locally, prices currently range from \$400 650. Price is determined by age and size of prospective home.
- **APPRAISAL** ALL Lenders will require an Appraisal. In Wilmington and surrounding areas, the majority of appraisals range from \$475 600.
- **SURVEY** Surveys are not a requirement of the Lender. If your property line is in question, or you are planning to install a fence shortly after moving, I suggest a survey. The sellers or a previous owner MAY have a survey on file so please check before spending the money.
- **EARNEST MONEY –** When submitting an offer on a home, the one question I receive every time is, "How much earnest money should I offer?" Unfortunately, there is no formula or set amount. Earnest money deposits range from \$250 10,000.... Yes, I know that is quite a range! I suggest amount based on the demand and price of the home.
- DUE DILIGENCE FEE In North Carolina, due diligence is <u>not</u> a mandatory fee. If there are multiple offers and my client is determined to lock down the contract, I suggest offering the seller a due diligence fee. Again, there is no formula or set amount. Due Diligence fees range from \$0 10,000 based on the demand and certainty of the home.
- **CLOSING COSTS** These include lender fees, attorney fees, taxes, insurance, recording fees, etc. To be safe, triple check with your Lender! If you'd just like an idea what to expect, calculate approximately 3% of the purchase price of the home. *If you are paying cash for a home, closing costs would be much less expensive.*



Financing



Need To Sell Your Home?



LET ME KNOW!!! No, I do not list homes however, as an Exclusive Buyers Agent, I only work opposite listing agents so I am well aware which agents work hard for their clients, and which agents throw their clients under the bus during contract negotiations. I am happy to refer you to a listing agent that I know will take care of you. If you are selling out of state, no worries! I will reach out to my national network of Exclusive Buyers Agents to see who they recommend in your area.



Research Lenders



When you buy a home, you're in it for the long haul. As with Real Estate Agents, Lenders are NOT one size fits all! You'll have a mortgage payment for 15, 20 or 30 years, after all, so it's smart to shop around to find the best Lender out there that meets YOUR needs.

Finding a mortgage lender involves more than just getting a good interest rate. You want to work with the quality companies that are staffed by professionals who will guide you through the process.

There are all kinds of mortgage lenders — neighborhood banks, big commercial banks, credit unions, and online mortgage lenders. Picking the right lender or broker to work with can be tricky. This is where homework and a lot of patience come in to play. Below are a handful of questions you'll want to discuss your potential Lender:

- How do you prefer to communicate with clients email, text, phone calls or in person? How quickly do you • respond to messages?
- How long are your turnaround times on preapproval, appraisal, and closing? •
- Principal and interest payments on a mortgage aren't the only costs of homeownership; you should ask your • lender about other costs such as estimated closing costs, points, loan origination fees and transaction fees and ask what each fee includes. If you are unsure of something, ask the lender for an explanation. ALWAYS make sure to read the fine print.
- Will you waive any of these fees or roll them into my mortgage?
- What are the down payment requirements? .



Have Your Loan Documents Ready!



Having documents and information ready for your Lender eliminates MUCH unnecessary frustration. Below is a list that the majority of Lenders will require:

- **Debts** Have knowledge of our current debt load (monthly payments and balances)
- **Assets** Have knowledge of all assets/gift monies/equity in current home that will e used for down payment and closing costs
- **Paystub** Most recent year-to-date, documenting at least 30 days of income, showing employer name/address
- Unemployment Income Most recent two years 1099-G
- **Self-Employed or Commission or Rental Income** Most recent tow years Federal Individual Tax returns (signed complete returns)
- **Rental Income** Current lease or rental agreement(s)
- **S Corporation, Partnership, Corporation Income (K1)** Past two years Federal Business Tax returns (signed complete returns)
- Self-employed Year-to-date profit and loss statements and balance sheets
- **Employed by a Family Business** Two years Federal Individual Tax returns or ca copy of the Business Tax return (signed complete returns)
- Social Security Income 1099R and Benefits Verification Letter for most recent year
- **Pension/Retirement Income** Annual Benefits Statement, 1099R, and current monthly statement
- **Social Security and Pension/Retirement Income** Last three months bank statements (if not deposited in an account at CCU)
- **Divorce Decree or Separation Agreement** Copy of signed and recorded court order showing responsible party obligations to assets, debts, marital residence, child support
- Alimony, Separation Maintenance or Child Support Income Copy of the signed and recorded court order, reflecting payer's obligation for the previous 12 months, and copy of statements showing deposits 12 months
- **Property Taxes** (if keeping current home or own other properties) Copy of most recent Town/County, School and City/Village tax bills for all properties owned (Unless you currently have an escrow account with CCU for all properties)
- **Homeowners Insurance** (if keeping current home or own other properties) Declaration page (policy #, agent, phone #, coverage, annual premium, due date) for all properties owned



