



HomeBuyer Education

February 17, 24 & March 3

Greenhound Building



Introduction



Course Will Include

- I. Introduction
- II. Budgeting and Credit
- III. Obtaining Mortgages
- IV. Housing Search Process
- V. Legal Issues
- VI. Home Inspections
- VII. Appraisals
- VIII. Insurance
- IX. Successful Homeownership

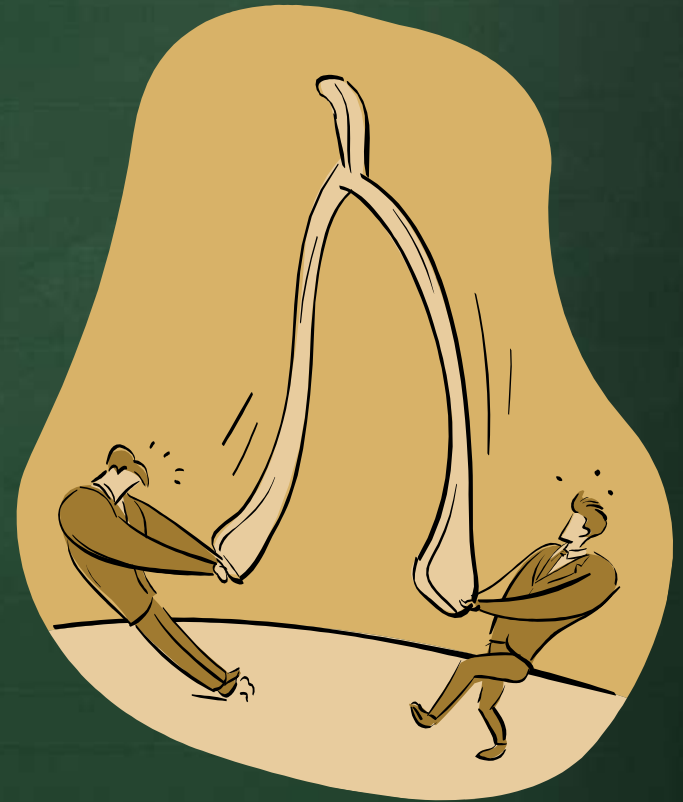
Introduction: Session II Speakers



- Real Estate Broker - Penny Dey
- Attorney - Jessie Glidden

Housing Search Process

- What Kind of House is Best for You?
 - What are your family's needs?
 - Develop a "must have" and a "wish" list
 - Prioritize that list



Housing Search Process

- Types of homes
 - Manufactured Home
 - Condominium
 - Single-family
 - Modular Home
 - Multi-family
- Location issues



Housing Search Process

- **How to Find a House**
 - Read real estate ads
 - Scout neighborhoods
 - Look for "For Sale" signs (*Not ACK)
 - Talk with friends
 - Foreclosures
 - Watch for affordable lotteries
 - Work with a real estate agent



Housing Search Process

- Types of Real Estate Professionals
 - Real estate broker
 - Real estate sales agent
 - Realtor®

 - Listing agent
 - Selling agent
 - Buyer's agent
 - Disclosed dual agent



Housing Search Process

- Before working with a real estate agent:
 - Know your housing priorities
 - Know what you can afford
 - Know what kind of real estate agent you want to work with



Housing Search Process

- Finding a real estate agent:
 - In your area
 - Access to MLS
 - Referral from a friend
 - Someone you like and trust



Housing Search Process

- Hints for working successfully with a real estate agent:
 - Ask lots of questions
 - Look at as many houses as you need to
 - Remember a seller's agent works for the seller
 - Use a house evaluation checklist
 - Visit several houses before making a decision
 - Don't make a decision without seeing a property at least three times



Housing Search Process

- **Fair Housing Laws**

- Discriminatory practices:

- Refusing to sell or rent to someone
- Setting different terms of conditions for a sale
- Advertising or making statements that indicate a preference or limitation for someone of a certain race, etc.

- Filing a complaint:

- Write everything down! Keep a timeline
- Contact a fair housing agency



Housing Search Process

- What You Need to Know About Lead Paint
 - Homes built before 1978 may contain lead paint hazards
 - Lead is dangerous to children under the age of 6
 - Lead is not hazardous if it is not flaking or peeling
 - Sellers must disclose known lead hazards



Housing Search Process

- House Hunting Tips

- Take a notebook and map
- Use a checklist
- Don't look at too many houses at a time
- Bring a camera
- Make a rough sketch of the floor plan
- Ask lots of questions
- Talk with neighbors



Housing Search Process

- Information you need before you make an offer:
 - Who owns the house?
 - What is the tax assessed value?
 - When was it purchased and for how much?
 - What is the condition and age?
 - What are the taxes and insurance?
 - What is included in the price?
 - What are similar properties selling for?
 - How long has it been on the market?
 - Is the owner eager or pressured to sell?
 - Does the house have everything (or almost everything) you are looking for?



