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THE GUIDEBOOK

For Buyers

A collection of how-tos, checklists, and worksheets to help buyers understand what to expect during the real estate purchasing experience.

Contents

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WHAT TO KNOW

7 Reasons to Own A Home

1. Tax benefits.

The U.S. Tax Code lets you deduct the interest you pay on your mortgage, your property taxes, and some of the costs involved in buying a home.

2. Appreciation.

Historically, real estate has had a long-term, stable growth in value. In fact, median single-family existing-home sale prices have increased on average 5.2 percent each year from 1972 through 2014, according to the National Association of REALTORS®. The recent housing crisis has caused some to question the long-term value of real estate, but even in the most recent 10 years, which included quite a few very bad years for housing, values are still up 7.0 percent on a cumulative basis. In addition, the number of U.S. households is expected to rise 10 to 15 percent over the next decade, creating continued high demand for housing.

3. Equity.

Money paid for rent is money that you'll never see again, but mortgage payments let you build equity ownership interest in your home.

4. Savings.

Building equity in your home is a ready-made savings plan. And when you sell, you can generally take up to \$250,000 (\$500,000 for a married couple) as gain without owing any federal income tax.

5. Predictability.

Unlike rent, your fixed-rate mortgage payments don't rise over the years so your housing costs may actually decline as you own the home longer. However, keep in mind that property taxes and insurance costs will likely increase.

6. Freedom.

The home is yours. You can decorate any way you want and choose the types of upgrades and new amenities that appeal to your lifestyle.

7. Stability.

Remaining in one neighborhood for several years allows you and your family time to build long-lasting relationships within the community. It also offers children the benefit of educational and social continuity.

WHAT TO KNOW

7 Reasons to Work With a REALTOR®

REALTORS® aren't just agents. They're professional members of the National Association of REALTORS® and subscribe to its strict code of ethics. This is the REALTOR® difference for home buyers:

1. **Ethical treatment.**

Every REALTOR® must adhere to a strict code of ethics, which is based on professionalism and protection of the public. As a REALTOR®'s client, you can expect honest and ethical treatment in all transaction-related matters. The first obligation is to you, the client.

2. **An expert guide.**

Buying a home usually requires dozens of forms, reports, disclosures, and other technical documents. A knowledgeable expert will help you prepare the best deal, and avoid delays or costly mistakes. Also, there's a lot of jargon involved, so you want to work with a professional who can speak the language.

3. **Objective information and opinions.**

REALTORS® can provide local information on utilities, zoning, schools, and more. They also have objective information about each property. REALTORS® can use that data to help you determine if the property has what you need. By understanding both your needs and search area, they can also point out neighborhoods you don't know much about but that might suit your needs better than you'd thought.

4. **Expanded search power.**

Sometimes properties are available but not actively advertised. A REALTOR® can help you find opportunities not listed on home search sites and can help you avoid out-of-date listings that might be showing up as available online but are no longer on the market.

5. **Negotiation knowledge.**

There are many factors up for discussion in a deal. A REALTOR® will look at every angle from your perspective, including crafting a purchase agreement that allows enough time for you to complete inspections and investigations of the property before you are bound to complete the purchase.

6. **Up-to-date experience.**

Most people buy only a few homes in their lifetime, usually with quite a few years in between each purchase. Even if you've done it before, laws and regulations change. REALTORS® handle hundreds of transactions over the course of their career.

7. **Your rock during emotional moments.**

A home is so much more than four walls and a roof. And for most people, property represents the biggest purchase they'll ever make. Having a concerned, but objective, third party helps you stay focused on the issues most important to you.

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QUESTIONS TO ASK

When Choosing a REALTOR®

How long have you been in residential real estate? Is it your full-time job?

Like most professions, experience is no guarantee of skill. But much of real estate is learned on the job.

Do you have any designations or certifications?

Real estate professionals have to take additional specialized training in order to obtain these distinctions. Designations and certifications help define the special skills that an agent can apply to your particular real estate needs. One designation buyers should look for is the ABR®, or Accredited Buyer's Representative.

What's your business philosophy?

While there's no right answer to this question, the response will help you assess what's important to the agent and determine how closely the agent's goals and business emphasis mesh with your own.

How many buyers did you and your real estate brokerage represent last year?

This will tell you how much experience they have and how up-to-date they are on the local market.

What's the average variation between your initial offers and final sales price?

This is one indication of a REALTOR®'s pricing and negotiating skills.

Will you represent me exclusively, or might you choose to represent the seller as well?

While it's usually legal to represent both parties in a transaction, your REALTOR® should be able to explain his or her philosophy on client obligations and agency relationships.

Can you recommend service providers who can help me obtain a mortgage, make home repairs, and so on?

Practitioners should be able to recommend more than one provider and let you know if they have any special relationship with any of the providers.

How will you keep me informed about the progress of my transaction?

The best answer here is a question. A real estate agent who pays close attention to the way you prefer to communicate and responds accordingly will make for the smoothest transaction.

Could you please give me the contact information of your three most recent clients?

Ask their former customers if they would use the agent again in the future.

VOCABULARY

Agency & Agency Relationships

The term “agency” is used in real estate to help determine what legal responsibilities your real estate professional owes to you and other parties in the transaction.

The **buyer's representative** (also known as a buyer's agent) is hired by prospective buyers and works in the buyer's best interest throughout the transaction. The buyer can pay the agent directly through a negotiated fee, or the buyer's rep may be paid by the seller or through a commission split with the seller's agent.

The **seller's representative** (also known as a listing agent or seller's agent) is hired by and represents the seller. All fiduciary duties are owed to the seller, meaning this person's job is to get the best price and terms for the seller. The agency relationship usually is created by a signed listing contract.

A **subagent** owes the same fiduciary duties to the agent's customer as the agent does. Subagency usually arises when a cooperating sales associate from another brokerage, who is not the buyer's agent, shows property to a buyer. The subagent works with the buyer to show the property but owes fiduciary duties to the listing broker and the seller. Although a subagent cannot assist the buyer in any way that would be detrimental to the seller, a buyer customer can expect to be treated honestly by the subagent.

A **disclosed dual agent** represents both the buyer and the seller in the same real estate transaction. In such relationships, dual agents owe limited fiduciary duties to both buyer and seller clients. Because of the potential for conflicts of interest in a dual-agency relationship, all parties must give their informed consent. Disclosed dual agency is legal in most states, but often requires written consent from all parties.

Designated agents (also called appointed agents) are chosen by a managing broker to act as an exclusive agent of the seller or buyer. This allows the brokerage to avoid problems arising from dual-agency relationships for licensees at the brokerage. The designated agents give their clients full representation, with all of the attendant fiduciary duties.

A **transaction broker** (sometimes referred to as a facilitator) is permitted in states where nonagency relationships are allowed. These relationships vary considerably from state to state. Generally, the duties owed to the consumer in a nonagency relationship are less than the complete, traditional fiduciary duties of an agency relationship.

HOW TO

Prepare for House-Hunting

Know that there's no "right" time to buy.

If you find the perfect home now, don't risk losing it because you're trying to guess where the housing market and interest rates are going. Those factors usually don't change fast enough to make a difference in an individual home's price.

Don't ask for too many opinions.

It's natural to want reassurance for such a big decision, but too many ideas from too many people will make it much harder to make a decision. Focus on the wants and needs of the people who will actually be living in the home.

Accept that no house is ever perfect.

If it's in the right location, the yard may be a bit smaller than you had hoped. The kitchen may be perfect, but the roof needs repair. Make a list of your top priorities and focus in on things that are most important to you. Let the minor ones go. Also, accept that a little buyer's remorse is inevitable and will most likely pass.

Don't try to be a killer negotiator.

Negotiation is definitely a part of the real estate process, but trying to "win" by getting an extra-low price or refusing to budge may cost you the home you love.

Remember your home doesn't exist in a vacuum.

Don't get so caught up in the physical aspects of the house itself that you forget about important issues such as noise level, access to amenities, and other aspects that also have a big impact on your quality of life.

Plan ahead.

Don't wait until you've found a home to get approved for a mortgage, investigate insurance, or consider a moving schedule. Being prepared will make your bid more attractive to sellers.

Choose a home first because you love it; then think about appreciation.

A home is still considered a great investment, but its most important role is as a comfortable, safe place to live.

HOW TO

Prepare to Buy a Home

Talk to mortgage brokers.

Many first-time home buyers don't take the time to get prequalified. They also often don't take the time to shop around to find the best mortgage for their particular situation. It's important to ask plenty of questions and make sure you understand the home loan process completely.

Be ready to move.

This is especially true in markets with a low inventory of homes for sale. It's very common for home buyers to miss out on the first home they wish to purchase because they don't act quickly enough. By the time they've made their decision, they may find that someone else has already purchased the house.

Find a trusted partner.

It's absolutely vital that you find a real estate professional who understands your goals and who is ready and able to guide you through the home buying process.

Make a good offer.

Remember that your offer is very unlikely to be the only one on the table. Do what you can to ensure it's appealing to a seller.

Factor maintenance and repair costs into your buying budget.

Even brand-new homes will require some work. Don't leave yourself short and let your home deteriorate.

Think ahead.

It's easy to get wrapped up in your present needs, but you should also think about reselling the home before you buy. The average first-time buyer expects to stay in a home for around 10 years, according to the National Association of REALTORS®' 2013 Profile of Home Buyers and Sellers.

Develop your home/neighborhood wish list.

Prioritize these items from most important to least.

Select where you want to live. Compile a list of three or four neighborhoods you'd like to live in, taking into account nearby schools, recreational facilities, area expansion plans, and safety.

WORKSHEET

Track Your Budget

The first step in getting yourself in financial shape to buy a home is to know exactly how much money comes in and how much goes out. Use this worksheet to list your income and expenses below.

Income		Expenses	
Total Take-Home		Total Rent/Mortgage	
Child		Child Support/Alimony	
Pension/Social		Health Insurance	
Disability/Other		Life Insurance	
Interest/Dividends		Other Insurance	
Other		Vehicle Insurance	
		Vehicle Payments	
		Vehicle Upkeep	
		Other Loans	
		Utilities	
		Credit Card Payments	
		Savings/Pension Payment	
		Groceries	
		Clothes/Personal Care	
		Medical/Dental/Prescriptions	
		Household Goods	
		Child Care	
		Education	
		Charitable Donations	
		Eating Out	
		Entertainment	
Total Income:		Total Expenses:	

Remaining Income After Expenses (subtract total income from total expenses): _____

WHAT TO KNOW

About Credit Scores

Credit scores range between 200 and 850, with scores above 620 considered desirable for obtaining a mortgage. The following factors affect your score:

Your payment history.

Did you pay your credit card bills on time? Bankruptcy filing, liens, and collection activity also affect your history.

How much you owe and where.

If you owe a great deal of money on numerous accounts, it can indicate that you are overextended. However, spreading debt among several accounts can help you avoid approaching the maximum on any individual credit line.

The length of your credit history.

In general, the longer an account has been open, the better.

How much new credit you have.

New credit—whether in the form of installment plans or new credit cards—is considered more risky, even if you pay down the debt promptly.

The types of credit you use.

Generally, it's desirable to have more than one type of credit—such as installment loans, credit cards, and a mortgage.

HOW TO

Improve Your Credit

Credit scores play a big role in determining whether you'll qualify for a loan and what your loan terms will be. So, keep your credit score high by doing the following:

Check for errors in your credit report.

