

“How To Buy Your Home In Maryland”

This “little” book has helped hundreds of Maryland home buyers save over \$3,491,610! The average buyer saved over \$8,200! Now this guide (a \$19 value) is **YOURS FREE** in three formats.



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Plan Ahead! (A Quick Overview)

Many people spend more time planning a two-week vacation than they do the biggest purchase of their lives! Investing a bit more time at the beginning can help you avoid expensive mistakes commonly made by other homebuyers. In this chapter we list a few areas that you need to consider as you pursue your home purchase

1. Financing.

This is perhaps the first area where you should get solid answers, as "small" differences in loan programs and rates can make huge differences in how much home you can afford and how much it will cost you. Important questions are: *How much money will a bank loan to me? *How much money do I want to borrow? (How big a payment do you want?) *Which loan program will save me the most money? *What actions can I take that will help me save money regardless of the program?

2. Neighborhoods.

Choose your neighborhood before you choose your home. In considering which neighborhoods to look in you need to consider the following factors: *Schools? Are they a major factor to you? *Commute? How long a commute is acceptable to you? Must you be close to mass transit? *Community? Do you like a pre-planned, tightly run home owners association? Do you like an older community "with character," or a newer community? Picking the neighborhood is half the job of picking your home.

3. Accurately defining your target home.

You may think you know the type of home you want. But are you sure? Too many buyers "fall in love" with a home, buy it, and only later discover that it is "too small" or "in the wrong area." Don't let this happen to you!

When deciding your wants and needs in a home don't just answer the basic questions (number of bedrooms and bathrooms, etc.). First, answer questions about yourself, what you want, and *why* you want it. For example, ask: *How long will you stay in this home? *How likely will a growing/shrinking family change your needs? *How do you rank competing wants (bigger home vs. better neighborhood, etc.)?

Whether you buy a \$50,000 condo or a \$900,000 estate, almost everyone makes some "compromises" on what they want. The **Buyer'S Agent-USA® PERFECT-HOME-PROFILER®** helps reveal what you really want in a home. It asks you all the right questions, helps you score your answers, and then helps you prioritize your wants and needs in a home. Using this system can help you avoid buying a "mistake" and helps make sure you buy the right "fit" for you. To get a copy of our PERFECT-HOME-PROFILER® just call 1.800.334.2893 or go to www.buyers-agents.com.

4. Locating the PERFECT home.

After you have defined your home wants and needs and neighborhoods to look in, you must choose the method you will use to find the "best" home for you. You can work alone using a "hunt and peck" method, or use multiple agents, or use just one agent. We explain in Chapter 3 why using just one agent (preferably an exclusive buyer's agent) is the best method.

5. Contracts & Negotiations.

Once you have found the "perfect" home, you must then write a purchase contract. Consumer groups warn against using "standard" contracts, as they are designed to protect the seller, not you. Consumer groups urge you to have an attorney review your contract and/or make changes to protect you. If you become a client of **Buyer'S Agent-USA®** you can use our Buyer Pro-Tech™ contract forms, skillfully designed by expert attorneys to protect you, saving yourself about \$500 in attorneys' fees.

6. Inspections.

You definitely want a professional home inspection, but beware. A "cheap" inspector can be very "expensive." We suggest using only ASHI members (American Society of Home Inspectors). You want the best inspector you can get, and at **Buyer'S Agent-USA®** we are very picky about using only the toughest inspectors available. Also, if the seller agrees to make repairs, get it in writing.

7. Final Preparations.

There are a lot of details to take care of between contract and settlement. A good buyer's agent should provide you with a good checklist of things you need to do, and recommend a good team of other professionals (lender, title company, etc.) to help make the transaction smooth and easy.

Make It EASY On Yourself!

There are lots of pitfalls to be wary of, but you don't have to become an expert to be protected. Instead you can let **Buyer'S Agent-USA®** take care of all the details for you as your own, personal real estate expert. To learn more and receive a valuable Home Buyer's Info-Pac just call 1.800.334.2893 or go to www.buyers-agents.com.

1. How to get the best loan

Get Professional Advice Early!

This is our #1 piece of advice. Nothing can take the place of an experienced, knowledgeable, and service-oriented loan officer in saving you time, money and grief. We offer general advice about major programs and choices below, but there isn't room here to describe every program, every nuance, and every option. And, they seem to change daily! A really sharp loan officer can offer specific advice suited to your exact needs. **Buyer'S Agent-USA®** can recommend a top loan officer for your exact situation—call us!

Definition of Terms; Some Options to Consider

What are "Points"? Points are interest paid in advance (one "point" equals 1% of the loan amount). Paying interest in advance ("points") lowers your mortgage interest rate and monthly payment, but raises your up front cash costs at settlement. Usually your lender lets you choose whether or not to pay points by offering a "zero point" loan and various point options (e.g. 1.25 points for 1/4% lower rate). Usually the points-to-rate ratio is 5-to-1, i.e. you pay 5 points to decrease interest by 1%, 2½ points to decrease rate by ½%, etc. You can even have negative points where the bank pays you "points" on your loan (in exchange for a higher rate).

Whatever other loan options you choose, remember that you generally have the ability to get a slightly higher or lower interest rate (and monthly payment) by choosing whether or not you will pay "points" in advance.

What is Private Mortgage Insurance ("PMI")? Lenders believe their losses in a foreclosure sale would be about 20% of the home's value. They require you to cover the risk for this 20%. You can either put up 20% in a cash down payment, or buy a "mortgage insurance" policy (which pays the lender in the event of a foreclosure), or a combination of both (e.g. 10% cash, 10% insurance, 5% cash, 15% insurance, etc.). If you can't come up with a 20% down payment, you have to buy the insurance.

How to Avoid PMI ("80/10/10" loans). Mortgage insurance can add as much as 66¢ per thousand to your monthly payment (that's \$132/month on a \$200,000 loan). Mortgage insurance is expensive (and not tax deductible). A new kind of loan, called an "80/10/10" loan, can allow you to avoid PMI without requiring a 20% down payment!

You get one mortgage for 80% of the sale price, a second mortgage for 10% of the price, and put up just a 10% down payment. Since the first mortgage is 80% or less, there is no PMI. The second mortgage, however, is always at an above-market rate (about 2¼% higher). But the blended rate of the two mortgages taken together yields only about a ¼% higher rate overall. On a \$200,000 mortgage an 80/10/10 loan can save you as much as \$132/month in MIP for only about \$30/month in higher interest. That's a net savings of up to \$100/month!

Some lenders will even do "80/15/5" loans, allowing you to avoid MIP with only 5% down. Avoiding MIP is a very important option, and you should check around until you

find a lender who has a program that allows you to do this. (For a list of such lenders just call 1.800.334.2893 or go to www.buyers-agents.com. and ask for our "No-MIP Lender List.")

First Time Home Buyer Programs. Many lenders and some counties have special programs and options for 1st time home buyers. The primary aim of most such programs is to reduce the amount of up front cash required to buy a home (say from \$7,500 down to \$1,000) by allowing you to borrow this extra cash, thereby increasing your monthly payment. There is no "free lunch", and no one is "giving away" anything to first time buyers. Instead, they are merely allowing you to shift your costs of buying from the present into the future by financing these costs. Also be aware that some so-called 1st timer loans carry penalties and/or higher interest. Get good advice from a loan officer before choosing a "first timer" program.

Conforming vs. Jumbo loans. "Conforming" loans are those for \$275,000 or less. A loan above \$275,000 up to \$650,000 is considered a "Jumbo" loan, and a loan above \$650,000 is considered "Super-Jumbo." Jumbo loans carry slightly higher interest rates (about 3/8% to 1/2% higher) and usually a higher percentage down payment (10% up to 30%). Some lenders allow you to combine conforming loans (like "80/10/10" loans) to go beyond the "conforming" range, allowing you to buy up to a \$340,000 home while still getting conforming rates—and avoiding PMI to boot!

Fixed Rates: 30 Year vs. 15 Year. The "standard" or "normal" mortgage is a 30 year fixed rate loan. The interest rate remains unchanged for the life of the loan, and it takes 30 years to pay off the loan completely. You can also get a 15 year fixed rate loan. The payment will be much higher (about \$413/month on a \$200,000 loan) but you will also pay off the principal much faster (and may get a slightly lower rate).

One thing to consider. With a 30-year loan you can always pay extra principal each month, effectively turning your 30-year mortgage into a 15-year one. But, you also have the choice of not paying extra principal if you have a "tight" month, whereas on a 15-year mortgage you can't avoid paying the extra principal.

Adjustable Rate Mortgages ("ARM's"). Suppose you get a 1-year ARM that starts at 6.25%. Ever year on the Adjustment Date the rate changes. To determine the new rate you take the Index rate (a financial market like the 30 year U.S. Treasury bill rate), add the Margin (a set amount to be added to the index rate) to determine your new rate. If the Index is at 5.25% and your margin is 2.75%, your new rate is 8.0%.

ARMS vary in terms of the Index used (the lower and more stable the better), the Adjustment Cycle (e.g. 1-year, 3-years, 6-months — the longer the better), and the Margin (lower is better). Also, many have "Caps" or limits on the amount of rate increase permitted (e.g. 2% per cycle, 6% lifetime). An ARM can be a good choice, but discuss it carefully with your lender.

