

HOW TO SUCCESSFULLY BUY A HOME IN ANY MARKET

A HOME BUYER'S GUIDE TO BUYING RESALE,
NEW CONSTRUCTION AND INVESTMENT
PROPERTIES



May I be the first to THANK YOU for taking the time to read this book. It is designed as a quick-read that gets right down to how you can maximize your time, money and efforts in searching for and buying all types of residential property. Whether you are investing in rentals or buying the home of your dreams, this information will be invaluable to you!

CHAPTER 1
BUYING
RESALE
PROPERTY

As Realtors we classify properties in different categories and they are: Resale property which is previously sold, not new and typically owner occupied, Foreclosures which are always bank owned properties and New Construction which are newly built and not yet occupied. I have generally found in my area that buying resale provides the greatest value to a buyer since they can typically negotiate on pricing and terms and it can grow equity during your ownership in a shorter amount of time.

Here is a list of steps to help you get you started buying your new home:

1. **Get Pre-approved** with a reputable lender so you know what you can or want to afford. They will determine what money you will need for a down payment and what your loan amount will be as well as the monthly payment. Be careful using online lenders that are not local to your area. Many of these online companies charge an upfront fee to do your loan and can be nightmarish to communicate with since they are long distance. Choose a lender that is local and think about using your credit union or the bank with which you currently have your accounts. Do research online and look at reviews from current customers of the bank or mortgage broker or get a referral from a trusted

someone who has used a lender in the past that they were very happy with. You can shop interest rates but again be cautious with lenders that promise very low rates when you can see the average rates across the board with other lenders. These ads may be attempts to get you hooked but have enormous closing fees associated with the loan. Realtors are a great source for reputable lenders as well. The Lender will need information about your monthly income, what debt you have, and the all important credit score. If your score is under 620 it will be very difficult for you to obtain a loan with a reputable lender. If your debt is much higher than your income, that can also disqualify you unless you can pay that debt off before obtaining the loan or closing the deal.

2. **Search For a Property- The Fun Part.** Once you have your financing in order and pre-approval in hand, you are ready to start searching for a new home. There are several home sites you may search via the internet. Zillow is a very popular website that buyers use to search for homes and they offer lots of extra information. Zillow obtains information from many different sources and not all their info is tied to the Realtor community of which almost

all of the accurate information comes from. So finding a home on Zillow might be ok but don't always count on accurate values, and status changes of the listings to be up to date. (Status change means whether it is actually for sale or under contract or sold). Realtor.com is a much better place to shop as the information there comes directly from Real Estate agents who have place the information about their listings directly into their local MLS's (Multiple Listing Service) which syndicates with Realtor.com . It is more accurate and up to date of any public site. Or you can also drive around looking for real estate signs. That might be a good idea if you are looking in a particular area that you want to live but again, signs don't indicate whether the home is for sale as status changes all of the time.

3. **View the Homes You Have Selected-** Once you have selected some homes to view, there are a couple of ways to set up a showing on the property. You can call the listing agent direct to set up a viewing of the home. They will be happy to show you the home but one thing you must know is that he/she will be representing the interest of the property owner. All Realtors are of course bound by law to

disclose to you any material facts about the home. It is very important to ask for a Disclosure that has been filled out by the homeowner of the property which will reveal any imperfections and general condition of the home. Read through this document carefully and ask questions about the condition of the home, if things are not clear to you. Be aware that you will not be represented by anyone at this time. I do not want to discourage you from buying direct from the listing agent, however. Many of us sell our own listings very successfully when we are honest and fair in our dealings with the customer. But, if you feel uneasy about whether you are receiving accurate information, a better and easier way, might be to hire your own agent. Your agent will set up the showing for you and go with you to the home. At that time, with their expert experience, they can guide you with what they see and let you know if this is a good buy regarding price and condition. Your Buyer's agent will be working for only you and representing your interests should you decide to buy this home.

4. **Make an Offer-** This is a very serious step in your home buying process and you want to do

it right the first time. Unless you are a seasoned buyer (meaning you have purchased several homes) you will not know how to make an offer but I will give you a few insights into this process to get you started.

A. You will need a legal real estate purchase contract.

B. You will need to know how to fill out the contract with regards to price and terms offered.

C. You will need to contact a local title company

to process the title work to make sure there are no liens or encumbrances on

the

property.