Mortgage Loans 101



The introduction to home loans is kind of like looking under the hood of a car. Lots of belts, hoses, metal and plastic, that only the true experts understand their purpose. However, knowing a little something about the types of mortgages out there will help you get the best terms you can on the largest purchase of your life.

Conforming vs. Non-conforming Loans

Conforming Loans A.K.A. In the Box Loans

The government-sponsored entities that drive the home loan market are known as Fannie Mae and Freddie Mac, or "Fannie" and "Freddie" as I like to call them. These behind-the-scenes organizations provide a secondary market for mortgages allowing lenders to package loans into investment bundles and sell them. This allows lenders to have stable cash flow so they can write new loans and get more qualified buyers into more homes. Fannie and Freddie are legally bound to purchase various mortgage loans under a certain value. The Federal Housing Finance Agency sets the national conforming loan limit. So, to get a conforming loan, you'll want to buy a house that puts you under the conforming loan limit in your area. A conforming loan usually offers a lower interest rate and lower fees. Lenders like them because they can sell the loan, which frees up capital and lets them make more loans.

Nonconforming Loans

Nonconforming loans are loans that aren't bought by Fannie Mae, Freddie Mac, FHA or VA. The reason is typically higher loan limits and the major investors don't purchase these bigger loans. The good news is they typically come with similar rates to any other loan. Your debt to income (DTI) ratio has to be a lower than it would be on a regular loan. Plus, a lender may require additional documentation due to the size of the loan.



CONTINUED Mortgage Loans 101

Below are the most common types of loans. *Please know there are TONS of programs* (1031 Exchange, Reverse Mortgage, etc.), but these are the basics:

- Federal Housing Administration (FHA)
 - Government backed loan
 - Provide fixed-rate and adjustable-rate financing with down payment options as low as 3.5%
 - May allow you to use a gift or grant for all or a portion of down payment and closing costs
 - o Require less upfront cash, but you will have to pay FHA mortgage premiums
 - Available for all income levels
- USDA
 - 100% financing for primary residence only
 - Backed by U.S. Department of Agriculture
 - For rural and suburban areas only (must verify property is eligible on USDA map)
 - Combined household income level cannot exceed a designated amount for your area
 - May allow you to use a gift for all or a portion of closing costs
 - Reduced mortgage insurance premiums, and feature below-market mortgage rates
- Department of Veterans Affairs (VA)
 - VA loans provide financing for veterans and other borrowers who meet the eligibility requirements of the VA program.
 - Offer low- and no-down payment options, and do not require monthly mortgage insurance.
 - Allow closing costs to come from a gift or grant.
 - Require a one-time VA funding fee that can be financed into your loan or paid in cash at closing.
 - You can get VA financing for your primary residence only.
- Conventional
 - A conventional mortgage is offered by a bank and is not insured by the federal government
 - Since it is not a government backed loan, qualifications are more strict
 - May require a higher down payment (5-20%) or a lower debt to income ratio
 - The interest rate that you pay is based on the prime mortgage rate and your credit score

Reasons You Might Go with a Fixed-Rate Mortgage (FHA, VA, USDA, Conventional)

- You are risk-averse and don't want to stay up at night worrying about your mortgage rate rising.
- You can't handle a larger monthly mortgage payment if your mortgage rate adjusts higher.
- You plan to stay in your home for the long-haul and pay off your mortgage.
- Mortgage rates are low so that locking in a fixed-rate now will save you money long-term.

