Home Buying 101

“The Perfect Home Buyer Storm”

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The Process of Buying A Home

**Step One**

Select Realtor® - Hire *Experienced* Buyer’s Agent  
Loan Application - Get Your Credit Ready First & Be Prepared  
Obtain *Pre-Approval Letter* from Mortgage Company (maximum loan amount)

**Step Two**

Home Buyer Meeting - Overview of Entire Process  
Needs Analysis - Set Parameters of Home Search  
Review & Sign - Buyer Brokerage Agreement + Agency & Consumer Disclosures

**Step Three**

Neighborhood Search - Do Drive by Exterior Inspections  
Interior Inspection of Listings Selected - Set Showings  
Make Selection - Check Property Thoroughly (crawl through)

**Step Four**

Evaluate Property’s Location, Condition & Price  
Determine Seller’s Motivation - Why Selling?  
Present & Negotiate Offer - *Protect Your Interests*

**Step Five**

Home Inspection - Functional & Structural, Not Cosmetic  
Appraisal & Termite Inspections Ordered  
Shop & Order Homeowner’s Insurance

**Step Six**

Perform Walk-Thru Inspection  
Attend Closing - Get Owner’s Title Insurance  
Move In & Celebrate!
We Need to Work Together...

If you see a “For Sale” sign (not on your drive by list) ....

If you see an Ad in the Paper or Internet....

**Call the contact person & Ask price**

If the property is in your price range, do a drive by & if you want to set a showing, *call me*.

If you see a “For Sale By Owner”

**Call the contact person & Ask if they are cooperating with Realtors**

If the FSBO is cooperating (pay 3% fee), do a drive by & if the property is in your price range & you want to set a showing, *call me*. 
Selecting Your Home

First Showing

1. Check floor plan & flow - does it fit?

2. Take notes of house & neighborhood to help you remember.

3. Ask questions (there is no stupid question).

4. Share feelings (don’t be too emotional, it clouds reason).

5. Be prepared for compromise - the perfect house does not exist.

Second Showing

1. Eliminate & make selection - inspect best one or two selection(s).

2. Inspection condition & note any defects or problems.

   If necessary, call in specialists to determine extent of the defect or problem & necessary cost to cure the same (get bid in writing). Sometimes it’s best to wait until the time of home inspection to negotiation certain items depending on seller’s attitude & motivation.

3. Note any personal property to convey - write in contract.

4. Inspect the neighborhood - talk with the people.

   Remember, kids know where other kids are & seniors keep an eye on the neighborhood. If you have any concerns, ask questions.
How To Analyze a Good Property To Buy

**Neighborhood** –

The most critical factor, not the property itself
Roofs: tell you about ownership – owner or tenant
Children: will let you know the type of people who live in neighborhood to anticipate any future problems

**Do Your Homework First** –

Exterior Inspection: do drive-bys of available properties to learn the neighborhoods & price ranges – remember, if the property is surrounded by superior properties, the value will be pulled up & if by inferior properties, then value will be pulled down.

Interior Inspection: select only those properties that pass exterior inspection – inspect the condition carefully. Tools needed are flashlight, binoculars (to check roof elements), pocket knife (moisture/termite damage) & marble (structural soundness). Check attic & crawl spaces.

**Get Pertinent Property Data** –

Listing & Tax Data: review listing history data to determine how long property has actually been on market & the personal property that conveys with the real property. Check the tax records for the chronological history of properties sold on the same street.

CMA – review the recent Comparative Market Analysis to determine Supply versus Demand. If unsure about history of neighborhood/area, obtain CMA from years past.

*Supply*: active & expired listings
*Demand*: pending sales & sold properties
What is the Home Worth?

**Appraised Value**
Typically, lending institutions will obtain an appraisal prior to funding a mortgage. The appraiser's work is very detailed, such as on-site inspection, measurements & extracting data from the marketplace. In determining value, the appraiser will select three examples of similar homes that have sold recently in the same area. These are called “comparables”. Usually, the data is obtained through the local MLS or court records. Adjustments are made for differences in property features & amenities.