Thanks to an act of Congress, you can download one free credit report each year at annualcreditreport.com. If you find any errors, correct them immediately.

Pay down credit card bills.

If possible, pay off the entire balance every month. Transferring credit card debt from one card to another could lower your score.

Don't charge your credit cards to the max.

Pay down as much as you can every month.

Wait 12 months after credit difficulties to apply for a mortgage.

You're penalized less severely for problems after a year.

Don't order items for your new home on credit.

Wait until after your home loan is approved to charge appliances and furniture, as that will add to your debt.

Don't open new credit card accounts.

If you're applying for a mortgage, having too much available credit can lower your score.

Shop for mortgage rates all at once.

Having too many credit applications can lower your score. However, multiple inquiries about your credit score from the same type of lender are counted as one if submitted over a short period of time.

Avoid finance companies.

Even if you pay off their loan on time, the interest is high and it may be considered a sign of poor credit management.

WHAT TO KNOW

The Tax Benefits of Owning

The tax deductions you're eligible to take for mortgage interest and property taxes greatly increase the financial benefits of home ownership. Let's work through a hypothetical situation to see how it works.

For a married couple filing jointly earning \$112,400 in gross income, here's how those homeownership deductions might work:

112,400 (income)
-12,577 (home ownership deductions)
= 99,823 (taxable income)

Using IRS tax tables from 2014, their tax would be \$16,669. Without the deductions, they would pay \$19,812.50 in taxes (\$112,400 X 25% - 8,287.50, based on the 2014 IRS Computation Worksheet). This means they save \$3,143.50 on their taxes as homeowners.

Of course, this is just one example to give you an idea of how homeownership might affect your tax liability. These numbers will vary according to your mortgage, local tax rates, marital status, income, and based upon other deductions for which you may qualify. [Consult with your CPA or tax professional to understand your particular situation.](#)

HOW TO

Prepare to Finance a Home

Develop a budget: Use receipts and your banking transaction history to create a budget that reflects your actual habits over the last several months. This approach will better factor in unexpected expenses alongside more predictable costs such as utility bills and groceries. You'll probably spot ways to save, whether it's cutting out a Starbucks run or eating dinner at home more often.

Reduce debt: Lenders generally look for a debt load of no more than 36 percent of income. This figure includes your mortgage, which typically ranges between 25 and 28 percent of your net household income. So you need to get monthly payments on the rest of your installment debt—car loans, student loans, and revolving balances on credit cards—down to between 8 and 10 percent of your net monthly income.

Increase your income: Now's the time to ask for a raise! If that's not an option, you may want to consider taking on a second job to get your income at a level high enough to qualify for the home you want.

Save for a down payment: Designate a certain amount of money to put away in your savings account each month. Although it's possible to get a mortgage with less than 5 percent down, you can usually get a better rate if you put down more. Aim for 20 percent of the purchase price.

Keep your job: While you don't need to be in the same job forever to qualify for a home loan, having a job for less than two years may mean you have to pay a higher interest rate.

Establish a good credit history: Get a credit card and make all your bill payments on time. Pay off entire balances as promptly as possible. Also, obtain a copy of your credit report, which includes a history of your credit, bad debts, and late payments. Ensure that it's accurate and correct any errors immediately.

Keep saving: Even if you have enough money to qualify for a mortgage and cover your down payment, you will also need to factor in closing costs, which can average between 2 and 7 percent of the home price, and incidentals such as the cost of hiring a home inspector.

Decide what kind of mortgage you can afford: Generally, you want to look for homes valued between two and three times your gross income, but a financing professional can help determine the size of loan for which you'll qualify. Find out what kind of mortgage (30-year or 15-year? Fixed or adjustable rate?) is best for you. Also, gather the documentation a lender will need to preapprove you for a loan, such as W-2s, pay stub copies, account numbers, and copies of two to four months of bank or credit union statements. Don't forget property taxes, insurance, maintenance, utilities, and association fees, if applicable.

Seek down payment help: Check with your state and local government to find out whether you qualify for special mortgage or down payment assistance programs. If you have an IRA account, you can use the money you've saved to buy your first home without paying a penalty for early withdrawal.

VOCABULARY

Loans & Lending Terms

Term.

Mortgages are generally available at 15-, 20-, or 30-year terms. In general, the longer the term, the lower the monthly payment. However, shorter terms mean you pay less interest over the life of the loan.

Fixed vs. adjustable interest rates.

A fixed rate allows you to lock in a low interest rate as long as you hold the mortgage and, in general, is a good choice if interest rates are low. An adjustable-rate mortgage (ARM) usually offers a lower rate that will rise as market rates increase. ARMs usually have a limit as to how much and how frequently the interest rate can be increased. These types of mortgages are a good choice when fixed interest rates are high or if you expect your income to grow significantly in the coming years.

Non-traditional mortgages.

Also sometimes called “exotic,” these mortgage types were common in the run-up to the housing crisis, and often featured loans with low initial payments that increase over time.

Balloon mortgage.

This is a form of non-traditional financing where your interest rate will be very low for a short period of time—often three to seven years. Payments usually only cover interest so the principal owed is not reduced. This type of loan may be a good choice if you think you will sell your home at a large profit in a few years.

Government-backed loans.

These loans are sponsored by agencies such as the Federal Housing Administration or the Department of Veterans Affairs. They offer special terms, including reduced interest rates to qualified buyers. VA Loans are open to veterans, reservists, active-duty personnel, and surviving spouses and are one of the only options available for zero down payment loans. FHA loans are open to anyone, and while they do require a down payment, it can be as low as 3.5 percent. Drawbacks include a slower loan process and—for FHA loans—the need to pay mortgage insurance.

However...

As the housing market shifts, so do lending practices. A mortgage broker—an independent professional who acts as an intermediary between you and lending institutions—may be able to help you find a better rate than you can on your own. Also, be sure to shop around; slight variations in interest rates, loan amounts, and terms can significantly affect your monthly payment.

QUESTIONS TO ASK

When Choosing a Lender

Loan terms, rates, and products can vary significantly from one company to the next. When shopping around, these are a few things you should ask about.

General questions:

What are the most popular mortgages you offer? Why are they so popular?

Are your rates, terms, fees, and closing costs negotiable?

Do you offer discounts for inspections, home ownership classes, or automatic payment set-up?

Will I have to buy private mortgage insurance? If so, how much will it cost, and how long will it be required?

What escrow requirements do you have?

What kind of bill-pay options do you offer?

Loan-specific questions:

What would be included in my mortgage payment (homeowners insurance, property taxes, etc.)?

Which type of mortgage plan would you recommend for my situation?

Who will service this loan—your bank or another company?

How long will the rate on this loan be in a lock-in period? Will I be able to obtain a lower rate if the market rate drops during this period?

How long will the loan approval process take?

How long will it take to close the loan?

Are there any charges or penalties for prepaying this loan?

How much will I be paying total over the life of this loan?

HOW TO

Finance a Home, Creatively

Investigate local, state, and national down payment assistance programs.

These programs give qualified applicants loans or grants to cover all or part of your required down payment. National programs include the Nehemiah program, Getdownpayment.com, and the American Dream Down Payment Fund from the Department of Housing and Urban Development.

Explore seller financing.

In some cases, sellers may be willing to finance all or part of the purchase price of the home and let you repay them gradually, just as you would do with a mortgage. A similar option is the assumable mortgage, where a home buyer takes over the seller's existing loan (with bank approval). This can be especially helpful when interest rates are on the rise.

Ask your family for help.

Perhaps a family member will loan you money for the down payment or act as a cosigner for the mortgage. Lenders often like to have a cosigner if you have minimal credit history.

Consider a shared-appreciation or shared-equity arrangement.

Under this agreement, your family, friends, or even a third party may buy a portion of the home and share in any appreciation when the home is sold. The owner-occupant usually pays the mortgage, property taxes, and maintenance costs, but all the investors' names are usually on the mortgage.

Lease with the option to buy.

Renting the home for a year or more will give you the chance to save more toward your down payment. And in many cases, owners will apply some of the rental amount toward the purchase price.

Consider a short-term second mortgage.

If you can qualify for a short-term second mortgage, this would give you money to make a larger down payment. This may be possible if you're in good financial standing, with a strong income and little debt. Such arrangements may also help you avoid jumbo loan restrictions and/or minimize the amount of private mortgage insurance you have to pay.

WORKSHEET

Define Your Dream Home

Write in your preferences and rate them: 3 = Vital, 2 = Very Important, 1 = Neutral, 0 = Not important

LOCATION	PREFERENCES	RATE
Neighborhood		
School district		
Near public transportation		
Near airport		
Near expressway		
Near shopping		
Great views		
TYPE		
Single-family / condo / townhome		
Minimum / maximum property age		
Willingness to renovate		
Architectural style		
Open floor plan		
SIZE & MAKEUP		
Minimum # of bedrooms		
Minimum # of bathrooms		
Eat-in kitchen		
Family room		
Formal dining room		
Formal living room		
Garage (number of cars)		
Outdoor space (size/use)		
Laundry room		
AMENITIES		
Wood floors / carpeting		
Heating / cooling system types		
Fireplace		
Pool		
Other special needs/preferences:		

QUESTIONS TO ASK

About the Neighborhood

Where you live should reflect your lifestyle. These questions will help you find the best community for you.

Is it close to my favorite spots?

Make a list of activities you engage in and stores you visit frequently. See how far you would have to travel from each neighborhood you're considering to engage in your most common activities.

Is it safe?

Contact the police department to obtain neighborhood crime statistics. Consider not only the number of crimes but also the type and trend. (Is crime going up or down?). Pay attention to see where in the neighborhood the crime is happening.

Is it economically stable?

Check with your local economic development office to see if household income and property values in the neighborhood are stable or rising. What is the ratio of owner-occupied homes to rentals? Apartments don't necessarily diminish value, but they indicate a more transient population. Are there vacant businesses or homes that have been on the market for months? Check news sources to find out if new development is planned.

Is it a good investment?

Ask a local REALTOR® about price appreciation in the neighborhood. Although past performance is no guarantee of future results, this information may give you a sense of how a home's value might grow. A REALTOR® also may be able to tell you about planned developments or other changes coming to the neighborhood — such as a new school or highway — that might affect its value.

Do I like what I see?

Once you've narrowed your focus to two or three neighborhoods, go and get a feel for what it might be like to live there. Take notes: Are homes tidy and well maintained? Are streets bustling or quiet? How does it feel? Pick a pleasant day if you can, and chat with people working or playing outside.

What's the school district like?

This is especially important if you have children, but it also can affect resale value. The local school district can probably provide information on test scores, class size, the percentage of students who attend college, and special enrichment programs. If you have school-age children, visit schools in neighborhoods you're considering.

QUESTIONS TO ASK

When Considering a Condo or HOA

Condominiums, townhomes, and properties located within a homeowner association offer certain perks, but it's important to consider them in your decision process.

How much storage is available?

Some properties include storage lockers, but there may not be attics or basements to hold extra belongings.

How's the outdoor space?

Your yard may be smaller than you'd find in a traditional single-family home, so if you like to garden or entertain outdoors, this may not be a good fit. But if you dread yard work, it may be the perfect option.

Are amenities important?

Many properties offer swimming pools, fitness centers, and other facilities that would cost much more in a single-family setting.

Who handles maintenance and security?