Reasons You Might Go with an Adjustable-Rate Mortgage (FHA, VA, Conventional)

- You don't plan on staying in your home for a long time (you may move or upgrade).
- You think mortgage rates may hold steady or drop in the future, allowing you to <u>refinance</u> to a lower rate later on.
- You don't want to pay off your mortgage because you think you can do better investing your money elsewhere.



What is Private Mortgage Insurance (PMI)?



For most homebuyers, the biggest financial hurdle when purchasing a home is the down payment! When you make a down payment of less than 20% of the home's value, Lenders will require you to carry private mortgage insurance, or PMI. The mortgage insurance policy protects the lender from losing money if you end up in foreclosure. You can speed up the cancellation of mortgage insurance by keeping track of your payments. Once the loan balance reaches 80% of the home's original value, you may ask the lender to discontinue the mortgage insurance premiums.

PLEASE NOTE: Recent FHA-insured loans require payment of mortgage insurance premiums for the life of the loan. FHA mortgage insurance premiums cannot be canceled. Instead, you have to refinance the loan.



Beginning your home search



Begin Your Home Search

There are so many things to consider when beginning your home search. Of course the basics: price, bedrooms, bathrooms, yard/lot size, etc., but how about the number of garage spaces needed? Or you have a 40' RV or boat that you refuse to park in a lot? Knowing these things before searching for homes will eliminate much frustration for you, the buyer. No need to waste time falling in love with homes that do not meet your needs.

Which is MOST important to you?

- Convenience (I HAVE to be near specific stores, theatres, etc.)
- Location (I HAVE to be in a specific area, near an attraction, water, etc.)
- Large lot/land (I have animals or privacy is most important)
- Best bang for your buck (I don't care where the home is located, I want the best house for the money I have to spend)

The easiest way to guarantee you've thought this through in detail, and for me to find THE home for you, is to complete the Client Questionnaire. You do not have to answer every item on the list but, the more information I have, the easier it will be to identify properties that could be a great fit for you. Let's get this party started!!!



Who Pays the Buyer's Agent's Commission?



As an Exclusive Buyers Agent, I am always looking for ways to help my buyer clients! Any property listed in the MLS (Multiple Listing Service) by another agent will include the Buyer's Agent's commission to be paid by the SELLER. Once we begin your home search, if we identify a FSBO (For Sale By Owner) as a home you're interested in, I will reach out to the seller BEFORE taking you to view the home. Most sellers are willing to compensate the buyer's agent! If the seller is not willing to cooperate, then we discuss next steps. Don't worry, I'll look out for you!



Making an offer



Negotiating The Offer To Purchase Contract



This is it! You've found the house and you're ready to submit an offer! The majority of the items below are negotiable but will need to be identified in order to submit an offer. Please keep in mind, generally speaking, the lower the offer price, the less likely the seller will be to negotiate other areas of the contract or repairs. The contract is not enforceable until both parties (buyers and sellers) of the transaction have signed and dated the Offer To Purchase Contract. Once the Offer is signed by both parties of the transaction, the contract is legally binding.