**Assessed Value**
State & local government uses real estate taxes as a source of revenue. Assessors may use the MLS data, but they typically do not physically inspect & estimate the value of every house every year. Adjustments to assess value are made after an improvement to the house or neighborhood. An increase, & occasionally a decrease, in real estate taxes usually comes from the adjustment to the State Equalized Value - taxes will change when a decision, typically at the state capitol, is made for more or less revenue that is needed for operations.

**Market Value**
In the marketplace, it doesn't matter what a tax assessor or appraiser thinks the value should be. The market value is the price the buyer is willing to pay & the seller is willing to accept. Typically, market value is a function of supply & demand. If supply is low & demand is high, prices could be higher than appraised or assessed value. If supply is high & demand low, prices could be lower than appraised or assessed value. A depressed economy could have an adverse effect on market value by demand slowing down.
Preparing the Offer to Purchase

**Condition**
Properties often have deferred maintenance. Be sure to thoroughly inspect the property BEFORE making an offer. A property that is vacant is a prime target for vandalism or burglary. Or, if pipes were exposed to freezing temperatures, plumbing could be damaged. Inspect the property carefully noting any defects or problems. Make your offer contingent on obtaining a Home Buyer’s Inspection. Note any personal property to convey with the house, such as appliances, & be sure to include in the offer - be detailed.

**Price**
Determine what *comparables* are for similar homes in the neighborhood or adjacent similar area. Adjustments are made for differences in property features & amenities. Deferred maintenance items may have an adverse effect on price. Cosmetic improvements typically do not increase value but will increase buyer appeal in the marketplace.

**Terms**
In order to keep values up in a neighborhood, typically, terms are used to offset price. Instead of offering a lower price, terms are often used to help the buyer’s leverage. Seller paid closing cost help lower the buyer’s out of pocket expenses. Often sellers will offer concessions to help facilitate the sale. Make sure that the offer allows the buyer, not seller, to determine how those concessions will be used. Check with the lender to ensure that the amount of seller concessions fall within loan guidelines.

**Seller Motivation**
The most important aspect in the art of negotiation is knowing the seller’s motivation, or lack thereof, for selling the property. There are basically two types of sellers - those who *must sell* & those who *might sell*. Be a detective in determining the seller’s motivation & situation - talk with the seller, seller’s agent, neighbors & look for indications in the property.

**The Offer**
When preparing the offer for presentation to the seller, it is important to provide the seller with the facts & buyer’s concerns regarding how you structured the offer. Often, the seller is unaware of the true condition of the property or more importantly, the costs to cure those defects. Provide a copy of the buyer’s *pre-approval letter* to the maximum loan amount - this shows the seller that the buyer is "credit-approved". Provide a cover letter with the offer outlining any problems and/or concerns. This allows the buyer’s agent to paint a clear picture of why the offer is a fair offer.
From Contract to Closing

**Home Inspection**
The purpose of the Home Inspection is to ensure there are no hidden defects or problems with regard to the property's structure and systems (plumbing, electrical, HVAC, etc.). Cosmetic issues (broken window, stained carpet, etc.) must be addressed at the time of the offer. Be sure to work with an *experienced inspector*. As in medicine, specialists may be necessary to determine the extent of the problem & the cost to cure. Do NOT proceed with any other inspections until the home inspection contingency is removed.

**Appraisal**
After the home inspection, contact the lender to order the appraisal. It is important that the lender work with an *experienced local appraiser*. The appraiser will determine the replacement cost of the property but does not warrant the property's condition.

**Termite & Moisture Inspection**
The termite & moisture inspection will uncover any potentially devastating wood and/or moisture damage. Be sure to work with an *experienced inspector*. Obtain a written report & if necessary, bids to cure problems. Typically, lenders will require a "clear letter" to close. It is strongly recommended that the buyer obtain a one year termite & moisture contract from a local reputable company.

**Homeowner’s Insurance**
Once the Home Inspection is complete, the buyer needs to shop & order homeowner’s insurance for the property. The home inspection report will advise the buyer of the building components should the insurer request information. Be sure to have your *reputable, experienced insurance agent* provide policy information to the closing attorney & the lender.