D. You will need to submit all the executed contract paperwork to your lender and title company.

E. You will need to hire an inspector to do a whole house inspection including radon and termite.

F. You must follow the terms and time frames of

the contract to the letter to keep you legally safe and your money protected. Remember that all these tasks

above will be performed with accuracy and care,
if you have your own agent.

5. Inspections- The inspection of the home is another critical piece of the success of buying a good home. Hire a very reputable and experienced inspector. Use someone who has been in the business at least 5 years and has good reviews. I think it is always a good idea to get referrals. Inspectors can kill deals if they are not skilled at knowing the difference between safety and structural issues and common maintenance issues when formulating their reports, thereby being overly cautious and actually unnecessarily scaring the buyer. Every home that has been lived in will have some wear and tear. This is very normal for a resale home. The inspector should be looking for items of safety and major maintenance repairs. Some examples are; electrical service like knob and tube; plumbing leaks, condition and age of furnace, air conditioner and hot water tank; condition and age of roof and windows; severe cracks in foundation; and condition of exterior of home; ie peeling paint and dry rot. It is your job to notice the condition of interior flooring, interior walls and need for

updating, which should be reflected in your initial offer. An item that has already been disclosed prior to writing your offer should not be an item of repair requested when you are negotiating inspections. The inspector may reveal hidden deficiencies that you can then negotiate on during the inspection period. It can be tricky to negotiate as sometimes emotions begin to rise when sellers become defensive over extensive repair requests, or buyers get nervous about too many repairs. But a very competent Buyer's agent will again guide you through this process to make sure that agreed upon repairs have been made and your home is ready for you to move into when you close.

6. Walk-through Before Closing- It is a good idea to make arrangements to do a quick walk-through of the home prior to signing to close. If you had repair items that were negotiated, this is the time to check to make sure they are completed. Your agents can make arrangements to get you back into the home for the walk-through.

7. Closing and Transfer of Ownership- The title company will be diligently working to make

sure the property is free of any unusual liens and by the time your close date is set (usually 30 to 45 days from acceptance of the contract) that piece should be ready to go. If there are problems, they will need to be cleaned up and resolved prior to closing. Your agent will be aware of these and work to make sure you have the all clear. At the same time the lender will have been hard at work as well processing your loan and you should be in constant contact with your lender making sure they have all the necessary documentation needed to make everything happen on the closing date. The day of closing you will need 2 important things, a drivers license or form of legal ID and the certified check for the amount the lender gave you to bring to close for the purchase of your new home. Once you have signed the paperwork, the loan is funded and possession is yours, you can get the keys and MOVE IN!!

CHAPTER 2
BUYING NEW
CONSTRUCTION

The process for buying new construction is quite different from buying resale. Yes you will have to get pre-approved first but you may have options for a cost plus loan with your builder. Only a few banks offer this program but you will want to check it out with the aid of your agent. So let's go step by step now with how to start this process once you have financing in order.

1. **Select a Builder-** Important!! The first step to building a home is to find your Builder. This will be challenging if you have already designed a dream home, meaning you hired an architect to draw up a plan or even purchased a plan from a house plan company. I suggest you wait to do that until you have selected your builder and here is why. Many custom builders have staff architects that they work with closely that will help you design and customize your home. This can save you a ton of time and money. You may have had a plan drawn that requires a specialized builder to build it and they do not

build in your area. You won't have any idea of the cost to build until you have spoken to your selected builder and this can cost you dearly if the plan drawn is beyond your budget. So find the builder FIRST. A good way to accomplish that is to tour your local Home Builders Association's Spring and Fall Parade. These model homes are available to view for 2 weeks and are open during the days and weekends. Builders will be showing off their very best models and you can view homes in all price ranges and floor plans. This is a great way to see the quality of a particular Builder's work and the agents on duty are very willing to help you meet with the Builder to discuss plans to build your dream home. Most builders have a website as well where you can view different floor plans. Don't always count on pricing to be accurate on these websites as costs are rising quickly. One last thing to remember is, there is a difference between a spec builder and a custom builder. Spec builders build the same plan over and over again. They do not deviate much from their plans and this keeps cost down for them which they can pass on to the consumer. If you love that plan do not be disappointed if they cannot do a lot of customization to the plan for you. They build

more in volume and may not be able to service the customer that wants to build a home that is totally customized for their wants and needs. A Custom builder on the other hand will be able to help you design a plan that is uniquely you. They will sit down with you and make changes easily as they work with architects that can have a plan redrawn and customized as you want or start a plan from scratch. Be prepared that custom costs more, most of the time.

