

The Mather Company, Inc.

Information For Buyers

The Mather Company, Inc.



“The Key to Your Real Estate Needs”

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Here at The Mather Company we know that when buying a home you, the buyer, have many questions wanting answered. Furthermore, many buyers don't even realize that there are questions they need to ask themselves. Provided in this packet are resources that will answer those frequently asked questions, help you know what questions you should be asking yourself, as well as provide other essential information you need to have in order to have success. Once you are ready, please contact one of The Mather Company's knowledgeable agents to help you begin searching for that perfect home.

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Chapter 1:

14 Steps To Owning a Home

The Mather Company will guide you through this process so that you are comfortable and confident at each stage. You will always understand what is happening now, and what is going to happen next. We call this guidance managing your expectations. You will surely call it peace of mind.

Step # 1 – Contact The Mather Company to Handle Your Real Estate Transaction

The Mather Company Agents professional qualities and qualifications will ensure a rewarding relationship:

- Knowledge about the community where you want to live
 - Enthusiasm
 - Patience
 - Dedicated, full-time professional, not part-time
 - Full access to the area's multiple listing service (MLS.) The MLS gives you information about homes listed with any realtor, not just those represented by your realtor's company.
 - Ability to understand your wants, needs, and personal tastes
 - Honesty and trustworthiness at you into buying before you are ready.
 - Willingness to keep you informed of changes in the market, without trying to push you into buying
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Step #2 – Learn the Terms Used in Buying A Home

Ask your realtor for the Commonly Used Terms form to familiarize yourself with the real estate jargon.

Step #3 – Select A Lender and Get Pre-Approved For A Loan

Pre-approval means you will provide the same paperwork as you will do when you make a formal loan application – credit history, employment, and down-payment funds, all of which will be verified.

Pre-approval and a commitment letter guarantee your loan, but is not a mortgage contract. You cannot get the mortgage until the lender can appraise the property and conduct a title search. The Mather Company will be happy to recommend lenders we have done business with previously.

So why get pre-approved?

- You will know what price range you can afford.
- It may allow you to lock in an interest rate for a period of time. Even if rates go up while you house hunt, you get the rate you've locked in.
- You will know how much cash is needed to close, including down payment, closing costs, and an estimate of pre-pays.
- You may be better able to bargain with a seller, because they already know you can secure a loan.

Step #4 – Make A List of Needs and Wants

Prioritize! Start with your most important needs or your “must have’s”. Then prioritize your wants, from “important” to “would be nice.” This list will be a constant reminder of what really matters to you and your family and will keep you focused and on track as you tour more houses.

The first time you look at a house, ask yourself these questions:

The Needs

- How far is my commute to work, church, family and friends?
- Does it have enough bedrooms and bathrooms?
- Is there enough storage space?
- Is there parking?
- Is it in a safe area/neighborhood?
- Is it in the right school district?
- Do I have room to grow in this house, or will I need to be looking for another house again in a year?

The Wants

- Is there an extra bedroom and/or bathroom?
- Is there a garden tub? Double vanity?
- Are there walk-in closets? Adequate closet space?
- Is there a fireplace? Is it wood burning or gas?
- Is there an island and/or eat-in breakfast are in the kitchen?
- Are there amenities in the neighborhood (i.e., pool, tennis, walking trails, etc.)?
- Is there a gathering room off the kitchen (i.e., den/great room/family room)?
- Is the master bedroom upstairs or downstairs?
- Is there a deck, screened or covered porch?
- Is there adequate parking? (I.e., attached/detached garage, carport, concrete drive, two spaces, etc.)?
- Is the yard big/small enough?
- How much maintenance does the exterior of the house require?
- Is the house in good condition: appliances, roof, foundation, mechanical systems, walls?

The second time you look at a house, ask yourself these questions:

- How would you feel about coming home to this house after a hard day's work?
- Where would you relax?
- Can you see yourself cooking in the kitchen?
- Will your armoire or other furniture fit in the living room?
- Is the bedroom quiet enough for sleeping?
- Open up the windows and listen to the sounds of the neighborhood. Traffic? Airplanes? Are you listening to a nearby or distant highway?
- Do you feel relaxed in the house?

This is just a partial list of the questions The Mather Company wants you to ask yourself about the house you're considering buying.

Step #5 – Decide on the Style of Home and Home Ownership You Want

Choose from a beautiful selection of distinctive styles from classic Georgian to contemporary. Then choose the type of home ownership that suits you best.

- **Single Family** - As the owner of a single family dwelling, you are totally responsible for paying the mortgage, property taxes, insurance and any other carrying expenses, including all maintenance costs.
- **Condominium** – As a condo owner, you own your living quarters in the same way that a single family homeowner does,. You also own a share of the common space, such as gardens, parking areas and community facilities (pool, recreation area, tennis court or golf course). You pay a monthly maintenance fee for the common expenses. The homeowners association which you belong to makes decisions about how the condo is run.
- **Co-Operative** – As a co-op owner, you buy a share or a number of shares in the corporation that owns and manages the building your apartment is in and the land it is on. If you took out a mortgage for the apartment, you are responsible for paying it off. You also pay a monthly maintenance fee for your part of co-op expenses, repairs, and taxes. You must be approved by the co-op board before you can purchase.
- **Multi-Family** – This type of home has separate living quarters for two or more families. The owner may be able to use rent from the other tenants to cover his or her own housing costs. These homes are often restricted to certain areas by zoning laws.

