

## 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.

## 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.

## 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		
<b>TYPE</b>		
Single-family / condo / townhome		
Minimum / maximum property age		
Willingness to renovate		
Architectural style		
Open floor plan		
<b>SIZE &amp; MAKEUP</b>		
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		
<b>AMENITIES</b>		
Wood floors / carpeting		
Heating / cooling system types		
Fireplace		
Pool		
Other special needs/preferences:		



# Can I do this? A homebuying self-assessment

## Budget

- 1. At the beginning of every month, I**
  - a. Know my income and expenses
  - b. Am able to set aside extra money in savings
  - c. Worry that I won't be able to pay all of my bills
- 2. I have taken steps to understand how much money I can spend on a home by**
  - a. Determining where in my monthly budget I can cut costs to pay a mortgage
  - b. Calculating my potential budget using online income, debt and mortgage calculators, checking my credit score and saving for a downpayment
  - c. Tracking my regular expenses and possible surprise costs
- 3. When I think about the additional costs of owning a home; what comes to mind first is**
  - a. Fixing stuff that goes wrong
  - b. Paying taxes, insurance and higher utilities
  - c. Buying new furniture

## Getting a mortgage

- 4. What I know about mortgages and what I might qualify for comes from**
  - a. An online calculator that helped me determine how much I can afford
  - b. A conversation with a bank or MassHousing representative that helped me understand my options
  - c. Information from my family, friends or coworkers
- 5. I have begun to explore the following financing options**
  - a. A traditional bank mortgage
  - b. A mortgage that includes support for first time homebuyers and benefits from special state and federal programs
  - c. A loan from family or friends

## Finding a home

- 6. I have begun to consider home options by**
  - a. Checking listings in my local paper or online
  - b. Meeting with a Realtor
  - c. Driving around neighborhoods I might like
- 7. The most important aspects of a potential home are**
  - a. Location (especially proximity to schools or work) and property size
  - b. Price and how much repair or other work it might need
  - c. How nice it looks inside and out
- 8. I understand**
  - a. The difference between a single family home and a condo
  - b. The different costs associated with a single family home vs. a condo, as well as the option for a multifamily home
  - c. The potential benefits of buying a fixer-upper



TEL: 617.854.1000 | VP: 866.758.1435  
[www.masshousing.com](http://www.masshousing.com)



## Buying a home

### 9. I have access to the resources I need, including

- a. A Realtor
- b. A Realtor, a bank/mortgage contact and an attorney
- c. Family and friends who can help me navigate the process

### 10. I have

- a. Purchased a book about buying a home or used online resources to better understand all the steps in the process
- b. Taken a homebuyer counseling class
- c. Talked to my family and friends about their experiences

### 11. I am familiar with the following steps in the homebuying process:

- a. Making an offer
- b. Making the offer, having a home inspection and closing on the property
- c. Finding the right house and deciding how much I may want to offer

#### If you answered:

**Mostly As:** You're on your way, but may need more support

**Mostly Bs:** You are ready to move forward! Be sure to check out MassHousing loan options [here](#).

**Mostly Cs:** More research and learning will get you closer to owning your own home.

MassHousing can help you understand whether you can take the first steps today, and how to move forward in the process.

## 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.

## 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.

## 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.



## CHECKLIST

# Your Mortgage Application

- W-2 Tax forms** – 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.



# 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





## INFORMATION ABOUT PROPERTY INSURANCE FOR A BUYER OR SELLER

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### A. The availability and the affordability of property insurance may affect both the buyer and the seller.

Typically a buyer will seek to insure the property. Most mortgage lenders require that the property be insured in an amount not less than the loan amount. The failure to obtain property insurance at or before closing may delay the transaction or cause it to end, either of which can impose both inconvenience and cost to both the buyer and the seller.