**Home Warranty**
Costs range from $300 - $600 per year & are typically renewable. A home warranty is a *service contract* which helps protect against the expense of repairing or replacing covered home appliances & mechanical systems which break down due to normal wear & tear. Extended coverage may be available for swimming pools, spas, etc. This type of coverage gives many buyers "peace of mind".
It's Closing Day……

Walk-Thru Inspection

Schedule the walk-thru inspection within 24 hours of closing. Be prepared & be thorough. Be sure to check that all home inspection items have been corrected. Check & run all major systems & appliances. Note all the defects on the Walk-Thru Inspection Report. If necessary, escrow funds to cover the “worst case scenario” in curing defect. After closing, this will be your problem.

The Closing Table

Closing is typically conducted at the buyer’s attorney’s office. The settlement statement (HUD-1) is the final accounting of all monies for both buyer & seller. The buyer’s attorney performs a property title search to determine any liens, judgments, etc. It’s critical that Owner’s Title Insurance be obtained by the buyer at closing (reduced premium).

Move In & Celebrate…..
Are You Ready to Buy?

- Do you have a steady income?
- Do you pay your bills on time?
- Do you have low to medium debt?
- Do you have cash for closing costs or down payment?
- Do you have 2 month’s reserves of mortgage payment in bank?

Know the Numbers......

Housing Costs
Housing costs should be less than 29% - 36% of gross monthly income. The housing costs include the mortgage payment, taxes, homeowner’s insurance & association or condo fees. Housing costs plus long-term debt not to exceed 40% - 55% of gross monthly income. Long-term debts includes car payments, credit card payments & other loan payments.

Tax Deductions
Assuming a 6¼%, 30 year mortgage for $289,500. The monthly payment is $2083 (PI is $1783). First year’s interest is $17,998 & annual real estate taxes are $3000. Assuming the tax bracket is 25%, the first year deductions are $20,998 or a monthly refund of $437. The net effective monthly housing payment is $1646.
## Renting Vs. Buying

### Renting a Home
- $1500 / month
- 5% increase / year
- No tax deductions
- After 5 years, $99,461 spent in rent

### Buying a Home
- $2083 / month
- Based on 28% tax bracket
- Slight increase tax & ins./yr
- Subtract $300/month tax & ins.
- Leaves $1783/month prin. & int.
- With no down payment & based on 6¼% over 30 years, this buys you $289,500 house.
- After 5 years, $82,010 in equity build-up

$-0- vs. $82,000

You Do the Math!
What Will College Costs? – Children Born in 1996

<table>
<thead>
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<tr>
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<td>$82,983</td>
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To Reach Your Goals, You Must

| Make a One Time Deposit Today of | $17,984 | $45,710 |
| Make Annual Contributions of     | $1,632  | $4,149  |
| Make Monthly Contributions of     | $135    | $344    |

Learn to Use Leverage for Costly Future Expenses!

Madison (ages 0-3 yrs) – Saved $235/month for 3 years = $8460
Bought a house for $75,000 in 1999 with Madison at my side

Madison (age 5 yrs) – Teach repairs & maintenance (take care of what you own) inspect property annually

Madison (age 7 yrs) – Teach records & bookkeeping (make deposits & pay bills) staying organized is key to success

FACT: By paying 14 payments per year to the mortgage, instead of 12, the mortgage is paid off in about 15 years. In 15 years, the property value should easily double ($150,000) with no mortgage owed. When Madison is 18 years old, refinance the mortgage to take enough cash to pay for college expenses (tuition, books, housing & transportation).
How Do I Get Started?

Facts:

- 1993-1996, 50 new real estate agents each month – 48% of total membership in HRRA (3,790 agents)

- Most people hire the 1st or 2nd agent they speak with due to laziness

Ask for referrals & interview at least 3-5 professionals
To Whom It May Concern:

As I look back over my life, I have to credit Teresa Brooks with being one of the biggest financial influences in my life. I remember I was getting very frustrated living in an apartment because the management company would not respond when I needed something fixed. I had enough and figured there was a better way. I started going through the paper looking for a new apartment, I could not find anything in my budget even with a room mate. December of 1997, I was a frocked E-4 in the Navy, which means I wasn’t getting paid for E-4 yet. I also was attached to ship so I was not eligible to receive Basic Allowance for Housing (BAH). I believe that I was only bringing home $450.00 every two weeks. My car payment and insurance was $132.00 a month. About a 2 week search it finally dawned on me that the monthly mortgage on a small town house for much less then I was renting my apartment for. I called 4 different realtors that didn’t want to waist their time working with me because my budget was so low. I was aggravated and I almost didn’t call Teresa. When I called she actually took the time to talk to me and asked me to meet at her office. She wanted me to bring all my financial records with me so she could see how best to work with me. She told me that her goal was to sell me a house that I could comfortably afford. Like most 20 year olds only had $300.00 in my savings account. I thought that I could use my VA loan to get this house, but unfortunately I couldn’t even qualify because I didn’t make enough money. My only option was to use an adjustable rate Mortgage. I also had to put money down, and when you don’t have money that is very difficult. I talked to my family and they decided that they would lend me the rest of the money. I closed on my 3 bedroom 2 bath townhouse (1502sqft) January 28, 1998. My mortgage payment was $320.97 a month. My room mates (2) were paying the mortgage + some and I ended paying the utilities. It worked out really well for me.

Teresa gave me her money management talk on our first meeting. Although I was not in a position to take on another property, I remembered everything she said about how to build wealth, and how to leverage your assets to create more wealth. I lived in my town house until 2002. My husband to be had a house of his own and we couldn’t decide which house to live in. To make it easier we decided to buy a new house and rent the other 2 out. He wanted to use his agent; I didn’t want to force the issue so I agreed to meet with this guy. His agent seemed too busy to listen to us and I convinced Eric to meet Teresa.

Again she met us at her office, and went through our finances with us. Eric didn’t like that, but I told him that is how she helps us figure out how much house that we can afford comfortably. We were able to buy a HUD home in the same neighborhood as my husband’s house. We were married August 24 2002 and we closed on that house September 11, 2002. This home was definitely a “fixer upper” out of the 2 ½ baths not
one toilet in the house worked. This started us on a path of buying houses and fixing them up and renting them.

Because of Teresa’s influence we have managed to acquire 5 different rental properties, set up our LLC and be on our way to a very comfortable retirement. I know that there are many people that spend all their money on frivolous things, but my husband and I listened to everything Teresa said, we try to put everything in to practice. We will only know if we have succeeded in about 15-20 years when it is retirement time.

Through Teresa’s guidance she has shown us it is never about how much money you make it is about what you do with your money. You too can have success, you just have to stop thinking about now and start planning for the future. That means no new car, eating at home, no more manicures and pedicures; you have to cut back so that you can afford to buy the properties. What are you willing to sacrifice now so that you don’t have to sacrifice in the future?

I hope that my story is very helpful to anyone who takes the time to read it. If anyone wants to contact me about anything I have written please feel free to do so. I just hope that it has given you encouragement to know that building wealth can be done for an average person with proper guidance from someone that is already where you want to be.

Sincerely

Lisa Marie Doud
TERESA BROOKS TESTIMONY

I first heard Teresa Brooks at her life changing seminars way back 2002. She blew me away. I aligned myself with everything she said. I jumped into the real estate pool head first. Since that time I’ve bought three properties.

Teresa was a mentor to me. I take mentors very seriously. They are a role model. It’s important to surround yourself with successful people. When reaching for your goals we’ll all face obstacles, mentors pull you through them.

Teresa is exceptional. She’s business minded, efficient, family focused and adventurous! To sum her up in one sentence: She’s the best one to tell you the difference between a challenge, an obstacle and to give you a firm NO!

Somewhere along the way I flipped a switch in my head and saw Teresa as a professor not a mentor. I was raised that you don’t brown-nose the professor. They teach, you learn and then you create something on your own so they can look at it and be proud of you.

I had a real estate agent before Teresa whom I was fiercely loyal to. Loyalty is huge with me. You don’t abandon those who walk the journey with you. However, before long I had a mess on my hands. Two out of the three houses are now ‘upside down’. They are worth less than what is owed. Loyalty is important, but if you’re on the wrong track, going the wrong way and you’re headed for a devastating destination it’s time to change direction.

Recently, I’ve returned to my mentor Teresa Brooks. If you’re in a desert sandstorm you grab the waist of the guide so they can lead you out. If you let go of the guide, you’ll be LOST. Don’t get lost, always be led. I compromised on my guide and paid a heavy price. Who knows where I’d be today if I stayed with her.

I’ve now flipped back that switch and have returned to my mentor Teresa Brooks. I have my arms securely around the waist of my guide. This time I’m never letting go.