Balloon Loans (7-yr, etc.). A "balloon" loan has a fixed rate for a set time (e.g. 7 years) after which it "pops" and must be converted to a new loan at the then market rate. Compared to a fixed rate, a balloon offers a lower rate (about 1/2%) but less stability (only "X" years fixed). A balloon, however, offers more stability than an ARM. These

are good loans especially for those who are confident they will resell within the balloon term.

PITI - total housing payment. The total amount of your monthly housing payment is sometimes called "PITI", short for Principle, Interest, Taxes and Insurance. Principle and Interest go toward paying off your loan. Taxes include property taxes on the home and, if applicable, home owner association dues. Insurance includes home owners (hazard) insurance and, if applicable, Private Mortgage Insurance (see above). Most lenders require you to pay 1/12th of these annual charges each month into an escrow account. Then when the annual bill(s) come due the lender pays them for you with your accumulated escrow funds.

Monthly debts. Most lenders assume that you will have some monthly consumer debt payments (e.g. car loans, student loans, credit cards, personal lines of credit, etc.). However, if you have too many it can reduce the amount you are allowed to borrow for a home. If there are ten or fewer payments remaining on a loan typically a lender won't count it against you.

Front Ratio. The relationship of your PITI payment (see above) divided by your gross monthly income is called your "front ratio." For example, if your PITI payment is \$1,400/month and your gross monthly income is \$5,000/month, then your front ratio is 28%. (Your PITI--\$1400, divided by your gross income--\$5000, equals 0.28).

Back Ratio. The relationship of your PITI payment (see above) plus the total of your non-mortgage monthly debts (car payment, etc.) divided by your gross monthly income is called your back ratio. If your PITI is \$1400, your non-mortgage monthly debt payments are \$250, and your gross income is \$5000/month, then your back ratio is 33%. (PITI--\$1400 plus Debts--\$250, divided by Gross Income--\$5000, equals 0.33).

Ratio Limits. Lenders use predetermined limits on front and back ratios; say 28% for the front ratio and 33% for the back ratio. Lenders feel that if your ratios exceed such predetermined limits you may be under too great a debt burden, creating an unacceptably high risk of default, and they won't give you the loan. However, lenders will sometimes go beyond strict ratios if they find "compensating factors" like good credit, stability of employment, etc. Finding a quality lender can really help here.

Down Payment. Most loans require some form of minimum down payment as a percentage of the sales price. Common examples are 0%, 3%, 5%, and 10% down. Some loan programs allow you to use money from parents or relatives, while other loan programs require that all of your down payment come from your own savings. Check with your lender to be sure.

What is "Settlement"? This is the date and time on which the property is formally transferred. The seller gives you keys and possession of the home, you give the seller the full purchase price (including loan proceeds), and you both sign all official transfer papers. Settlement is usually conducted in the offices of an attorney or settlement company.

What are "Closing Costs"? Closing costs are items that you must pay at settlement beyond your down payment (e.g. lender & title fees, "pre-paids" [see below], loan points, etc.). They average about 3.5% - 4.5% of the home's sales price. You can reduce your closing costs by certain choices you make (e.g. choosing a low/no point loan) and/or by negotiating to have the seller pay all or part of your closing costs. Most lenders place some limit on how much the seller can pay toward your closing costs (say 3% of the sales price). **Buyer'S Agent-USA®** has extensive experience in getting sellers to pay the maximum amount of closing costs permitted.

What are "Pre-Paids"? Your lender may require you to "pre-pay" certain items in advance, for example: one year's home owner's insurance; one tax cycle's worth of property taxes (6 months in Maryland and Virginia); and sometimes one year's worth of home owner association dues. Such expenses, paid in advance, are called "pre-paids."

The "major" loan programs.

Loan programs change, almost daily it seems, and most programs have deviations and nuances best discussed with an expert loan officer.

Conventional. (Ratios .28/.36 – Down payment 5% – Max Loan \$275,000). This is the "standard" or "plain vanilla" program to which all others are compared. It typically requires a minimum 5% down payment for loans up to \$275,000 ("conforming" loans) and 10% or more down payment for loans over \$275,000 ("jumbo loans"). Options: *Fixed Rate; *ARM; *2/1 Buy Down; *Balloon; *80/10/10; many others.

FHA. (Ratios .29/.41 – Down payment 3% – Max Loan \$234,650). The FHA's lower required cash (3%) and higher back ratio (.41) allow more buyers to qualify to buy a home, and for a higher purchase price too. The program has a lower loan limit than conventional loans (\$234,650 for DC area, \$189,905 for Baltimore area) and FHA loans have both a monthly Mortgage Insurance Premium ("MIP") payment (just like PMI) and an up front MIP payment of 2.25% (which can be financed but then will increase your loan amount). Options: *Fixed Rate *ARM *2/1 Buy Down

FHA-Hybrids (Ratios .29/.41– Down payment 0% – Max Loan \$234,650). There are a few deviations to the FHA program. With the "SDLP" program you can borrow most of your settlement costs and down payment on a 2nd mortgage, requiring only \$1,000 cash from you, and the 2nd mortgage is at the same rate as the primary mortgage. The "Nehemiah" program allows you to get a "gift" of the down payment and closing costs from the seller (assuming you pay the seller a high enough price to make him *willing* to cooperate with this program). Not every lender carries these programs, but they do allow you to buy a home with literally \$1,000 or less of your own cash. Options: *Fixed Rate *ARM.

The "3% Solution". (Ratios .33/.41– Down payment 3% – Max Loan \$275,000). A deviation from "conventional", and not carried by all lenders, the 3% Solution loan allows you to qualify for more home without some of the negatives of the FHA program. It does carry a slightly higher interest rate than conventional, but overall may cost you less than the FHA. Not all lenders carry this program. Options: *Fixed Rate *ARM

VA. (Ratios .41/.41 – Down payment 0% – Max Loan \$203,000). Limited to U.S. veterans and reservists. The only drawback is an up front "funding fee" (essentially the same as MIP), which can be financed, of 2%. Options: *Fixed Rate *2/1 Buy down

Getting Pre-Approved for Your Loan

Regardless of what type of loan you choose you should get pre-approved for your loan to save yourself money, time and hassle.

How can loan pre-approval save you money?

Home sellers want two things; (1) the most money possible; and (2) a sure deal. If you don't want to give the seller the one (lots of money) then you'd better offer him the other (a sure deal). When a home sale falls apart the #1 reason is that the buyer failed to get their mortgage. If you can prove that you are a "strong" buyer, that you are certain to get your mortgage, the seller will be much more willing to negotiate his price.

What three factors do lenders judge you buy?

Lenders determine whether or not to loan you money, and how much, based upon your (1) income, (2) cash, and (3) credit.

Income. If you are an employee, you can use all your W-2 earnings. If you are self-employed, you can use the average of your past two years' earnings as reflected on your tax returns. (Income not reflected on tax returns can't be used with a lender).

Cash. Some programs allow you to use a cash gift from a relative or even the seller to buy a home. Otherwise, you generally need to come up with a certain amount of cash on your own.

Credit. Your lender wants to confirm that you have a "safe debt load" (car payments and credit cards aren't so high that you won't be able to pay your mortgage) and that you have "good credit" (you pay bills on time).

What is "pre-qualification" versus "pre-approval"?

When you make an offer on a home you can present the seller with one of three different types of "proof" that you are a "strong" buyer.

A. No lender review. POOR If you haven't even spoken to a lender before making an offer you can tell the seller that you are qualified to buy because, er, well, because you say so! (Few sellers will be persuaded.)

B. Pre-Qualification. BETTER. Here you tell a lender about your income, cash, and credit. The lender assumes what you have said is true and, based on that assumption, issues a "pre-qualification letter." It basically says: "If [your name] is telling the truth about their income, cash and credit, then I think our bank will approve them for a loan." It's better than nothing, but such a letter has a lot of big "ifs" to it.

C. Pre-Approved. BEST. Here the lender assumes nothing. You must submit a full blown, written loan application and pay a processing fee (about \$360). The lender

independently verifies your income, cash, and credit, by directly contacting your employer, bank(s), and the credit bureau. Your application is then formally approved or rejected. If approved, your lender can give you a letter that basically says: "[Your name] is already approved for a loan." This type of letter really helps get the seller to negotiate.

How do you get pre-approved? Is it a hassle? What does it cost?

Getting pre-approved for your mortgage is simple. Just complete a written loan application, give your lender a small up front payment (about \$360), and supply whatever other documentation the lender requires.

Is it a hassle? Not really, especially when you do it in advance. Imagine the stress you are under when you complete your tax return. Now imagine the stress you will be under when negotiating a home purchase. Imagine doing both at the same time! That is what it is like when you delay applying for your loan.

What are four benefits of getting pre-approved? First, you have peace-of-mind as you pursue different homes, knowing for certain what you can afford. Second, you can negotiate better by coming from a position of power (being a "strong", pre-approved buyer). Third, some lenders allow you to lock in interest rates in advance of a purchase, as long as you are pre-approved. Forth, you avoid hassles late in the process by being prepared in advance.

Loan Pre-Approval – FREE!