Step #6 – Start House Hunting

House hunting is a process; it takes time. Don't expect to find your dream house the first time out. Your Mather Company agent will talk to you about the style, the type, and the important features of the house you're looking for. The more specific you are, the less time you'll waste looking at houses you won't like. You'll look at several houses and neighborhoods and understand what your money will actually buy.

Step #7 – Find A Home You Want That is in Your Price Range

You'll begin to zero in on the houses that fit your budget and living strategy, as well as meet all of your prioritized needs and wants.

Step #8 – Make An Offer in Writing

Once you decide on the best home for your family, your next step is to negotiate an offer to purchase.

Before you make your offer, your Mather Company agent will research market information about your chosen house so that you can make a realistic offer to the seller that has a good chance of being accepted. That information includes:

- Recent selling prices of similar homes in the area to justify your offer price.
- How long has the house been on the market?
- What are the house's good and bad points?
- Why are the current owners moving?
- Consider the house's resale value.

Very important:

- Check out the neighborhood and speak to neighbors.
- Be careful to not let your feelings rule. Remember, if your offer is turned down, you can always counter with another offer.
- You must apply for your loan immediately after your offer is accepted. Once the offer is signed by all parties and delivered, it becomes a legal contract. It covers items such as the purchase price, total down payment, and closing date. The offer also states which party (buyer or seller) will pay for which settlement costs, the type of loan you are pre-approved for, and the interest rate. After the offer is accepted, your loan officer will order an appraisal. This is an evaluation of the property's value. You will probably pay the appraisal fee at loan application or closing.

Step #9 – When Your Offer is Accepted, Provide Documentation to Lender For Final Approval of Your Loan

If you are pre-approved for the loan, you will provide the same information to your lender for the final approval:

- Credit History
- Employment History
- Down Payment Funds

All of which will be verified.

Homeowner's Warranty – In addition to a home inspector's report, you can also protect yourself with this warranty. It is especially useful when buying an older home or one that has been vacant for some time. The seller may offer a warranty with the sale. If not, you can buy a warranty on your own. Ask your Mather Company agent about this.

Step #10 – Have the Inspections Done

Inspections are usually paid for by the buyer, but can be arranged by you or your Mather Company agent. Home inspection professionals are specifically trained to evaluate structural components (floors, walls, roofs, chimneys, foundations, etc.) mechanical systems (plumbing, electrical, installed appliances and other major components of the property and provide a report to you.

Most lenders also require a Termite Inspection. If termites are found, you must have proof that the house has been treated and that any termite damage has been repaired.

It is normal for some repairs to be needed after the inspections. Don't expect the seller to automatically make all indicated repairs. This may be a point of negotiation between you and the seller. Talk to us about which ones you as the seller will take care of versus what the seller should be responsible for. This situation can lead to further negotiations about selling price.

Step #11 - Choose a Real Estate Attorney to Handle the Closing

Real estate transactions can be very complex, so it is mandatory that you retain a real estate lawyer or a lawyer who has experience in real estate closings. The Mather Company can recommend an attorney if you don't have one. Your lawyer will follow the specific guidelines set by your lender to ensure that all documentation and paperwork is complete and accurate for the closing. Throughout the home buying process, you will also enjoy the added expertise of The Mather Company as your agent.

Step #12 – Prepare For the Closing

If the closing statement is available before the actual closing, The Mather Company will review it with you. You will need to bring certified funds for the purchase and a copy of the buyer/seller contract.

Your attorney is responsible for making sure you have the paperwork and documentation needed to complete the closing without further delay.

Your attorney follows the guidelines of the mortgage lender to prepare for this meeting. The papers are then signed and the deed is notarized. Title does not transfer until the deed is recorded at the Register of Deeds.

Step #13 – Go to Closing

The people present at a closing normally include the buyer, the buyer's agent, the seller, the seller's agent, the attorney, and sometimes the mortgage lender.

You will need to transfer utilities into your name as of the day of closing. Keys are typically exchanged at closing, unless agreed upon prior to that time.

Step # 14 – Congratulations!

You did it! With The Mather Company as your expert guide through this exciting process, you have made a smooth transition from the house-hunting stage to actually moving in to a new home and beginning a new life for your family. Congratulations! We are so thankful to be part of this wonderful experience.

Chapter 2:

Advice on Buying Your First Home

Let me assist you and determine your wishes and dreams – not only for the first home, but also for those in the future.

Get pre-qualified/pre-approved so you will know the range of homes you qualify for ahead of time and can avoid unnecessary frustration.

Start the home-buying process early and understand the parameters of your current lease (the amount of notice you must give) and back out lead times to ensure you allow enough time for the process.

Recognize that in most cases, you probably won't get everything you want in a first home. Make prudent decisions to maximize appreciation, which will help you make that dream house a reality in the future.

Be sure the heat/AC systems, roof and structure are in good shape so you can concentrate on cosmetic improvements where you will obtain a better return on your investment.

Challenge yourself to keep an open mind about the type of home you purchase. Condo vs. single family home – look at the different available options and don't discount one over the other (e.g. "I wouldn't live in an attached home."). The reality is the appreciation of the attached home may be greater and may help you reach the goal of the dream home faster.