Property managers often hire professionals to care for common areas and perform in-unit repairs. Keyed entries and doormen may regulate access to your home when you're not there (good news if you travel).

Are there required reserve funds and association fees? How much are they?

Although fees generally help pay for amenities and provide savings for future repairs, the HOA or condo board determines these fees, and you'll have to pay them even if you're not in favor of the improvements.

What are the association rules?

Although you have a vote on future changes, association rules can dictate how you use your property. Some condos prohibit home-based businesses; others prohibit pets or don't allow owners to rent out their units. Read the covenants, restrictions, and bylaws carefully before you make an offer.

What's the average vacancy rate?

It's never too early to be thinking about resale. The ease of selling your unit may depend on what else is for sale in your building, since units are similar.

How many units are owned by investors?

Some lenders require a certain percentage of the building to be owner-occupied and may not be able to offer you financing if the ratio is too low.

Can I meet other residents before making an offer?

You will share space and decision-making duties with your neighbors when part of a homeowner association, so it's important to make sure you can work together. If possible, try to meet your closest prospective neighbors before you decide on a place.

QUESTIONS TO ASK

The Condo Board

Before you purchase a condo, you should have an attorney review property documents for you. However, you should contact the board yourself ahead of time. You'll learn how responsive and organized its members are and be alerted to potential problems.

How many units are owner-occupied?

Generally, the higher the percentage of owner-occupied units, the easier the condo will be to resell.

What covenants, bylaws, and restrictions govern the property?

Carefully read the bylaws to determine if you can abide by them. Also, find out if there are grandfather provisions that allow current owners more rights than you would have as a new owner, such as the ability to rent out your unit.

How much does the association keep in reserve?

Ask how the money is being invested.

Are association assessments keeping pace with the annual rate of inflation?

Smart boards raise assessments a reasonable percentage each year to build reserves for funding future repairs.

What does the assessment cover?

Ask specifically about common-area maintenance, recreational facilities, trash collection, and snow removal (if applicable).

What special assessments have been mandated in the past five years, and how much of that was the responsibility of individual owners?

Some special assessments are unavoidable. But repeated, expensive assessments could be a red flag about building conditions or fiscal policy.

What's the turnover rate?

This will tell you if residents are generally happy with the building.

Is the condo building in litigation?

Obviously, this is never a good sign. If the builders or owners are involved in a lawsuit, reserves can be depleted quickly to pay legal fees.

What other projects has the developer built?

Try to visit one, and ask residents about their perceptions. Also, request an engineer's report if the building has been converted from another use.

Are multiple associations involved in the property?

In very large developments, umbrella associations also may require separate assessments.

QUESTIONS TO ASK

When Choosing a Home Inspector

Do you belong to a professional association?

There are many associations for home inspectors, but some groups confer questionable credentials or certifications in return for nothing more than a fee. Make sure the association your home inspector names is a reputable, nonprofit trade organization.

Will your report meet all state requirements?

Also, make sure the organization complies with a well-recognized standard of practice and code of ethics, such as those adopted by the American Society of Home Inspectors or the National Association of Home Inspectors.

How experienced are you?

Ask inspectors how long they've been working in the field and how many inspections they've completed. Also ask for customer referrals. New inspectors may be highly qualified, but they should describe their training and indicate whether they work with a more experienced partner.

How do you keep your expertise up to date?

Inspectors' commitment to continuing training is a good measure of their professionalism and service. Advanced knowledge is especially important with older homes or those with unique elements requiring additional or updated training.

Do you focus on residential inspection?

Home inspection is very different from inspecting commercial buildings or a construction site. Ask whether the inspector has experience with your type of property or feature. The inspector should be able to provide sample inspection reports for a similar property. If they recommend further evaluation from outside contractors on multiple issues, it may indicate they're not comfortable with their own knowledge level.

Do you offer to do repairs or improvements?

Some state laws and trade associations allow the inspector to provide repair work on problems uncovered during the inspection. However, other states and associations forbid it as a conflict of interest.

How long will the inspection take?

On average, an inspector working alone inspects a typical single-family house in two to three hours; anything less may not be thorough.

How much?

Costs range from \$300 to \$500 but can vary dramatically depending on your region, the size and age of the house, and the scope of services. Be wary of deals that seem too good to be true.

Will I be able to attend the inspection?

The answer should be yes. A home inspection is a valuable educational opportunity for the buyer and a refusal should raise a red flag.

WHAT TO KNOW

About the Home Inspection

Some items should always be examined.

Structure

The home's "skeleton" should be able to stand up to weather, gravity, and the earth that surrounds it. Structural components include items such as the foundation and the framing.

Exterior

The inspector should look at sidewalks, driveways, steps, windows, doors, siding, trim, and surface drainage. They should also examine any attached porches, decks, and balconies.

Roofing

A good inspector will provide very important information about your roof, including its age, roof draining systems, buckled shingles, and loose gutters and downspouts. They should also inform you of the condition of any skylights and chimneys as well as the potential for pooling water.

Plumbing

They should thoroughly examine the water supply and drainage systems, water heating equipment, and fuel storage systems. Drainage pumps and sump pumps also fall under this category. Poor water pressure, banging pipes, rust spots, or corrosion can indicate larger problems.

Electrical

You should be informed of the condition of service entrance wires, service panels, breakers and fuses, and disconnects. Also take note of the number of outlets in each room.

Heating and air conditioning

The home's vents, flues, and chimneys should be inspected. The inspector should be able to tell you the water heater's age, its energy rating, and whether the size is adequate for the house. They should also describe and inspect all the central air and through-wall cooling equipment.

Interiors

Your inspector should take a close look at walls, ceilings and floors; steps, stairways, and railings; countertops and cabinets; and garage systems. These areas can reveal leaks, insect damage, rot, construction defects, and more.

Ventilation/insulation

Inspectors should check for adequate insulation and ventilation in the attic and in unfinished areas such as crawl spaces. Insulation should be appropriate for the climate. Without proper ventilation, excess moisture can lead to mold and water damage.

Fireplaces

They're charming, but fireplaces can be dangerous if they're not properly installed. Inspectors should examine the vent and flue, and describe solid fuel-burning appliances.

WHAT TO KNOW

About Home Hazards

Radon

A colorless, odorless gas that can seep into your home from the ground, radon is often referred to as the second most common cause of lung cancer behind smoking.

What to look for: Basements or any area with protrusions into the ground offer entry points for radon. The Environmental Protection Agency publishes a map of high-prevalence areas. A radon test can determine if high levels are present.

Asbestos

A fibrous material once popular as fire-resistant insulation, asbestos was banned in 1985. However, it's often found in the building materials, floor tiles, roof coverings, and siding of older. If disturbed or damaged, it can enter the air and cause severe illness.

What to look for: Homes built prior to 1985 are at risk of having asbestos in their construction materials. Home owners should be careful when remodeling because disturbing insulation and other materials may cause the asbestos to become airborne.

Lead

This toxic metal used in home products for decades can contribute to several health problems, especially among children. Exposure can occur from deteriorating lead-based paint, pipes, or lead-contaminated dust or soil.

What to look for: Homes built prior to 1978 may have lead present. Look for peeling paint and check old pipes. To get a HUD-insured loan, buyers must show a certificate that their older home is lead-safe.

Other hazardous products

Stockpiles of hazardous household items — such as paint solvents, pesticides, fertilizers, or motor oils — can create a dangerous situation if not properly stored. They can easily spark fires and can cause illness or even death if ingested, even in small amounts.

What to look for: Check all the corners, crawl spaces, garages, or garden sheds in the home. If these products are found, make sure you ask for their removal and get a disposal certificate prior to closing.

Groundwater contamination

When hazardous chemicals are disposed of improperly, they can seep through the soil and enter water supplies. A leaking underground oil tank or septic system can contribute to this.

What to look for: Homes near light industrial areas or facilities may be at risk, as are areas once used for industry that are now residential.

VOCABULARY

Green Home Terms

Whether you're building the home of your dreams or looking for an existing unit, there's a lot of data involved in finding the right environmentally friendly dwelling. Here's a breakdown of the different certification systems for energy-efficient homes.

RESNET

The **Residential Energy Services Network** is a not-for-profit corporation that develops industry-wide standards and rules for energy efficiency ratings and certification systems for buildings. In addition to overseeing the HERS index (see below), RESNET certifies contractors of all types, including builders, roofing and siding professionals, and remodeling contractors.

HERS index

The **Home Energy Rating System** is an index measuring a home's energy efficiency. An average home built to current industry standards for energy efficiency will have an index of 100. A lower score indicates higher levels of efficiency (for example, a home with a score of 70 is using 30 percent less energy than the average home). The opposite is true with homes that score higher than 100. This index is overseen by RESNET.

LEED

The United States Green Building Council is the agency that bestows **Leadership in Energy and Environmental Design** certifications on environmentally friendly buildings and projects. The highest certification a building can earn is "LEED platinum." Projects earn points based on numerous categories such as indoor air quality and water efficiency. More points add up to a higher certification level.

Energy Star

The Energy Star program is overseen by the U.S. Environmental Protection Agency. Products such as refrigerators, light bulbs, and furnaces can earn Energy Star certifications. Separately, homes can be Energy Star-certified through an independent inspection.

Indoor airPLUS:

This program is also administered by the EPA. Homes that go above and beyond the Energy Star requirements by incorporating additional features to combat moisture, mold, pests, and pollutants can earn this label.

National Green Building Certification

Overseen by the National Association of Home Builders, this program helps residential building professionals develop and build sustainable projects. Buildings can earn bronze, silver, gold, or emerald certifications. At the Emerald level — which is the highest certification a project can earn — a building "must incorporate energy savings of 60 percent or more."

WHAT TO KNOW

About the Appraisal Process

Once you are under contract, your lender will send out an appraiser to make sure the purchase price is in line with the property's value.

Appraisals help guide mortgage terms.

The appraised value of a home is an important factor in the loan underwriting process. Although lenders may use the sale price to determine the amount of the mortgage they will offer, they generally only do so when the property is sold for less than the appraisal amount. Also, the loan-to-value ratio is based on the appraised value and helps lenders figure out how much money may be borrowed to purchase the property and under what terms. If the LTV is high, the lender is more likely to require the borrower to purchase private mortgage insurance.

Appraised value is not a concrete number.

Appraisals provide a professional opinion of value, but they aren't an exact science. Appraisals may differ quite a bit depending on when they're done and who's doing them. Also, changes in market conditions can dramatically alter appraised value.

Appraised value doesn't represent the whole picture of home prices.

There are special considerations that appraised value doesn't take into account, such as the need to sell rapidly.

Appraisers use data from the recent past.

Appraisals are often considered somewhat backward looking, because they use sold data from comparable properties (often nicknamed "comps") to help come up with a reasonable price.

There are uses for appraised value outside of the purchase process.

For buying purposes, appraisals are usually used to determine market value or factor into the pricing equation. But other appraisals are used to determine insurance value, replacement value, and assessed value for property tax purposes.

QUESTIONS TO ASK

About Property Tax

It's natural for the sale price of a home to loom large in your mind. But don't forget to look at what your property tax bill might be.

What is the assessed value of the property?

Assessed value is generally less than market value. A recent copy of the seller's tax bill will help you determine this information.

How often are properties reassessed in this area?

In general, this will happen annually, but properties in areas of slower growth may be reassessed less often.

When was the last reassessment done on this property?

Most significant tax increases on an individual property can be linked to when that property was last reassessed.