- **Purchase Price** This amount is negotiable. The question I hear most often, "Lori, we have to have this house! How much should we offer?" Prior to submitting an offer, I provide the comparable properties (comps) sold in the area, as well as other market information so my clients can make an educated decision. It is then up to my clients to decide how much the house is worth to them. My question back to the buyer is normally, "If you lost the house over \$xxxx, would you be OK or would you be devastated?"
- **Earnest Money Deposit** This amount is negotiable. No set percentage or amount. **Discussed further in *Earnest Money section***
- **Due Diligence Fee** This amount is negotiable. No set percentage or amount. **Discussed further in Due Diligence Fee section**
- **Due Diligence Period** This timeframe is negotiable. Standard is 3 weeks for inspections and financing approval. **Discussed further in Due Diligence Period section**
- **Settlement/Closing Date** From date of contract, standard time is 30-45 days if financing. Confirm with your Lender prior to selecting a closing date. If paying cash, standard time is 14-21 days.
- **Financing Terms** Though this can change during the financing process, nothing in this section is negotiable. If it is necessary for you to obtain a loan in order to purchase a property, we will need a Pre-Qualification Letter from your Lender to submit with your offer. Your Lender can issue this letter in about 20 minutes by pulling your credit and taking loan application information (how much money you make vs. your debts). It is your responsibility to confirm final approval with your lender before the end of your Due Diligence Period. If you are paying cash, we will need a Proof of Funds letter from your bank to submit with the offer.
- **Personal Property** You can also ask for furniture, pictures, drapes, cars, ANYTHING! It must be listed in the contract to be included. Most kitchen appliances come with the house. Washer, dryer, and refrigerator are negotiable items that are not guaranteed unless listed in the contract.
- **Home Warranty** It is common for sellers to pay for a one year home warranty at closing. It is not a high ticket item and will give buyers peace of mind with their investment. This item is negotiable. ***Discussed further in Home Warranty section***
- Seller Paid Closing Costs Sellers are required to pay for document preparation of the deed, the property transfer tax, and Real Estate Agent commissions, unless otherwise discussed. All other closing costs are the Lori M. Smith, *NC License* #283174, REALTOR ®



buyer's responsibility. Requesting the seller to pay for all or a portion of closing costs is negotiable. **Discussed further in Purchasing Expenses section**

How Much Earnest Money Should I Offer?



When submitting an offer on a home, the one question I receive every time (literally) is, "How much earnest money should I offer?" Unfortunately, there is no formula or set amount. Earnest Money Deposits (EMD) range from \$250 – 10,000.... Yes, I know that is quite a range! I suggest amount based on the demand and price of the home, the leave it up to my client to give the final number. When determining an amount, I'd like for you to keep these things in mind:

- The definition of "**earnest**" a thing intended or regarded as a sign or promise of what is to come; *or* resulting from or showing sincere and intense conviction. So basically, view the Earnest Money Deposit as a way of showing the seller how serious you are about purchasing their home!
- You are not throwing the money away! This money will be deducted from the balance of the purchase price (i.e. \$200,000 Purchase Price, \$1,000 in Earnest Money, \$199,000 Balance).
- If your loan does not close (i.e. does not appraise, does not pass inspections, financing falls through, etc.), your Earnest Money Deposit will be refunded to you <u>AS LONG AS</u> we terminate the contract before the end of the Due Diligence period. **Due Diligence will be discussed in another section**
- In North Carolina, once your offer has been accepted and contracts have been signed by all parties of the transaction (buyers and sellers), the full amount of Earnest Money will be due within 5 days of the effective date of the contract.
- Methods of payment for Earnest Money in North Carolina include: personal check, official bank check, wire transfer, electronic funds transfer, and sometimes but <u>not</u> always, cash.
- PLEASE know the funds will be deposited in to a trust account, so no writing a bad check hoping they won't cash it!



What is a Due Diligence Fee?



The Due Diligence Fee is a **NON-REFUNDABLE** fee paid directly to the seller to compensate them for them for taking their home off of the market. In North Carolina, due diligence is not a mandatory fee. Similar to Earnest Money, there is no formula or set amount. Due Diligence fees range from \$0 – 10,000 based on the demand of the home, and the buyer's certainty of purchasing the home. I've found the best time to offer a Due Diligence fee is when there are multiple offers on one property. If my clients are determined to lock down the contract, I will suggest offering the seller a due diligence fee to make their offer just a little bit sweeter! When determining if you'd like to offer a Due Diligence Fee with your offer, I'd like for you to keep these things in mind:

- If you are submitting the only offer on a property, a Due Diligence fee may not be necessary. However, if there are multiple offers on the same property, this fee could be what pushes the sellers to choose your offer over another!
- You are not throwing the money away! This money will be deducted from the balance of the purchase price (i.e. \$200,000 Purchase Price, \$1,000 in Earnest Money, \$500 Due Diligence Fee, \$198,500 Balance).
- In North Carolina, once your offer has been accepted and contracts have been signed by all parties of the transaction (buyers and sellers), the full amount of the Due Diligence Fee will be due within 3 days of the effective date of the contract.
- Methods of payment for Due Diligence in North Carolina include: personal check, official bank check, and sometimes but *not* always, cash.
- PLEASE know the funds will be given directly to the seller so again, no writing a bad check hoping they won't cash it!