Make sure the home has a warranty. A first-time homebuyer doesn't need surprises. If a warranty is not provided, buy one. Our Home Trust warranty is available to give you peace of mind.

Consult an accountant to determine the tax implications of home buying. Once you have a better idea of what is deductible (points, interest, etc.), it may improve the affordability of the home.

Know the history of the area you are considering. I will do an analysis of the neighborhood and the appreciation of homes there.

Look at documents, history and need for any special assessment in the neighborhood. Please let me know if you have any questions or if I can assist with any of the above information.

Chapter 3:

Considering New Construction?

Thinking of building a custom home or looking at new home communities? You may think you don't need a Realtor and that a middleman might drive up the costs. You may be thinking you know exactly what you want in a new home and how to go about getting it. But there's so much to consider and a Realtor can assist you along the way.

A knowledgeable Realtor can help you with location and lot selection, choosing a builder, solving design challenges, developing the contract and selecting financing. You may not realize that there is no extra charge for the Realtor's expertise. Builders usually have a marketing fee built into the home price so that their neighborhood homes are equally priced and so that they have Realtor support and the repeat business they bring. In fact, you may actually be paying a hidden fee for the services of a Realtor, but not receiving all the benefits of Realtor involvement.

Location, Location, Location

Your Mather Company Agent knows the region's housing locations better than anyone as a result of spending hours comparing neighborhoods and homes. His or her expertise will assist you in selecting areas that best suit your needs and wants.

You can build the most wonderful home in the world, but if it's in the wrong location, you may not be able to enjoy it or see full appreciation value in its. Your Mather Company Agent can best ascertain how a home will fit into a particular neighborhood considering factors such as price, design and how the home will be situated on the chosen lot.

Don't Make Design Mistakes

Even though your Realtors are not decorators or designers, they are aware of what is popular in the current marketplace. With your Realtor's guidance, you may prevent a design error that would cost you future appreciation and end in resale problems.

Your Realtor spends so much time viewing homes, new and resale, and can offer valid recommendations about which floor plans are best suited to your specific needs or lifestyles. Your Realtor could also take you to view some existing homes with similar floor plans so you can visualize how the home would look upon completion.

Choosing A Builder

One of the most important benefits of consulting a Realtor in this process is to make sure you in select the right builder for your needs and then help to monitor and select the subcontractors that the builder uses. It is imperative to know the reputation of the builder and the satisfaction of past clients.

While a builder deserves to make a fair profit, there may be a need to obtain a second price. If that need arises, your Realtor can assist you in comparing apples to apples and specific details of the home. Details and Contract Assistance: Having a Realtor involved during plan speculation and pricing will ensure that the proposed home will be priced competitively . The builder will price the home and its components knowing that your Realtor, understands fair cost. The presence will also help prevent miscommunication and disagreements with the builder. Your Realtor can help ensure that proper plans are drawn, comprehensive specs are presented and written change orders, after the contract, are signed. Stipulation against mechanics liens and proper attorney representation will prevent legal hassles or disappointments that may occur if proper precautions are not taken.

Financing

Realtors can help you obtain the proper construction financing. If during construction, a new construction financing product becomes available, that change can be made because the Realtor deals with financing on a daily basis and knows what is currently available. One of the major efforts your Realtor can coordinate is the sale of your current home, if one exists, while the new home is being completed. It is very beneficial to have your Realtor early in the process put together a marketing plan that will help sell your home and prevent you from having to move twice. To those who have not done it before, building a new home seems easy. Experienced new homebuyers know the importance of involving a Realtor. If you are considering building a home in the future or buying into a new home community, be careful. Be smart and use a Realtor.

Chapter 4:

Home Warranties and Preventative Maintenance

WHAT YOU NEED TO KNOW

Home warranties state that “general maintenance and cleaning” are the responsibility of the homeowner. By performing routine preventive maintenance and cleaning, you will be able to receive the full benefits of your warranty should you need repair. Here are a few tips that you need to know on maintaining your home’s warranty:

Air Conditioning & Heating Maintenance

- Air conditioning and heating units should be serviced at least twice a year.
- Spring and fall seasons are the prime time for checking your units.
- Cleaning ensures maximum performance from your units.

Plumbing Maintenance

- Water heaters should be flushed and refilled once a year. Flushing the water heater prevents rust, which is caused by sediment buildup.

Appliance Maintenance

- Clothes dryers should be cleaned at least once a year. Watch for lint buildup around your heating elements. This is the number one cause for house fires!
- Refrigerators – the condenser coil should be cleaned once a year.
- The self-cleaning portion of the stove should only be used once or twice a year could result in the flooding of your home.
- Do not run the washing machines when you are not home. If the valve does not properly close

Home Inspection Tips

- Have a carbon monoxide test done on your gas furnace at the time of inspection. If your inspector does not include a carbon monoxide test or an in-depth look at the heat exchange, have it checked out by a licensed HVAC contractor blockages or leaks.
- Run several water faucets at the same time during inspection to ensure water flows freely without.
- Run the dishwasher and washing machine one full cycle to ensure the seals are tight with no leaks and the drain line is unclogged.

Chapter 5:

What Makes A Good Offer to Purchase?