Will the sale of the property trigger a tax increase?

Depending upon where you live, the assessed value of a property may increase based on the amount you pay for it. And in some areas, such as California, taxes aren't allowed to increase until the property in question is resold.

Is the tax bill comparable to other properties in the area?

If not, it might be possible to appeal the assessment and lower the rate.

Does the current tax bill reflect any special exemptions for which I might not qualify?

For example, many tax districts offer reductions to those individuals 65 and older.

WORKSHEET

Service Provider Contacts

You won't necessarily need all these professionals, but your REALTOR® can help you assemble a list.

	Name	Contact Info
REALTOR®		
ADVISERS		
Real estate attorney		
Appraiser		
Tax adviser		
INSPECTORS		
Home inspector		
Termite inspector		
Flood plain inspector		
Radon inspector		
Zoning inspector		
Lead paint inspector		
Occupancy permit inspector		
OTHER SERVICES		
Survey company		
Title company		
Insurance consultant		
Mortgage loan officer		
Moving company		
Relocation company		
Electrician		
Remodeling contractor		
Other		

CHECKLIST

Your Mortgage Application

Every lender requires documents as part of the process of approving a mortgage loan. Here are documents you're generally required to provide..

- W-2 Tax returns** — or business tax returns if you're self-employed — for the last two or three years for every person signing the loan.
- At least one pay stub** for each person signing the loan.
- Account numbers** of all your credit cards and the amounts for any outstanding balances.
- Two to four months of bank or credit union statements** for both checking and savings accounts.
- Lender, loan number, and amount owed** on installment loans, such as student loans and car loans.
- Addresses** where you've lived for the last five to seven years, with names of landlords if appropriate.
- Brokerage account statements** for two to four months, as well as a list of any other major assets of value, such as a boat, RV, or stocks or bonds not held in a brokerage account.
- Your most recent 401(k)** or other retirement account statement.
- Documentation to verify additional income**, such as child support or a pension.

QUESTIONS TO ASK

Before Making a Short Sale Offer

If a home is being sold for less than what the current owner owes on the property—and the seller does not have other funds to make up the difference at closing—the sale is considered a **short sale**.

A short sale is different from a foreclosure, which is when the seller's lender has taken title of the home and is selling it directly. Home owners often try to accomplish a short sale in order to avoid foreclosure. But a short sale holds many potential pitfalls for buyers. Answering these questions will help you determine if a short sale is a good fit for you.

Are you very patient?

Even after you come to agreement with the seller to buy a short-sale property, the seller's lender (or lenders, if there is more than one mortgage) still has to approve the sale. When there is only one mortgage, lender approval typically takes about two months. If there is more than one mortgage with different lenders, it can take four months or longer. If you make an offer tremendously lower than the fair market value of the home, the lender could make a counteroffer, which will lengthen the process.

Is your financing in order?

Lenders like cash offers. But even if you can't pay cash, it's important to show you're well qualified. If you're preapproved, have a large down payment, and can close at any time, your offer will be viewed more favorably than that of a buyer whose financing is less secure.

Do you have any contingencies?

Lenders like flexible terms. If you must sell a home before you can close, or you need to be in your new home by a certain time, a short sale may not be for you. Also, you will most likely be asked to take the property "as is." Lenders are already taking a loss on the property and may not agree to requests for repair credits.

Can you take rejection?

Even when a lender approves a short sale, it could require that the sellers sign a promissory note to repay the deficient amount of the loan, which may not be acceptable to some financially strapped sellers. Lenders also can change any of the terms of the contract that you've already negotiated, which may not be agreeable to you.

CHECKLIST

Your Short Sale Purchase Team

If you're serious about purchasing a short-sale property, it's important for you to have expert assistance. Here are some people you'll want by your side:

- Experienced real estate attorney.** A real estate attorney who's knowledgeable about the short-sale process will increase your chances getting an approved contract. The attorney will also be indispensable if you want any provisions or specialized language written into the purchase contract.
- Qualified real estate professional.** You may have close friends or relatives in real estate, but they aren't truly knowledgeable about short sales, they may hurt your chances of a successful closing. Interview a few practitioners and ask them how many buyers they've represented in a short sale and, of those, how many have successfully closed. A qualified real estate professional will help you find short-sale listings, negotiate the purchase, and have smooth communications with the lender. You might also seek out pros who have the Short Sales and Foreclosure Resource (SFR®) certification, which generally identifies REALTORS® who have learned the skills needed to help buyers and sellers of distressed properties.
- Title officer.** It's a good idea to have a title officer do an initial title search on a short-sale property to examine all the liens attached to the property. If there are multiple lien holders (second or third mortgage/lines of credit, real estate tax lien, mechanic's lien, homeowners association lien, etc.), it's much tougher to get the contract to the closing table. Any of the lien holders could put a kink in the process even after you've waited months for lender approval. If you don't know a title officer, your real estate attorney or real estate professional should be able to recommend a few.

The risks of a short sale are considerable. But if you have the time, patience, and iron will to see it through, a short sale can be a win-win for you and the sellers.

HOW TO

Buy in a Tight Market

Increase your chances of getting your dream house in a competitive housing market.

Get prequalified for a mortgage.

You'll be able to make a firm commitment to buy and your offer will be more desirable to the seller.

Stay in close contact with your real estate agent.

Your agent will be on the lookout for the newest listings that meet your criteria. Be ready to see a house as soon as it goes on the market — if it's a great home, it will go fast.

Scout out new listings yourself.

Browse sources such as realtor.com and local real estate listing sites. Set up alerts for the neighborhoods and characteristics you're looking for. Drive through your target neighborhoods, and if you see a home you like for-sale, send the address and listing agent's name to your agent, who can schedule a showing for you.

Be ready to make a decision.

Spend plenty of time in advance deciding what you can afford and must have in a home so you won't hesitate when you have the chance to make an offer.

Bid competitively.

Your first inclination may be to start out offering something less than the absolute highest price you can afford, but if you go too low in a tight market, you will likely lose out.

Keep contingencies to a minimum.

Restrictions such as needing to sell your home before you move can make your offer unappealing. Remember that, if the market is tight, you'll probably be able to sell your house rapidly. You can also talk to your lender about getting a bridge loan to cover both mortgages for a short period.

But don't get caught in a buying frenzy.

Just because there's competition for a home doesn't mean you should buy it. And even though you want to make your offer attractive, don't neglect inspections that help ensure the house is a sound investment.

WHAT TO KNOW

About Homeowners Insurance

A homeowners insurance policy will protect you against certain losses and damage to your new home and is generally required by lenders prior to closing. Some lenders will collect the money you owe for homeowners insurance as part of your monthly mortgage payment and place it in an escrow account, paying the insurer on your behalf when the bill is due.

Coverage exclusions:

Most insurance policies do not cover flood or earthquake damage as a standard item. You may need to buy these types of coverage separately.

Dollar limitations on claims:

Even if you are covered for a risk, there may be a limit on how much the insurer will pay. For example, many policies limit the amount paid for stolen jewelry unless items are insured separately.

Replacement cost:

If your home is destroyed, you'll receive money to replace it only to the maximum of your coverage, so be sure your insurance is sufficient. This means that if your home is insured for \$150,000 and it costs \$180,000 to replace it, you'll still receive only \$150,000.

Actual cash value:

If you choose not to replace your home when it's destroyed, you'll receive replacement cost minus the depreciation. This is what's referred to as actual cash value.

Your liability:

Generally, your homeowner's insurance covers your liability for accidents that happen to other people on your property, including medical care, court costs, and awards by the court. However, there is usually an upper limit to the amount of coverage provided. Be sure that amount is sufficient, especially if you have significant assets.

HOW TO

Lower Homeowners Insurance Costs

The first step is to shop around; quotes on the same home can vary significantly from company to company.

Review the Comprehensive Loss Underwriting Exchange report.

CLUE reports detail the property's claims history for the last five years, which insurers may use to deny coverage. Make the sale contingent on a home inspection to ensure that problems identified in the CLUE report have been resolved.

Seek insurance coverage as soon as your offer is approved.

You must obtain insurance in order to buy your home. And you don't want to find out at closing time that the insurer has denied you coverage.

Maintain good credit.

Insurers often use credit-based insurance scores to determine premiums.

Buy your homeowner's and auto policies from the same company.

Companies will often offer a bundling discount. But make sure the discount really yields the lowest price.

Raise your deductible.

If you can afford to pay more toward a loss that occurs, your premiums will be lower. Also, avoid making claims for losses of less than \$1,000.

Ask about other discounts.

For example, retirees who tend to be home more than full-time workers may qualify for a discount on theft insurance. You also may be able to obtain discounts for having smoke detectors, a security system, and high-quality locks.

Seek group discounts.

If you belong to any associations or alumni organizations, check to see if they offer deals on coverage.

Conduct an annual review.

Take a look at your policy limits and the value of your home and possessions every year. Some items depreciate and may not need as much coverage.

Investigate a government-backed insurance plan.

In some high-risk areas, the federal or state government may back plans to lower rates. Ask your agent what's available.

Insure your house for the correct amount.

Remember, you're covering replacement cost, not market value.

WHAT TO KNOW

About Title Insurance

Title insurance protects your ownership right to your home, both from fraudulent claims against your ownership and from mistakes made in earlier sales, such as misspellings of a person's name or an inaccurate description of the property. In some states it is customary for the seller to purchase the policy on your behalf.

Your mortgage lender will require it.

Title insurance protects the lender (and the secondary markets to which they sell loans) from defects in the title to your home—which could include mistakes made in the local property office, forged documents, and claims from unknown parties. It ensures the validity and enforceability of the mortgage document. The amount of the policy is equal to the amount of your mortgage at its inception. The fee is typically a one-time payment rolled into closing costs.

There are two different policies to consider purchasing.

The first policy, the one your lender will require, protects the lender's investment. You may also purchase an owner's policy that provides coverage up to the purchase price of the home you are buying.

You have the right to choose your provider.

You can shop around for a lower insurance premium rate at a wide variety of sites online. You should first request quotes from a few companies and then reach out and speak to them. Ask about hidden fees and charges that could make one quote seem more attractive than another. Also, find out if you're eligible for any discounts. Discounts are sometimes available if the home has been bought within only a few years since the last purchase as not as much work is required to check the title. You can also ask your lender or real estate professional for advice or help with getting quotes. Make sure the title insurance company you choose has a favorable Financial Stability Rating with Demotech Inc.

Even new construction needs coverage.

Even if your home is brand-new, the land isn't. There may be claims to the land or liens that were placed during construction that could negatively impact your title.

WORKSHEET

Track Closing Costs

Be prepared and know who's responsible for the variety of fees and expenses at the closing table.

	BUYER COST	SELLER COST	OTHER
Down payment			
Loan origination			
Points paid to receive a lower interest rate			
Home inspection			
Appraisal			
Credit report			
Mortgage insurance premium			
Escrow for homeowner's insurance (if paid as part of the mortgage*)			
Property tax escrow (if paid as part of the mortgage*)			
Deed recording			
Title insurance policy premiums			
Land survey			
Notary fees			
Home Warranty			
Proration** for your share of costs (such as utility bills and property taxes)			

*Lenders keep funds for taxes and insurance in escrow accounts as they are paid with the mortgage, then pay the insurance or taxes for you.

