



## **Your Home Buying Guide**

**Congratulations! The decision to buy your own home in Colorado is an exciting one. The experience should be enjoyable as well as get you the perfect home with the least amount of hassle.**

**I am devoted to using my expertise to make your transaction successful!**

**Purchasing a home is a very important decision. I would like to help you with honest, accurate information so you can make well-informed decisions regarding the purchase of your home. This booklet will give you an idea of what to expect during each phase of your transaction. It also contains reference pages, note pages, deadline information, etc., and is useful as a reference guide even after the transaction is closed.**

**Please keep this booklet during all house hunting related activities: meetings, house hunting trips, etc. Use it to take notes and to keep track of deadlines. You can even staple cards to relevant pages to keep related materials together. Making this transaction as easy as possible for you is my job. I am happy to serve all your real estate needs!**



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# Why Do You Need a Realtor In Colorado?

**A Realtor brings a wealth of knowledge and experience to the business of buying a home. In fact, a licensed real estate professional provides much more than the service of helping you find the home of your dreams. Realtors are not just sales agents. They are expert negotiators, seasoned financial advisors, and superb navigators around the local neighborhood. They are members of the National Association of Realtors (NAR), Colorado Association of Realtors (CAR), and Pikes Peak Association of Realtors, and must abide by a Code of Ethics and Standards of Practice enforced by the NAR. A professional Realtor is your best resource when considering buying a home.**

## **Let Me Be Your Guide —**

- Working with me can save you endless amounts of time, money and frustration.
- I know the housing market inside and out and can help you avoid many a “wild goose chase.”
- I can help you with *any* house even if it is listed elsewhere, or is being sold by the owner directly.
- I know the best lenders in the area; can help you get pre-qualified for a mortgage; and discuss down payments, closing costs, and monthly payment options.
- I am an excellent source for general information about the community, specific information about schools, churches, shopping, transportation, plus tips on house inspection and pricing.
- I am experienced at presenting your offer to the homeowner and can help you through the process of negotiating the best deal. I bring objectivity to the buying transaction, and can point out advantages and disadvantages of a particular property.

**And the BEST thing is that all this help won't cost you a cent. Generally, the seller pays the commission to Realtors. However, that doesn't affect my dedication or the spirit of teamwork that I will put into helping you find and buy the home of your dreams. After all, my success depends on your success.**

# **Step by Step... The Buying Process**

**Find a  
Realtor you  
can trust...**

## **The First Step...**

In the home buying process is to find an experienced Realtor that you can trust and sign a Buyer's Agent Agreement. This guarantees, by the laws of the state, that your needs are met professionally and represented throughout the entire process of buying your home.

**Looking for a  
home...**

## **The Next Step...**

Is to look at various homes. I am available at anytime to help you find your dream HOME.

**Your  
Offer**

## **Be Careful – This is a BIG Step...**

When you find your dream home, you should present a competitive offer immediately. I have extensive experience in contract negotiations. I will ensure you get just what you want for a fair price – a transaction in your best interest.

**The  
Contract**

## **We're Starting to Jog Now ...**

When the seller accepts your offer, you "go under contract." You want to make sure every detail is handled accurately and immediately. I will ensure your home closes properly and on time.

**Inspections**

## **You're on the "HOME" Stretch!**

Final details are handled and inspections are performed to ensure the property is "perfect" for you. Contract details are further negotiated, and we head to closing!

**Now  
it is  
YOURS!**

## **The Next Step Will Be Into Your New Home...**

Be prepared to bring your checkbook to the closing procedure – the next steps you will take will be over the threshold of your new home!

# **Glossary of Real Estate Brokerage Relationships**

## **IN COLORADO,**

Real Estate brokers and their salespersons are required to disclose the type of working relationship they have with the buyers in a real estate transaction. There are several types of relationships that are available to you. You should understand these at the time a broker provides specific assistance to you in buying real estate. Buyer's Agent and Seller's Agent relationships are commonly referred to as "agency" relationships and carry with them legal duties and responsibilities for the broker as well as for the buyer and seller.