Once you decide on a home, your next step is to negotiate an offer to purchase. We will provide you with a “sample” offer to purchase and explain the agreement in detail.

Good offers are based on a realistic offering price. You should base your offering price on the prices of like houses (similar size, location and condition), which have sold within the past six to 12 months. I will be able to provide this data.

Good offers contain an earnest money deposit. One to two percent of the offering price is customary, though the seller may request a higher deposit. These funds are held in an escrow account until closing. The funds are then credited to your purchase. (Alternatives 1 or 2 may apply in NC.)

Good offers have realistic financing terms. Your mortgage interest rate and the time allotted to obtain financing must be based on the current lending conditions. Some offers are rejected because the loan terms are unrealistic.

Good offers include a copy of your “pre-approval” letter from a lender. This will demonstrate to the seller that you are a serious buyer who is able to secure financing.

Good offers don’t ask the seller for a blank check. At the time your offer is initially submitted, you won’t know the degree to which corrective measures will be needed on the house for repair or replacement. The inspection clause is a part of the agreement, which allows you to reopen negotiations regarding any necessary corrective measures. I will negotiate these items for you.

You will be given a period of time to have all inspections performed and to make all repair requests to the seller. Good offers allow enough time for the repairs to be made and allow you an opportunity to have the property re-inspected prior to closing.

Once the Offer to Purchase is submitted, I will handle all the negotiations. Items that are typically negotiated are purchase price, earnest money deposit, loan commitment date, closing and possession date. Once the Offer to Purchase is ratified, I will handle all additional negotiations regarding inspection and repair items.

Purchasing a home can be a very emotional experience. We will make the process a pleasant experience for you.

Chapter 6:

Home Inspections Q&A

1. Should I do inspections or hire someone?
 2. What does a home inspection cover?
 3. Can anyone perform a home inspection?
 4. Why should I have the home inspected?
 5. Obtain homeowners insurance and deliver binder to lender.
 6. How do I request a home inspection, and who will pay for it?
 7. Should I be present when the home inspection is performed?
 8. Are all inspection reports the same?
 9. What should I do if I feel something has been missed on the inspection?
 10. If, following the home inspection, the seller repairs an item found in the home inspection, may I have the Home Inspector perform a re-inspection”?
 11. Is a Termite Inspection part of the general inspection?
 12. Should I also have a Homeowner’s Warranty?
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1. Should I do inspections or hire someone?

For most persons, purchasing a home is the largest investment they will ever make.

2. What does a home inspection cover?

It is an evaluation of the visible and accessible systems and components of a home (plumbing system, roof, etc.) and is intended to give the client (usually the homebuyer) a better understanding of their condition. It is also important to know what a home inspection is not! It is not an appraisal of the property’s value; nor should you expect it to address the cost of repairs. It does not guarantee that the home complies with local building codes (which are subject to periodic change) or protect you in the event an item inspected fails in the future. (Note: Warrantees can be purchased to cover many items.) Nor should it be considered a “technically exhaustive” evaluation, but rather an evaluation of the property on the day it is inspected, taking into consideration normal wear and tear.

3. Can anyone perform a home inspection?

No. Only persons licensed by the State of South Carolina are permitted to perform home inspections for compensation. To qualify for licensure, they must satisfy certain education and experience requirements and pass a state licensing exam.

4. Why should I have the home inspected?

Most homebuyers lack the knowledge, skill and emotional detachment needed to inspect homes themselves. By using the services of a licensed Home Inspector, they can gain a better understanding of the condition of the property, especially whether any items do not “function as intended” or “adversely affect the habitability of the dwelling” or “warrant further investigation” by a person who specializes in the item in question.

5. Obtain homeowners insurance and deliver binder to lender.

In my home purchase, I have chosen to sign the standard Offer to Purchase and Contract form which many real estate and legal professionals use. It states that I have the right to have the home inspected and the right to request that the seller repair identified problems with the home.

Will the home inspection identify all of these problems ?

Yes and No. Home Inspectors typically evaluate structural components (floors, walls, roofs, chimneys, foundations, etc.), mechanical systems (plumbing, electrical, heating/air conditioning, installed appliances and other major components of the property. The Home Inspector Licensure Board’s “Standards of Practice” do not require Home Inspectors to report on: wood-destroying insects, environmental contamination, pools and spas, detached structures and certain other items listed in the Offer to Purchase and Contract form.

6. How do I request a home inspection, and who will pay for it?

You can arrange for the home inspection or ask your real estate agent to assist you. Unless you otherwise agree, you will be responsible for payment of the home inspection and any subsequent inspections. If the inspection is to be performed after you have signed the purchase contract, be sure to schedule the inspection as soon as possible to allow adequate time for any repairs to be performed.

7. Should I be present when the home inspection is performed?

Whenever possible, you should be present. The inspector can review with you the results of the inspection and point out any problems found. Usually, the inspection of the home can be completed in two to three hours (the time can vary depending upon the size and age of the dwelling). The Home Inspector must give you a written report of the inspection within three business days after the inspection is performed (unless otherwise stated in your contract with the Home Inspector). The home inspection report is your property. The Home Inspector may only give it to you and may not share it with other persons without your permission.