2. **Select a Location-** Another important first step is the lot or property you may want to live on. You may want to stay in a particular city and new homes subdivisions are a great place to start looking. You should be able to find homes in many price points around your area, another good reason to visit the bi-yearly Home Parade. You may also contact your agent to help you search for a lot or acreage piece. This is another reason why having a Builder selected is wise. They can look at the ground and tell you whether it is a walkout, daylight or flat lot and give you an idea of what costs you may run into depending on the floor plan you have selected and whether that plan will work on that lot.

3. **Select a Floor Plan.** Once these 2 important steps are accomplished, you are ready to sit down with your builder and select a floor plan, or build one of his existing plans that you saw as a model. Remember the difference between a Spec and a Custom builder and make sure the builder you selected can help you accomplish what you are desiring as a finished product. It may take a few meetings to get to the exact floor plan and finishes you want and the price settled. The builder will further instruct you about selections at the final meeting before breaking ground. More on this in paragraph 6.

4. **Writing the Contract-** It is a good idea to have a competent agent who is experienced in new construction to guide you through this process. Many Builders have their own contracts and they are intricate and detailed. You will want to know and understand how they are written. A Realtor board contract is more familiar to the agent but a good agent will be able to decipher both for you.

Once you have settled on price, the builder
will
need a non-refundable deposit to get started.
Some charge 5% and some charge more but

make sure you ask what they need as a downpayment to start. You will need that cash upfront. It does however apply to your total down payment when you go to close. So if you are putting 20% down for instance and the builder requires 5%, you will owe 15% on the day of closing as well as your other closing costs to set up your escrow account and the cost of procuring the loan. You will know these costs long before closing day so you can be prepared.

5. **Begin the Build Job-** The builder will let you know when he will be starting the building of your home once the contract is signed. He will go into full gear lining up the subcontractors that will actually be building your home. Many builders are using tracking software like “BuilderTrend” to allow the customer to see when each part of the building process is happening. Don’t be upset if things are running behind. Your Builder or his Superintendent will keep you abreast of any issues. The builder is depending on over 200 different trades and suppliers to build your home and so the building project is subject to availability. But don’t worry, a competent builder knows how to

handle this and will keep you informed if scheduling becomes an issue.

- 6. Selections-** At the final meeting before starting the build, your builder will have you begin to make selections for your new home. Windows will need to be selected as well as the heating and cooling system, exterior materials such as stucco or a wood product, or smart siding for example and roofing material such as tile, wood, composition or metal. All other selections such as flooring, countertops, plumbing fixtures, kitchen appliances and all cabinets, interior trim, and paint colors will be scheduled separately with the suppliers. Every builder is different and some will have an on staff designer that will help you make those selections. You may find yourself a bit overwhelmed with the selection process because there are so many options to choose from and you want your home to be perfect. If the builder does not provide a designer to help, you can enlist the help of a stager or interior designer. Be prepared that this person will be an extra cost but it may save you from making costly mistakes that will create a disappointment later.

7. **Overages and Extras-** Your builder and agent will prepare you that you may have cost overruns due to you making changes from the original plan by selecting materials that cost more than your allowances. The builder will price your new home based on the selections you make during the planning phase. He will explain that if changes are made that is fine but they may cost extra. Try to make major changes to your plan prior to starting the build job. Tearing out walls and changing rooflines can be terribly expensive. Interior selections can be cost overruns as well, if for instance, you switch from say formica countertops to granite or concrete countertops or you decide to change from an electric stove to gas. This is all part of the process because you want this to be your dream castle but just be aware that changes that upgrade will cost you more. Also be prepared that you will most likely need to pay for these overages out of pocket to the builder at the time of the change. Some builders will allow these costs to be added to the loan but that is a discussion to have with your builder, agent and the bank prior to starting the build job.