You can get a coupon valid for a free loan pre-approval (up to \$295 value) by a top-ranked lender in our area, and receive a valuable Homebuyer's Info-Pac. Just call 1.800.334.2893 or go to www.buyers-agents.com and ask for lender discount coupons.

2. How to pick an agent

Do you really *need* an agent?

Over 90% of home buyers use an agent. Why? An agent can help you access the most homes possible using the Metropolitan Regional Information System ("MRIS") and can help guide you through the process. However, not all agents are equal. Your choice of agents can greatly influence: (a) the number of homes you have to choose from; (b) the quality of information and guidance you receive; (c) the price you pay; and (d) the quality of the home you purchase. The types of agents are listed below.

Exclusive Buyer's Agency [100% for BUYERS].

Only a few companies, like **Buyer'S Agent-USA®**, are true, exclusive buyer's agencies. We work exclusively for home buyers. Only. We never work for sellers. Ever. Why should this matter to you?

We help you find more homes because, having no homes of our "own" to favor, we aggressively search all homes listed with all other companies without bias. We aggressively research and negotiate 100% on your side so that you pay the lowest price. We help you get a thorough, professional home inspection, and find the toughest inspectors out there. And, we give you honest advice that you can trust, because you know we are 100% on your side, 0% on the seller's side.

Less than 1% of active agents qualify as true, exclusive buyer's agents.

Exclusive Seller's Agency [0% for buyers].

This used to be the norm, where the entire firm would work only for sellers. They could claim they fought to get "top dollar" for their seller clients because, in fact, they never worked for home buyers.

This type of strict, 100% seller agency is fading. It still exists whenever you call an agent directly who is advertising a home (the "listing" agent). All agents, when they act as "listing" agent, still work 100% for the seller's interests, and many consumer advisors counsel you to never contact a listing agent directly. Except when acting as a listing agent, most agents and companies have gone to a "mixed" agency format, described below. ("Mixed up" agency is a more apt description).

Mixed Agency [50/50 "deal makers"]

Over the past few years most realty firms have gone to a "deal maker" mode. The firm and its agents claim to work as both seller's agents and buyer's agents. The problem is, however, that many times the firm and its agents will work as both buyer and seller agent at the same time! This creates a "dual agency" where the firm and its agents have an obvious conflict of interest.

Who is protected when a conflict arises? Buyer? Seller? Agents? Which client do they negotiate for, which against? What happens if there is a problem and you, as buyer, want to cancel the deal but the seller wants to hold you to it? Does "your" dual agent

assist you or the seller? Generally you, as buyer, assume the greatest risk in a "dual agency."

The odds of such conflicts are great. Firms earn the highest commissions when they represent both parties and agents are usually paid a bonus for selling such listings. So, dual agency gives the least protection to both buyer and seller, yet agents are drawn toward it to maximize their profits.

Is "dual agency" legal?

Before the 1990's dual agency was illegal in Maryland, Virginia and DC. Under the common law it was an outright fraud to pretend to represent one party while also representing another party with opposite interests. However, powerful lobbyists working for "big" firms and the REALTORS® talked the legislators into favoring REALTORS® over consumers. So, "dual agency", or representing two sides with opposite interests, became "legal." It is still impossible, from a practical standpoint. An agent will always favor either the seller, or the buyer, or perhaps favor himself over the interests of both.

Conclusion.

Although dual agency is legal (barely) the best approach is to use an exclusive buyer's agent in an exclusive buyer's agent firm. And, it's not just us who say so. The Consumer Federation of America and other consumer groups agree! It only makes sense to have 100% loyalty and representation.

3. How to Find the BEST HOME

What is the "MRIS"?

The Metropolitan Regional Information Service ("MRIS") is a computerized information network operated by and paid for by REALTORS®. The MRIS is comprehensive. It includes over 90% of all homes available for sale, including all homes being marketed by virtually every real estate agent in the Maryland, DC and Virginia area.

How does "MRIS" work?

When a REALTOR® is hired to sell a home, she contacts the central MRIS computer and "lists" the home into the MRIS database, entering information about price, number of bedrooms, address, etc. Once the data is entered into the central MRIS computer all REALTORS® on the MRIS system can instantly access information about that home.

Any REALTOR® can, through MRIS, access all homes listed by all MRIS members. By searching the MRIS database an MRIS member can get a complete and thorough list of all homes for sale matching a specific set of criteria for price range, area, number of bedrooms, etc.

Is MRIS on the Internet? Is it available to the public?

MRIS is a privately-owned system. Only REALTORS® who are MRIS members can access the FULL system directly, though *some*, limited information on homes is now being made available over the internet. The information on line is basically like a "teaser" ad, omitting certain vital information (e.g. street addresses for properties) designed to force you to call a REALTOR® for more information.

Direct access to the *full* MRIS system is the only way to get the full and accurate information you need to buy a home, and that can be done only working with and through a REALTOR® MRIS member. However, the watered down version of MRIS can be useful to give you a *general* idea about home prices and features that are available on the market.

How do YOU access homes from the FULL MRIS?

Since REALTORS® pay for and maintain the MRIS system, only MRIS members can access the full system directly. By working with any MRIS member you can locate any home listed for sale by all MRIS members. You don't need to go hopping from one agent to another.

Find the home **YOU really want** with Buyer's Agent-USA®.

At **Buyer's Agent-USA®** you see exactly the homes you want to see, not the homes some salesman wants to sell you. Why? Since we never work for any sellers we have no particular homes to "push." All homes are equal to us, making us free to focus only on you and what you want.

Step 1: Accurately define your Target Home with the PEFECT HOME PROFILER™. We ask you a series of questions and help you score, grid, and prioritize your answers.

We call this system our PERFECT HOME PROFILER™. It reveals what you really want in a home, logically and emotionally, and helps you prioritize your wants and needs when in conflict (which is really more important, "super bath" vs. better schools? etc.). This is a step most agents and buyers skip—but vital to making the best choice possible in the end.

Step 2: Buyer'S Agent-USA® locates ALL matching homes. Your Buyer'S Agent® then carefully searches the MRIS system for matching properties. You receive a complete list of all homes that have the qualities you want.

Step 3: You "drive by" the list and select your "top picks." First you read through the list of available homes, eliminating those that don't even "sound" good. Then you do "drive bys" of homes that sound good to make sure that they also look good from the outside, while checking out the neighborhood at the same time. Finally, you create a list of your own "top picks" that you wish to see. Result? We don't tell you which homes you can see, you tell us!

Step 4: View homes with a representative, not a salesman. Once you have selected your "top picks" you simply call us with your list and we schedule viewings at your convenience. And, a **Buyer'S Agent-USA®** agent will be representing you during the viewing, pointing out the negatives along with the positives. You will not be "sold" any home—we sell advice, but you pick the home that's right for you.

Step 5: "Play it again, Sam." Once you are a client of **Buyer'S Agent-USA®** we constantly update you with new MRIS home listings that match your criteria as they come on the market, and the above process continues until you find the perfect home for you.

What if you're relocating or are pressed for time?

Buyer'S Agent-USA® can work with your time pressures. We can fax or email those latest home listings to you, and we can also preview and/or screen out certain homes for you if you don't have the time. We'll work closely with you to define the home search program that best fits your personal wants, needs, and time available for house hunting.

What is the problem with looking for homes in the newspaper? What's wrong with looking on the internet or driving around looking for "for sale" signs?

Some home buyers try "shopping" for homes in the newspapers, homes magazines, or just "driving around" neighborhoods looking at "For Sale" signs. This is a great idea if you have lots of extra time to waste and a need for more stress in your life. But, it isn't a good way to find a home.

Studies show that over 75% of homes are never advertised. Often times those that are advertised are the ones that don't sell (that's why they keep being advertised). Even the Internet, accurate for a lot of things, is very inaccurate for housing information. (It is incomplete by design, to force you to call the realty companies for more information).

Only by accessing the MRIS, working directly with an agent member, can you quickly and accurately get a complete list of homes for sale.

What about "for-sale-by-owners"?

Home owners who are serious about selling, or who need to sell, usually hire a REALTOR®. Therefore the best buys on quality homes are usually found in the MRIS. "For-sale-by-owners" ("FSBO's") tend to be offered by less motivated sellers who often seek too high a price.

In fact, we have discovered that buyers often *overpay* when buying a FSBO property. Why? It's partly explained by emotion. Buyers tend to *feel* like a FSBO *should* be a "bargain" because there is no commission being paid and it is an "off the market" discovery by them. But, statistically, FSBO's sell at a higher price than other homes. Just ask any bank appraiser if this is not true.

However, sometimes a FSBO can be made into a good deal with an experienced negotiator. While many agents avoid FSBO's (because they have no guarantee of a commission) **Buyer'S Agent-USA®** has helped many buyers get really great buys on FSBO's. Either the seller agrees to our buyer's price and agrees to pay our commission, or we walk away. Although the MRIS should usually be the primary focus of your home search, we will help you consider FSBO's and other homes too.

What about HUD, VA and foreclosure homes?

To buy a HUD or VA foreclosure home, sold by the federal government, you must work through an agent—but you can choose any agent you want. **Buyer'S Agent-USA®** will gladly help you consider available HUD and VA foreclosure properties. However, don't be fooled. Just because a home is being sold as a "foreclosure" does not mean it is a true bargain. Poor condition can more than eat up all of the "savings" you thought you'd get.