8. Are all inspection reports the same?

No. While the Home Inspector Licensure Board has established a minimum requirement for report-writing, reports can vary greatly. They can range from a “checklist” of the systems and components to a full narrative evaluation or any combination of the two. Home Inspectors are required to give you a written summary of their inspection, identifying any system or component that does not function as intended, or adversely affects the habitability of the dwelling, or appears to warrant further investigation by a specialist. The summary does not necessarily include all items that have been found to be defective or deficient. Therefore, do not read only the summary. Carefully read and understand the entire home inspection report.

9. What should I do if I feel something has been missed on the inspection?

Before any repairs are made (except emergency repairs), call the inspector or inspection company to discuss the problem. Many times, a “trip charge” can be saved by explaining the problem to the inspector who can answer the question over the telephone. This also gives the inspector a chance to promptly handle any problems that may have been overlooked in the inspection.

10. If, following the home inspection, the seller repairs an item found in the home inspection, may I have the Home Inspector perform a “re-inspection”?

Yes. Some repairs may not be as straightforward as they might seem. The inspector may be able to help you evaluate the repair, but you should be aware that the re-inspection is not a warranty of the repairs that have been made. Some Home Inspectors charge a fee for re-inspections.

11. Is a Termite Inspection part of the general inspection?

Most lenders also require a Termite Inspection. If termites are found, you must have proof that the house has been treated and that any termite damage has been repaired.

12. Should I also have a Homeowner’s Warranty?

In addition to a Home Inspector’s report, you can also protect yourself with this warranty. It is especially useful when buying an older home or one that has been vacant for some time. The seller may offer a warranty with the sale. If not, you can buy a warranty on your own. Ask us about it.

Inspections are usually paid for by the buyer, but can be scheduled by your agent or the buyer.

Chapter 7:

Frequently Asked Questions

1. Where do I begin?
2. What should I do first – buy or sell?
3. Why do I need a Dual agent?
4. Do I need to get pre-approved for my mortgage loan?
5. How long does it take to buy a house?
6. How many houses do I have to visit before I can make a decision?
7. Working with a Dual Agent
8. What happens when we make an offer?
9. Should I do inspections?
10. What if repairs are needed after the inspections?
11. Who handles the closing? (Closing checklist)
12. What do I need to bring to the closing?

Question 1: Where do I begin?

Contact a Mather Company Associate to handle your real estate transaction. You'll appreciate our associates special skills and qualities:

1. Knowledge about the community where you want to live
2. Enthusiasm
3. Patience
4. Dedicated, full-time professional, not part-time
5. Full access to the area's multiple listing service (MLS). The MLS gives you information about homes listed with any realtor, not just those represented by The Mather Company.
6. Ability to understand your wants, needs, and personal tastes
7. Honesty and Trustworthiness
8. Willingness to keep you informed of changes in the market, without trying to push you into buying before you are ready. Our professional qualities and qualifications will ensure a rewarding relationship.

Questions 2: What should I do first – buy or sell?

If you already own a home, you're probably struggling with this basic question: what do I do first, buy the home that I want or sell my existing home? And the answer is as individual as you are. Generally, most real estate professionals would advise you to list your present home and shop for your new home simultaneously. However, depending on the market and/or your individual needs, you may want to consider an alternative. In a very robust real estate market, a home could sell within a few days of listing. So if you have very specific criteria for your new

home with regard to location, size, views, age, etc., in a competitive market you may want to begin searching for and buying that home first before you sell your existing home.

Talk with your real estate agent regarding your own personal situation. They can help guide and advise you on the best possible strategy for buying a new home and selling your current home.

Question 3: Why do I need a Dual agent?

A buyer's agent will:

1. Provide you with complete and accurate information on any property on the market.
2. Help negotiate the best possible conditions and terms for you.
3. Look out for your best interests through the entire buying process.
4. Explain financing options and direct the best possible sources to you.
5. Make recommendations and schedule inspections, appraisals, and lawyers.
6. Make sure all paperwork is completed correctly

Working with a Buyer's Agent provides all these benefits to you at absolutely NO cost to you – the buyer. A buyer's agent is compensated by the seller while their primary responsibility is to the interest of the buyer. Contract us today to find out how to make us your Buyer's Agent.

Question 4: Do I need to get pre-approved for my mortgage loan?

Yes. Getting pre-approved will show you right away exactly what you can afford and what you can't before you waste time visiting homes that are out of your price range. Once you decide on the home you want to buy, your pre-approval will illustrate to the seller how serious and well-prepared you are to do business. When multiple buyers are bidding on the same house, a mortgage credit approval can be the deciding factor in whose offer gets accepted.

Question 5: How long does it take to buy a house?

The process can take anywhere from 30-90 days or longer. If you begin with a more specific idea of the type of home, the price range, and the neighborhood you prefer, this may certainly make the search process shorter. No time is wasted wishing and hoping! Sometimes coordinating with the seller can add more time than you'd like. But, don't worry. We know how to act quickly and understands your preferred time frame for buying and moving in. We won't waste your valuable time.

Question 6: How many houses do I have to visit before I can make a decision?

Generally we tell our clients to begin looking at five to seven homes to gain an understanding of the market and what your money will buy you. Market knowledge is very important in trying to

determine if something is a “good buy” or not. If you can afford a \$150,000 house, previewing several houses in that price range will give you a good sense of the market. Then you will see if your idea of a \$150,000 house is consistent with the reality of a \$150,000 house.