What is the Due Diligence Period?



I like to think of the Due Diligence Period as our time to play Detective! It is a negotiated amount of time for the buyer to investigate a property before making a final commitment to proceed with the purchase. The average amount of time is 2-3 weeks on resales or pre-owned homes. During the Due Diligence Period, you will want to accomplish the following tasks:

- Buyer should conduct <u>ALL</u> inspections that are important to them. **Different types of inspections are discussed in another section**
- Other important issues to research are zoning rules, insurance availability and prices, and everything HOA (Homeowners Association)
- If financing, your Lender will order your appraisal during this time. Some appraisals can take 10+ days so make sure to allow plenty of time!
- This is also the time you should receive confirmation that your lender will approve your financing.
- FINAL repair and/or price negotiations are agreed upon based on appraisal and inspections.
- At any time *BEFORE* 5:00PM on the final day of the Due Diligence Period, the buyer may terminate the contract for any reason or no reason at all.



Home Warranty



As stated in the INSPECTIONS section, inspections do not guarantee the life of the mechanical systems (HVAC, electrical, plumbing, etc) and/or appliances. Your home could pass every inspection with flying colors, then POOF, six months later something dies. "Seven out of every ten homes experience some type of system or appliance failure during the course of one year." The home warranty is a service contract that will help safeguard against the high cost of repairs or replacements to the major systems and appliances that fail due to normal wear and tear.

If the seller is not offering a home warranty, I ALWAYS ask them to purchase one. Who pays for the home warranty? It is negotiable! It is common for sellers to pay for a one year home warranty at closing. *This should be clearly stated in the Offer To Purchase Contract.* It is not a high ticket item and will give buyers peace of mind with their investment.

The Buyer's home warranty coverage begins and is paid for at the close of the sale, and continues for one year from that date. Home warranties are annually renewable, at the warranty company's discretion. Standard home warranties range from \$419 – 565 locally. For an extra charge, there are additional options for items not covered, such as: septic, roof leaks, swimming pools, and well pumps. Home warranties do not cover normal maintenance and/or cleaning, improper installations, or systems/appliances that did not work prior to your purchase.

EXAMPLE: you purchase a home knowing the air conditioning unit does not work, but have hopes to pull a fast one over on the warranty company. After closing, you call the warranty company expecting them to send a contractor to repair at their expense. Good try, but no, they won't fall for it..... EVER!



Closing Attorney



In North Carolina, Real Estate Attorneys are required to perform the real estate closing when purchasing a home. Most commonly, you will not see your attorney face-to-face until closing. The attorney is chosen, appointed, and paid for by the buyer, therefore they are working for you, not the seller! Typically, the only legal work the seller needs is the preparation of the deed. That is a relatively simple and inexpensive task, especially for an attorney already familiar with the property (since s/he did the title search for the buyer).

Please understand; though you may not see your them, there is quite a bit of work going on behind the scenes. The real estate attorney is working for you, the buyer, to ensure that all the terms of the contract are met. They are also working with your Exclusive Buyers Agent and Lender to guarantee the accuracy of your Closing Disclosure (formerly the HUD which is the form detailing your transaction and the distribution of funds). Third, in order to guarantee a free and clear title, they are searching public records for any liens, easements, or other title restrictions that may affect the property and how you are legally able to utilize it. ***If the title search identifies problems, I encourage clients to require the seller to correct those problems as a condition to closing ***

EXAMPLE: you find THE house! It even has an infinity pool in the backyard that you've literally had dreams about, complete with hot tub, facing the Atlantic Ocean! You submit an offer, it is accepted, then through the title search, the attorney uncovers OOOOOPS, apparently the sellers "forgot" to pay the pool man for that perfect pool, and he's put a lien on the property. In that case, the seller would need to make arrangements to pay the pool man in full prior to closing or from the proceeds at closing. The other option would be for the buyer to assume the debt and pay in full at closing. Not matter how much you love the home, that is definitely something you'd like to know BEFORE the property is legally yours!