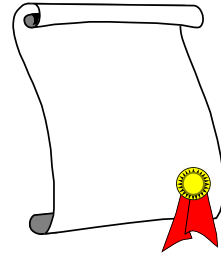
## **BUYER'S AGENT**

A Buyer's Agent acts solely on behalf of the buyer and owes duties to the buyer which include the utmost good faith, loyalty, and fidelity. The agent will negotiate on behalf of, and act as an advocate for; the buyer. The buyer is legally responsible for the actions of the agent when that agent is acting within the scope of the agency. The agent must disclose to sellers all adverse material facts concerning the buyer's financial ability to perform the terms of the transaction and whether the buyer intends to occupy the property. A separate written buyer's agreement is required which sets forth the duties and obligations of the parties.

## **SELLER'S AGENT**

A Seller's Agent acts solely on behalf of the seller and owes duties to the seller which include the utmost good faith, loyalty, and fidelity. The agent will negotiate on behalf of, and act as an advocate for; the seller. The seller is legally responsible for the actions of the agent when that agent is acting within the scope of the agency. The agent must disclose to buyers or tenants all adverse material facts about the property known by the broker. A separate written listing agreement is required which sets forth the duties and obligations of the parties.

# The Advantages of a Buyer's Agency Agreement



## **YOUR INTERESTS ARE PROFESSIONALLY REPRESENTED —**

Enlisting the services of a professional Buyer's Agent is similar to using an accountant to help you with your taxes, a doctor to help you with your health care, or a mechanic to help you with your car. So the first advantage is pretty obvious. If you had the time to devote to learning all you need to know about accounting, medicine, and automotive mechanics, you could do these services yourself. But who has the time? You probably already have a full-time career to which you are committed. This is why you allow other professionals to help you in specific areas of expertise.

I have devoted my time to perfecting a career in real estate service. Continuous education, market research, and vast experience are combined with an excellent team of real estate professionals to find you the perfect home quickly. I will take care of all the hassles of every day real estate transactions for you. I will let you concentrate on your full-time job, while we do ours. I will guide you through the home buying process and exclusively represent your interests as we help you find a home, present your contract offer, negotiate, and close!

## **YOU WILL GET A GREAT HOME QUICKLY AND CONVENIENTLY —**

The advantage to signing a Buyer's Agency Agreement with me is that you will have a professional working to find and secure the perfect home for you exactly when you need it. It is nearly impossible to find a home that meets your needs, get a contract negotiated, and close the transaction without an experienced agent. I have vast computer networks to make sure you only tour homes that meet your specific needs. You won't need to spend endless evenings and weekends driving around looking for homes for sale or trying to search computer networks yourself. When you tour homes with your professional Buyer's Agent, you will already know that the homes meet your criteria for bedrooms, bathrooms, garage space, square footage, neighborhood, etc. Also, your Agent will ensure you are looking at homes that are in your price range.

## **YOU GET A PERSONAL SPECIALIST WHO KNOWS YOUR NEEDS —**

Just as your accountant, doctor, and mechanic get to know your needs through a steady relationship, your Buyer's Agent gets to know your real estate needs and concerns. This type of relationship is built by open communication at all times and by touring homes with me gets a good idea of your feedback and concerns about each home. If you try to jump from agent to agent, you will not receive the best real estate services possible, and you will be violating your agreement to your agent. There is nothing to gain from trying to find and tour homes on your own, and you will save a lot of time when your agent can tell you everything about any home before you see it.

## **WHAT IS THE BUYER'S AGENCY AGREEMENT —**

Entering into a Buyer's Agency Agreement has countless advantages and no disadvantages. When you sign the agreement, you are simply agreeing to "hire" a personal representative who, by law, must represent your best interests to the best of gender(his/her) ability. All of This personal service is available at absolutely NO COST TO YOU! The Seller's Agent is responsible for paying your Buyer's Agent fee. With Agent Full Name, you get a professional devoted to protecting your needs to help you make one of the most important investment decisions of your life — and you don't even have to pay the fee!