What is your living strategy? This is a very important question. Are you buying the home based on two incomes? Is this realistic if you are also planning to have children? Are you going to be living in your home for a few years or longer? Short term, you may not want to invest much in home improvement. Longer term, this can shape your decision to buy a home that needs work or additions.

Question 7: Working with a Dual Agent

You may permit an agent or firm to represent you and the seller at the same time. This “dual agency relationship” is most likely to happen if you become interested in a property listed with your buyer’s agent or the agent’s firm. If this occurs and you have not already agreed to a dual agency relationship, your buyer’s agent will ask you to sign a separate agreement or document permitting him or her to act a agent for both you and the seller. Nevertheless, a dual agent must treat buyer and sellers fairly and equally. Although the dual agent owes them the same duties, buyers and sellers can prohibit dual agents from divulging certain confidential information about them to the other party.

Seller’s Agent Working With a Buyer:

If the real estate agent or firm that you contact does not offer buyer agency or you do not want them to act as your buyer agent, you can still work with the firm and its agents. However, they will be acting as the seller’s agent (or subagent). The agent can still help you find and purchase property and provide many of the same services as a buyer’s agent. The agent must be fair with you and provide you with any material facts (such as a leaky roof) about properties.

Question 8: What happens when we make an offer?

You should have a pre-approval letter from your lender before you make the offer. This will make you a stronger, serious buyer in the eyes of the seller. Your agent will write up the details of the offer for presentation to the seller’s agent which includes the price you are willing to pay, amount of earnest money, conditions of your mortgage loan, schedule for home inspections, projected closing date, conditions of Home Warranty (will seller pay for it?).

Your offer will be presented to the seller’s agent. It is not unusual for a buyer and seller to go through the process of counter offers to establish a good compromise on the selling price and other contract conditions. Once the parties are in agreement you and the seller must sign the approved offer to make it legal.

Next steps: Your Mather Company agent will coordinate with the seller’s agent to schedule necessary inspections and the actual closing.

Question 9: Should I do inspections?

For most persons, purchasing a home is the largest investment they will ever make. Most homebuyers lack the knowledge, skill and emotional detachment needed to inspect homes themselves. Home inspection professionals are specifically trained to evaluate structural components (floors, walls, roofs, chimneys, foundations, etc.) mechanical systems (plumbing, electrical, heating/air conditioning, installed appliances and other major components of the property and provide a report to you.

Most lenders also require a Termite Inspection. If termite or water damage are found, you must have proof that the house has been treated and/or that any damage has been repaired if required by inspecting company.

Question 10: What if repairs are needed after the inspections?

It is normal for some repairs to be needed. Talk your agent about which ones you as the buyer will take care of versus which repairs you should ask the seller to correct this situation as it can lead to further negotiations.

Question 11: Who handles the closing? (Closing checklist)

You need to have a licensed attorney because of the many legal ramifications concerning buying and selling.

Be sure to hire an attorney who has real estate experience or is a dedicated real estate attorney.

The people present at a closing normally include: the buyer, the buyer's agent, the seller, the seller's agent, the attorney, and sometimes the mortgage lender.

Question 12: What do I need to bring to the closing?

You will need to bring certified funds for the actual purchase . The attorney is responsible for making sure you have the paperwork and documentation needed to complete the closing without further delay. The attorney follows the guidelines of the mortgage lender to prepare for this meeting. The papers are then signed and the deed is notarized.

You will need to transfer utilities into your name as of the day of closing. Keys are typically exchanged at closing, unless agreed upon prior to that time.

Chapter 8:

Commonly Used Terms

A

Adjustable Mortgage Loans: Mortgage loans under which the interest rate is periodically adjusted to more closely coincide with current rates. The amounts and times of adjustment are agreed to at the inception of the loan. Also called: Adjustable Rate Loans, Adjustable Rate Mortgages (ARMs), Flexible Rate Loans, Variable Rate Loans.

Adjustable Rate Loans: See Adjustable Mortgage Loans

Adjustable Rate Mortgages (ARMs): See Adjustable Mortgage Loans

Amortization: Payment of a debt in equal installments of principal and interest, rather than interest-only payments.

Annual Percentage Rate (A.P.R.): The total yearly cost of a mortgage as expressed by the actual rate of interest paid. The APR includes the base interest rate, points, and any other add-on loan fees and costs. The APR is thus invariably higher than the rate of interest that the lender quotes for the mortgage. The APR is disclosed as a requirement of the federal truth-in-lending statutes.

Appraisal: Mortgage lenders require an appraiser to give an opinion of the market value of a house a homeowner wants to sell or refinance. This professional opinion helps to protect the lender from lending money on a house that is worth less than the amount the buyers have agreed to pay for it or that the seller wishes to obtain when refinancing the existing loan. For typical houses, the appraisal fee is in the \$200 to \$300 range and is usually paid for by the borrower.

Assessed Value: The value of a property for the purpose of determining property taxes. This figure depends on the methodology used by the local tax assessor and, thus, may differ from the appraised or market value of the property.