8. **Walkthrough and Punch List-** About a week before the completion of your home, the builder will schedule a walk-through. At that time, your builder will teach you about all the components of your home such as the heating and cooling and plumbing, how to operate the fireplace, and the windows. He will inform you of the warranty and what it covers. Some builders offer a 1 year warranty and some offer a 10 year warranty but you will be advised of what their particular program entails. Pay close attention to this program so that if there are problems or issues in the coming year you will know what to do and who to call. The Punch list refers to any unfinished items that still need to be done before closing day. Those might include paint touch ups, window screens being installed, cabinet door adjustments, light bulbs broken or missing, or final clean. It should just be small detail, last minute items.

9. **Closing Day and Move In-** OK you made it to closing day. Your beautiful new home is completed and ready to move in. Just like any home purchase, you will arrive at the title company to sign documents and bring the remaining money for downpayment and closing costs. Your lender or the title company will

provide you with that exact amount. Prior to closing your agent will have made arrangements to get keys to your new home. It is very important for you to know that many builders WILL NOT allow you to move in until they have received confirmation that the funds have transferred to their title company or sometimes even their bank. Make sure that your agent has informed you of this very important detail so that you are prepared for move in as well. I wanted to include in this section that with new construction the equity that generally builds with owning property will most often take longer to happen. You are paying today's prices for a home which equates into top dollar. Compare it to buying a car off the showroom floor. It will not be worth what you paid for it if you turn around and try to sell it quickly by the time you have to pay realtor fees and closing costs. This is not to deter you from buying new. You just need to recognize that you will need to hold onto the home for more like 7-10 years. Of course, this will vary from market to market and city to city.

CHAPTER 3

BUYING INVESTMENT PROPERTIES

If you are thinking of investing in real estate you will want to be in the know for buying the right properties at the right time. There are many different forms of investments and they will include commercial, multifamily and single family. Deciding what type of investor you want to be will most likely depend on your financial picture. Will you be buying with cash,

procuring an investment loan or have capital investors as backers? In this booklet we will focus on the first time and local investors who may be wanting to flip homes or buy and hold properties for rental income. Capital investment is big business and these investors typically buy in bulk as they are backed by hedge funds or venture capitalists. My goal here is to teach the small investor who is looking to grow a portfolio of rentals or buy and sell homes on how to profit in real estate investment. So let's get started!

1. **Buying Rental Property-** I personally own rental property. I believe in what I sell to others and I think investing in rentals is an awesome way to build retirement and passive income. I think you should get started buying real estate as soon as you can afford to do so. BUT, you need to have an excellent Realtor help you make the right choices on where and when to buy. This professional needs to be able to translate the market in the area you are looking in. That means he/she will understand if it is an appreciating market or declining market in the area you may be considering and what may be trending there that could change values. So for instance you may find a cheap 4 bedroom 2 bath ranch for \$50,000 which is way below the average price range for that style home. You

see dollar signs because the price is affordable for you and 4 bedrooms are renting for \$1200 a month based on your research done over the internet. Your agent begins researching the area you selected using MLS and finds that the reason this home is so cheap is because crime is on the rise, there have been some foreclosures in the area and the school ratings are below average, people are leaving the area and actually there are 10 other homes for sale in that neighborhood that have been on the market for over 120 days. So let's take a step back for a second and think about if you were a renter. Where would you want to live and what would you be willing to pay to rent? Someone who wants a 4 bedroom will most likely either have a family or roommates to share the cost of living. If you are asking for a premium rent, you can only get it in a premium area for a premium home. It is really no different than buying a home for yourself. A good qualified renter will want a nice home that is in good condition, decent carpet, fresh paint, good appliances and good working components in a safe area of the city. If your prospective home is in a declining area and residents are high-tailing it out of there, even though it looks like the bargain of the century and you put

another \$10k in it to make it look outstanding, it is still like putting lipstick on a pig. It will probably never be worth \$60k and now you are upside down. Instead look for homes in appreciating areas of the city that may have been on the market for awhile. They could be overpriced or need a lot of work. If that is the case, make an offer conducive to the amount of work that needs to be done. Your fabulous agent should be able to negotiate a good deal for you based on the reality of what that home is worth fixed up and the cost to do the fix up. Here is what I mean: The home is listed at \$125,000. Homes in the neighborhood are selling for around \$120 to \$130k and this home is in a good area where residents take pride in their properties. This home needs a new furnace, roof and exterior paint but has good space as a 3 bedroom 2 bath, Split Entry. Since it is in a price range that attracts first time buyers it would probably already be sold but for the fact it needs so much work that an FHA/VA buyer has too many lending restrictions to procure the loan or the buyer just cannot afford the extra money to do the fix up. The seller does not have the money to do the fix as well....perfect scenario if the seller has equity in the home. Figuring the cost will be

