

Kody & Company, Inc.

Real Estate Specialists

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Buyer Book

- **Agency Relationship**
- **Preparing for Home Ownership**
- **Assessing the Market**
- **Shopping for a Neighborhood and a Home**
- **Making an Offer**
- **Home Inspection**
- **P&S Agreement**
- **Obtaining a Mortgage Loan**
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Agency Relationship

The real estate laws of the State of Massachusetts say that the potential real estate purchaser has the choice in a real estate transaction - the choice of self-representation (customer) or to hire an agent to work in his behalf. (Client)

The professional real estate licensee then has the choice of offering two levels of service in the brokerage:

Customer level service and/or Client level service

As a potential purchaser, should you choose the customer relationship, you are self-represented. The agent may be representing the seller as agent or subagent.

As a buyer customer you will receive honest information and disclosure of all material facts regarding the property.

The agent will also assist by providing ministerial acts such as showing properties, providing community information, contract completion, and assisting with closing.

As a potential purchaser, you also have the choice of entering into a client relationship with full representation by the agency.

A client relationship provides you with all customer level services plus good faith and loyalty, fidelity, confidentiality and full disclosure of any information that could benefit you.

And, of course, your personal agent will exercise the reasonable care and diligence level of a competent professional in advising on price, terms, and negotiations.

A buyer agency relationship gives the real estate consumer the highest level of professional service, resulting in mutual trust and loyalty.

The agency is hired by the buyer to work in the buyer's best interest at all times in the transaction. The buyer directs the agent's activities and agrees to protect the fees due the agency. Often the payment of the buyer agency fees is received through offers of compensation from sellers and seller agents. An agency relationship requires commitment and responsibility for both the client and the agent, and will be documented by a written agreement.

Since our company represents both buyers and sellers, sometimes a company's buyer client wishes to purchase the company's seller client's property. The agency then has two clients on the same property, resulting in an agency conflict. Should this occur, you agent will fully disclose the options of modifying your relationship to facilitate the transaction, will discuss any limitations to full service, and will proceed only with your full knowledge and informed consent.

Once again, it is your right to choose the type and nature of services you receive. You can choose to represent yourself and remain our valued customer. Or you can receive the benefit of enhanced service through the creation of a buyer agency relationship.

Throughout the transaction, however, our goal is to provide you with the highest level of professional service.

Preparing for Home Ownership

Purchasing a home is usually the largest single investment that people make in their lives. The purchase of a home is a life style choice and a financial investment.

When you think the time is right for you to consider purchasing a home, there are some basic facts that need to be considered.

Where do you want to live?

What type of home do you want?

What type of agent representation are you comfortable with?

How much can you afford?

Get Pre-qualified or Pre-approved by a lender.*

Have you been employed for at least 2 years in the same field or a recent college graduate?

Do you have at least 3% in savings for a down payment and closing costs?

Is your credit record clean and current? Do you have credit? Have you had credit problems? (they are fixable!)

All of these points will be discussed throughout the booklet, but it is important to have a general idea before you begin the process.

***It is now common practice to have a pre-qualification or pre-approval done by a local bank prior to looking for a home. See the Obtaining a Loan section for additional information.**

Assessing the Market

Real Estate runs in cycles.

Like any consumer product, there are good times and bad times. Supply and demand, confidence in the economy, the jobs market plus mortgage rates are the key elements in determining the state of the real estate market.

When you start on the road to home ownership, you will have to assess the state of the real estate market quickly.

There are 3 kinds of markets:

1. Seller's Market
2. Buyer's Market
3. Normal Market

A Seller's Market is when there are more Buyers than there are homes for sale. Prices will usually appreciate and there is not as much negotiation or flexibility. To a Buyer, this means an aggressive approach must be taken, and if you see what you want, be prepared to act.

A Buyer's Market is when there are lots of houses for sale and not too many buyers. Prices usually become more negotiable and some good incentives can be offered. This occurs when the economy isn't strong, consumer confidence is low and interest rates are high.

A Normal Market is when everything is steady and life is in balance. It is the ideal market and doesn't seem to happen very often or for long periods of time.