Warning: Many agents may "steer" you toward certain homes and away from others. Why?

Although any REALTOR® could show you all available homes on an equal, unbiased basis, very often agents will "push" their company's homes. Why? Because most firms offer a higher commission or "bonus" to bribe their agents into pushing their company's homes over all others. He/she may show you homes based on benefit to the agent (higher commission) not benefit to you.

Even so-called "buyer's agents" in traditional selling firms can be swayed by this "inside-the-company bribe." And, when one of these so-called "buyer's agents" sells you one of his company's listed homes they can't be your buyer's agent anymore. Instead they become dual agents, supposedly representing both you and the seller at the same time. (Sounds crazy, huh?) If you want a buyer's agent who is always a buyer's agent, on 100% of the homes 100% of the time, you want an exclusive buyer's agent like those at **Buyer'S Agent-USA®**.

4. How to Research Value

So you've found the home of your dreams, have you? What do you do now? How much is it really worth? How much should you be willing to pay? Where should you begin your offer? If you don't know the answers, how will you get them?

At **Buyer\$ Agent-USA®** we thoroughly research the property and the seller before we have any buyer make an offer. It's the only way to make an informed offer. We call it our VALUE-CHECK™ System.

Value- Check™ #1: Tax Records.

One major factor in determining the seller's price flexibility is to find out when the seller bought the home and what price he paid for it. We learn this by searching the county's tax records on the property.

Suppose you are interested in two similar homes, both about 23 years old, and both priced at \$250,000. By searching the tax records we learn that one of the homes was bought in 1998 and the seller paid \$254,000 for it, while the other was bought in 1972 and the seller paid \$67,000 for it. Which seller do you think can be more flexible on his price?

Value- Check™ #2: Days-On-Market ("DOM")

Another major factor in determining any particular seller's price flexibility is to research how long the home has been on the market. Typically (but not always) the longer a home is on the market the more "stale" the listing becomes and the more flexible the seller will be on price.

As part of our Days-on-Market search we determine: (1) how long the subject home has been on the market; (2) what is the average time on market for homes in the area before selling; and (3) what, if any, price changes have there been on the home and how recent?

If the "average" time on market for homes is currently about 120 days and the subject home has been on the market for 285 days, then the seller is more likely to be flexible on price. However, even if the home has been on the market a long time, if the price has been substantially reduced, recently, that price drop may minimize the "staleness" of the listing.

Value- Check™ #3: Comparable Sales.

A third research item is to determine what other similar, "comparable" homes have recently sold for in the area. You should try to find at least three homes sold, within six months or less, that are in the same neighborhood as your home and as comparable to it as possible.

Sometimes researching the comparables may establish that the home is grossly overpriced, for example the seller wants \$249,000 and the average sales price of comparable homes is \$220,000. On the other hand, sometimes the comparables

establish that the home is already under priced. For example, the seller wants \$249,000 and the average comparable sales price has been \$272,000.

Even when the comparables establish that the home's price is reasonable that doesn't mean that you have to begin by offering full price. You may start out with a lower offer, but knowing the "true value" at the beginning will be extremely valuable to your negotiating process and your end result.

Value- Check™ #4: Seller's Special Motivations

A fourth research item is to learn what, if any, special motivations the seller has in selling, and/ to discover what other interest there is in the property by other buyers.

This is not always easy and often requires skilled finesse. If you were to ask the seller directly "are you desperate to sell?" or "About how much below your asking price would you accept?" you will likely receive a blank stare and stoned silence in response. Few sellers will knowingly show their hand by giving you a direct answer to a direct probing question.

However, we have found that by asking subtle, discrete questions we often discover very helpful information. Some factors that may indicate a willingness to lower price that we often discover are: the sale is, in essence, forced on the seller (e.g. job relocation, divorce, etc.); the seller is under time pressure to sell; a contract from another buyer has recently "fallen through"; the seller has already found the next home he wants to buy (even better if he has already bought that home). Some of the factors that may indicate the seller will be reluctant to lower his price are: the agent and seller are confident that the home is "priced right"; other potential buyers are "interested" in the property; the seller is under no time pressure whatsoever to sell.

The list of factors that impact the seller's "willingness to deal" could go on and on, but the key is that **Buyer'S Agent-USA®** has the tenacity and experience to gather this information for you.

Value- Check™ #5: Competing Buyers?

Finally, we research whether or not there are any other buyers currently interested in the property and/or any other offers on the property. If there are "competing" buyers it nearly always affects your strategy. Sometimes you will decide that a particular home is not worth a "bidding war." Or, you may decide to more rapidly (even immediately) go to your top bid. If you are in a hot, seller's market, you need to know if there are competing offers and you need to be able to modify your strategy accordingly.

Value- Check™ #6: Analysis and Advice.

Information *alone* won't help you much, you also need a skilled expert to help you *interpret* that information, giving you needed analysis and advice. You also want a skilled negotiator to *use* this information to your advantage. That is exactly what we do at **Buyer'S Agent-USA®**.

5. Making contracts "Buyer Safe"

How to avoid the 7 dangers of "standard" contracts.

Virtually all consumer advocates agree that you should never sign a so-called "standard" real estate contract. Why?

First let's clarify something: there is no "standard" contract. You can insert or remove any provisions you want to. Second, remember that for decades the real estate industry only protected sellers, never you as the home buyer. And even though most firms now claim they can act as your buyer's agent, they still use the old-fashioned contract forms. These contracts are designed to protect the seller, "the deal", and the agent's commission. They are not designed to protect you.

That is why most consumer advocates urge you to hire an attorney to review your purchase contract and to make changes to protect your rights.

While we agree this a good idea, it is also rather expensive. You could easily pay an attorney \$300-400 just to read the contract, and hundreds more to make major changes to it. At **Buyer\$ Agent-USA®** we have already done the work for you, spending thousands in attorneys fees to prepare our unique **Buyer Pro-Tech™** contract forms. Valued at over \$500, these **Buyer Pro-Tech™** contract forms are FREE to our clients.

Below is a list of just some of the problems with "standard" contracts, and how our **Buyer Pro-Tech™** contract forms can help you avoid them.

Buyer Pro-Tech™ #1: Home Inspection Clause

Under many "standard" contracts you are buying the property "as is," and every year home buyers lose millions on undetected property flaws. This is needless. **Buyer Pro-Tech™** Clause #1 is a clear and strong Home Inspection Clause.

Most "standard" contracts don't have a home inspection clause. Even those that do often don't protect you like they should. A good home inspection clause should have at least the following two elements.

First, it should clearly state that you have a right to cancel the contract if property flaws are found during the inspection and the seller refuses to correct them. Second, the determination of whether or not any particular item (e.g. water heater, roof, etc.) has "passed" or "failed" should be determined "by the buyer's sole discretion." This helps avoid arguments over questionable flaws and gives control to you.

Buyer Pro-Tech™ #2: Getting property flaws fixed the right way.

What do you do about the flaws discovered during your home inspection? If there are serious structural problems, you may want to simply cancel the contract (see how important it is to have a home inspection "escape clause"?). With smaller problems you may still wish to buy the home if the seller will repair them.

You and the seller should agree, in writing, on the items that he will repair. Our **Buyer Pro-Tech™** repair addendum requires the seller: (1) to make all repairs using only

licensed professionals and professional grade materials; (2) to provide you with written copies of all receipts, warranties and guarantees; (3) to complete all repairs at least 48 hours before the settlement date; and (4) to allow you to re-inspect the home after repairs have been made to insure that all work was properly done. If you and the seller can't agree on whether repairs have been properly completed, you can bring back your original home inspector to recheck the repairs.

Now that's protection. You have strong assurance that all repairs will be made professionally, correctly, and promptly.

Buyer Pro-Tech™ #3: Mortgage Clause saves you money two different ways.

Most "standard" contracts have a mortgage clause that describes the type of loan you will be applying for, including the hoped-for interest rate and loan points. But what do you do if the rate or points go up? What if you shop around and lower your loan costs?

Many standard contracts cut against you in one or both circumstances.

Although the contract allows you to describe the interest rate and points you want, they often leave you unprotected if interest rates shoot up suddenly. The "fine print" may say that if interest rate or points go up you agree to "accept alternate financing at the then maximum prevailing rate, and will accept any reasonable increase in loan points." Your closing costs and monthly payment could skyrocket beyond what you had budgeted for.

Or, suppose that you and the seller agree on a split of your loan points. You later shop around and locate a loan with lower points. Although it was your effort that secured the savings, under certain standard contracts you must share the savings with the seller.

In other words, if costs go up you pay the full increase. But, if costs go down, you have to "split" the savings with the seller.

Does that sound fair to you? It doesn't to us either! Our **Buyer Pro-Tech™** mortgage clause helps you avoid this unfairness (and other mortgage problems too numerous to mention here). The **Buyer Pro-Tech™** mortgage clause puts a clear cap on interest rates and on "points." In addition, when the seller agrees to pay all or part of your closings costs we state it as a fixed dollar amount, not as "points." That way the seller must pay the full dollar amount agreed to even when your points or other closing costs are lower than expected (yes, it does happen). In fact, if we get the seller to agree to pay "too much" toward closing costs, you can use any overage to decrease the purchase price!