Harrison H. Kramer, MBA
757.589.0428
harrison.kramer@cbn.org
Dear Teresa,

As you recall, I have always been the type of person looking for the “quick fix” or “easy way” in life. This has often times caused me trouble and financial insecurity. Rather than leaving my money matters up to me, I entrusted “financial planners” who really weren’t planning for my future, they were planning for their own! They had put my money into investments where they were making commission up front, and I was losing over the long haul. It took me two years and much financial ruin before finally getting my act together and getting on board with Teresa. I had met her several years before through my financial planner as a matter of fact. Upon meeting Teresa, I was quite intimidated, but I knew there was something about her that made her different from all the rest of the real estate agents out there.

As a prospective investor, the thought of putting all of my money into real estate was quite scary and uncharted territory for me. I was nervous and unsure of what the returns on my investments would be. After losing out on several thousand dollars of bad investments known as “paper assets”, I realized it was time to buckle down and begin investing in something tangible with high yield potential: real estate!

I contacted Teresa immediately. It was a struggle for me to get organized and get my financial house in order. Looking back, I realize why this was so important! I am now finally at the place I needed to be several years ago! I am closing on my first investment property next week! Instead of losing money, I will finally be making money! Real estate investing with Teresa Brooks has truly changed my life. Her attitude and enthusiasm for what she does is highly contagious. I love her direct, no frills, straight talk! It really gets through to me, as I can be stubborn and hard headed. A dose of Teresa is exactly what I needed to give me the push I required to become the person I am today. Many thanks go out to Teresa Brooks - a life changing woman that will always leave a lasting impression on me!

Your Biggest Fan,

Holly Nole

p.s. Feel free to contact me at 540-998-8686 for a reference
To anyone who’s broke and sick of it,

Last August my wife, Samaira, and I were renting an apartment in Virginia Beach in a rowdy complex, and each month we spent more money than we made. We felt like our lives were controlled by money and knew we wanted a change.

Ten months later we now own a home in a great Chesapeake neighborhood. We have money left over each month to help pay down debt, add to our savings, and do something for ourselves once in a while. We’re also close to our goal of purchasing a second home and turning the first into a rental property. How did it happen?

I talked with a friend at work about his seven rental properties and how he’d been able to build a lot of wealth using the same modest salary I was making. He told me he was able to accomplish this through invaluable lessons learned from his real-estate agent Teresa Brooks…so I called her.

Teresa sat down with Samaira and I and taught us about budgeting, how money works and how to make money work for us. She guided us toward purchasing our first home with the intent to make it a rental property, and it was one of the easiest things we’ve ever done.

Since then I have recommended Teresa’s services to countless colleagues and friends. Yet none of them are able to get started on same path toward success for one simple reason…they don’t call.

Her number is: office - (757) 460-9600 and cell - (757) 406-1396. Personally, I think your time is better spent calling those numbers than reading the rest of this letter.

But if you need more encouragement, here it goes: When you work with Teresa, you work with someone who cares more about building relationships and your success than a one-time commission. Teresa’s network of professionals all possess this same caring attitude and make the goal of improving your financial life nearly impossible to fail.

Samaira and I have spent the last ten months surrounded by people who are more interested in our success and building business relationships with us than getting our money. You now have the same opportunity we did ten months ago. Good luck finding better. The numbers are two paragraphs up.

Sincerely,

Joe Aldrich
Nathan & Kristen Luce  
1715 Hiawatha Drive  
Virginia Beach, Virginia 23464  
757. 495. 5569

Ms. Teresa Brooks  
Remax Allegiance  
1161 Revere Point Road  
Virginia Beach, VA 23455

Dear Ms. Brooks:

We had to write and tell you what an incredible difference you have made in our lives!

We were married last June, and moved down to the Virginia Beach area in July. Kristen is in law school and Nathan is working as an elementary teacher in Norfolk. We are currently renting. We came to hear about you at a real estate and investment seminar that you taught at Regent University. Although we do not have a lot of money, we do have some savings stashed away, and we thought it seemed like a sound decision to buy a house.