Inspections, Inspections, and MORE Inspections!



Unless you are well versed in building quality, structure, crawl spaces, electrical, plumbing, air conditioning, heat pumps, well/water, septic, swimming pools, and mold, a home inspection is a really good idea! When viewing a home, many times potential buyers fall in love with fresh and new: paint, flooring, appliances, etc. Though those things look great, there are times they could be hiding something. For example, a nice coat of white paint on a ceiling can easily hide water damage! Even if a home in brand new, it can't hurt to get a second opinion. During the Due Diligence Period, buyers will have the opportunity to perform all inspections. Buyers are expected to pay for inspections at the time of service. Keep these things in mind when determining which inspections are best for you:

- I ALWAYS encourage my clients to have a general home inspection performed by a LICENSED Home Inspector. The Inspector will look in every crack and crevice, and check the workings of every appliance being sold with the home. Locally, prices currently range from \$400 650. Price is determined by age and size of prospective home. It is against the law for Home Inspectors to knock holes in the walls, pull up flooring, or dismantle appliances.
- Depending on the age of the heating and cooling system, I might encourage clients to consider a separate HVAC inspection. The Home Inspector makes sure it is working properly by running the system. A licensed HVAC Contractor will look inside the unit and diagnose specific problems or identify parts that may need to be replaced in the near future. Locally, HVAC inspections range from \$100 250.
- If you are moving in to a home that has a septic tank, it might be a good idea to have a professional take a look inside. You never know what the previous owners were flushing and no one wants to have their system back up once you move in! Ewwww.... Local septic inspections range from \$350 500.
- Many Lenders require a Wood Destroying Insect (termite) Inspection. Prices range from \$50 175.
- For the most part, radon is not an issue along the Southeastern NC coast. However, please do not take our word for it. Check out the Environmental Protection Agency's website at http://www.epa.gov/radon/find-information-about-local-radon-zones-and-radon-programs#radonmap. If you are at all uneasy about the possibility of the existence of radon, by all means, have it tested.
- You may also choose to purchase well and water inspection. They will inspect the condition of well, pump, filtration system, and even water quality.
- Swimming pools can get quite expensive if something goes wrong! It can't hurt to have an expert make sure there are no leaks, and everything is working properly before you purchase the home! Pool inspections range from \$150 500. Price is determined by size, structure type, systems, and extras.

PLEASE understand, inspections do not guarantee the life of the system. Unfortunately, your home could pass every inspection then decide it is time to cross the rainbow bridge shortly after purchasing the home. That is where your Home Warranty takes care of you!



Educated Buyer



Cost of Living Index Comparison

The chart below compares the 2015 cost of living index for Wilmington, NC to other popular southeast retirement destinations and major US cities. The percentage values indicate the percentage of income recommended to be spent on goods and services. Data provided in this chart was determined by The Council for Community and Economic Research (C2ER).