During the education process, really try to understand what type of market you will be dealing in. It has a significant impact on the style of negotiation you and your agent will use.

" THE SHOPPING PERIOD" a.k.a. "Getting Educated"

You have been pre-approved or at least pre-qualified for a mortgage. You know where you want to live and have an idea of what you would like to live in. The time has come! You are ready to buy a home.

Where to begin?????

You've checked the paper and the real estate publications.

You have surfed the net.

You have talked to friends, relatives and co-workers.

Just driving around on a weekend and seeing Open Houses can be fun and educational. You'll learn very quickly what you like in a house and what you can get for your money. It will help you decide on area and neighborhood. Calling ads in the newspaper, asking friends and neighbors and of course, engaging the services of a professional Realtor.

As time passes, you will have a good basis of comparison for your housing wants and needs. You will know what type of house you want; whether it will be an existing home or new construction, a condo or a multi family. You will also know which towns you would like to live in, and what represents value.

If you have decided to use the services of a Realtor, be sure that you understand the Agency Relationship. The Listing Agent **always works for the seller.** The other types of agency are explained in the Agency section of this booklet. A Professional Realtor is bound by the Code of Ethics and will always treat you honestly but their contractual relationship is with the Seller. Anything you say in reference to negotiations must be disclosed to the Seller. If you have any questions about this matter, please be sure to ask.

You will have plenty of opportunities to meet Realtors. Everybody knows one! I strongly suggest you choose a Realtor with experience and who is a full time agent. The person you choose to assist you will be an important part of the process. Take the time to interview agents and ask for references. Once you have found a Realtor you like and feel comfortable with, consider hiring them as a Buyers Agent. (refer to Client Representation vs. Customer Service in the beginning of this booklet) It is not required of course, but it does have benefits.

That agent understands what it is you need and want, knows the towns and specific neighborhoods you are looking in, will provide you with town information, has pre qualified you , will keep you current on mortgage trends , knows your price range and will assist you, advise you and work for you through the entire process. They have a Legal Obligation do to so!

They can also provide you with neat little booklets like this one!!!

Now, let us assume you have found the home of your dreams; the next step is NEGOTIATION

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MAKING AN OFFER

You have looked at a house at least twice if not three times and decided you really could live there. You call your Realtor and tell her or him that this is the house and you are now ready to make an offer in writing. (This is sometimes the scary part)

There are many parts or terms to an offer. Each one can be negotiable. Remember, **A property's value is determined by what a buyer is willing to pay and a seller is willing to sell for.**

Obviously, price is an important part of the offer. Because you have educated yourself, you have a good idea of values in an area. Maybe a seller wants to move quickly. If you can offer a quick closing date, this adds value to your offer. If the seller needs to stay for a longer than normal time and you can be flexible, that could make your offer more attractive. If you have been pre qualified by a bank and have nothing else to sell, your offer is more attractive. The more flexible you can be with a seller, the more likely the negotiation can be successful. If you are offering substantially less than what the seller is asking, accompany the offer with a letter of explanation as to why the offer is so much less. If the reasons are valid to a seller, they may consider it. You will never know unless you ask.

Some contingencies are normal to offers.

A buyer should ask for a home inspection, at his expense, within 10 days. (the time can be negotiated)

A buyer has a legal right to inspect for lead paint within 10 days of accepted offer.

A buyer can inspect anything at his expense. Septic, termite, oil tanks, lead paint, UFFI etc....

There is almost always a financing contingency in an offer. It normally extends for 20 business days from accepted offer and protects the buyer's deposit in the event the financing is rejected.

The Closing date is normally 10 days after financing commitment.