With the **Buyer Pro-Tech™** mortgage clause you have protection against rising costs, and you receive the full benefit of any reduction in those costs.

Buyer Pro-Tech™ #4: Getting an immediate response.

When the seller receives your contract offer he has three choices. He may accept it, reject it, or make a counter offer. But amazingly there is no deadline for him to act! He may wait a day, a week, or even a month before giving you his answer.

Why would a seller delay responding to your contract offer? He may want to "shop" your offer around, telling other prospective buyers that he has one offer but would consider others as well. This is especially true if he receives your offer midweek and has an "open house" scheduled for the weekend.

He may want to delay responding to your offer until he sees if he gets any competing offers from other buyers over the weekend. That way he can put you in a bidding war against other buyers, helping him and hurting you. Until the seller accepts or rejects your offer you aren't really free to pursue other homes.

Our **Buyer Pro-Tech™** contract has an absolute deadline clause that clearly states: "This offer may be accepted by the seller until _____. Unless accepted by Seller prior to said date and time this offer shall expire without any further action by the parties." This clause helps insure that the seller will not delay in responding to your offer.

Buyer Pro-Tech™ #5: Never pay more than appraised value.

You and the seller finally agree on price. Everything seems to be going OK. Then suddenly, out of nowhere, the bank's appraisal comes back saying that the home is worth \$20,000 less than what you agreed to pay. What can you do?

It's possible that you won't even be told about the low appraisal, much less be given a chance to do anything about it. Why?

If your home appraises too low your bank will probably decide not to loan you the money to buy it, thereby "killing" the sale. But "your" agent and the listing agent may not want the deal to die. They may well try to protect the sale (and their own commissions). But if the property appraises too low what can the agents do, you ask?

Agents can (and often do) contact the appraiser to convince him or her to push up the appraised value. When this scheme works a new, revised appraisal is issued at an artificially "pushed up" value. It is possible for you to overpay the original appraised value by thousands and not even know it!

Our **Buyer Pro-Tech™** contract forms prevent this from happening. We make the sale contingent upon the original appraisal being equal to or greater than the full contract price. If the appraisal is low, the seller must lower his price, or you can cancel the purchase. Period.

Buyer Pro-Tech™ #6: Avoid paying a double mortgage.

If you are selling one home and buying another, and you can't afford two mortgages, you could have a big problem. Most real estate contract forms clearly state that your purchase of the new home is not contingent upon the sale of your present home. Upon request your agent may add a "sale of home" clause to your contract, but most of the time this clause only says that your contract to buy the new home is contingent on your receipt of an offer to purchase your present home.

But what happens if the buyer for your current home fails to get their loan? Or gets cold feet? Or cancels due to a home inspection? Or for any other reason simply fails to actually make settlement?

Under many real estate contracts, including those with a "sale of home" clause, you may still be obligated to buy your new home even though the sale of your current home fell apart. If, as is likely, you can't get approved for your mortgage without the sale of your current home, your minimum penalty is to forfeit your entire deposit!

Our **Buyer Pro-Tech™** contract protects you from such risks with a clause that makes the purchase of your new home expressly contingent upon the sale and actual settlement of your current home. If that sale fails, for any reason, you are not obligated to buy the next home and you get a full refund of your deposit.

Buyer Pro-Tech™ #7: Zoning, code violations are the seller's problem, not yours.

OK. You've contracted to buy the home. The home inspection is done. Your loan is approved. Just one week to go and then it happens.

You discover that the seller didn't get a building permit when he converted the carport into a garage. Or, you discover that his new fenced backyard doesn't comply with the local Home Owners Association. Or you discover any number of other regulatory violations by the seller that will cost money to fix. Who pays, you or him? Typically you pay.

Why take that risk? Our **Buyer Pro-Tech™** contract requires the seller to represent and warrant to you that there are no violations of building codes, zoning laws, home owner association rules, or any other violations of regulatory laws. And, if there are problems, he pays the entire cost of bringing all violations into compliance, not you.

One final caution.

Every consumer home buying guide urges you to read carefully your contract papers before you sign them. Most also encourage you to have an attorney review all contract papers and make necessary changes.

However, most real estate companies don't make a habit of giving you contract papers far enough in advance to allow you time to read them carefully. So, most home buyers never get a good chance to read their contract papers, because they are being "rushed" at the time of signing.

That is bad. When you finally choose the home you really want often you are in a highly emotional state. This is no time to be reading contract fine print for the very first time.

At **Buyer'S Agent-USA®** we want you to read your contract papers carefully. That is why we give you a full copy of everything you will be asked to sign on the very first day we meet you! As our client you receive a client folder with all kinds of helpful information inside, including a full set of all your contract papers. After all, you will likely be spending hundreds of thousands of dollars, and we feel that you have the right to see your purchase contract in advance.

6. How to negotiate the lowest price.

It's true. We have saved our buyer clients over \$3,491,610. That's more savings than many "traditional" companies ten times our size can claim.

How did we do it?

First, there is no surefire, one size fits all, guaranteed-to-work-every-time negotiation strategy. There are stubborn sellers who won't budge no matter what you say. And, there are other sellers who are much easier to negotiate with.

However, we have learned that there are certain proven, tested principles of negotiation. If you know these principles and observe them you will, more often than not, significantly improve the result that you otherwise would have obtained.

1. Get PRE-APPROVED for your loan.

We mentioned this our section on financing. The single best step you can take to better your negotiating position is to get pre-approved for your loan. A bird-in-the-hand is worth two in the bush. By giving the seller a lender's pre-approval letter you prove that you are a "sure deal", a "bird-in-the-hand," and he will be more willing to negotiate price as a result.

2. Determine what you want in advance.

It's usually wise, before beginning any negotiations, to determine in advance roughly how high a price you would ultimately pay to secure a certain property.

Based upon your thorough pre-offer research, covered in another section, you may sometimes decide that you will pay up to the full asking price (assuming the property is well worth it). Other times you will determine that the highest amount you would pay is substantially below the asking price.

At either extreme, or anywhere in between, the principle here is the same. In the midst of heated negotiations you can get confused and emotionally twisted around. So it is a good idea to set a target price or limit for yourself before you begin the bidding war.

3. Picking an opening bid.

Again, your pre-offer research should help you determine a good opening bid on a property. Here are a couple of other guidelines.

First, try to negotiate on both price reductions and seller cash contributions toward your closing costs—you'll tend to net overall greater reductions that way. For example, say on a \$250,000 home you wish to begin \$20,000 off the asking price. You could negotiate just on price with a bid of, say, \$230,000. Why not instead negotiate on both price and closing costs with a bid of, say, \$240,000 plus \$10,000 of seller-paid closing costs?

By raising both price and cash as issues to be negotiated upon you will often induce a counter offer from the seller on both items. This usually has the net effect of obtaining greater overall concessions than if you had negotiated just on price alone.

Second, remember that sellers try to make their asking price seem smaller by using lots of "nines" (e.g. \$299,990 instead of \$300,000). Use this psychological trick in reverse and put "zeros" in your offer (e.g. offering \$320,000, not \$319,900) to make your offer appear larger.

Sometimes you can use both of these principles together. For example, suppose the seller is asking \$320,000. Don't start bidding at \$285,000. Instead, make your initial offer at \$300,000 but also ask for \$15,000 in seller-paid closing costs. You thereby cross the psychological threshold of \$300,000 and yet still are making a lower net opening bid—\$285,000.

4. Nickels, dimes and dollars.

Negotiation is a game of give-and-take. You must give something of value to get something back of equal or greater value. The trick is to concede on small items to get bigger concessions from the other side.

One trick is to make non-financial concessions to receive back financial concessions. For example, you may wish to settle and move in within 30 days but the seller wants to stay for another three months. If you can accommodate the seller's wish for a delayed settlement (or a short term rent-back) you have a better chance of lowering his price than another home buyer who won't accommodate his timing.

Also, when the seller wants to keep a few appliances (e.g. washer and dryer) they usually aren't worth arguing over. Quite often the total value for these used appliances is very low compared to the negotiating good will you could lose by arguing over them. Learn to trade the "small" things for bigger concessions from the other side.

5. Sweet speech.

Wise king Solomon had a proverb that said: "Sweetness of speech increases persuasiveness." You will go a lot farther in getting the other side to agree with you when you act in an agreeable manner. You would be amazed how often this seemingly "obvious" principle is forgotten in the heat of negotiations.

6. Blame a third party.

This is classic negotiating. Whenever you hear someone say: "I can't agree to pay more until I check with my wife (or husband) first," or "My lawyer told me not to make any changes to this contract," et cetera, you are watching someone blame a third party.

The great thing about blaming a third party is that they are not in the room with you at the time that you are negotiating. You let the seller make all the concessions he wants, and you politely agree to communicate his concessions to the missing third party, but you can't make any concessions without the third party's review and approval.

It allows you, in a sense, to conduct one-way negotiations. But this tactic must be used sparingly to work effectively.

7. Do NOT point out property flaws.

Many home buyers believe that, to negotiate a lower price it is a good idea to point out to the seller things that are flawed about his property. (Many agents believe this too, even though they ought to know better!)

This strategy will usually blow up in your face. Most home owners look at their home as an extension of themselves, and an insult to the home is an insult to the seller and rarely helps you lower the price.