** Because such costs are usually paid on either a monthly or a yearly basis, you might have to pay a bill for services used by the sellers before they moved. Proration is a way to even out bills sellers may have paid in advance, or that you may later pay for services they used.

VOCABULARY

Transaction Documents

When you walk away from the closing table with a big stack of papers, know what to file away for future reference.

Loan estimate

Your lender is required to provide you with this three-page document within three business days of receiving your loan application. It will show estimates for your interest rate, monthly payment, closing costs, taxes, and insurance. You'll also learn how your interest rate and payments could change in the future, and whether you'll incur penalties for paying off the loan early (called "prepayment penalty") or increases to the mortgage loan balance even if payments are made on time (known as "negative amortization").

Closing disclosure

Your lender is required to send this five-page form—which includes final loan terms, projected monthly payments, and closing costs—three business days before your closing. This window gives you time to compare the final terms to those in the Loan Estimate (see above), and to ask the lender any questions before the transaction is finalized.

Mortgage and note

These spell out the legal terms of your mortgage obligation and the agreed-upon repayment terms.

Deed

This document officially transfers ownership of the property. In a cash deal, it goes to you, but otherwise you won't get the deed until you pay off the mortgage.

Affidavits

These are binding statements by either party. For example, the sellers will often sign an affidavit stating that they haven't incurred any liens on the property.

Riders

This word describes any amendments to the sales contract that affect your rights. For example, the sellers may arrange to retain occupancy for a specified period after closing but agree to pay rent to the buyers during that period.

Insurance policies

These documents provide a record and proof of your coverage, be they insuring the title or the property itself. Homeowners insurance documents will generally be your responsibility, while proof of title insurance will be given to you at the closing table.

CHECKLIST

Your Final Walk-Through

Closing time is hectic, but you should always make time for a final walk-through to make sure that your home is in the same condition you expected it would be. Here's a detailed list of what to check for on your final walk-through.

- Basement, attic, and every room, closet, and crawl space have been checked.
- Requested repairs have been made.
- Copies of paid bills and warranties are in hand.
- No major, unexpected changes have been made to the property since last viewed.
- All items included in the sale price—draperies, lighting fixtures, etc.—are still on site.
- Screens and storm windows are in place or stored onsite.
- All appliances are operating (dishwasher, washer/dryer, oven, etc.).
- Intercom, doorbell, and alarm are operational.
- Hot water heater is working.
- Heating and air conditioning systems are working.
- No plants or shrubs have been removed from the yard.
- Garage door opener and other remotes are available.
- Instruction books and warranties on appliances and fixtures are available.
- All debris and personal items of the sellers have been removed.

CHECKLIST

Prepare for Your Move

- Update your mailing address** at usps.com or fill out a change-of-address form at your local post office.
- Change your address with important service providers**, such as your bank(s), credit companies, magazine subscriptions, and others.
- Create a list of people who will need your new address.**
Whether you plan on sending formal change-of-address notices in the mail or just e-mailing the family members, friends, and colleagues who should be informed, a list will ensure no one gets left out.
- Contact utility companies.**
Make sure they're aware of your move date, and arrange for service at your new home if the service provider will remain the same.
- Check insurance coverage.**
The insurance your moving company provides will generally only cover the items they transport for you. Ensure you have coverage for any items you'll be moving yourself.
- Unplug, disassemble, and clean out appliances.**
This will make them easier to pack, move, and plug in at your new place.
- Check with the condo board or HOA** about any restrictions on using the elevator or particular exits or entrances for moving, if applicable
- Pack an "Open First" box.**
Include items you'll need most, such as toilet paper, soap, trash bags, chargers, box cutters, scissors, hammer, screwdriver, pens and paper, cups and plates, water, snacks, towels, and basic toiletries.

If you're moving a long distance:

- Obtain copies of important records** from your doctor, dentist, pharmacy, veterinarian, and children's schools.
- E-mail a copy of your driving route** to a family member or friend.
- Empty your safe deposit box.**

HOW TO

Pack Like a Pro

Plan ahead. Develop a master to-do list so you won't forget something critical heading into moving day. This will also help you create an estimate of moving time and costs.

Discard items you no longer want or need. Ask yourself how frequently you use an item and how you'd feel if you no longer had it. Sort unwanted items into "garage sale," "donate," and "recycle" piles.

Pack similar items together. It will make your life easier when it's time to unpack.

Decide what you want to move on your own. Precious items such as family photos, valuable breakables, or must-haves during the move should probably stay with you. Pack a moving day bag with a small first-aid kit, snacks, and other items you may need before unpacking your "Open First" box.

Know what your movers will take. Many movers won't take plants or liquids. Check with them about other items so you can plan to pack them yourself.

Put heavy items in small boxes. Try to keep the weight of each box under 50 pounds.

Don't overpack boxes. It increases the likelihood that items inside the box will break.

Wrap fragile items separately. Pad bottoms and sides of boxes and, if necessary, purchase bubble-wrap or other packing materials from moving stores. Secure plants in boxes with air holes.

Label every box on all sides. You never know how they'll be stacked. Also, use color-coded labels to indicate which room each box should go in, coordinating with a color-coded floor plan for the movers.

Keep moving documents together in a file, either in your moving day bag or online. Include vital contact information, the driver's name, the van's license plate, and the company's number.

Print out a map and directions for movers and helpers. Make several copies, and highlight the route. Include your cell phone number on the map.

Back up computer files on the cloud. Alternatively, you can keep a physical backup on an external hard drive offsite.

Inspect each box and piece of furniture as soon as it arrives. Ahead of time, ensure your moving company has a relatively painless process for reporting damages.

HOW TO

Move With Pets

Update your pet's tag with your new address.

Make sure your pet's collar is sturdy and correctly sized. The tag should also include your mobile number and e-mail address so that you can be reached during the move.

Request veterinary records.

Ask your current vet to send your pet's medical history directly to the new vet. Have their contact information handy in case of emergency or if the new vet has questions.

Keep a week's worth of food and medication with you.

You may want to ask for an extra prescription refill before you move. Take the same precaution with special therapeutic foods.

Seclude them from chaos.

Keep your pet in a safe, quiet room on moving day with a clear sign posted on the door. There are many light, collapsible travel crates available, but ensure it is well ventilated and sturdy enough for stress-chewers. Also, introduce your pet to the crate before the trip.

Prepare a pet first aid kit.

Include your vet's phone number, gauze to wrap wounds or to muzzle your pet, adhesive tape for use on bandages, nonstick bandages, towels, cotton swabs, antibiotic ointment (without pain relief medication), and 3% hydrogen peroxide.

Play it safe in the car.

Use a crate or carrier in the car, securing it with a seat belt. Never leave your pet in the bed of a truck, the storage area of a moving van, or alone in a parked vehicle. If you're staying overnight, find pet-friendly lodging beforehand and have kitty litter or plastic bags on hand.

Get ready for takeoff.

When traveling by air, check with the airline about pet requirements or restrictions and whether you must purchase a special airline crate that fits under the seat in front of you.

Prep your new home.

Set up one room with everything your pet will need: food, water, medications, bed, litter box, scratch post, and toys. Keep windows and doors closed when your pet is unsupervised, and beware of small spaces where nervous pets may hide. If your old home is nearby, give the new home owners or neighbors your phone number and a photo of your pet, in case your pet tries to return.

Learn about local health concerns and laws in your new area.

If you're moving to a new country, contact the Agriculture Department or embassy of the country to obtain specific information on special documents, quarantine, or costs related to bringing your pet into the country.

CHECKLIST

For the New Owners

Before the property changes hands, consult this list to make sure these items are transferred with the house.

- Owner's manuals and warranties** for any appliances left in the house.
- Garage door opener(s).**
- Extra set of house keys.**
- Other keys.** Think beyond the front doors; do you have any cabinets or lockers built into the home that require keys?
- A list of local service providers,** such as the best dry cleaner, yard service, plumber, and so on. You're not just helping the new owners, but also the local businesses you're leaving behind.
- Code to the security alarm** and phone number of the monitoring service if not discontinued.
- Smart home device access.** Any devices listed as fixtures need to be reset for the new homeowner. Make sure your account information and usage data are wiped from the device so that they may use it. Check with your device's manufacture to find out how to do this.
- Numbers to the local utility companies.** This can be especially helpful to owners who may not yet have easy access to the Internet in the new home.
- Contact info for the condo board or home ownership association,** if applicable.

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THE GUIDEBOOK

For Sellers

A collection of how-tos, checklists, and worksheets
to help sellers understand what to expect
during the real estate experience.

Contents

A collection of how-tos, checklists, and worksheets to help sellers understand what to expect during the real estate experience.

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WHAT TO KNOW

7 Reasons to Work With a REALTOR®

REALTORS® aren't just agents. They're professional members of the National Association of REALTORS® and subscribe to its strict code of ethics. This is the REALTOR® difference for home buyers:

1. An expert guide.

Selling a home usually requires dozens of forms, reports, disclosures, and other technical documents. A knowledgeable expert will help you prepare the best deal, and avoid delays or costly mistakes. Also, there's a lot of jargon involved, so you want to work with a professional who can speak the language.

2. Objective information and opinions.

REALTORS® can provide local information on utilities, zoning, schools, and more. They also have objective information about each property. REALTORS® can use that data to help you determine if the property has what you need.

3. Property marketing power.

Property doesn't sell due to advertising alone. A large share of real estate sales comes as the result of a practitioner's contacts with previous clients, friends, and family. When a property is marketed by a REALTOR®, you do not have to allow strangers into your home. Your REALTOR® will generally prescreen and accompany qualified prospects through your property.

4. Negotiation knowledge.

There are many factors up for discussion in a deal. A REALTOR® will look at every angle from your perspective, including crafting a purchase agreement that allows you the flexibility you need to take that next step.

5. Up-to-date experience.

Most people sell only a few homes in a lifetime, usually with quite a few years in between each sale. Even if you've done it before, laws and regulations change. REALTORS® handle hundreds of transactions over the course of their career.

6. Your rock during emotional moments.

A home is so much more than four walls and a roof. And for most people, property represents the biggest purchase they'll ever make. Having a concerned, but objective, third party helps you stay focused on the issues most important to you.

7. Ethical treatment.

Every REALTOR® must adhere to a strict code of ethics, which is based on professionalism and protection of the public. As a REALTOR®'s client, you can expect honest and ethical treatment in all transaction-related matters.

QUESTIONS TO ASK

When Choosing a REALTOR®

How long have you been in residential real estate sales? Is it your full-time job?

Like most professions, experience is no guarantee of skill. But much of real estate is learned on the job.

How many homes did you and your real estate brokerage sell last year?

This will touch on how much experience they have, and how up-to-date they are on the local market.

What designations or certifications do you hold?

Real estate professionals have to take additional specialized training in order to obtain these distinctions. Designations and certifications help define the special skills that an agent can apply to your particular real estate needs. One designation sellers might for is the CRS®, or Certified Residential Specialist, but there are also specialists for military customers, seniors, and those who are considering a short sale, among others.

How many days does it take you to sell a home? How does that compare to others?

The REALTOR® you interview should have information about their performance on hand and be able to present market statistics from their local MLS to provide a comparison.

What's the average variation between your initial listing and final sales price?

This is one indication of a REALTOR®'s pricing and negotiating skills.

What specific marketing systems and approaches will you use to sell my home?

Your agent should have an aggressive, innovative plan and understand how to market property online.

Will you represent me exclusively, or might you also choose to represent the buyer?