# How Much Home Can You Afford?



When you are ready to begin looking at various houses to find your dream home, you need to prepare all of the necessary materials to present to the lender. Your lender will tell you exactly what you can afford so that you do not spend time looking at “too much” home. There are three key factors that you will need to consider when determining how much home you can afford. These are 1.) the down payment, 2.) your ability to qualify for a mortgage, and 3.) the closing costs associated with your transaction.

## **Down Payment Requirements:**

Most loans today require a down payment of between 3.5% and 5.0% depending on the type and terms of the loan. If you are able to come up with 20-25% down payment, you may be eligible to take advantage of special fast-track programs and possibly eliminate mortgage insurance.

It is often thought that bigger is better when it comes to down payments. In many cases, This may be true. However, the arithmetic will differ from case to case. A bigger down payment means smaller monthly payments and lower interest expense for as long as you remain with a mortgage. This can be an important factor for many people. But if you can put your available funds to work for you so that they can earn more than the interest rate on your loan, you could be dollars ahead with a smaller down payment. Also, a smaller down payment may allow you to keep you extra cash liquid and available for an emergency.

## **Closing Costs:**

Don't forget to think ahead carefully. In addition to the down payment on your dream home, you will be required to pay fees for loan processing and other closing costs. These fees must be paid in full in cash at the time of the final settlement, unless you are able to include these in your financing. Typically, total closing costs will range between 2-5% of your mortgage loan. A more detailed schedule is included herein in the section detailing your closing.

## **Qualifying for the Mortgage:**

Most lenders require that your monthly payment range between 25-28% of your gross monthly income. Your mortgage payment to the lender includes four items....the PITI. These items are discussed in detail on the page entitled, “Predicting Your Monthly Payment (The PITI).” Remember, when you buy a home all interest is tax deductible, so you will qualify for a major tax advantage that will effectively increase your take-home pay. Your total monthly PITI and all debts (from installments to revolving charge accounts) should range between 33-38% of your gross monthly income. This is a general rule of thumb, but other key factors specifically determine your ability for a home loan. These factors are:

**INCOME:** History of employment, stability of income, potential for future earning, education, vocational training and background, and any secondary income such as bonuses, commissions, child support, etc.

**CREDIT REPORT:** History of debt repayment, total outstanding debt and total available credit. If you have concerns about your credit report, consider contacting one of the major credit bureaus for a copy of your file: TRW (1-800-422-4879), Trans Union (1-602-933-1200), and CSC Credit (1-800-759-5979).

**ASSETS:** Cash on hand, other liquid assets such as savings, checking, CDs, stocks, etc.

**PROPERTY:** The home you are buying must be appraised to determine that it has adequate value and is marketable to ensure it will secure the loan.

# Predicting Your Monthly Payment (The PITI)

Your monthly payment (PITI) is the sum of four items – the principle on the loan (P), the interest on the loan (I), property taxes (T), and homeowner’s insurance (I). To predict your monthly payment for a 30-year fixed rate loan, use the following table to determine the principal and interest part of the payment. Simply divide the loan amount by 1,000 and then multiply that figure by the appropriate interest rate factor from the table below. To that sum add 1/12<sup>th</sup> of the amount of your yearly taxes and 1/12<sup>th</sup> the amount of your yearly insurance.

PRINCIPAL AND INTEREST PAYMENT TABLE	
If your interest is:	Your PI Factor is:
6.00%	6.00%
6.50%	6.32%
7.00%	6.65%
7.50%	6.99%
8.00%	7.34%
8.50%	7.69%
9.00%	8.05%
9.50%	8.41%
10.00%	8.78%
10.50%	9.15%
11.00%	9.52%
11.50%	9.90%
12.00%	10.29%
12.50%	10.67%
13.00%	11.06%

Hazard Insurance covering your home for its contract value is required by your mortgage lender. You are at liberty to choose any insurance company and agent you wish. Ask your agent to quote you a policy for insurance coverage.