Instead, negotiate the best price you can despite any apparent flaws. Then, bring in a home inspector. When he points out flaws that's OK. He is deemed to be "neutral" as a professional. Besides, when you rely on the inspector's criticism of the property (negotiating for repairs or more price reductions) you will be blaming a third party!

8. Win your way through questions, not bold assertions of fact.

Many people try to negotiate by argument and prove the seller wrong. "Look here, Mr. Seller, your home is overpriced by \$10,000 and these comparable sales figures on other homes prove it." This confrontational approach usually provokes the seller to defend his price, not reduce it.

Often we've found it more persuasive to quietly ask the seller discrete questions that lead him to lower the price while thinking it was his idea, not ours. We may ask: "Have you had many other offers? If not, why do you think that is?" Or, "What do you think is the main reason your home hasn't sold yet?" Or, "My clients are aware that other comparable homes in the area have sold for much less. What reason can you suggest for them to pay more than what these other homes have sold for?"

We don't try to prove the seller wrong. Instead we reverse the tables on him and ask him to prove himself right. If he really can't justify his price, he'll see it more quickly when you allow him to see it for himself rather than trying to shove it down his throat.

9. Finally, get the best negotiator on your side that you can find.

It is good for you to have a working knowledge of much of the negotiating process. But it's even better to also have an experienced, professional on your side!

Some techniques can only be used when you negotiate through a 3rd party. Other techniques can be used directly, but work better when negotiating through a 3rd party.

Why gamble on the biggest purchase of your life? Why not get the best negotiator you can find? To learn more about how we can save you money, and to receive a valuable Homebuyer's Info-Pac, just call 1.800.334.2893 and ask to speak with one of our exclusive buyer's agents.

7. How to Inspect for Quality

What 3 facts should you know about property flaws?

Fact No. 1: The single biggest source of consumer complaints filed with real estate commissions each year are filed by home buyers in regard to undisclosed or undetected property flaws. Every year metro area home buyers lose literally tens of millions of dollars due to undetected or undisclosed property flaws.

Fact No. 2: You have no "right" as a matter of law to have your home inspected before purchase. The only way you can get such a right is if you contract for it. Before you sign any contract to purchase a home you should be certain that it has a home inspection clause granting you the right to a home inspection. You need the strongest home inspection clause you can get. (See chapter 5, Making Contracts "Buyer Safe").

Fact No. 3: Home inspectors are not licensed. In Maryland, DC, and Virginia inspectors are unlicensed and virtually unregulated. Shoddy inspectors abound. So, even if you do have a home inspection, you still may not be protected from hidden property flaws. But there is a way to increase your protection from undisclosed property flaws.

Buyer PRO-TECH™ System helps you AVOID property flaws

To help assure you of the greatest protection possible from expensive, undetected property flaws **Buyer\$ Agent-USA®** has developed the unique BUYER PRO-TECH™ System.

(1) First, our BUYER PRO-TECH™ contract Home Inspection Clause is the strongest in the business. It gives you the right to conduct an inspection, the right to select the inspector, and gives you the sole right to determine whether the home "passes" or "fails." If you're not happy you can cancel the purchase or demand the seller make repairs. Period.

(2) Second, we recommend the toughest, most thorough inspectors in the business--ASHI members (American Society of Home Inspectors). Fewer than 3% of all home inspectors qualify for this elite group. These inspectors often cost more, but they are well worth it. (In fact, we are so convinced that you need and deserve the protection of a top-rate inspector that if you don't think you can afford the added cost we will offer to pay the difference between an ASHI inspector and the cost of a cheaper inspection by a "regular" home inspector).

(3) If flaws are detected and you want them repaired, we see that the work is done correctly by using our Buyer PRO-TECH™ Repair Addendum.

Don't just "find" problems, get the fixed.

Occasionally you will discover a "flawless" home. At other times flaws will be so severe that all you can think about is canceling the sale. Usually, however, the result of your home inspection will be somewhere in between—you still want to proceed with the purchase, but you want the seller to fix certain things.

This brings up an important point. The ultimate goal of a home inspection is not to detect flaws, but rather to get them fixed. Correctly.

Too many agents do not know how to protect buyers in this important area. Even "experienced" agents don't know how to protect the home buyer when it comes to negotiating repairs. Below are some of the things we have learned.

Put all repairs in writing. This should go without saying, but too many people (even "experienced" agents) rely on verbal repair agreements.

Be specific. Don't just write, "re-roof." Instead, be as detailed and specific as possible. "Tear off existing shingles, felt and flashing; check plywood boards and replace defective boards as needed; install new 15 lb. felt, new 25 year shingles, and re-flash all areas; clean up and remove debris." The more specific your Repair Addendum, the less room for problems down the road.

Re-inspection. Make sure your Repair Addendum gives you the right to re-inspect after all repair work has been completed.

Use deadlines. Give the seller a deadline for work to be completed before the settlement date. That way you can check on the repairs while there is still enough time to do something about them.

"Failed" repairs. If a repair is in doubt, our Repair Addendum gives you the right to bring back the original home inspector to check on the repair(s). If he "fails" the repair, our addendum then requires the seller to pay for the cost of a new, correctly done repair—usually paid into escrow at settlement. This helps assure you that repairs will be done properly.

"Buyer'S Agent-USA® saved us from a double fire trap."

Buyer'S Agent-USA® helped us find a really nice home with a reduced price, and then our agent negotiated even more savings.

Then came the home inspection. The inspector recommended by **Buyer'S Agent-USA®** was thorough! He took 30 minutes just on the furnace! He also checked every single electric outlet in the home.

His thoroughness paid off. He found a crack in the furnace that could allow poisonous gasses into the home. He also found an electric outlet that was "fried." It literally had burned up and could have set the home on fire.

Armed with this information, **Buyer'S Agent-USA®** negotiated over \$3,000 worth of repairs to the home, including a brand new gas furnace and rewiring of all electric outlets.

We later discovered that, prior to our inspection, the seller had had the furnace checked by the gas company. They found nothing. The inspector recommended by **Buyer'S Agent-USA®** found a dangerous flaw with the gas furnace that even the gas company itself didn't find!

Thanks to the great home inspector and our agent's negotiations, both of these serious problems were found and fixed. Jim & Debbie

"Buyer's Agent-USA® stopped me from buying a home with a bad roof."

I knew the reputation **Buyer's Agent-USA®** had for protecting home buyers. It was a natural choice to hire them.

Allen helped me locate a stunning town home, one I really liked. He helped me negotiate a good price, helped me get a good loan, and took care of all the details for me.

To be sure I was getting a good deal Allen also arranged for a professional home inspection. The seller tried to stop Allen, saying that the home had already passed an earlier inspection (one the seller had arranged).

Allen insisted on bringing in our inspector "just to be sure." I'm glad he did. Our inspector found decayed FRT plywood in the roof and recommended a complete re-roofing. As a result, **Buyer's Agent-USA®** negotiated to get the seller to pay the entire cost of replacing the roof. And they had the inspector recheck the roof after repair to be sure it was done right.

Without **Buyer's Agent-USA®**'s aggressive representation I could easily have bought a home with a bad roof and not even known it. Diane D.

Publisher's note: Decayed FRT plywood is a common problem in town homes, yet many inspectors won't detect it, and many real estate contracts don't permit testing for it. If you are buying a town home, be sure your agent protects you regarding FRT plywood!

8. Settlement: How to have a "Happy Ending"

The key to a smooth settlement. After you have selected your home, negotiated the best price, and inspected the home, the tough work is over. However, there are still quite a few details that you need to take care of before settlement. Taking care of details early is the key to a smooth, easy settlement. Here are some of the things you will need to consider.

Loan Application. Once all negotiations are done and the final contract has been agreed to, your purchase contract requires you to apply for your mortgage loan promptly, typically within about five days.

You should already have been pre-approved for your mortgage long ago. But, if for some reason you are not, you'd better hurry. You need to meet the contract's deadline and submit a formal, written loan application.

After this initial meeting help yourself by being proactive with your loan officer. Keep in close touch during the process and promptly provide to him or her whatever information they require to process your loan.

Title/Settlement Company. You must also select a title company, sometimes called a settlement company. The title company serves two roles. First, they research the land records to insure that the seller of the property actually owns the property and that there are no liens against the property (other than the seller's own mortgage).

Second, the title company acts as "air traffic controller" for the sale, coordinating all necessary paperwork from you, the seller, your lender, the agents, and any other professionals involved. With all such documents in hand, the title company prepares the final settlement papers, including deed and mortgage, and conducts the actual settlement.

Pest Inspection. Your lender will require that a licensed pest company inspect the property for termites and other wood destroying insects. You must produce a sworn statement by a licensed pest company that they have inspected the property and that there is no evidence of active infestation.

Approximately 10% of the time some termite infestation is discovered. When this is the case the lender will not approve the loan until the infestation is treated, and necessary repairs are made. Who pays for such repairs?

The contracts used by **Buyer'S Agent-USA®** require the seller to pay for termite damage up to 2% of the sales price. Without such a provision, this is an item that is negotiated between the parties when damage is discovered.

Switching over utilities. About a week or so before settlement you should contact the water company, phone company, gas and electric company, and any other applicable utilities and inform them of your pending settlement so that utilities will be "on" when you move in.