Housing Search Process

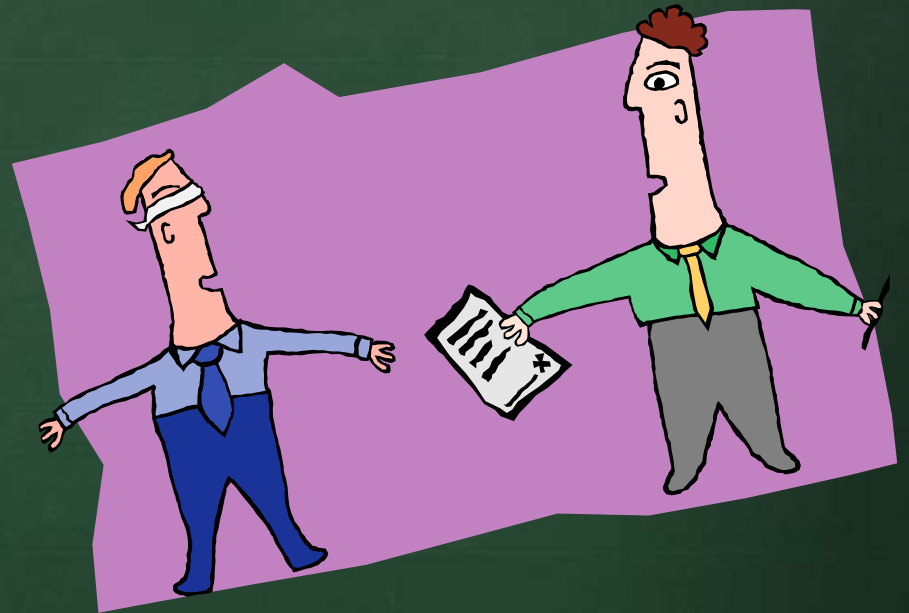
- Other things you should know before making an offer:
 - Know the highest price you will pay
 - Do not indicate to the real estate agent the highest price you are willing to pay
 - The agent must, by law, present every formal offer to the seller
 - Your first offer should generally not be the highest price you can afford



Housing Search Process

- Negotiations
- Offer to Purchase Document
 - A legally binding document
 - "Earnest" money

Have your attorney look at the offer before you submit it!



Legal

- Why You Need A Real Estate Attorney
 - Offer to Purchase
 - Purchase and Sale Agreement
 - "Due Diligence"
- The Lender's Attorney
 - Title exam, check liens, handle closing for lender



Legal

- **Tips for Finding an Attorney**
 - A specialist in real estate law
 - Referrals from friends or relatives
 - Referrals from counselling agency
 - Be specific about services
 - Ask about charges; fees are negotiable
 - Using the lender's attorney



Legal

- The Offer to Purchase - The Offer must include:
 - Address
 - Price you are offering
 - Timeline for acceptance
 - Timeline for signing Purchase and Sale
 - Contingencies (next slide)



Legal

- Contingencies ("but for"):
 - Home inspection
 - Pest inspection
 - Lead paint inspection
 - Financing
 - Appraisal
 - Title V inspection (if on septic)
 - Seller's contribution
 - Other



Legal

- Purchase & Sale Agreement - The final binding agreement between buyer and seller. P&S includes:
 - Legal description of property
 - Agreed upon sales price
 - Amount of earnest money and down payment
 - Items of personal property to be included
 - Period of time to get a mortgage commitment
 - Price confirmed by appraisal
 - Date, time and place of closing
 - Mortgage contingency clause



Legal

- The Closing - Documents to be signed:
 - HUD-1 Settlement Statement
 - Truth-in-Lending Statement
 - Note
 - Mortgage
 - Affidavits
 - Deed
 - Other



Legal

- **Before the Closing:**
 - Check that seller will be out of the house
 - Confirm moving date
 - Landlord notice
 - Notify utility companies
 - Confirm amount of money needed for closing
 - Get paid insurance binder
 - Collect all receipts
 - Property walk-through



Legal

- Title Insurance
 - In case liens are discovered
 - Owner's title insurance
- Homestead Declaration
 - Homeowners may protect \$300,000 of the equity in their principal residence against the claims of unsecured creditors



Home Inspection

- **How to Find a Good Home Inspector**
 - Referrals from friends
 - Call ASHI (1-800-743-ASHI)
 - Ask about training and experience
 - Ask for and check references
 - Look in the Yellow Pages
 - Don't ask seller's agent



Home Inspection

- What a Home Inspection Includes
 - An evaluation of the structural and mechanical condition of the property
 - Go with the home inspector
 - Verify access
 - Evaluate structure, mechanicals, septic, ventilation, insulation,, etc.