All property owners must pay general real estate taxes. These taxes are also called “ad valorem” taxes because the amount of the taxes varies, according to the value of your property. General real estate is levied for the operations of various governmental agencies and municipalities. Other taxing bodies may include school districts, drainage, water, sanitary, and recreation districts.

Each agency or municipality determines how much money is needed for the budget. They receive these funds through mills levied against properties in their counties. The state limits how much the mill levy can increase each year without voter approval. Each mill is equal to one-thousandth of one dollar (\$.001) of assessed value or \$1 for every \$1,000 of assessed value.

The actual tax is calculated by multiplying the assessed value by the current mill levy. General taxes are a lien against your home as of January 1<sup>st</sup>, the year of the tax, even though they are not due until the following year.

Properties are valued or assessed by the county assessor. The land and buildings are usually assessed separately. The assessed value is approximately 12-15% of the true value (percentage value is determined by state law). If an owner feels the assessed value of their property is incorrect, they can present their objection through the local taxing authority on an annual basis.

# Don't Get Swept Away When Shopping

When touring homes you will find that there are many beautiful homes on the market. There are two things you must do before looking at homes.

1. Find out from your lender how much you qualify to spend on the home. It is very easy to become excited about features found in homes out of your price range. Before you get your heart set on that big, tree-shaded colonial on the hill, you need to pin down your financial details. Only then will you know if you can afford the Broadmoor area, or if it makes more sense to aim for Briargate, or whatever.
2. Complete this list below. Please take a moment to decide what features are "Requirements" (location, basement, number of bedrooms, eating space, architectural style, garage, etc...) and which features are "Extras" (fireplace, walk-in closets, wet bar, pool, siding, vaulted ceilings, deck, landscaping, etc...) . There are many different features in homes that range from necessary to luxury. It is easy to get caught up in the excitement of a beautiful home loaded with amenities. It is important that you select a home that truly meets all or most of your requirements first and foremost!

As you tour homes, check back to this list to make sure the home meets your requirements. The extras should only come into play when you make your final decision between homes that meet all or most of your requirements.

<b>Requirements</b>	<b>Extras</b>

# Choosing the Right Neighborhood is as Important as Choosing the Right House!

There are many factors to consider when selecting a neighborhood that is right for you. Below are just a few of the many factors -- You may think of others that are important to you. Please write them on your Requirements List so they do not get forgotten.

Neighborhoods have characteristic personalities designed to best suit single people, growing families, two-career couples, or retirees. Investigate to determine that the neighborhood in which you choose to look for a home matches your lifestyle and personality.



## Scout out the Neighborhood!

It is important that you scout the neighborhood in person. You live in more than your house. Talk to people who live there. Drive through the entire area at different times of the day, morning, afternoon, evening, and late at night, as well as going during the week and on weekends. Look carefully at how well other homes in the area are being maintained; are they painted, are the yards well cared for; are parked cars in good condition, etc.

## Neighborhood Factors to Consider --

Look for things like access to major thoroughfares, highways, and shopping. Listen for noise created by commerce, roads, railways, public areas, schools, etc. Smell the air for adjacent commerce or agriculture. Check with local civic, police, fire, and school officials to find information about the area. Research things like soil and water. Look at traffic patterns around the area during different times of the day and drive from the area to work. Is the neighborhood near parks, churches, recreation centers, shopping, theaters, restaurants, public transportation, schools, etc.? Does the neighborhood belong to a Homeowner's Association?

## **Five Items I Negotiate**

- 1. Price**
- 2. Terms**
- 3. Inclusions**
- 4. Possession**
- 5. Contingencies**

**I'll work through all of these together!**

***That's My Commitment to You!***

# Use a Realtor to Purchase a New Home In Colorado

## Why should I use an Agent to purchase a new home?

The advantages of having Agent Full Name help you purchase a new home are the same as those for purchasing a resale home...knowledge of the market, help in finding the perfect home quickly, expertise in contract writing/negotiation, and closing assistance. The builder has a professional representative watching out for his needs, and you need the same expert representation.