around \$15,000 if you do most of the work yourself, you could offer \$110,000 for the home. Since fixed it would be worth about that amount or maybe a little more with a new paint job and furnace compared to the other homes in the area. If rents for a 3 bedroom 2 bath, 2 car garage split entry are going for about \$1200 a month, you know you will easily be able to rent this home and keep it rented for as long as you own it. The thing to remember with buying rentals is that this is not quick cash but a build of equity over time. You will need to maintain the home as well to get and keep good renters. So investing in real estate is really spending money to make money. You just must be careful not to overspend to do the fix up and be financially able to hold onto it to realize the gains you will get over time.

- 2. Financing Your Rental Property-** Optimally, buying with cash can give you a big advantage as you will not be paying interest to a lender and that will save you tons of money over the years. But if you are a first time investor, you may not have enough cash so financing with a bank will be your only option. It is perfectly ok to do this but you will need to still have cash reserves to put 20% down which is what most

lenders are charging for an investment loan non-owner occupied. On that \$110,000 property you are looking at about \$22,000 down not counting your closing costs which will be about 1% of the sales price. In this scenario, using a 5% interest, your payment is still under \$850 which gives you cash flow of \$350 per month. Not bad! You will want to keep cash on hand to make any repairs or remodels to prepare the home to rent. It is a good idea to have these numbers prepared when you make your offer so you can quickly know what to offer based on the repairs needed. Remember this is a longer term investment and not a flip (quick resale) of the home unless property values are skyrocketing and that is a possibility. Here is a trick I learned on how to buy multi-family using your VA or FHA loan with small or no money down. Years ago my son and I were buying property rentals but we had very little cash. Since we only had to put down 3% for an FHA loan (takes 3.5% now) we purchased a duplex as an owner occupied because my son lived in one side. We were both on the note and the rent from one side paid the entire mortgage. You can only have one FHA loan at a time so the lowest down payment was not an option on any other

properties. But we continued to save and buy more multifamily owner occupied which allowed us to go into the property with the minimum downpayment (5%) because my son would move in and live for a year and then we would buy another one and he would move into that one. That satisfied the owner occupied requirement of the loan and kept our outlay of cash low. If you are willing to move around a bit, this is a great opportunity to grow a portfolio of rental properties.

3. **Tax Advantage of Rentals-** I am not a legal beagle but consult with your CPA about the tax advantages to owning rentals through expensing out repairs and depreciation. Also set up an LLC (Limited Liability Company) to protect your asset and enjoy the best tax advantages.

4. **Flipping Homes-Buy and Sell For Profit-** During the recession of 2008 many investors jumped in to make a killing on buying and selling homes....well some of them made a killing and some of them got killed. The news media would have you believe that no home anywhere was being sold, but that was not the case. It is conclusive that it was a nasty

recession that caused many people to change their lifestyles because of bad decisions they made in owning a home or the loss of a job, but even with this terrible economy, people were still buying and selling homes for all kind of reasons... marriage, divorce, relocation, downsizing, upsizing, etc. The well financed investors who were buying and selling these properties, worked with great agents, who knew the areas of their perspective cities in which growth was consistent prior to the recession and were able to pick up homes at bargain prices. Since these had been high growth areas in the past Realtors and investors felt certain these markets would make a comeback at some time. The smart investor with money to invest received profit, taking into consideration what area they purchased, what they paid for the property and how much they spent to make the property attractive to a new buyer for resale. This was/is called flipping houses. The motto of Investors is “buy low and sell high”. If the investor made the decision to hang onto these properties for instance as rentals and sold in the last 3 years, they probably made a nice little profit due to the resurgence of demand for homes. In contrast, the **not** so smart investor who just bought