Pre-Settlement Inspection. Either the day before settlement or sometimes the day of settlement you should go back to the property for one final "walk through" to make sure everything is in order before you buy. You should check to make sure that all repair work, if any, has been completed and work done properly.

You should also check for any "new" problems that didn't exist before. For example, did the seller break a window or punch a hole in the drywall while moving out? You should also check for previously concealed flaws (e.g. a stain on the carpet underneath the sofa) that were not disclosed by the seller and could not have been discovered until after the seller's belongings had been moved out.

As long as everything is OK, great. But what do you do if there are problems?

Your **Buyer's Agent-USA®** representative can help you. If there are damages to the property or unfinished repairs we'll help arrange for the seller to "escrow" funds to pay for damages/repairs. That way you don't get stuck with paying for problems the seller created.

Settlement. Finally! When your settlement date arrives you will need to bring the following items to settlement with you.

Remaining deposit. In addition to the deposit that you already paid when the purchase contract was signed, you likely will still need to bring a fair amount of your own money to settlement. Most title companies request (even demand) that you bring the remaining deposit in certified funds only, meaning a cashier's check or other similar type funds.

Contract. You should bring a copy of the purchase contract to settlement, just in case there are any questions.

Good faith estimate. Your lender will give you a good faith estimate of closing costs and monthly payment, usually weeks before settlement. Bring a copy to settlement to make sure that you aren't being charged for things that the good faith estimate doesn't cover.

Your Buyer's Agent. Finally, your **Buyer's Agent-USA®** representative will attend settlement with you as your "insurance policy" to protect your interests at settlement.

So long as all details have been taken care of early on, your settlement should go smoothly without any major hitches or last minute arguments. But occasionally there are problems. Maybe the seller didn't complete an agreed upon repair. Or maybe the seller "switched" the home's nice new refrigerator with an older, smaller model.

Your **Buyer's Agent-USA®** representative is there at settlement to fight for your rights on all these issues. We are there to see that you don't get pushed around, but get what you paid for.

9. How to Buy NEW Construction

How buying new is different from resale.

In some regards buying NEW construction is the same as buying an existing home, but in many ways the process is quite different. Below are some important areas to consider when buying a new home.

Locating your home - four databases, not just one.

Locating your home is different because you really need to search four databases for new homes, not just one database as with existing homes. The four basic sources of information are: *MRIS, *Consumer New Homes guides (available at grocery stores, etc.), *Builder Guides (a broker subscription service), and * **Buyer'S Agent-USA®**'s knowledge and research of builders in the area.

Contracts.

If "standard" contracts for existing homes are bad, builders' new home contracts are worse. And, most builders will not agree to change their one-sided contracts. **Buyer'S Agent-USA®** can help you review the builder's contract to see if it is better or worse than the typical builder form, and we can help devise ways of protecting your rights apart from the contract.

Due Diligence - Pre-Offer Research.

Just as with an existing home, you want to thoroughly research the value of your target home before you buy. The process, though, is a little different with new homes.

(1) Comparables for neighborhoods. To determine the relative value of a new home you research sales by neighborhoods. Suppose you are looking to spend about \$425,000 on a new home and are considering three different builders in three areas. Suppose also that the average existing home sales for these areas are: RedAcre—\$275,000, WhiteAcre—\$360,000, and BlueAcre—\$520,000. Wouldn't that help tell you that a \$425,000 home in BlueAcre may retain or gain value better than in RedAcre? **Buyer'S Agent-USA®** can do this research for you.

(2) Detailed comparison of builder vs. builder. You may like Bryant Homes because of their big yards, Lincoln Homes for their location, and Quantex Homes for their quality construction and options. How do you decide which one is the best for you?

Certainly not by seeking honest advice from any of the salesmen at the three building sites! **Buyer'S Agent-USA®** can lay out all the home features, benefits and drawbacks, and help you objectively compare builders. Many of our clients buying new homes have found this objective advice to be one of the biggest benefits that we offer.

(3) Builder reputation. When you are buying an existing home you can see it, touch it, smell it, and most importantly, have it professionally inspected. But, when you contract on new construction you are buying a piece of dirt and the builder's reputation. You

hope they build the home according to plan, but you have no guarantee. The builder's past reputation is often the best indicator of his likely future performance.

How to make a GOOD new home BETTER.

Selecting a builder and community is very important, but that is just the beginning! You have many more decisions about options, upgrades, elevations, lot selection, etc. Some choices (carpet color for example) are primarily a matter of taste and involve little if any price change. But many other choices may impact greatly on the final price you pay. Some added costs may be worthwhile, adding greatly to your enjoyment of your home and/or increasing its resale value, while others may be expensive options with little purpose other than to look good in the "model" home and increase the builders' profits.

Some builder's site salesmen are focused on selling you options with the biggest profit to the builder. But **Buyer'S Agent-USA®** doesn't care about profit to the builder, only about helping you choose those items most likely to add to your enjoyment of the home and help its future resale. We know many of the "emotional" mistakes buyers tend to make when choosing options and upgrades, and we know how to help you avoid them.

Many past clients are convinced that our advice helped them make better choices, ultimately helping them to buy a better home than they otherwise would have bought.

Who works for you? The builder's salesman or Buyer'S Agent-USA®?

The salesman at a builder's site may or may not be a licensed agent, but one thing is for sure—they're not buyer's agents. Salesmen at a builder's site work 100% for the seller's best interests. Period. And, a salesman with Acme builders is not going to try to convince you that you would do better buying a Lord & Taylor home.

Using **Buyer'S Agent-USA®** to represent you buying a new home is a good idea. We are 100% on your side, 0% on the side of any builder. We'll help you compare, openly and honestly, the benefits and drawbacks of each builder.

How does Buyer'S Agent-USA® get paid?

For an existing home the seller pays a fee that is shared between "listing" agent and "buyer's" agent. With a builder it works the same, with the builder paying, say, a 3% brokerage fee to an agent. Some buyers feel that, if they come to a builder without any agent, they, the buyer, should receive the commission. Most builders flatly refuse such an arrangement.

Builders wish to maintain the good will of agents, who produce many of their sales, and integrity requires that they not charge you more if you use an agent, so they can't charge you less if you don't.

Home Inspections.

(1) The #1 mistake of new home buyer--failure to get a home inspection. Most buyers realize the importance of a home inspection when buying an existing home, but often these same people believe it may not be important for a new home.

Not true. An expose' on television's "20/20" show chronicled the woes of east coast new home buyers who failed to get inspections. Some lost over \$210,000 for undetected flaws that had to be repaired later.

Getting a top quality, professional home inspection is just as important on new construction as with existing homes.

(2) Get TWO inspections, not one. During construction your home inspector has superman powers—he has X-ray vision and can see through walls! (Actually, you can too—the walls aren't up yet!)

A. Pre-Drywall. Just before the builder installs the drywall you want to have your first inspection. At this stage the roof, sub-flooring, plumbing, electrical, mechanical, and HVAC systems have all been installed and they are still exposed to the naked eye. Your inspector can catch problems now that he'll never catch later, and these problems will be much cheaper to fix now than later. A \$50 job to alter ductwork before drywall is installed becomes an \$800 job later on.

B. Final Inspection. Once the home is fully completed, have your inspector return for a final inspection. He can inspect surface materials that have been installed (flooring, cabinets, walls, siding) and recheck other systems too.

C. Cost? If you use the same inspector for both inspections (and you should) he will likely cut the cost of the second inspection by 30-50%. It still costs more than just one inspection, but it is very much worth it.

10. How to Sell Your Current Home

Who is the best seller's agent in your area? It's probably not who you might think!

Often the most "well known" agents in an area are the worst agents to use to sell your home. At **Buyer'S Agent-USA®** we'd be glad to explain why this is and to provide you with a list of top quality sellers agents whom you may never have heard of before. Why not at least ask for our professional, unbiased opinion when selecting your seller's agent?

The 3 keys to selling your home.

When you want to sell your home you will probably have lots of competition. Three keys to getting someone to buy your home instead of the competitions' homes are:

*Condition; *Price; and *Exposure to the Market.

1. Condition. Here are a few tips for "sprucing up" your home.

Exterior grounds. Invest a few weekends and a couple of bucks for mulch and plants and you can greatly improve curb appeal. Buyers see the exterior first, so this is one area to definitely get in shape.

Second on the list is interior and exterior cosmetics, such as paint and carpet. These take a little more time and money than cleaning up the yard, but cost much less than more substantive improvements (like appliances). And again, the cosmetics of a home play a large role in the buyer's first impression of your home.

Lastly, you may need to pay for substantive improvements, like a roof or major appliances. But don't make any major expenditure until you get advice from a knowledgeable seller's agent.

2. Price. Your home must be priced competitively. Suppose the average asking price for homes similar to yours is \$220,000, but the average selling price for such homes is \$205,000. Which figure should determine your price? It depends—do you want people to just look at your home, or buy it?

Studies have shown that if you price your home at a level where it should sell, it will sell for a higher value than if you overprice from the beginning. For example, if you price your home in the above example at \$204,000 or \$206,000 it will sell, quickly, and likely for close to full price. Why not? It's a much better buy than the competition priced \$14-16,000 more!