While it's usually legal to represent both parties in a transaction, your REALTOR® should be able to explain his or her philosophy on client obligations and agency relationships.

Can you recommend service providers who can help me obtain a mortgage, make home repairs, and so on?

Practitioners should be able to recommend more than one provider and let you know if they have any special relationship with any of the providers.

How will you keep me informed about the progress of my transaction?

The best answer here is a question. A real estate agent who pays attention to the way you prefer to communicate and responds accordingly will make for the smoothest transaction.

Could you please give me the contact information of your three most recent clients?

Ask their former customers if they would use the agent again in the future.

VOCABULARY

Agency & Agency Relationships

The term “agency” is used in real estate to help determine what legal responsibilities your real estate professional owes to you and other parties in the transaction.

The **seller's representative** (also known as a listing agent or seller's agent) is hired by and represents the seller. All fiduciary duties are owed to the seller, meaning this person's job is to get the best price and terms for the seller. The agency relationship usually is created by a signed listing contract.

The **buyer's representative** (also known as a buyer's agent) is hired by prospective buyers to and works in the buyer's best interest throughout the transaction. The buyer can pay the agent directly through a negotiated fee, or the buyer's rep may be paid by the seller or through a commission split with the seller's agent.

A **disclosed dual agent** represents both the buyer and the seller in the same real estate transaction. In such relationships, dual agents owe limited fiduciary duties to both buyer and seller clients. Because of the potential for conflicts of interest in a dual-agency relationship, all parties must give their informed consent. Disclosed dual agency is legal in most states, but often requires written consent from all parties.

Designated agents (also called appointed agents) are chosen by a managing broker to act as an exclusive agent of the seller or buyer. This allows the brokerage to avoid problems arising from dual-agency relationships for licensees at the brokerage. The designated agents give their clients full representation, with all of the attendant fiduciary duties.

A **transaction broker** (sometimes referred to as a facilitator) is permitted in states where nonagency relationships are allowed. These relationships vary considerably from state to state. Generally, the duties owed to the consumer in a nonagency relationship are less than the complete, traditional fiduciary duties of an agency relationship.

QUESTIONS TO ASK

When Considering Selling

These questions will help you decide whether you're ready for a home that's larger or in a more desirable location. If you answer yes to most of the questions, you may be ready to move.

Have you built substantial equity in your current home?

Check your annual mortgage statement or call your lender to find out how much you've paid down. Usually you don't build up much equity in the first few years of your mortgage, as monthly payments are mostly interest. But if you've owned your home for five or more years, you may have significant, unrealized gains.

Has your income or financial situation changed?

If you're making more money, you may be able to afford higher mortgage payments and cover the costs of moving. If your income has decreased, you may want to consider downsizing.

Have you outgrown your neighborhood?

The neighborhood you pick for your first home might not be the same one in which you want to settle down for good. You may have realized that you'd like to be closer to your job or live in a better school district.

Are there reasons why you can't remodel or add on?

Sometimes you can create a bigger home by adding a new room or building up. But if your property isn't large enough, your municipality doesn't allow it, or you're simply not interested in remodeling, then moving to a bigger home may be your best option.

Are you comfortable moving in the current housing market?

If your market is hot, your home may sell quickly and for top dollar, but the home you buy will also be more expensive. If your market is slow, finding a buyer may take longer, but you'll have more selection and better pricing as you seek your new home. Ask your real estate professional what they see happening locally.

Are interest rates attractive?

Low rates help you buy "more" home, and also make it easier to find a buyer for your current place.

Is the effort and cost of maintaining your current home becoming difficult to manage?

A REALTOR® can help you decide whether a smaller house, condo, or rental would be appropriate.

WORKSHEET

Calculate Capital Gains

When you sell a stock, you owe taxes on the difference between what you paid for the stock and how much you got for the sale. The same holds true in home sales, but there are other considerations.

How to Calculate Gain

Your home's original sales price when you bought it (not what you brought to closing).	
Additional costs you paid toward the original purchase (include transfer fees, attorney fees, and inspections but not points you paid on your mortgage).	+
Cost of improvements you've made (include room additions, deck, etc. Improvements do not include repairing or replacing existing items).	+
Current selling costs (include inspections, attorney fees, real estate commission, and money you spent to fix up your home to prepare it for sale).	+
Add the above items to get your adjusted cost basis :	=

The final sale amount for your home.	
The adjusted cost basis figure from above.	-
Your capital gain:	=

A Special Real Estate Exemption for Capital Gains

Up to \$250,000 in capital gains (\$500,000 for a married couple) on the home sale is exempt from taxation if you meet the following criteria: (1) You owned and lived in the home as your principal residence for (2017) two out of the last five years; and (2) you have not sold or exchanged another home during the two years preceding the sale. You may qualify for a reduced exclusion if you otherwise qualify but are short of the two-out-of-the-last-five-years requirement if you meet what the tax law calls "unforeseen circumstances," such as job loss, divorce, or family medical emergency.

CHECKLIST

Before Putting Your Home up for Sale

Here are a few items to take care of before listing your home. This can make the sale process quicker and easier in the long run.

- Consider a pre-sale home inspection.**
An inspector will be able to give you a good indication of the trouble areas that will stand out to potential buyers, and you'll be able to make repairs before open houses begin.
- Organize and clean.**
Pare down clutter and pack up your least-used items, such as large blenders and other kitchen tools, out-of-season clothes, toys, and seasonal items. Store items off-site or in boxes neatly arranged in the garage or basement. Clean the windows, carpets, walls, lighting fixtures, and baseboards to make the house shine.
- Get replacement estimates.**
Do you have big-ticket items that will need to be replaced soon? Find out how much it will cost to repair an older roof or replace worn carpeting, even if you don't plan to do so. The figures will help buyers determine if they can afford the home, and they'll be handy when negotiations begin.
- Locate warranties.**
Gather up the warranties, guarantees, and user manuals for the furnace, washer/dryer, dishwasher, and any other items that will remain with the house. It may seem like this task can be left until closing, but you don't want lost paperwork or last-minute scrambling to cause the deal to fall through.
- Spruce up the curb appeal.**
Walk out to the front of your home, close your eyes, and pretend you're a prospective buyer seeing the property for the first time. As you approach the front door, what is your impression of the property? Do the lawn and bushes look neatly manicured? Is the address clearly visible? What do you see framing the entrance, if anything? Is the walkway free of cracks and impediments?

HOW TO

Hold a Successful Garage Sale

Garage sales can be a great way to get rid of clutter and earn a little extra cash before you move. But make sure you plan ahead; they can take on a life of their own.

Don't wait until the last minute.

Depending on how long you've lived in your home and how much stuff you want to sell, planning a garage sale can take a lot of time and energy. And that's on top of the effort of putting your home on the market!

Contact your local government.

Most municipalities will require you to obtain a permit in order to hold a garage sale. They're often free or cheap, but the fines for neglecting to obtain one can be hefty.

See if neighbors want to join in.

You can turn your garage sale into a block-wide event and lure more shoppers. However, a permit may be necessary for each home owner, even if it's a group event.

Schedule the sale.

Sales on Saturdays and Sundays will generate the most traffic, especially if the weather cooperates. Start the sale early — 8 or 9 a.m. is best — and be ready for early birds.

Advertise.

Place an ad in the newspaper, free classified papers, and websites, including the date(s), time, and address of the garage sale. Add information about what will be available, such as kids' clothes, furniture, or special equipment. On the day of the sale, use balloons and signs with prominent arrows to grab attention.

Price your goods.

Clearly mark rounded prices (50 cents, 3 for \$1, or \$5, for example) with easily removable stickers.

If it's junk, recycle or donate it.

If it's truly garbage, throw it away or place it in a freebie bin. Don't try to sell broken appliances, and have an electrical outlet nearby in case a customer wants to try plugging something in.

Display items nicely.

Organize by category, and don't make customers dig through boxes.

Stock up on supplies.

Having a stock of old shopping bags that can be reused encourages people to buy more items. Newspapers are handy for wrapping fragile goods.

Manage your money.

Obtain ample change for your cashbox, and have a calculator on hand. Assign one person to man the "register," keeping a tally of what was purchased and for how much.

HOW TO

Hire a Remodeling Contractor

Shop around for the right company.

- Get at least three written estimates.
- Ask for and check references. If possible, look at jobs the contractor recently completed.
- Check with your local chamber of commerce or Better Business Bureau for complaints.
- Be sure that the contractor has the necessary licenses and insurance, as well as the ability to obtain permits.
- Ask if the contractor's workers will do the entire job or whether subcontractors will be involved.

Read the contract carefully.

- Be sure the contract states exactly what is to be done and how change orders will be handled.
- Check that the contract states when the work will be completed and what recourse you have if it isn't.
- Make sure the contract indemnifies you if work does not meet building codes or regulations.
- Be sure that the contract specifies who will clean up after the job and be responsible for any damage.
- Ensure that the materials meet your specifications.

Seal the deal.

- Remember that you can often cancel a contract within three business days of signing it.
- Make a small down payment so you won't lose much if the contractor fails to complete the job.
- Don't make the final payment until you're satisfied with the work.

HOW TO

Add Curb Appeal

Trim bushes and branches so they don't block windows or architectural details.

Set a pot of bright flowers (or a small evergreen in winter) on your porch or front walkway.

Install new, matching locks and knobs on your front door.

Repair any cracks or holes in the driveway, and clean oil spots with degreaser and a steel brush.

Edge the grass around walkways and trees.

Stow your garden tools and hoses out of sight, and clear kids' toys from the lawn.

Buy a new mailbox.

Upgrade your outdoor lighting.

Purchase a new doormat for outside your front door.

Clean your windows, inside and out.

Polish or replace your house numbers.

Mow your lawn. Also, turning on the sprinklers for 30 minutes before the showing will make the whole yard sparkle.

Place a seasonal wreath on your door.

HOW TO

Clean When Your Home is For Sale

Executing a deep clean before putting your home on the market will not only help it shine, but it will make tidiness easier to maintain between showings. Here are some power-cleaning tips to try.

Clean windows make a huge difference.

Remove window screens and place them outside on a tarp or other clean, waterproof surface. Use a garden hose, an all-purpose cleaner, and a soft brush to gently clean the screens. You don't need anything special to polish up window glass; just mix a solution of one part white vinegar to eight parts water, plus a drop or two of dishwashing liquid in a spray bottle. Wipe with newspaper to avoid streaks. (Washing on a cloudy day also reduces streaking.)

The fridge is the most common source of kitchen smells.

Check the drip tray underneath your refrigerator and wash out any standing water from defrosting. Scrub the inside of the fridge with a baking soda and water solution. Activated charcoal in the fridge can help keep odors at bay.

Think outside the house.

It's amazing the difference a sparkling entryway makes to your home's [curb appeal](#). Wipe down your front door, give the doormat a good shake/vacuum, and make sure dust and dirt haven't collected on outdoor furniture. Use a pressure washer to give your driveway and garage floor a good cleaning. The acidity in dark cola drinks can help remove oil, rust, and grease stains, along with a little elbow grease.

Target the Bathroom.

For tile floors, apply your usual cleaner and then run a wet/dry vac, which will suck contaminants out of the grout. Pour a quarter cup each of baking soda and vinegar down the drains, leaving the concoction overnight, then flush with boiling water. Clean soap scum and mildew from plastic shower curtains by tossing them into your washer on the gentle cycle in cold water, with detergent and ½ cup vinegar (if mildew is present, add ½ cup of bleach instead of vinegar). Put a couple of large towels into the machine to act as scrubbers. Allow the curtain to drip-dry on the rod.