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Home Inspection

When an offer has been accepted by the seller, the buyer then makes arrangements for his home inspection. An inspection is not required but is highly recommended. This is usually done within 5-10 days. A recent law has just been passed that requires Home Inspectors be licensed, effective 2001. Realtors are no longer allowed to give recommendations, but can give you a list of several names of Inspectors. Word of mouth, personal referrals or the yellow pages are some other resources. (look for membership in ASHI)

The professional inspector will check the house for structural integrity, make note of items that may need fixing, overall systems etc... If a major problem is uncovered, you may ask the seller to correct the problem, or be released from the contract. Sometimes a cash settlement is reached. (If the problem was disclosed to you before you made an offer, the seller probably will not negotiate for repair)

Separate inspections can also be done for lead paint, radon, insects, asbestos, UFFI or underground oil tank leaks. Septic and Well tests are also recommended if applicable. Effective March 31, 1995, all properties which have a septic system must be inspected prior to transfer. It is the Sellers responsibility to provide a TitleV report to the Buyer. A waiver of 6 months may be available if transfer occurs during the winter months. Additional information is available through the Department of Environmental Protection.

Once the Inspection has been completed, the buyer usually signs the Purchase and Sales Agreement and makes the additional deposit. (deposit normally equals 5% of the purchase price, except in new construction, then 10% would be considered normal).

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THE PURCHASE & SALES AGREEMENT

The Purchase & Sales agreement represents all of the details of the formal sales contract.(a sample P&S has been included in this booklet)

The P&S will include, at the very least, the following information:

- A legal description of the property
- The purchase price, deposit amount, down payment amount and mortgage amount.
- The acceptable time table for mortgage application and financing commitment.
- Any repair work the seller has agreed to do.
- The guarantee of a free and clear title.
- How items of personal property are to be handled.
- The expected time and place for the passing of papers.

The Mortgage Lender will assign a Closing Attorney to handle the paperwork. This is an expense to the Buyer as part of the closing costs. Most of these attorneys will review the P&S for you as a courtesy, but they work for the Bank, not for you.

The Purchase & Sales agreement is a legal contract. You may wish to obtain the services of your own Attorney prior to signing.

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Obtaining a Loan

When an agreement has been reached, the time to shop for a mortgage lender has come. The originator who gave you the pre-approval is the most logical person to contact, but there are many choices available and personal preference will help you decide which lender is best suited to your needs. Again, the Realtor can provide you with several names of mortgage originators or mortgage brokers, as can friends and the newspapers. A mortgage application fee is required at the time of application. A typical fee is \$300.00.(this can vary between banks)

A form, listing what will be needed to complete your mortgage application has been included for your convenience.

After meeting with the Bank Originator and filling out the application, the process moves very quickly. A conditional commitment can be received as quickly as 48 hours. There is typically a period of 20 days needed to process all of the paperwork, get the appraisal completed, get the title work done and give a non-conditional commitment.

During this time, you may be asked to provide additional information , to write letters of explanation, to supply additional credit references and to assist in the clearing of financing contingencies. If the date for financing which was agreed to in the contract is **approaching and you do not have an unconditional commitment, be sure to notify the seller in writing and to request an extension for compliance.**

When a financing commitment has been given, you will be notified in writing by the lender. It is at this time that the bank notifies the closing attorney to schedule the Closing Date. Prior to close, you will be expected to provide an insurance binder showing proof of homeowners insurance for a dollar value equaling the mortgage amount. The insurance policy must be paid in full for a term of 1 year. After that, the payment will be collected monthly as part of your mortgage payment and paid by the bank for the following year.

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The seller will provide a smoke detector certificate, and, in the case of a condominium, a 6d certificate and certificate of insurance. The Attorney will draw up the new deed and provide Title Insurance for the lender. You

will be given the opportunity to purchase title insurance for yourself at the closing. One to Two days prior to the scheduled closing, the Attorney will call you with the final figures. This is the amount of money you will need to bring to the closing table. It must be in the form of a cashier's check. All of this documentation is needed to close.

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CLOSING DAY

The closing usually takes place at your lender's Attorney's office, however, on occasion, the location could be the seller's attorney's office or the registry of deeds where the property will be recorded.

A closing usually takes approximately 1-2 hours and consists of signing papers!!! Positive ID will be required, so bring a driver's license.

Upon completion of the signing, the attorney then goes to the Registry of Deeds and "goes to record". It is at this time that you are a **HOMEOWNER!!!**

CONGRATULATIONS

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