On the other hand, if you overprice your home at \$225,000 it won't sell. Then you drop the price to \$219,000 and it still doesn't sell. Future price drops to \$214,000, later \$209,000, later still to \$199,000 yield a final sales price of \$192,500.

It may go against many sellers' "feelings" as to what they should do. But logic says, and studies prove it, that a home priced right will ultimately sell for more than a home that's overpriced to start with.

3. Exposure to the market. Once your home is in "market condition" and "priced right" it still isn't enough. You must give your home the maximum exposure to the market to let buyers know you are there!

The REALTOR® owned Metropolitan Regional Information System ("MRIS") is the single most efficient and effective way to expose your home to the market. Over 90% of homebuyers work through an agent—therefore the MRIS let's you reach 90% of the buyers in the marketplace. And, this is an ad that works all the time, every day, 24 hours a day!

Other means of exposure to the marketplace do little in comparison to the MRIS. One study indicated that a system like the MRIS sold 11 times more homes than newspaper ads, yard signs, open houses, and all other marketing efforts combined!

You or your agent may decide to try some newspaper ads and other marketing techniques, and in some special and limited circumstances they may help. But by and large the REALTOR® MRIS is the means of exposing your home to the marketplace.

"Full Service" versus "Discount" seller's agents.

You may try to sell your home "for-sale-by-owner." Occasionally this will work, but usually you will just attract real estate agents trying to "list" your home, not homebuyers. Your other choices are to get your home listed in the REALTOR® MRIS by using either a "full service" or a "discount" broker.

A "full service" broker is likely to: (a) advise you on sprucing up your home to get it in "market ready" condition; (b) advise you on pricing your home; (c) prepare a marketing plan, including listing in the MRIS; (d) advise you as offers come in and negotiate on your behalf as offers come in. For this work a "full service" broker will likely charge you a commission of, say, 5-7%. Most of the time it will be another agent, not the listing agent, who actually brings in the buyer for your home, and your agent will then pay the other agent 1/2 of the commission and keep the other 1/2 as his fee. If the home never sells you pay nothing.

A "discount" broker usually charges a flat fee, say \$500, payable up front, regardless of whether your home ever sells. He will then place the home in the MRIS and that's about it. If another agent produces a buyer for the home through the MRIS, you will then pay that agent a fee of, say, 3%.

Using a "discount" broker can save you money, but you get less service as a result. The choice between the two depends in part on how much work you are willing to do yourself and how much help you will need in the process. Also, whether you are in a strong or weak market may make a difference. If you are in a strong sellers' market, where every home seems to sell within one week for full price, then you may be able to use a "discount" broker. But, if sales are slower, and/or if you want to get a higher dollar sales price, using a "full service" broker can be worth it. As always, insisting on quality products and services is usually the best investment.

The Buyer'S Agent-USA® Refer-the-Best™ program.

At **Buyer'S Agent-USA®** we do not directly "list" your home (we're an exclusive buyer's agency). But, for that very reason we may be your single best resource in helping you choose your seller's agent.

We give you something that other agents (who are competing to list your home) can't give you; an objective comparison of all seller's agents.

We'll help you determine which type of agent is best for you, "full service" or "discount." Then we'll introduce you to the best in his or her field. (Many times the "best" sellers agents—the ones who will really help fight for the highest price for you—are not the ones that you might think they are). Whether "full service" or "discount", don't you want the best in their field?

When you are our buyer client we have the same goal as you: get your home sold, quickly, for top dollar, so you can buy a nice home with us. We'll use our insider's knowledge of other agents to help you get the best agent for your situation, at the best price. What reason do you have not to call us and consider our recommendations from our REFER-THE-BEST™ program?

11. Frequently Asked Questions

Q. How is Buyer's Agent-USA® paid?

Typically we are paid just like all other agents. The seller pays a commission (say, for example, 6%) that is split roughly equally between the listing agent and any agent that produces a buyer for the home. Even though we owe 100% loyalty to you and work for you, it is still legal for us to be paid in this manner and this is how most of our clients prefer it.

Q. What communities does Buyer's Agent-USA® serve?

Buyer's Agent-USA® operates offices in Columbia, Rockville and Vienna and we provide buyer agent services through out the suburban communities around Washington, D.C. and Baltimore, MD. We have individual agents who specialize in different areas.

Demand for our type of exclusive, professional Buyer's Agent service is growing, forcing us to continually open up new territories. However, in the event we do not serve an area you are interested in, we can usually recommend a good alternative buyer's agent for that area.

Q. Is Buyer's Agent-USA® really better? Other agents tell me that they are "buyer's agents too."

Ask yourself two questions. First: why do you want a Buyer's Agent in the first place? Second: what kind of agent can best provide you with those benefits?

Do you want experience? We pioneered Buyer's Agency back in 1989, when other area firms resisted the idea. Do you want honesty? We consistently refuse to compromise our service by listing any homes. Do you want a specialist? We are exclusive Buyer's Agents so that we can give you 100% loyalty, all the time, on every home, with absolutely no conflict of interest.

Do you want integrity? We are 100% devoted to giving you the best service possible, and we back it up with a written GUARANTEE.

Do you want knowledge? Hundreds of other companies' agents have come to us for specialized Buyer's Agent training when their companies didn't know how to train them! No one in this region has more knowledge or experience representing homebuyers!

Why settle for less? If you don't mind working with a so-called "buyer's agent" who will put your interests first sometimes, on some of the homes, and whose company systems and forms protect sellers, then you should work with a "buyer's agent" in a traditional firm.

But, if you value experience, honesty, knowledge, skill and integrity, and if you like working with a specialist in his field, who will always put your interests first, on every home, with absolutely no conflict of interest, then you want the original, genuine **Buyer's Agent-USA®**.

Q. Who or what is NAEBA?

The National Association of Exclusive Buyer's Agents ("NAEBA") is a professional association of the top buyer's agents nationwide. Founded in 1995, it is the only professional association of buyer's agents that: ● limits membership to exclusive, "pure" buyer's agents; ● enforces a strict code of ethics on buyer's agent members; ● promotes the best interests of consumers, not merely it's own membership. Out of 700,000 real estate agents nationwide fewer than 600 qualify for membership in this elite organization. (There are other groups that claim to promote buyer's agency, including the Real Estate Buyer's Agent Council, REBAC, and the Certified Buyer Representative, CBR. These groups, however, actually promote dual agency and exist to protect agents, not consumers).

Q. Who or what is a CEBA?

The Certified Exclusive Buyer's Agent ("CEBA") is a designation awarded by NAEBA to the "best of the best" exclusive buyer's agents. It requires not only many hours of class work, but also is the only designation which requires a pledge of absolute fidelity and loyalty to buyer clients. John Toner, broker of **Buyer'S Agent-USA®**, has been awarded the CEBA.

Q. What is the "better than money back" guarantee?

When acting as a so-called "buyer's agent," most firms require you to sign a "disclaimer" which limits their loyalty to you, allowing them to act as a dual ("disloyal") agent. At **Buyer'S Agent-USA®** we do the opposite. You don't sign anything extra to limit our loyalty. Instead, we sign a written guarantee of absolute loyalty! We provide you with the area's only 100% guaranteed Buyer's Agent service. If we fail to work 100% for your best interests we will pay you our entire commission! And, since it is the seller who pays us the commission, our guarantee is actually a better than money back guarantee.

12. How to Get Started

The Home Buyer Consultation™

If you enjoyed the information in this guide and want to apply it, then what you want to do next is schedule a HOME BUYER CONSULTATION™.

The HOME BUYER CONSULTATION™ is a two-hour meeting, one on one, with one of our experienced, exclusive buyer's agents. During the HOME BUYER CONSULTATION™ the following will occur.

**Define a clearer picture of the home you really want.* Using our PERFECT HOME PROFILER™, we help you sort out questions about neighborhoods, options and choices that you may never have thought of before. Some buyers are very surprised at how the "picture changes" for the home they want. Others are able to confirm strongly what they want in a home. Either way, you will benefit from completing the PERFECT HOME PROFILER™ with one of our experienced counselors.

**Explore loan options and develop a written budget.* Learn how much home you are qualified to buy and which loan programs will save you the most money.

**Review, step-by-step, what will be involved in your home purchase.* The steps in this guide apply to all buyers generally, but every person's situation is unique. We can help you determine which steps you should skip, modify, and apply.

**Your own Written Action Plan.* The HOME BUYER CONSULTATION™ concludes by helping you outline the steps that you personally need to take to insure that you get the home you really want, and avoid the mistakes commonly made by other homebuyers.

**A \$149 value, FREE.* The HOME BUYER CONSULTATION™ takes about 2 hours and has been valued at over \$149. However, we absorb the cost to provide this service to you FREE, no obligations. We feel that in such a huge purchase you deserve this information before you obligate yourself to do anything. Don't you agree?

Why do we give away such a valuable service, FREE? We are confident that the more you know about real estate the more you will want a company like **Buyer'S Agent-USA®** to protect you and your home investment. Whether or not you choose to work with **Buyer'S Agent-USA®** you will find the information contained in our HOME BUYER CONSULTATION™ extremely profitable. And remember, the HOME BUYER CONSULTATION™ is absolutely free. You have no obligations.

To request your own free HOME BUYER CONSULTATION™, just call 1.800.334.2893.