Buying a new home is a little more difficult and time-consuming than buying a resale. Agent First Name can professionally guide you through this process. I have experience working with builders, has access to a database of information about subdivisions, floor plans, etc. I am also familiar with new home warranties and builders purchase contracts.

It is very important that your interests be professionally represented when you are entering into a contract for a semi-custom or build-to-suit home. These transactions are complex and the contract details must be exact in order to protect you and to ensure you get exactly the home you want!

## Is there any advantage to not using an Agent to purchase a new home?

**No.** There is no financial advantage for you to buy directly from the builder. Builders have a “single-price” policy, meaning you will be charged the same price whether your interests are represented by an Agent or not. Just as in any resale, the Seller pays your Agent’s fee.

**REMEMBER – the Builder requires that your Agent accompany you on your first visit to the Builder’s sales office, or they will NOT PAY your representative’s fee!**

# Loan Application Checklist



## General:

- Picture ID with social security number of borrower and co-borrowers.
- Payment to cover the application fee.
- Name and complete address of all landlords for the past two years.

## Income:

- Employment history for the past two years including names, addresses, phone numbers, and length of time with company.
- Copies of your most recent pay stubs and W-2 forms (past two years).
- Verification of other income (social security, child support, retirement).
- If self-employed, you need copies of the past two years signed tax returns including all schedules, and a signed profit and loss statement of the current year. Retirees need tax returns for the past two years.
- If you have rental property income, bring a copy of all lease agreements.

## Assets:

- Copies of all bank and credit union statements for the past three months.
- Copies of all stock/bond certificates and/or the past three statements from all investment and retirement accounts.
- Prepare a list of household items and their values.
- Copies of title documents for all automobiles, boats, motorcycles, etc.
- Face amount, monthly premiums and cash values of all life insurance policies. (Cash value may be used for closing costs or down payments. You need documentation from the carrier indicating cash value).

## Creditors:

- Credit cards (account numbers, current balances, and monthly payments).
- Installment loans (car, student, etc.). Same details as for credit cards.
- Mortgage loans (property address, lender with address, account numbers, monthly payment and balance owed on all properties presently owned or sold within the last two years). Bring proof of sale of properties sold.
- Child care expense/support (name, address, phone number).

## Other:

- Bankruptcy – bring discharge and schedule of creditors.
- Adverse credit – bring letters of explanation.
- Divorce – bring Divorce Decrees, property settlements, quit claim deeds, modifications, etc. for all divorces by yourself or your spouse.
- VA only – bring Form DD214 and Certificate of Eligibility.
- Retirees – bring retirement and/or Social Security Award Letter.

# Now we CLOSE your Transaction!

## What is a Real Estate “Closing?”

A “closing” is the meeting the Buyer, Seller, and their agents (optional), and representative from the lending institution and title company wherein the actual transfer of title to the property occurs. The purchase agreement or contract you have signed describes the property, states the purchase price and terms, sets forth the method of payment, and usually names the date and place where the closing or actual transfer of the property title and keys will occur. This meeting is also referred to as the settlement.

The title company transferring ownership of the property to you will prepare a new deed. Your lender will require you to sign a document, usually a promissory note, as evidence that you are personally responsible for repaying the loan. You will also sign a mortgage or deed of trust on the property as security to the lender for the loan. The mortgage or deed of trust gives the lender the right to sell the property if you fail to make the payments. Before you exchange these papers, the property may be surveyed, appraised, or inspected, and the ownership of title will be checked in county and court records.

## What Should I do to Prepare for the Closing?

As previously mentioned, you should have already conducted any inspections, etc. you wish to

This article originally appeared in the [Denver Post](#)

### “Should You Use a Realtor When Buying a New Home? YES!”

Think of planning a trip to Europe without the help of a travel agent...or how about buying insurance without an insurance agent? Then imagine being involved in a major league business dispute, and you're representing yourself in front of the judge and jury. If you depend on people in the service industry for travel needs, filing a claim for hail damage to your roof, or handling legal matters, then why would you want to represent yourself in the most expensive and probably most important purchase of your lifetime...your new home?