Home Inspection

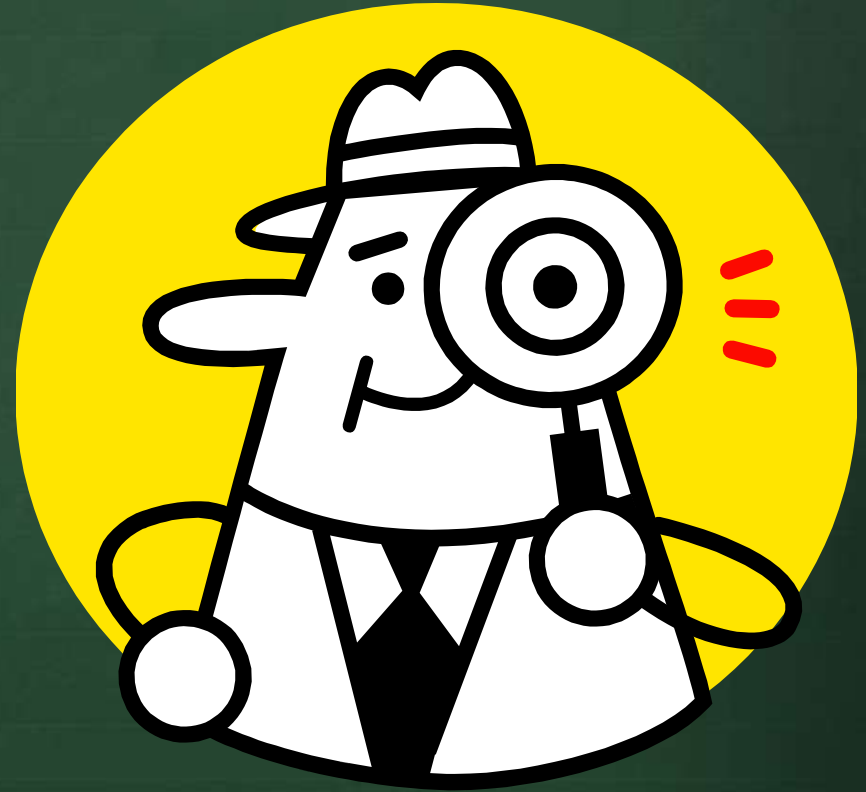
- **Inspection Report Can be used to:**
 - Identify problems before purchase
 - Get out of a purchase agreement
 - Help negotiate an adjustment in purchase price
 - Have repairs done before closing
 - Increase confidence in going ahead with the purchase
 - Provide information for future budgeting
 - Will NOT provide recommendations about whether or not to purchase house
 - Will NOT provide recommendation about purchase price

Keep a copy of the inspection report!



Home Inspection

- Other Inspections
 - Termites
 - Radon
 - Lead paint
 - Asbestos
 - Title V



Appraisal

- What is an Appraisal?

The act or process of estimating the market value of your prospective home, based on its condition and the selling prices of comparable homes recently sold in the area.

- The seller wants to know sales price
- The buyer wants to know offer price
- The lender wants know loan value



Appraisal

- **Why is an Appraisal Important?**
 - Information to make an informed offer
 - Value for your purchase
- Too high could mean underwater
- Too low could mean tough to get a mortgage



Appraisal

- **The Appraisal Report**
 - Property analysis
 - Neighborhood analysis
 - Market data analysis
 - Maps
 - Sketches
 - Photographs
 - Certification of appraisers relationship and completion



Appraisal

■ Unacceptable Appraisal Practices

- Failure to comment on negative factors
- Comparing properties without inspection
- Use of data from invested groups
- Decisions based on unfair housing practices
- Unsupported information
- Undervalued properties (buzz words, boundaries, age, selection process)



Insurance

- Why Do I Need Homeowner's Insurance?

- Its your investment
- Time, money, labor
- Protects you and provides piece of mind
- Lenders may require it



Insurance

- **Terms You Should Know**
 - Property protection coverage
 - Liability protection coverage
 - Replacement cost
 - Actual cash value
 - Market value
- Other kinds of insurance (PMI, Life, Flood, Title, credit life, disability)



Insurance

- Insurance is available through:
 - Independent insurance agents
 - Direct insurance agents
 - Massachusetts Fair Plan
 - For those unable to purchase through regular markets



Insurance

- Shopping for Insurance

- Shop around
- Increase your deductible
- Seek discounts (loyalty)
- Special breaks for safety equipment
- Special breaks for new homes, green homes
- Auto and house policies

*Don't be underinsured -
at least amount of mortgage,
if not full market value*



Insurance

- Lead Paint and Flat Roofs
 - Insurance companies might not insure multi-family with lead paint
 - May be able to get lead paint exclusion
 - Problems with wind, water, snow
- Nantucket's insurance problems with hurricane related winds
 - Fair Plan often only option
 - Check with insurance agent



Class Wrap up

- Take home tests:
 - www.housingnantucket.org
 - Click on "Homebuyer Education" on left side
- Questions & Concerns?
- Contact Housing Nantucket at:
 - 508-228-4422 or
 - aaron@housingnantucket.org
 - www.housingnantucket.org