It was very refreshing to meet such an incredibly qualified business woman as yourself, who was honest above all. You advised us that with our goals in mind, it would be better if we actually waited to buy a house. We would be in a better situation later, after Kristen finishes school and we go ahead and move back home. Ms. Brooks you could have sold us a home, and no one would have blamed you. However, you were able to look beyond your own personal gain and keep us from making a financial mistake that could have been devastating. Additionally, you didn’t want to be compensated for the time you actually did spend with us (which was in the middle of a very busy stretch of time for you)...Thank you!

Our only regret is that we cannot do business with you. However, we are forever grateful for your selflessness; you saved us from what could have been a big mistake.

Thank you for your financial guidance! We wish you well.

God Bless you,

Nathan & Kristen Luce
Testimonial

When I received a job offer out of state, this caused me to have to pack the family up and move in a short period of time. Given the downturn in the housing market we realized it might take some time to sell our home. After 9 months, 2 real estate agents, 3 showings, and no offers during that time period, my wife and I were becoming extremely frustrated.

I then decided to follow a friend’s advice and call a realtor that he had recommended to me previously, at which time I called Teresa Brooks. After speaking with Teresa, I was able to be optimistic again that we were going to be able to sell our home, and that a short sale or foreclosure were not our only options.

Teresa assessed our property, crunched the numbers, and provided us with different options along with her recommendations on how we could sell our home. After following Teresa’s recommendations, we had 3 showings, received an offer, and ultimately sold our home within about 6 weeks.

Our experience with Teresa in comparison to our other realtors was night and day. Teresa provided us with professional service and offered us her expert advice throughout the entire process. The one thing I appreciated most about working with Teresa was the fact that she was a straight shooter and her expertise was very evident in the service she provided.

The only thing I regretted about working with Teresa was not calling her sooner.

Thank you Teresa!

Jason Currie
Seminar Questionnaire

1. Presentation of information: ________________________________
   ________________________________

2. Presentation of speaker: ________________________________
   ________________________________

3. Was the format educational & entertaining?: ____________
   ________________________________

4. General comments: ________________________________
   ________________________________

5. Where did you hear about the seminar? ________________

Please complete the following to receive your _FREE CD_, “Straight-Talk on Real Estate Investing”, or for the services below.

Name: ________________________________________________
Address: ______________________________________________
Phone: ____________ Cell Phone: ____________
E-Mail Address: ________________________________________

By my checkmark, please provide me with:

_____ Private consultation with Teresa Brooks

_____ Presentation of a seminar(s) to another group - _FREE_

- “Money Isn’t Everything...But It’s Right Up There With Oxygen”  
  Money Management Seminar
- “Finally...An Investment Prescription with Side Effects You Want!”  
  Real Estate Investment Seminar
- “The Perfect Home Buyer Storm”  
  Home Buyer Seminar
Home Buying 101

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The Process of Buying a Home

Step One  Select *Experienced* Realtor® + Loan Application + Get Pre-Approval Letter

Step Two  Home Buyer Meeting + Needs Analysis + Sign B.B. Agreement

Step Three  Neighborhood Search + Interior Inspection + Make Selection

Step Four  Evaluate Property & Seller’s Motivation + Negotiate Offer

Step Five  Home Inspection + Appraisal + Termite + Insurance

Step Six  Walk-Thru + Closing + Move In!
We Need to Work Together…

If you see a “For Sale” Sign (not on your Drive-By List)…

If you see an Ad in the Paper or Internet…

Call the Contact Person & Ask the Price

If you see a “For Sale By Owner”

Call the Contact Person & Ask if Cooperating with Realtors®
# Selecting Your Home

## First Showing
1. Check Floor Plan & Flow
2. Take Notes
3. Ask Questions
4. Share Feelings
5. Be Prepared for Compromise

## Second Showing
1. Eliminate & Make Selection
2. Inspect Condition & Note Defects
3. Note Personal Property to convey
4. Inspect neighborhood – Talk with the People
How To Analyze a Good Property To Buy

• **Neighborhood**
  Roofs condition -> ownership
  Children -> the type of people living in the neighborhood & any future problems

• **Do Your Homework**
  Exterior Inspection
  Interior Inspection

• **Get Pertinent Property Data**
  Listing & Tax Data -> historical data
  Recent Comparative Market Analysis (CMA) -> Supply versus Demand
What is the Home Worth

