



REAL ESTATE

Frequently Asked Questions

Home buying doesn't have to be a confusing jumble of terms and jargon

Real estate transactions can seem more complicated than they really are if you don't understand how they work.

There are lots of decisions to be made, and lots of paperwork to read and sign. But in the end, your closing will come down to a few critical elements that are somewhat complex, but very common:

INTEREST RATES

You will be provided with two numbers from a lending institution when you secure a loan: an interest rate and an annual percentage rate, commonly referred to as an APR. The interest rate is the amount you pay annually in order to borrow. The APR is everything else that added to your principal, including points and mortgage broker fees, among other things. Buying points allows a buyer to pay more upfront in order to get a better interest rate, and thus lower their monthly payments.

TITLE COMPANY

The title company works as an intermediary between the seller and the buyer, gathering legal documents and recording them to ensure that the property title has no easements or liens. They also hold escrow money, file the deed with local government officials and oversee the signing of everything



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by both parties.

CLOSING COSTS

Closing costs run about 3 to 5 percent of the property's total cost, along with fees charged by the assessor and lender appraiser. The cost also includes title-service fees, that account for title search, title insurance-policy premiums,

and other title company costs. The final total also includes processing fees for the lender, prepayment of insurance, property tax and mortgage insurance, home owner association fees, any charges for credit reports, and any other additional processing fees. These costs are typically paid at closing, though prospective

buyers can negotiate for the seller to pay. Just be aware that the overall cost of the purchase may increase.

MORTGAGE INSURANCE

Private mortgage insurance, or PMI, helps lower a lender's risk when a potential homeowner puts down less than 20 percent for their down pay-

ment. Those who can't afford to meet the full down payment are considered higher-risk borrowers. Rates for this insurance are set based on credit scores and the down-payment amount, but the number is a percentage of your loan. The bill comes due monthly. PMI is typically required for USDA and FHA loans.

Making the Best First Impression

They love the location, now seal the deal with smart staging

The more you help a prospective buyer picture themselves in your home, the easier it will be to sell.

That's where careful arrangement of furniture helps create room-defining first impressions. If you put some thought and value-added investment in these decisions, you might even get a higher offer.

Here's a look at how staging pays off, with valuable tips on how to make the most of the space your home already has:

WHY IT WORKS

Staging has been shown to shorten time on the market, according to the National Association of Realtors. They found that as many as half of surveyed agents said staging impacted their client's purchasing decisions. More than three quarters agreed that it helped people imagine the place as their own, according to a study by the Trulia real-estate website.

LIGHTING AND CLUTTER

Decluttering and keeping a sale property spotless for buyers while you're living there can be difficult, but the time and effort are well worth it. Pay close attention to the bathrooms and kitchen, while



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the rest of the house is kept tidy, dust free and vacuumed. Box up and store personal items elsewhere in order to free up space, in particular in closets. Open curtains and blinds before each showing, and turn on as many lamps as possible. Buyers are looking for bright, airy spaces – and light makes the spaces look larger.

ROOMS AND FURNITURE

If you can't stage every room in your home, focus on key areas. The National Association of Realtors recommends focusing on the living room, kitchen and main bedroom to get the most bang for your buck. Arrange furniture in a way that maximizes the rooms usability. That may mean removing one

or more pieces, so the space doesn't seem crowded. Store them away until you're ready to move. Some sellers even rent furniture in order to give rooms a modern new look. You may even get some ideas for your new home!

INSIDE AND OUT

The best-staged homes add little touches like fresh flowers

or fruit. Some people even bake cookies or brownies. But remember buyers will see the exterior of the home first, so don't forget to polish up the outside, too. Power wash the driveway and clean windows, as needed. Keep greenery and lawns well trimmed, and make sure any outdoor furniture is attractively arranged, clean and neat.

The Reality of Fixer Uppers

You might have found a diamond in the rough, or a money pit

Home-renovations shows have made this seem like a breeze, but there are serious considerations.

These are amazing opportunities to customize, to modernize and to hopefully turn a run-down or outdated property into a show stopper. But cost overruns can eat into any profits you may have gotten when you one day sell. Even if you decide to stay, the process itself could be very taxing.

How do you sort through it all? Ask yourself some of these very important questions:

DREAM HOME OR MONEY PIT?