Attorney Fees: Costs relating to having an attorney or law firm review and prepare the needed documents for your closing. These costs may include, deed preparation (this cost is paid for by the seller), title search, and closing packet preparation. Costs are usually around \$450 to \$600

B

Buydown: The builder or house seller agrees to pay part of the home buyer's mortgage for the first few years. The term also refers to the practice of a seller paying a mortgage lender a predetermined amount of money to reduce his or her mortgage interest rate, thereby creating more attractive financing for a potential buyer. Veterans with low or modest incomes may be

able to get buydowns through a Veterans Administration loan plan that is available in some new housing developments.

C

Cap: In adjustable rate mortgages, the limit on how much the interest rate or monthly payment can change.

Closing: The final procedure in which documents are executed and/or recorded, and the sale (or loan) is completed. Also known as Settelement.

Closing Costs: These costs generally total from 2 to 5 percent of the home's purchase price and are completely independent of (and in addition to) the down payment. Closing costs include such things as points (that is, loan origination fee to cover lender's administrative costs), an appraisal fee, a credit report fee, mortgage interest for the period between the closing date and the first mortgage payment, homeowners insurance premium, title insurance, prorated property taxes, and recording and transferring charges. So when you are finally ready to buy, you need to have enough cash to pay all these costs in order to buy your dream home

Closing Statement: The statement which lists the financial settlement between buyer and seller, and also the costs each must pay.

Comparable Market Analysis (CMA): A comparison of homes similar to a seller's home in terms of size, style, features, and location that have sold recently or are on the market. A CMA is prepared by a real estate agent to help set a home's listing price. In order to determine a sales price, you need to know how much houses like the one you are considering are selling for or sold. Identify houses "comparable" to yours that sold within the last six months, are in the immediate vicinity of your house, and are as similar as possible to your house in terms of size, age, and condition. By analyzing the asking prices of houses comparable to yours that are currently on the market, you can see whether prices are rising, flat, or declining. A written analysis of comparable houses currently being offered for sale and comparable houses that sold in the past six months is called a comparable market analysis (CMA)

Contingency: Commonly, a stated event which must occur before a contract is binding. For example, a home sale may be contingent upon the buyer obtaining financing.

Cosigner: Past credit issues may require you to have help securing a mortgage, even though you are financially stable. A friend or relative can come to your rescue by cosigning (which literally means being indebted for) a mortgage. A cosigner cannot improve your credit report, but can improve your chances of getting a mortgage. Cosigners should be aware, however, that cosigning for your loan will adversely affect their future creditworthiness since your loan becomes what is known as a contingent liability against their borrowing power.

Credit Report: A report lenders use to determine an applicant's credit worthiness. Applicants must pay for a lender to obtain this report, which the lender uses to determine the applicant's ability to handle all forms of credit and to pay off loans in a timely fashion. The cost of a credit report is usually around \$40 to \$50. **debt-to-income ratio:** Before you go out home buying, you should determine what your price range is. Lenders generally figure that you shouldn't spend more than about 33 to 45 percent of your monthly income for your housing costs. The debt-to-income ratio measures your future monthly housing expenses, which include your proposed mortgage payment (debt), property tax, and insurance, in relation to your monthly income.

D

Default: The failure to fulfill a duty or promise or to discharge an obligation or the failure or omission to perform an act.

Delinquency: Delinquency occurs when a monthly mortgage payment is not received by the due date. The first time you are delinquent, the next time you are in default.

Deposit: A portion of the down payment given by the buyer to the seller or escrow agent with a written offer to purchase. Shows good faith.

Down Payment: The part of the purchase price that the buyer pays in cash, upfront, and does not finance with a mortgage. Generally, the larger the down payment, the better terms you can get on a mortgage.

E

Earnest Money: A home buyer's "good faith" deposit that accompanies a written purchase offer. **fixed-rate mortgage:** Considered the granddaddy of all mortgages, you can lock into an interest rate (for example, 8.5 percent), and it never changes during the life (term) of your 15- or 30-year mortgage. Your mortgage payment will be the same amount each and every month. Compare fixed-rate mortgages with adjustable rate mortgages.

Escrow: A procedure in which a third (neutral) party holds all funds, documents, etc. necessary to the sale, with instructions from both buyer and seller as to their use and disposition.

Escrow Account Deposits: These cost are for the payment of taxes and/or insurance and other items that must be made at settlement to set up an escrow account. The lender is not allowed to collect more than a certain amount. Also known as Pre-pays.

F

FHA Loan: A loan insured by the Federal Housing Administration, a part of the Department of Housing and Urban Development. FHA insurance enables lenders to loan a very high percentage of the sale price.

Flexible Rate Loans: See Adjustable Mortgage Loans

FSBO: A property that is For Sale By Owner and is not listed through a real estate broker.

graduated payment mortgage: A mortgage initially offering low monthly payments that increase at fixed intervals and at a predetermined rate.

G

Graduated Payment Mortgage: A mortgage initially offering low monthly payments that increase at fixed intervals and at a predetermined rate.

H

Hazard Insurance: This is required and necessary. You must have “dwelling coverage” that can cover the cost to rebuild your house. The liability insurance portion of this policy protects you against accidents that occur on your property. Another essential piece is the personal property coverage that pays to replace your lost worldly possessions and usually totals 50 to 75 percent of the dwelling coverage. Finally, get flood or earthquake insurance if you’re in an area susceptible to these natural disasters. As with other types of insurance, get the highest deductibles with which you are comfortable. Also known as Homeowners Insurance.