Make your bed better.

Vacuum mattresses and box springs, and then rotate and flip over. Do the same for removable furniture cushions. This is also a great time to wash or dry-clean the dust ruffle and mattress pad. Add new loft to a lumpy comforter by having two people vigorously shake the quilt up and down to redistribute stuffing.

Wash the walls.

Grease, smoke, and dust can adhere to walls and make even the best decorating look dingy. Resist the temptation to spot-clean since it will make the rest of the wall look dirtier. Mop walls using a general-purpose cleaner diluted with hot water. Start at the top corner of the wall to avoid drips. Don't press too hard, and rinse the mop head frequently in clean water. Use melamine foam cleaner to erase scuffs and stains.

HOW TO

Prepare for the Photoshoot

With the majority of buyers shopping for homes online, high-resolution slide shows and video tours are a must. Here's how to make your home shine on camera.

Understand the camera's perspective.

The camera's eye is different from the human eye. It magnifies clutter and poor furniture arrangement so that even a home that feels comfortable in person can look jumbled online.

Make it spotless.

Cameras also tend to magnify grime. Don't forget floor coverings and walls; a spot on a rug might be overlooked during a regular home showing, but it could become a focal point online.

Know what to leave.

You want to avoid clutter, but try to have three items of varying heights on each surface. On an end table you can place a tall lamp (high), a small plant (medium), and a book (low).

Snap practice pictures with your own camera.

This will give you an idea of what the home will look like on camera before the photographer shows up. Examine the photos and make changes to improve each room's appearance, such as opening blinds to let in natural light, removing magnets from the refrigerator, or taking down distracting art.

Pare down.

Removing one or two pieces of furniture from each room, even if just for the shoot, can make your space appear larger on screen.

Rearrange.

Spotlight the flow of your space by creating a focal point on the furthest wall from the doorway and arranging the other pieces of furniture to make a triangle shape. The focal point may be a bed in a bedroom or a china cabinet in a dining room.

Accessorize.

Include a healthy plant in every room; the camera loves greenery. Energize bland decor by placing a bright vase on a mantle or draping an afghan over a couch.

Keep the home in shape.

Buyers who liked what they saw online expect to encounter the same home in person.

HOW TO

Attract More Buyers

These tips will help you convince buyers your property offers top value for their dollar.

Amp up curb appeal.

Look at your home objectively from the street. Check the condition of the landscaping, paint, roof, shutters, front door, knocker, windows, and house number. Observe how your window treatments look from the outside. Something special—such as big flowerpots or an antique bench—can help your property stand out after a long day of house hunting.

Enrich with color.

Paint is cheap, but it can make a big impression. The shade doesn't have to be white or beige, but stay away from jarring pinks, oranges, and purples. Soft yellows and pale greens say "welcome," lead the eye from room to room, and flatter skin tones. Tint ceilings in a lighter shade.

Upgrade the kitchen and bathrooms.

These are make-or-break rooms. Make sure they're squeaky clean and clutter-free, and update the pulls, sinks, and faucets. In a kitchen, add one cool appliance, such as an espresso maker.

Add old-world patina to walls.

Crown molding that's at least six to nine inches deep and proportional to the room's size can add great detail on a budget. For ceilings nine feet high or higher, consider dentil detailing, which is comprised of small, tooth-shaped blocks in a repeating ornamentation.

Screen hardwood floors.

Refinishing is costly, messy, and time-consuming, so consider screening instead. This entails a light sanding — not a full stripping of color or polyurethane — then a coat of finish.

Clean out and organize closets.

Remove anything you don't need or haven't worn in a while. Closets should only be half-full so buyers can visualize fitting their stuff in.

Update window treatments.

Buyers want light and views, not dated, heavy drapes. To diffuse light and add privacy, consider energy-efficient shades and blinds.

Hire a home inspector.

Do a preemptive strike to find and fix problems before you sell your home. Then you can show receipts to buyers, demonstrating your detailed care for their future home.

CHECKLIST

For Better a Home Showing

- Remove clutter.** Clear off counters and pack unnecessary decorative items. Put extra furniture in storage, and remove out-of-season items. Don't forget to clean out the garage, too.
- Let it shine.** Cleaning windows and screens will help bring more light into your home. Replace burnt bulbs, and consider higher wattage in low-light areas. Clean the walls or brush on a fresh coat of bright, neutral paint. Replace heavy curtains with sheer ones and show off your view.
- Keep it clean.** A deep clean before listing your home will make upkeep easier. Consider hiring a cleaning service to help.
- Maximize comfort.** In summer, shut A/C vents on the first floor so more air will get upstairs. Reverse the process in winter.
- Perform a sniff test.** Clean carpeting and drapes to eliminate odors. Open the windows to air out the house. Consider potpourri or scented candles and diffusers. For quick fixes in the kitchen, cotton balls soaked in vanilla extract or orange juice can instantly make the fridge a nicer-smelling place. Boil lemon juice in your microwave, then add it to your dishwasher to eliminate odors. You can also run lemon rinds through the garbage disposal for a similar effect.
- Take care of minor repairs.** Sticky doors, torn screens, cracked caulking, or a dripping faucet may seem trivial, but they'll give buyers the impression that the house isn't well-maintained.
- Tidy up outdoors.** Cut the grass, rake the leaves, add new mulch, trim the bushes, edge the walkways, and clean the gutters. A pot of bright flowers near the entryway adds great curb appeal.
- Set the scene.** A bright afghan or new accent pillows easily jazz up a dull room. Pretty dishes or a simple centerpiece on the tables can help buyers picture themselves living there. Try staging a chess game in progress. If you have a fireplace, lay fresh logs or a basket of flowers there.
- Make the bath luxurious.** Make sure your personal toiletry items are out of sight, along with old towels and toothbrushes. Add a new shower curtain and fancy guest soaps.
- Send the pets to the neighbors.** If that's not possible, crate or confine them to one room, and let the real estate practitioner know where they'll be to eliminate surprises.
- Lock up valuables and medication.** Agents can't watch everyone all the time.
- Head out.** It can be awkward for everyone if you're home at the time of a showing.

HOW TO

Use Feng Shui Concepts in Staging

Feng Shui is a Chinese system of beliefs that govern spatial arrangement in relation to the flow of energy or “life force” (known as *chi* or *qi*) in a building. Learn how to appeal to buyers who follow such principles.

Chi flows in.

Pay special attention to the front door, which is considered the “mouth of chi” and one of the most powerful aspects of the entire property. Make sure the area is swept clean and free of cobwebs and clutter. Ensure all lighting is straight and properly hung. Consider lighting the path leading up to the front door to create an inviting atmosphere.

Chi can flow out, too.

Energy can be flushed away wherever there are drains in the home. To keep the good forces of a home inside, always keep the toilet seats down and close the doors to bathrooms.

Consider the bedroom carefully.

The master bed should be in a place of honor, power, and protection. Place it farthest from and facing toward the entryway of the room. The optimal placement is diagonal in the farthest corner of the room. Paint the room in colors that promote serenity, relaxation, and romance, such as soft tones of green, blue, and lavender.

Offer a formal dining space.

The dining room symbolizes the energy and power of family togetherness. Make sure the table is clear and uncluttered during showings. Use an attractive tablecloth to enhance the look of the table while also softening sharp corners.

Get a clear perspective.

Windows are considered to be the eyes of the home. Getting your windows professionally cleaned is a good idea anyway, but for buyers, your home will sparkle all the more brightly and your view will be optimally displayed.

WHAT TO KNOW

About the Appraisal Process

Once you are under contract, the buyer's lender will send out an appraiser to make sure the purchase price is in line with the property's value.

Appraisals help guide mortgage terms.

The appraised value of a home is an important factor in the loan underwriting process. Although lenders may use the sale price to determine the amount of the mortgage they will offer, they generally only do so when the property is sold for less than the appraisal amount. Also, the loan-to-value ratio is based on the appraised value and helps lenders figure out how much money may be borrowed to purchase the property and under what terms. If the LTV is high, the lender is more likely to require the borrower to purchase private mortgage insurance.

Appraised value is not a concrete number.

Appraisals provide a professional opinion of value, but they aren't an exact science. Appraisals may differ quite a bit depending on when they're done and who's doing them. Changes in market conditions also can dramatically alter appraised value.

Appraised value doesn't represent the whole picture of home prices.

There are special considerations that appraised value doesn't take into account, such as the need to sell rapidly.

Appraisers use data from the recent past.

Appraisals are often considered somewhat backward looking, because they use sold data from comparable properties (often nicknamed "comps") to help come up with a reasonable price.

There are uses for appraised value outside of the purchase process.

For selling purposes, appraisals are usually used to determine market value or factor into the pricing equation. But other appraisals are used to determine insurance value, replacement value, and assessed value for property tax purposes.

HOW TO

Prepare for a Short Sale

A short sale is one where the net proceeds from the sale won't cover your total mortgage obligation and closing costs, and you don't have other sources of money to cover the deficiency. It's significantly different from a foreclosure, which is when your lender takes the title of your home through a lengthy legal process and then sells it directly. A short sale is sometimes the route sellers take to avoid foreclosure.

Consider loan modification first.

Contact your lender to see if it has programs to help you stay in your home. You may be able to refinance your loan at a lower interest rate, switch to a different payment plan to help you get caught up, or secure a temporary forbearance period.

Hire a qualified team.

Find a qualified real estate agent and a real estate attorney who both specialize in short sales. Interview at least three candidates for each and look for prior short-sale experience. Find people who will advise you in your best interests. A qualified real estate professional can give you accurate pricing advice through a comparative market analysis or broker price opinion. The team will also be able to expertly market the home, negotiate complex contracts with buyers, and ease the process of working with your lender(s).

Prepare a short-sale package to send to your lender(s) for approval.

You can't sell short without your lender (and any other lien holders) agreeing to the sale and releasing the lien so that the buyers can get clear title. This is another task where your team will be indispensable.

Gather documentation before offers come in.

Your lender requires several documents in order to consider a short sale. This package accompanies the offer, typically including:

- A hardship letter detailing your financial situation and why you require a short sale
- A copy of the purchase contract and listing agreement
- Proof of your income and assets
- Copies of your federal income tax returns for the past two years

HOW TO

Navigate a Short Sale

Be prepared for a lengthy waiting period.

Even if you're well organized and have all the documents in place, short sales can still be a long process. Waiting for your lender's review of the short-sale package can take several weeks or even months. The length varies by lender and location, but these benchmarks can put your situation in perspective:

- If you have only one mortgage, the review often takes about two months.
- If you have a first and second mortgage with the same lender, the review can take about three months.
- With two or more mortgages with different lenders, it can take four months or longer.

Your real estate professional and attorney, with your authorization, can work with your lender's loss mitigation department on your behalf to prepare the proper documentation and speed the process along.

When the bank does respond... it can approve the short sale, make a counteroffer, or deny the short sale. The last two actions can lengthen the process or put you back at square one.

Don't expect a short sale to solve your financial problems.