### B. There are a number of factors that affect the availability and affordability of insurance.

- (1) The level of coverage will significantly affect the cost of insurance. There are several levels of insurance coverage. For example:
  - (a) a policy may cover the replacement cost of the improvements and the replacement cost of many personal items in the property in the event of most casualties;
  - (b) a policy may cover only value of the improvements and exclude many casualties; or
  - (c) a policy may cover casualties and costs between the two noted extremes under (a) and (b).
- (2) Coverage levels and prices vary from company to company. There are many insurance companies conducting business in Texas who offer a variety of insurance products at various prices.
  - (a) One insurance company may refuse to insure a particular property or person while another insurance company may elect to do so.
  - (b) One insurance company may charge a significantly lower premium than another insurance company for the same or similar coverage.
  - (c) Generally, each insurance company has specific guidelines by which it prices its insurance policies. The following are examples of criteria that an insurance company may use in evaluating an application for insurance. The criteria vary from company to company.
    - (1) Past claims filed against the property to be insured in the 5 years preceding the application.
    - (2) Past claims filed by the applicant to be insured in the 5 years preceding the application.
    - (3) The applicant's insurance credit score.
    - (4) The past relationship between the insurance company and the applicant.
    - (5) The physical characteristics of the property such as condition, age, location, or construction materials.

### C. Most insurance companies participate in the Comprehensive Loss Underwriting Exchange (CLUE) and obtain a CLUE report to evaluate the claims history of the property and the applicant.

- (1) Most insurance companies contribute information about claims to an insurance industry database known as CLUE (a registered trademark of Equifax, Inc.). An insurance company obtains a CLUE report when evaluating an application for insurance.
- (2) A CLUE report contains information about the claims history of the property and of the applicant for insurance.
  - (a) The CLUE report contains only data and does not inform the buyer or seller whether insurance is or is not available or at what cost.
  - (b) Insurance companies use the CLUE report in different ways.
  - (c) It is best to speak with an insurance agent with respect to how the information in a particular CLUE report affects the affordability and availability of insurance.

Information about Property Insurance for a Buyer or Seller

- (3) While CLUE reports are generally accurate, there may be errors in the reports.
  - (a) An event may be listed as a claim even though the insurance company did not pay any proceeds (for example, the cost of repair did not exceed the deductible or an inquiry may be incorrectly classified as a claim).
  - (b) Federal law permits a person to challenge inaccurate information. One may contact the administrator of the CLUE report (Lexis-Nexis) to correct information in a CLUE report.
- (4) A property owner may, for a fee, obtain the CLUE report on his or her property through companies such as Lexis-Nexis (<https://personalreports.lexisnexis.com>, 1-866-312-9076), A-Plus (800-709-8842) or other companies, most of whose services are accessible via the Internet. An owner may also contact the Equifax Insurance Consumer Center at 800-456-6004.

**D. Promptly after entering into a contract to buy a property in Texas, the buyer should take the following steps to avoid delays in closing and to avoid additional costs.**

**If the buyer has the option to terminate the contract, the buyer should make sure that the buyer and the insurance agent have completed the following steps before the option expires.**

- (1) Contact one or more insurance agents.
  - (a) The buyer should discuss the various levels of coverage with an insurance agent and ask questions that are necessary so the buyer understands the levels of available coverage.
  - (b) Insurance agents can provide applicants with written summaries of the various coverage levels.
  - (c) Basic summaries are available at the websites noted in Paragraph E.
- (2) **Submit an application** for insurance with the insurance agent of the buyer's choice.
  - (a) Applying for insurance promptly after entering into a contract to buy a property helps avoid surprises or delays in closing the transaction.
  - (b) Prompt application permits the buyer time to evaluate various coverage levels and prices.
  - (c) Delaying the application for insurance may limit opportunities to obtain the most suitable coverage and may limit opportunities to address any unforeseen problems or delays in obtaining coverage.
  - (d) In recent years, many transactions have been delayed or terminated because of problems associated with obtaining insurance.
- (3) Ask for written confirmation from the insurance agent that the insurance company:
  - (a) has received the application;
  - (b) has reviewed the applicant's CLUE report; and
  - (c) has conducted all necessary reviews to issue a policy at the particular price quoted (some insurance companies may ask for specific information or may wish to inspect the property).
- (4) Verify that the insurance coverage the buyer chooses is acceptable to the buyer's lender.

**E. If one is not able to obtain insurance at a reasonable price or more information is needed, contact the Texas Department of Insurance ([www.helpinsure.com](http://www.helpinsure.com) or [www.tdi.state.tx.us](http://www.tdi.state.tx.us)).**

Receipt acknowledged by:

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

## 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.

## 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.