Homeowners Insurance: See Hazard Insurance.

Home Warranty Plan: A type of insurance that covers repairs to specific parts of the home for a predetermined time period. BUY-A-1d 3/06

I

Inspection: Overall condition of the property, inside and out; electrical, heating, and plumbing systems; foundation; roof; pest control and dry rot. A good house inspection can save you money by locating problems. With the inspection report in hand, your Realtor can ask the seller to either do repairs or reduce the purchase price.

Interest Rate: Interest is what lenders charge you to use their money. Lenders generally charge higher rates of interest on higher risk loans. For fixed-rate mortgages, remember that the interest rate has a seesaw relationship with the points. A high number of points is usually associated with a lower interest rate, and vice versa. For an adjustable-rate mortgage, make sure that you understand the formula (the index plus the margin) that determines how the interest rate is calculated after the teaser rate expires.

L

Legal Fees: See Attorney Fees.

Lien: A legal claim or charge on property as security for payment of a debt or for the discharge of an obligation.

Loan's Origination Fee: Also called points. Interest charges paid up-front when you close on your loan. Points are actually a percentage of your total loan amount (one point is equal to 1 percent of the loan amount). For a \$100,000 loan, one point costs you \$1,000.

Loan-to-Value Ratio: The ratio – expressed as a percentage – of the amount of a mortgage loan to the appraised value or selling price of the property.

Lock Box: A key storage system placed on a home entrance that is accessible only by active, licensed real estate agents who must abide by a strict set of guidelines when showing a seller's home.

Lock-In: A lock-in is a mortgage lender's commitment and written agreement to guarantee a specified interest rate to the homebuyer, provided that the loan is closed within a set period of time. loan origination: This fee is usually known as a loan origination fee but is sometimes called a "point" or "points." It covers the lender's administrative costs in processing the loan. Often expressed as a percentage of the loan, the fee will vary among lenders. Generally, the buyer pays the fee, unless otherwise negotiated.

M

Margin: In Adjustable Mortgage Loans, the number of percentage points the lender adds to the index rate to determine the new interest rate at each adjustment.

Multiple Listing Services (MLS): A real estate agents' cooperative service that contains descriptions of most of the houses that are for sale. Real estate agents use this computer-based service to keep up with properties listed for sale by members of the Multiple Listing Service in their area.

N

Notary Fee: This fee is charged for the cost of having a person who is licensed as a notary public swear to the fact that the persons named in the documents did, in fact, sign them.

P

PITI (Principal, Interest, Taxes, and Insurance): Used to indicate the four major items included in a monthly mortgage payment.

Points: See Loan's Origination Fee.

Pre-Paid: See Escrow Account Deposits.

Principal: The principal is the amount that you borrow for a loan. If you borrow \$100,000, your principal is \$100,000. Each monthly mortgage payment consists of a portion of principal that must be repaid plus the interest that the lender is charging you for the use of the money. During the early years of your mortgage, your loan payment is primarily interest.

Private Mortgage Insurance (PMI): If the down payment is less than 20 percent of a home's purchase price, the borrower will probably need to purchase private mortgage insurance (also known as "mortgage default insurance"). Lenders feel that homeowners who can only come up with small down payments are more likely to default on their loans. Therefore, lenders make these homeowners buy PMI, which reimburses them the loan amount in case the borrower does default. Private mortgage insurance can add hundreds of dollars per year to loan costs. After the equity in the property increases to 20 percent, borrowers no longer need the insurance. Do not confuse this insurance with mortgage life insurance.

Property Disclosure Statement: Some states require that sellers give prospective buyers a written disclosure regarding all known property defects and all known material facts that may affect the property's value or desirability.

Proration: Certain items such as property taxes and homeowners association dues are continuing expenses that must be prorated (distributed) between the buyers and sellers at closing. If the buyers, for example, owe the sellers money for property taxes that the sellers paid in advance, the prorated amount of money due the sellers at closing is shown as a debit (charge) to the buyers and a credit to the sellers.

R

Recording: The cost for having the new deed recorded. This will put your name in the public records as the owner of the home. Usually around \$35.00.

S

Second Mortgage: A mortgage which ranks after the first mortgage lien in priority.

Settlement: See Closing.

Survey: The lender may require that a surveyor conduct a property survey. This is a protection to the buyer as well. Usually the buyer pays for the surveyor's fee, but sometimes this may be paid by the seller.

T

Tax Deductible: Refers to payments that you may deduct against your federal and state taxable income. The interest portion of your mortgage payments, loan points, and property taxes are tax deductible.

Title Insurance: Covers the legal fees and expenses necessary to defend your title against claims that may be made against your ownership of the property. The extent of your coverage depends upon whether you have an owner's standard coverage or extended coverage title insurance policy. To get a mortgage, you also have to buy a lender's title insurance policy to protect your lender against title risks.

V

VA Loans: Loans partially guaranteed by the Veteran's Administration, enabling veterans to buy a home with little or no down payment.

Variable Rate Loans: See Adjustable Mortgage Loans

Z

Zoning: Certain city and county government bodies have the power to regulate the use of land and buildings. For example, the neighborhood where your house is located is probably zoned for residential use. It most likely also has zoning codes or ordinances to regulate building heights, yard sizes, and the percentage of lot coverage by buildings.

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