It is a common conception that buying a new home directly from the builder, without the assistance of a Realtor, will save you money. Not so! The price of a new home is the same whether you have a Realtor or not. Since This is the case, common sense would tell you to utilize a professional to help you with contract negotiations, researching loans, or helping you to decide which lot is best suited for you!

Phyliss Sinclair, a broker associate, has been on both sides of the fence. For 10 years she represented builders as an on-site salesperson. During the past three years she has represented both buyers and sellers in resale and the purchase of new homes. Sinclair sums up new homes sales as, “A one price policy...buyers receive all of the services and don't pay them any extra, but they also don't receive any discounts. I always felt concern for buyers who weren't associated with a Realtor, as they didn't have the support system they deserve in such a major lifetime transaction.”

In our current, fast-paced real estate market, there are many new home communities to choose from. You need to ask yourself some pertinent questions when looking for a new home. Is This a good builder? Does he have a solid reputation, years in business, etc.? How does the quality of his product compare to that of other builders? What are the existing inventories of the various builders? How do builder models meet your needs (floor plans, square footage, and location)? If I sell in a few years, what upgrades should I include to be competitive?

When you find the answers to these questions, ask yourself if the time spent in researching these answers was time well spent – put a dollar value on your time. Real estate professionals can be a valuable asset in collecting information in areas which may affect your decision on the purchase of a new home.

If builders rely on real estate professionals to sell their homes, then why wouldn't you, the buyer, take the same precautions in assuring yourself the best service and expertise in making This important decision?

have done on the property.

There are two kinds of title insurance. A lender or mortgagee's title insurance policy protects only the lending institution. Lenders require This type of insurance and require the borrower to pay for it. That does not mean that the borrower will receive its protection. An owner's policy is necessary to protect the owner against loss.

You will also be required to pay all fees and closing costs in the form of "guaranteed funds" such as a Cashier's Check. Your agent or escrow officer at closing will notify you of the exact amount.

### **What is an Escrow Account?**

An escrow account is a neutral depository for funds that will be used to pay expenses incurred by the property, such as taxes, assessments, property insurance, or mortgage insurance premiums which fall due in the future. You will pay one-twelfth of the annual amount of these bills each month with your regular mortgage payment. When the bills fall due, the lender pays them from the special account. At closing, it may be necessary to pay enough into the account to cover these amounts for several months so that funds will be available to pay the bills as they fall due. You may also be required to refund items prepaid by the Seller. For example, if the Seller has paid the special assessments or taxes for that year, you may be required to refund the value of the months remaining the year when you take possession of the property. An escrow fee is usually charged to set up the account.

# Let's Adhere to "The Plan" to Secure Your Home In Colorado Efficiently!

A successful real estate transaction hinges on numerous details involving deadlines that must be met so that you can move into your dream home as soon as possible.

<b>TO DO:</b>	<b>DATE COMPLETED:</b>
✓ Loan Application: (Application fee is due at This time).	_____
✓ Seller's Disclosure must be signed:	_____
✓ Set inspection date and time:	_____
✓ Written notice due – all items from the inspection that you wish to be repaired:	_____
✓ Negotiation of inspection repair items complete:	_____
✓ Title Commitment due:	_____
✓ Insurance: (You are required to arrange for insurance coverage and to inform your mortgage company of your agent's name and phone number).	_____
✓ Loan approval:	_____
✓ Closing Date:	_____

Please note: During the loan and home-buying process, you will be asked to supply documentation, respond to phone calls requesting information, schedule dates into your calendar, etc....

*Please respond quickly to these requests so that your transaction does not encounter problems.*

# CONTACT INFORMATION

The following is a roster of the members of your real estate team. Please keep This info with you throughout the home-buying process. It is also very helpful if you keep it for future reference.

## **Stars & Stripes Homes, Inc.**

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★ **Title Company:**

★ **Escrow Agent:**

★ **Phone:**

★ **Address:**

★ **Moving Company:**

★ **Contact:**

★ **Phone:**

Thanks For The Opportunity To Serve You!

*Shari Almand*