**Appraised Value**
- Physical Inspection & Detailed Report
- “Comparables” Used
- Based on “Sold Homes”

**Assessed Value**
- State Equalized Value
- Typically No Physical Inspection
- Estimate of Value

**Market Value**
- Price Buyer Willing to Pay & Seller Willing to Accept
- Supply vs. Demand
Preparing the Offer to Purchase

Condition

Price & Terms

Seller Motivation

The Offer

STRAIGHT TALK
From Contract to Closing

- **Home Inspection**
- **Appraisal**
- **Termite & Moisture Inspection**
- **Homeowner’s Insurance**
- **Home Warranty**

Experience & Reputation Are Key Factors
It’s Closing Day…

Walk-Thru Inspection

- Schedule Within 24 Hours of Closing
- Be Prepared & Be Thorough
- Escrow Necessary Funds for “Worst Case Scenario”

The Closing Table

- Typically at Buyer’s Attorney’s Office
- Settlement Statement (HUD-1)
- Owner’s Title Insurance

Move In & Celebrate

- Your Journey is Completed!

STRAIGHT TALK
Are You Ready to Buy

- Do You Have a Steady Income?
- Do You Pay Your Bills on Time?
- Do You Have Low to Medium Debt?
- Do You Have Cash for Closing Costs or Down Payment?
- Do You Have 2 Month’s Reserves of Mortgage Payment?

Know the Numbers…

**Housing Costs**
29%-36% of Gross Monthly Income
40% - 55% of GMI – Housing Costs + Long-Term Debt

**Tax Deductions**
Mortgage Interest + Real Estate Tax
Deduction Based on Income Tax Bracket
Renting Vs. Buying

Renting a Home

• $1500 / Month
• 5% Increase / Year
• No Tax Deduction Paying Landlord’s Mortgage
• After 5 Years, $99,461 Spent in Rent
• $ -0-

Buying a Home

• $2083 / Month (28% Tax Bracket)
• Slight Increase Tax & Insurance / Year
• Subtract $300 / Month (Tax & Ins.) Leaves $1783 / Month (Prin. & Int.) 6¼%, 30 years, -0- Down Payment = $289,500 House
• After 5 Years, $82,010 Equity Build-Up
• $82,010

You Do the Math!
## What Will College Cost?

### Children Born in 1996

<table>
<thead>
<tr>
<th></th>
<th>Public</th>
<th>Private</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual College Costs Today</strong></td>
<td>$8,000</td>
<td>$20,000</td>
</tr>
<tr>
<td><strong>Education Fund Started at Birth</strong></td>
<td>$500</td>
<td>$500</td>
</tr>
<tr>
<td><strong>Current After-tax Return</strong></td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td><strong>Assume College Inflation Rate</strong></td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Future 1st Year Cost in 18 Years</strong></td>
<td>$19,253</td>
<td>$48,132</td>
</tr>
<tr>
<td><strong>Future Total Cost of College</strong></td>
<td>$82,983</td>
<td>$207,457</td>
</tr>
</tbody>
</table>

### To Reach Your Goals, You Must

- Make a One Time Deposit Today of $17,984 $45,710
- or Make Annual Contributions of $1,632 $4,149
- or Make Monthly Contributions of $135 $344
Learn to Use Leverage for Costly Future Expenses!

Ages 0-3 yrs

Saved $235/month for 3 years = $8,460

Age 3 yrs

Together with Madison bought a house for $75,000 in 1999

Age 5 yrs

Teach repairs & maintenance (take care of what you own) inspect property annually

Age 7 yrs

Teach records & bookkeeping (make deposits & pay bills) Organization is key to success!

Age 18 yrs

Mortgage paid off in 15 years by making 2 extra payments a year, property value at least doubled ($150,000)

Age 18 yrs

Refinance the mortgage to get cash for college expenses (tuition, books, housing, etc)
How Do I Get Started?

Facts:

• 1993-1996, 50 new real estate agents each month – 48% of total membership in HRRA (3,790 agents)

• Most people hire the 1st or 2nd agent they speak with due to laziness

Ask for referrals & interview at least 3-5 professionals
Now is the time to ask YOUR "burning" questions!
President – REO Connection
REO Marketing Director – All/Pros Realty

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Home Buying

Please give us your feedback.