Here are some post-short sale conditions to keep in mind:

- Your lender may ask you to sign a promissory note agreeing to pay back the amount of your loan not paid off by the short sale. If your financial hardship is permanent and you can't pay back the balance, talk with your real estate attorney about your options.
- Any amount of your mortgage that is forgiven by your lender may be considered income, and you may have to pay taxes on that amount.
- Having a portion of your debt forgiven may have an adverse effect on your credit score. However, a short sale will generally affect your credit score less severely than foreclosure or bankruptcy.

HOW TO

Improve the Odds of an Offer

Price it right.

Set a price at the lower end of your property's realistic price range. Consider:

- **Comparable properties:** A "comp" is what real estate professionals call home sales that can be reasonably used to help determine the price of your home. But just because you're in the same neighborhood doesn't mean that the houses will sell for the same amount. Your real estate professional will help you determine how to compare your home in terms of size, upkeep, and amenities.
- **Competition:** How many other houses are for sale in your area right now? Are you competing against new homes or condos for sale in the area?
- **Contingencies:** Do you have special needs that might turn away buyers? A common one is refusing to be flexible about a moving date.
- **Asking a lender:** Since most buyers will need a mortgage, the home's sale price should be in line with a lender's estimate of its value.
- **Accuracy:** Studies show homes priced more than 3 percent over the correct price take longer to sell.

Prepare for visitors.

Get your house market-ready at least two weeks before you begin showing it. Make all your repairs, and then do a deep clean (or hire a cleaning service to help).

Consider an appraisal.

For a few hundred dollars, a qualified appraiser can give you an estimate of your home's value. This is useful for sellers going through a divorce or needing to divide the proceeds for other reasons. Be sure to ask for a market-value appraisal, and find someone who understands the area and type of home you have. Your agent should be able to offer recommendations.

Be flexible about showings.

Spur-of-the-moment showings are disruptive, and making sure your home is constantly ready to show can be exhausting. But the more amenable you can be, the sooner you'll find a buyer.

Anticipate the offers.

Decide in advance the price range and terms that are acceptable. Be clear with yourself and your agent about what kind of offers you're comfortable with. It's critical to know what price you'll accept before entering negotiations with a potential buyer.

Don't refuse to drop the price.

If your home has been on the market for more than 30 days without an offer, be prepared to at least consider lowering your asking price.

HOW TO

Recognize a Qualified Buyer

Offers can be exciting, but unless your potential buyer has the resources to qualify for a mortgage, you may not really have a sale. Your real estate professional will try to determine a buyer's financial status before you sign the contract. But it's good for you to know what buyers with follow-through potential looks like.

They are prequalified—or even better, preapproved—for a mortgage.

Such buyers will be in a much better position to obtain a mortgage promptly.

They have enough money to make a down payment and cover closing costs.

Ideally, buyers should have 20 percent of the home's price as a down payment and between 2 percent and 7 percent of the price to cover closing costs. If they plan to make a smaller down payment, they will need to purchase mortgage insurance, through either a government guarantee program or a private mortgage insurer. Their ability to provide earnest money in a timely fashion will be an indicator of liquid reserves.

Their income is sufficient to afford the home over the long term, too.

Ideally, buyers should spend no more than 28 percent of their total income to cover the **principal, interest, taxes, and insurance** associated with the sale (often abbreviated as "PITI.")

They have good credit, which they are monitoring and maintaining.

They will have recently reviewed their credit report and have actively worked to correct any blemishes or errors found.

They're not managing too many other debts to take on a mortgage.

If buyers owe a great deal on car payments, credit cards, and other debts, they may not qualify for a mortgage.

WORKSHEET

Track Closing Costs

Be prepared and know who's responsible for the variety of fees and expenses at the closing table.

	BUYER COST	SELLER COST	OTHER
Down payment	x		
Loan origination	x		
Points paid to receive a lower interest rate	x		
Home inspection	x		
Appraisal	x		
Credit report	x		
Mortgage insurance premium	x		
Escrow for homeowner's insurance	x		
Property tax escrow (if paid as part of the mortgage*)	x		
Deed recording		x	
Title insurance policy premiums		x	
Land survey		x	
Notary fees	x	x	
Home warranty	x	x	
Proration* for your share of costs (such as utility bills and property taxes)	x	x	

*Lenders keep funds for taxes and insurance in escrow accounts as they are paid with the mortgage, then pay the insurance or taxes for you.

** Because such costs are usually paid on either a monthly or yearly basis, the buyers may have to pay a bill for services that you actually used before moving, or vice versa. Proration is a way to even out bills you may have paid in advance, or that buyers may later pay for services you used.

VOCABULARY

Transaction Documents

Property disclosure form

This form requires you to reveal all known defects to your property. Your real estate agent will let you know if there is a special form required in your state.

Purchasers' access to premises agreement

This agreement sets conditions for permitting the buyer to enter your home for activities such as measuring for draperies before you move.

Sales contract

This is the agreement between the buyer and seller, which outlines the terms and conditions of sale. Your agent or your state's real estate department can tell you if a specific form is required.

Sales contract contingency clauses

In addition to the contract, you may need to add one or more attachments to the contract to address special contingencies — such as the buyer's need to sell a home before purchasing.

Pre- and post-occupancy agreements

Unless you're planning on "moving day" being on or before "closing day," you'll need an agreement on the terms and costs of occupancy once the sale closes.

Lead-based paint disclosure pamphlet

If your home was built before 1978, you must provide this pamphlet. The buyers will also have to sign a statement indicating they received the pamphlet.

Deed

This document officially transfers ownership of the property to the buyers or their lender.

Affidavits

These are binding statements by either party. For example, you may end up signing an affidavit stating that you haven't incurred any liens on your home.

Riders

These are amendments to the sales contract that affect your rights. For example, you may wish to negotiate to stay in the home for a specified period after closing, paying rent to the buyers during that period.

CHECKLIST

Prepare for Your Move

- Update your mailing address** at usps.com or fill out a change-of-address form at your local post office.
- Change your address with important service providers**, such as your bank(s), credit companies, magazine subscriptions, and others.
- Create a list of people who will need your new address.**
Whether you plan on sending formal change-of-address notices in the mail or just e-mailing the family members, friends, and colleagues who should be informed, a list will ensure no one gets left out.
- Contact utility companies.**
Make sure they're aware of your move date, and arrange for service at your new home if the service provider will remain the same.
- Check insurance coverage.**
The insurance your moving company provides will generally only cover the items they transport for you. Ensure you have coverage for any items you'll be moving yourself.
- Unplug, disassemble, and clean out appliances.**
This will make them easier to pack, move, and plug in at your new place.
- Check with the condo board or HOA** about any restrictions on using the elevator or particular exits or entrances for moving, if applicable
- Pack an "Open First" box.**
Include items you'll need most, such as toilet paper, soap, trash bags, chargers, box cutters, scissors, hammer, screwdriver, pens and paper, cups and plates, water, snacks, towels, and basic toiletries.

If you're moving a long distance:

- Obtain copies of important records** from your doctor, dentist, pharmacy, veterinarian, and children's schools.
- E-mail a copy of your driving route** to a family member or friend.
- Empty your safe deposit box.**

HOW TO

Pack Like a Pro

Plan ahead. Develop a master to-do list so you won't forget something critical heading into moving day. This will also help you create an estimate of moving time and costs.

Discard items you no longer want or need. Ask yourself how frequently you use an item and how you'd feel if you no longer had it. Sort unwanted items into "garage sale," "donate," and "recycle" piles.

Pack similar items together. It will make your life easier when it's time to unpack.

Decide what you want to move on your own. Precious items such as family photos, valuable breakables, or must-haves during the move should probably stay with you. Pack a moving day bag with a small first-aid kit, snacks, and other items you may need before unpacking your "Open First" box.

Know what your movers will take. Many movers won't take plants or liquids. Check with them about other items so you can plan to pack them yourself.

Put heavy items in small boxes. Try to keep the weight of each box under 50 pounds.

Don't overpack boxes. It increases the likelihood that items inside the box will break.

Wrap fragile items separately. Pad bottoms and sides of boxes and, if necessary, purchase bubble-wrap or other packing materials from moving stores. Secure plants in boxes with air holes.

Label every box on all sides. You never know how they'll be stacked. Also, use color-coded labels to indicate which room each box should go in, coordinating with a color-coded floor plan for the movers.

Keep moving documents together in a file, either in your moving day bag or online.

Include vital contact information, the driver's name, the van's license plate, and the company's number.

Print out a map and directions for movers and helpers. Make several copies, and highlight the route. Include your cell phone number on the map.

Back up computer files on the cloud. Alternatively, you can keep a physical backup on an external hard drive offsite.

Inspect each box and piece of furniture as soon as it arrives. Ahead of time, ensure your moving company has a relatively painless process for reporting damages.

HOW TO

Move With Pets

Update your pet's tag with your new address.

Make sure your pet's collar is sturdy and correctly sized. The tag should also include your mobile number and e-mail address so that you can be reached during the move.

Request veterinary records.

Ask your current vet to send your pet's medical history directly to the new vet. Have their contact information handy in case of emergency or if the new vet has questions.

Keep a week's worth of food and medication with you.

You may want to ask for an extra prescription refill before you move. Take the same precaution with special therapeutic foods.

Seclude them from chaos.

Keep your pet in a safe, quiet room on moving day with a clear sign posted on the door. There are many light, collapsible travel crates available, but ensure it is well ventilated and sturdy enough for stress-chewers. Also, introduce your pet to the crate before the trip.

Prepare a pet first aid kit.

Include your vet's phone number, gauze to wrap wounds or to muzzle your pet, adhesive tape for use on bandages, nonstick bandages, towels, cotton swabs, antibiotic ointment (without pain relief medication), and 3% hydrogen peroxide.

Play it safe in the car.

Use a crate or carrier in the car, securing it with a seat belt. Never leave your pet in the bed of a truck, the storage area of a moving van, or alone in a parked vehicle. If you're staying overnight, find pet-friendly lodging beforehand and have kitty litter or plastic bags on hand.

Get ready for takeoff.

When traveling by air, check with the airline about pet requirements or restrictions and whether you must purchase a special airline crate that fits under the seat in front of you.

Prep your new home.

Set up one room with everything your pet will need: food, water, medications, bed, litter box, scratch post, and toys. Keep windows and doors closed when your pet is unsupervised, and beware of small spaces where nervous pets may hide. If your old home is nearby, give the new home owners or neighbors your phone number and a photo of your pet, in case your pet tries to return.

Learn about local health concerns and laws in your new area.

If you're moving to a new country, contact the Agriculture Department or embassy of the country to obtain specific information on special documents, quarantine, or costs related to bringing your pet into the country.

CHECKLIST

For the New Owners

Before the property changes hands, consult this list to make sure these items are transferred with the house.

- Owner's manuals and warranties** for any appliances left in the house.
- Garage door opener(s).**
- Extra set of house keys.**
- Other keys.** Think beyond the front doors; do you have any cabinets or lockers built into the home that require keys?
- A list of local service providers,** such as the best dry cleaner, yard service, plumber, and so on. You're not just helping the new owners, but also the local businesses you're leaving behind.
- Code to the security alarm** and phone number of the monitoring service if not discontinued.
- Smart home device access.** Any devices listed as fixtures need to be reset for the new homeowner. Make sure your account information and usage data are wiped from the device so that they may use it. Check with your device's manufacture to find out how to do this.
- Numbers to the local utility companies.** This can be especially helpful to owners who may not yet have easy access to the Internet in the new home.
- Contact info for the condo board or home ownership association,** if applicable.