You'll commonly hear a recommendation to purchase the worst house on the best block when looking for a fixer upper. It's easy to picture the renovation turning into your dream home in a great neighborhood – and a valuable flip. But consider how much work you're willing to take on before your purchase. Sometimes the worst house will turn into a money pit, no matter how attractive the location may be.

Begin by setting a renovation budget, then consult with an inspector to learn if the needed fixes fit within those parameters. Addressing structural issues, wiring and



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plumbing can quickly add up – and all of those things go unseen. You'll still have to polish up the living areas on the other side of the walls.

UPDATING OR STARTING OVER?

Some properties are simply in need of some tender loving care. Experienced do-it-your-

selves with key restoration skills might be able to personally take over these kind of low-level jobs. In fact, if there are no substantial required projects, you may even be able to live in the property while it's being worked on. But should your inspector report back with more extensive issues, your patience and personal budget

may be severely tested. They may require you to remain off-site until the property is in a more livable condition.

OPTIMISM VS. PESSIMISM

Everyone should go into these situations with a certain amount of optimism – after all, you're creating an exciting

new space. But at the same time, it's important to be realistic about how these things unfold. Follow the advice of your financial advisor on what you can afford, and the inspector on how big this job could become. Check references and the Better Bureau before hiring a contractor. Don't pay for unfinished work.

Your Finance Options

It's never been easier to determine if you can get a loan – but which one?

Online platforms allow us to check credit scores at a moment's notice, while providing real-time information about your debt load and savings. Together, they tell us whether we're in good position to buy, and what our spending range should be.

But what kind of loan should you pursue? There's not necessarily a technology-based answer to that question, which is why talking to a trusted financial advisor is a good idea. They can walk you through the available options, taking into account the entire financial picture.

In the meantime, here's a look at what you'll need and some possible loan options to explore:

BEFORE YOU GO

Local lenders will create a customized plan based on your income, credit score and down payment amount. But you'll need certain things before setting a meeting to get the real estate loan process underway. They will require income and tax information for the last two years, along with verification of debts and assets. The lending institution will also run a credit check to make sure you can qualify, and discuss any special programs they may offer. Discuss the different types of available loans,



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including local, state and federal options.

CONVENTIONAL LOANS

Convention loans are available for those who can pay 20 percent or more of the property's value as a down payment. They loans typically cover a 30-year span, though there are shorter timelines available for

those who qualify. What if you can't meet that 20 percent down threshold? You may still qualify for a conventional loan, but you'll have to add on additional private mortgage insurance (or PMI) for a period of time over the life of the loan.

VA OPTIONS

Veterans, those who are current serving and military

spouses are eligible for home loans through the Department of Veterans Affairs that are guaranteed by the federal government. These loans typically come with the additional benefit of lower interest rates. They also offer lower down-payment options – or sometimes don't require any down payment at all. You also won't be required to add on PMI.

FHA LOANS

Those with lower credit scores or less savings can qualify for Federal Housing Administration program mortgages. The U.S. government insures and regulates these loans. Borrowers must still meet specific income requirements, but they allow for a down payment that is much, much lower.

Selling Your First Home

There are lots of memories tied up in these special places

If you want to get on with your next exciting adventure as soon as possible, you'll need to follow certain agreed-upon recommendations.

Selling quickly often comes down to the way you present the home, and how it's presented. You don't want too much of your own family history on display, since buyers need to picture themselves there. You also don't want them tripping over the clutter of your past.

Sell your first home quickly by following these simple steps:

PHOTO SHOWCASING

Most real-estate transactions begin with a web browser these days, so make sure you have a series of photos posted that showcase the property in all its glory. Local Realtors sometimes handle these duties, or you may choose to hire a professional in order to take your listing to the next level. Create a budget for this expense, as you would any other, so that you don't end up paying more than you can afford for the service. If priced right, this behind-the-scenes choice could be well worth the investment. Look for those who have a long history with real-estate shoots, since they are so different than many other forms of photography. They'll help others see your first house just as



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you do.

STAGING YOUR PLACE

Lighting and staging can make a huge difference, not just with your online presence but also during in-person showings. Arrange things in such a way that your first home looks like a place that

would accommodate the next loving family. Give everything a deep cleaning, even if that means allocating additional funds again for a pro. Ask for multiple quotes to find a service that fits your needs – and your budget. Consider storing some furniture offsite in order to open up the space.