homes in any area just because they were cheap, spent too much on the fix up and then were not even able to rent these properties, lost a lot of money. Unfortunately some of those investors buying foreclosures got foreclosed on. This was all due to lack of thorough research before purchasing and hysteria over low prices rather than good sense. Ok so fast forward to today.... We have the opposite happening which is low inventory (not enough homes on the market) and a high volume of buyers who want to purchase. Property values are soaring and buyers are fighting over what little there is to buy. These market conditions are typically conducive to flipping homes. I did not say impossible but much more difficult and tricky to make a lot of money. So I give you this history lesson and a jump to the current market just to show you that flipping homes is a large investment of time, money and resources that becomes critical to the success of selling the property and making a profit. Now you may be wondering at this point... .how do I find these properties today? First, please note that if you are trying to buy in the traditional manner, what I call retail, which is buying homes like everyone else, through MLS and paying

market value, like everyone else, you will not get the advantage to buy low and sell high, most of the time. There are exceptions to the rule, (foreclosed properties listed on MLS) but most smart investors that want to flip today find other ways to buy properties. So, I can suggest buying properties off the courthouse steps once a home has foreclosed (more to follow) or sending out postcards/letters to areas of rising and stabilized property values where residents might be incited by an attractive offer. An example would be that you would offer to pay market value for their home with no commissions or accept the property in an “as is” condition. It goes without saying that you would be honest with people about the market value of their home. These can be opportunities to help the elderly or any residents who need to sell because of unaffordable repairs or folks just wanting to move and not wanting to hassle with listing with an agent. If you can offer cash, that is a real incentive to help them make a quick decision. It is critical to do a lot of research on the area to make sure you are getting a good buy and a way to make a good profit at the end. Employ your trusted Realtor to pull market data from MLS and the other sources

Realtors have at their disposal to show if this home is a good buy. I use at the very least 10% as my gauge for profit. This means that if I buy a home for \$100,000, it will need to sell for enough money to cover the cost of repairs, holding costs (a loan payment, utilities, etc.), Realtor fees and my 10% profit fee. Your profit fee can be whatever is realistic for the home and area and but just know your numbers before you buy. You **don't** want to lose money!!

CHAPTER 4
BUYING
FORECLOSED
HOMES

Many buyers want to know the secret to getting bargains and buying foreclosed properties. Well there is no secret, but I will give you some insight and tips. First of all, don't fall for the websites that want you to buy their list of foreclosures. These are typically websites that take your money and do not provide you with accurate information. Banking institutions and/or loan servicing companies hold the mortgages on real estate property and as you probably know, when people don't pay, they don't get to stay. Here is what I mean: Once an owner becomes 30 days late on his mortgage payment, his information becomes public. If the owner cannot catch up or make the payment a foreclosure is scheduled, usually after 60-90 days. This information will be listed in some newspaper publications and attorney websites. The foreclosure websites that ask you to pay for information get that information from these sources and sell it to you. The reason this information is not accurate is that in many cases the owner can catch up with his mortgage and these properties are then taken out of foreclosure. So you can never purchase these pre-foreclosures as they are called, in this way. When a property does

foreclose, however, as due process, it is sold on the courthouse steps and most of the time, a representative of the bank who held the mortgage is already there purchasing the property back to be resold to the public. This is serious business for the bank because they can collect on the mortgage insurance and sell at a fair market value most of the time. This helps them recoup their losses. The bank then hires asset managers to manage these foreclosures which in turn hire Realtors to sell those properties, just like anyone who wants to list a home hires a Realtor. Now you could build relationships with local banks, letting them know you have cash, if it is possible for them to sell to you without offering it to the public first. Same thing with attorneys who may have clients disposing of estate properties that need a quick sale. As you can see it will take a lot more effort and research to buy a foreclosed home outside the typical channels. Auction websites like Hubzu or Hudhomestore, for instance, have become very popular for the banks to advertise and sell their foreclosed inventory but you will still need to contact a Realtor to make an offer on a property on those sites as well. The good news is foreclosed homes do go onto MLS where your agent can see it is for sale and you can receive this information if you are hooked up with an agent and receiving daily notifications of new homes on the market. So you see there is no real

secret place to find foreclosures on your own. Your real estate agent is still your best source to find **all** properties that meet your criteria and enable you to view these homes.

To conclude, I hope this little book gives you some insight on how to start your homebuying process. If you have questions, please reach out to us at www.CyndaSells.com.

We have a competent team of Realtors ready to serve you, answer questions and find you the perfect home! Thank you again for taking time to read!!!