Urban Area	100% Composite Index	13% Grocery Items	29% Housing	10% Utilities	12% Transportation	4% Health Care	32% Misc. Goods & Services
WILMINGTON, NC	100	109	91	114	102	101	103
Asheville, NC	102	103.7	103	109	97	104	101
Atlanta, GA	97	102.2	81	97	108	103	106
Baltimore, MD	88	113	55	107	104	100	97
Boston, MA	161	116.5	240	129	108	127	136
Charleston, SC	109	106.1	125	111	97	107	99
Charlotte, NC	94	101.9	83	99	101	95	99
Chicago, IL	103	103.7	97	106	112	104	105
Columbia, SC	99	104	95	109	98	94	99
Dallas, TX	106	96.8	119	105	102	106	99
Dare County (OBX), NC	102	107.4	160	93	112	115	104
Denver, CO	115	97.2	148	90	93	110	104
Greenville, SC	93	106.5	72	102	104	106	100
Hilton Head Island, SC	134	104.8	196	110	100	101	108
Houston, TX	98	83.5	107	94	96	99	97
Las Vegas, NV	99	103.3	94	90	102	105	102
Los Angeles–Long Beach, CA	164	110	280	111	111	111	105
Miami-Dade County, FL	119	107.6	144	101	112	111	102
Myrtle Beach, SC	87	107.5	60	114	94	98	98
New York, NY	168	120.5	275	131	112	109	120
Philadelphia, PA	96	115.9	61	127	106	103	116
Phoenix, AZ	99	102.5	94	102	96	99	101
Raleigh, NC	101	101	106	106	98	100	95
Richmond, VA	95	102.3	79	105	100	115	102
San Francisco, CA	243	116.4	515	94	110	114	121
Savannah, GA	83	97.2	55	107	97	95	93
Seattle, WA	154	107.7	252	92	106	119	110
Tampa, FL	90	99	72	94	104	95	98
Virginia Beach, VA	110	98.1	137	109	91	98	99
Washington-Arlington- Alexandria, DC-VA	154	112.6	255	114	108	102	101



Flood Insurance



Floods mean rising water. Knowing your building's elevation compared to the estimated height floodwaters will reach in a major flood helps determine your flood risk and the cost of your flood insurance. Flood insurance can range from \$500 – 5,000+ per year. Technically, flood insurance works the same in North Carolina as everywhere else. However, we have a more waterfront properties than a lot of other cities, so flood insurance is relevant more often. Even so, the majority of properties are not in flood zones and not every property in a flood zone requires flood insurance.

Important points to be aware of:

- If any portion of the property you'd like to buy is in a flood zone, ask the seller for a Flood Elevation Certificate. Elevation Certificates are sometimes included with the property deed. Your insurance company will require this certificate before they can give you a firm policy quote.
- If there is no record of an Elevation Certificate, you will need to hire (for a fee) a land surveyor, professional engineer, or certified architect who is authorized by law to certify elevation information.
- Building code requirements might change over time as flood risk changes and maps are updated. If you plan to remodel or rebuild, consider elevating to lower your flood risk, which, in turn, can lower your flood insurance rates and reduce the financial impact of the next flood.
- Most flood insurance is made available through the Federal Emergency Management Agency. The most FEMA will pay on a flood insurance claim is \$250,000. That is notable if the value of the house (not including the land) is in excess of \$250,000 because you would be responsible for the cost of damages exceeding that amount.



Is A Homeowner's Association (HOA) For You?



Ask two different homeowners what they think about living in a community with a homeowners association and you may see one of them scowl and another one smile. The difference of opinion on homeowners associations, or HOAs, depends on several factors, including individual personalities and preferences and the quality of the particular HOA. Rules and dues vary but, in general, homeowners who live in an HOA must abide by its regulations and pay a monthly, quarterly or annual fee that pays for management and maintenance of the community.