THE LITTLE THINGS

You want to depersonalize the property, so make sure it's not dominated by family-focused images, vacation shots and school photos. This can be an emotional experience, but it's important in helping potential buyers envision their own lives in a new home. At the

same time, make sure that you don't go overboard with putting things away when it comes to decor. Cute knickknacks, lively plants and attractive decorative items will underscore your first home's innate charm. Balancing a clean and neat look with a lived-in approachability is a key element in a quick sale.

Should You Buy or Build?

Finding the perfect house might just mean constructing your own

Just remember that there are unique challenges associated with these huge projects, including upfront costs, maintenance and an understanding of how the property will appreciate.

You'll have to become an expert on a broad range of elements involved with this multi-level process, or hire someone you trust to oversee it all. Budgeting beforehand, as always, will be key:

UPFRONT COSTS

House hunting so often involves accepting that a property might have some of the amenities that you want, but not all of them.

You can solve this inherent issue by building your own home, ensuring that every detail fits your vision.

The upfront costs, however, are steep. You'll have to buy materials and hire workers, long before you'll have a chance to enjoy the space.

But existing homes already run in the hundreds of thousands of dollars, while constructing your own home allows you to control costs – absent any outside issues.

Cost per square foot tend to be market based, so study how much new builds cost in your area in order set a reasonable budget.



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MAINTENANCE AND BILLS

Constructing a new home provides you the opportunity to pre-select appliances, HVAC components, water heaters and fixtures with an eye on quality. Older or cheaper builder-grade models are more prone to breakdowns, increasing your costs over the long run. Quality-made new items won't need to be

repaired or replaced any time soon, and if they were to break down for some reason would remain under warranty.

Older homes are susceptible to higher energy bills because they may not be built to modern specs or include energy-smart appliances. Well-sealed new builds use about 20 percent less energy for heating and cooling than older homes, according to

Realtor.com. You'd again have a large upfront cost with installation, but would be able to recoup those expenditures over the years through lower electricity bills.

HOME APPRECIATION

Construction typically takes place in newer neighborhoods, and this can make it difficult to determine appreci-

ation. You simply won't know if these homes will hold or increase their value over the years. Styles change too, so what looks hip and smart today in a new build might not be in fashion decades down the road. Older homes have a natural advantage in this regard, unless you are able to build in established areas and choose a classic design approach.

Before You Buy A Vacation Home

Getting that second place comes with its own important considerations

Who doesn't looking forward to a vacation? But what if you could stay in a place that fits all of your wants and needs? That's the upside of a second home.

The downsides have to do with paying for it all:

MARKET FORCES

What you'll pay for a vacation home depends on what type of home you're buying, including condo, townhome or single-family dwelling, and the current market conditions. The majority of those buying second homes purchase a single-family property, according to the National Association of Realtors. Long-term return on investment may be less important, in this instance, than having a space to enjoy time away in a place you love.

SAVINGS AND COSTS

There can be savings involved if you travel often, depending on how expensive your hotel and restaurant dining choices typically are. You'll also enjoy more privacy, and the opportunity to spend time in a place that decorated and designed to your specific tastes. But there are also significant costs involved, potentially including another mortgage with higher interest



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rates, insurance and maintenance. You may have to furnish and decorate the space, as well. Decide how often you'll legitimately travel there before buying, factoring in the cost of getting there. Most second homes are around 170 away from a primary residence. If you're is further away, it might not make financial sense.

RENTAL INCOME

You may also choose to offset some of these new expenses by renting out your vacation property when you are back home. Check homeowner's association regulations before purchasing, since some ban short-term rentals. The National Association of Realtors also recommends talking to lenders and insur-

ance agents about tax consequences and other rules regarding second homes.

BEFORE YOU BUY

Consider making an extended visit to any potential vacation home or a similar place before you buy, so you can determine for yourself if fantasy meets reality. That will also give you a chance to explore

the area to learn more about proximity to restaurants, attractions, clubs, parks and shopping. This might prove a deciding factor in buying, and in how well the space might rent, if you choose to go that route. Be aware that prices will go up if you're looking for a place with attached amenities like a pool, spa or shared luxury entertainment spaces.