- **Community Appearance** Homes within an HOA must meet the standards set by the association or face a fine, so you're less likely to see unkempt lawns, peeling paint or a garishly painted house. Some HOAs have a design review board with the power to approve any changes to your home's exterior, and which establishes a color palette for exterior paint and trim. Many HOA's have rules about how many cars or even what type of vehicles can be parked on your property.
- Low maintenance Depending on the HOA, services such as trash and snow removal and lawn care are handled by the association, leaving less work for the homeowner. Typically, common areas are maintained by the association.
- **Recreational amenities** While not all HOAs have swimming pools and tennis courts, many offer a range of amenities such as a community center, walking trails, sports courts and playing fields reserved for residents.
- Association management If you have a problem with your neighbor's dog barking, loud parties or a dispute over a tree, you can ask the management to handle the issue rather than getting directly into a spat with the homeowner next door. For some buyers, the idea that a management association can tell you when you can put out a decorative flag or that you can't park your truck in front of your property is a deal-breaker. If you have a concern that something that's important to you, such as your ability to run a business from your home, could be banned by HOA rules, then be particularly careful to read all the regulations before you buy a home in a community with a homeowners association. This doesn't mean you can't buy at all within an HOA, but you'll have to find one with regulations that meet your requirements.
- **Regulations** HOA regulations are usually set by a committee or board of directors and then enforced by a paid management company or a group of volunteers. You can become involved with the HOA in order to have a voice in the decisions being made. Homeowners can request a rule change or an individual waiver, but there's no guarantee that your request will be granted.
- **HOA Fees** HOA fees vary and depend on multiple factors such as the amenities in the community and which services are covered by the fees. When you're buying a home, you need to compare HOA fees from one community to another based on what they cover. You may find that the HOA fee includes a gym membership so you can spend less on a private gym. You should also decide if you'll use the amenities you're paying for, such as tennis courts or a swimming pool. Keep in mind, however, that the presence of these amenities can add to your home's value, even if you don't directly take advantage of them.



Pros & Cons of Renting



Below are the pros and cons of renting to help you determine if renting is best, or you are ready to make a purchase.

PROS

- Lower initial investment. Renters usually have to place a deposit equal to the value of the first and last month's rent while home buyers need anywhere from five to ten times that amount in order to move into their new home.
- Renters have fewer responsibilities and obligations with respect to where they are living.
- Renters have more flexibility for future moves. Most rental agreements are short-term contracts, meaning if the renter wants to move, all they have to do is wait until their agreement is up and they can move unrestricted. Home buyers usually need to sell their homes prior to moving or be forced to cover two mortgages until their previous property sells.
- Insurance costs are lower. A renter only has to insure their personal property, not the actual premises where they live. As a result, the cost for renter's insurance is significantly lower than homeowner's insurance.
- Renters don't have to worry about property taxes.

CONS

- Renting places restrictions on the renter. Renters often have to follow certain rules and regulations set by their landlords or property management firms. This can affect everything from their ability to own pets to the color they can paint their walls.
- Money paid in rent does not go towards equity.
- Renters must depend on their landlord to keep the property maintained. Depending on the landlord's commitment to property and financial resources, that may or may not be to the renter's standards.
- Renters more often have to deal with certain challenges like noises, odors, and attitudes of their neighbors, who usually live in very close proximity either above, below, next to, or across from each other.
- Your rent commonly increases when your lease is renewed. With a fixed rate mortgage, the principal and interest payments never go up.
- Your rent payment is not tax deductible. The interest portion of your mortgage payment could be tax deductible. Lori M. Smith, *NC License* #283174, REALTOR ®



Property Taxes



Tax bills are mailed at the end of August and are due December 31. If you purchase a property between September 1 and December 31, your Attorney will collect prorated taxes from both the buyer and seller and add to the closing costs. After closing, he will send the current year payment to the county. Otherwise, the seller credits the buyer for taxes covering the part of the year they owned the property and the buyer pays the full tax bill when due .

Tax amounts paid for previous year are easily verified prior to viewing the home. County taxes range from \$0.485 in Brunswick, \$0.574 in New Hanover, and \$0.685 in Pender, per \$100 of your home's value. If living within the city limits, you will have an additional tax. Your Lender will need to know the amount of annual taxes when calculating your monthly payment.

EXAMPLE: A \$200,000 home in New Hanover County that is outside of the city limits would pay: 200,000/100 = 2,000 x 0.574 (tax rate) = \$1,148/annually or \$95.67/month



Wind & Hail Insurance



In other parts of the country, you may find wind and hail coverage included in your general homeowners insurance policy. For the most part, it is not included here. If you are financing your home purchase, your lender will require you to maintain wind and hail coverage. WARNING: it is not cheap! It is common for policies to cost between \$1,200 - \$8,000 or more per year, depending on location and the value of your home.