

CONGRATULATIONS ON YOUR DECISION TO PURCHASE A HOME!

The home buying process is intricate and complex but doesn't need to be stressful and confusing. This booklet has been designed to help familiarize you with each stage of the process and contains detailed information on three distinct facets of the home buying process including:

- *Loan Pre-qualification and finding your dream home*
- *The offer and associated contracts*
- *Information needed post sale*

Buying a home today requires a good understanding of the ever changing real estate market, as well as the current regulations and laws regarding real estate transactions. As a result, you need a Realtor® with whom you feel comfortable and confident. As your 'Buyers Agent', I am dedicated to insuring that the journey to new home ownership is a comfortable one *for you* and that you are well informed every step of the way, utilizing my professional skills to assure your interest is protected.

I look forward to the opportunity to work with you on your real estate purchase!

Sincerely,

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WHICH STEP COMES FIRST & WHAT HAPPENS NEXT.....

-  **REPRESENTATION** Your experience in buying your new home needs to start by choosing an agent to represent you that you can trust. By signing a Buyer Agency Agreement you are guaranteed, by state law, that you are professionally represented throughout the entire process of buying your home.
-  **EXPLANATION OF CURRENT MARKET CONDITIONS** My job as your Realtor® is to keep you informed as much or as little as you want regarding what the "market" is doing today and how that affects you.
-  **GETTING THE LOAN STARTED** If you don't already have a lender in mind, I can refer a number of qualified loan officers that you can trust, all of whom can assist with your Pre-qualification for a loan. I will be working closely with your lender throughout the home buying process. The type of loan you qualify for as well as the amount will help determine the items needed when your offer is made for your new home.
-  **RESEARCHING THE HOMES THAT ARE CURRENTLY AVAILABLE** We will be actively utilizing the MLS (Multiple Listing Service) in our search for your new home. The MLS is available to licensed Realtors and will make your search for the perfect home much easier.
-  **WRITING YOUR OFFER** When you have found 'the one' we will assemble an offer and at this time you will write a check for your Earnest Money. The Earnest Money is a promise to the seller that you have serious intent to purchase their property. The amount of the Earnest Money varies from \$1000 to around 1% of the purchase price. With the Buy-Sell Contract signed by you, I will present your offer to the seller, through *their* agent. Upon acceptance the Earnest Money will be held in an escrow account and it is then given back to you as a credit at closing.
-  **NEGOTIATING YOUR BEST INTEREST** I will negotiate in your behalf to secure an acceptable contract for the property you would like to purchase.
-  **MAKING SURE THAT WHAT YOU SEE IS WHAT YOU GET** Upon acceptance of the purchase contract, I encourage all my clients to schedule a home inspection through a licensed professional, insuring you are buying a good, sound investment.
-  **UNDERWRITING & LOAN APPROVAL** The ordering of the appraisal, verification of your income and debts, and ordering of credit and other applicable reports are completed through your loan officer and verified through the lender. Once the Underwriting Department of the lender has given its final approval, we can schedule your closing!
-  **TITLE WORK** Upon acceptance we will secure a title company that will research the title on the home as well as on your history to find any liens, judgments, or anything else that may be considered a 'cloud'. This ensures you have a "clear title" to the home when you take possession.
-  **CLOSING / SETTLEMENT** In Montana, closing takes place at the title company that performed the title work. After you sign the final documents and your new home loan "funds & records", the documents are then taken to the state and 'Recorded'. Your next step is to receive your keys and MOVE-IN!

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LOAN APPLICATION CHECKLIST

General

- Picture ID with social security number of borrower and co-borrowers
- Payment to cover the application fee
- Name and complete address of all landlords for the past two years

Income

- Employment history for the past two years including names, addresses, phone numbers, and length of time with the company
- Copies of your most recent pay stubs and W-2 forms (past two years)
- Verification of other income (social security, child support, retirement)
- If self-employed you need copies of the past two years signed tax returns including all schedules, and a signed profit and loss statement of the current year. Retirees need tax returns for the past two years.

Assets

- Copies of all bank and credit union statements for the past three months
- Copies of all stock/bond certificates and/or the past three statements from all investment and retirement accounts
- Face amount, monthly premiums and cash values of all life insurance policies. (Cash value may be used for closing costs or down payments. You need documentation from the carrier indicating cash value.)

Creditors

- This information will be available to your lender once he/she runs your credit report.
- Buyer generated credit check – free up to 3x per year. Visit www.annualcreditcheck.com

Other

- Bankruptcy – Bring discharge and schedule of creditors
- Adverse credit – Bring letters of explanation
- Divorce – Bring Divorce Decree, property settlements, quit claim deeds, modifications, etc., for all divorces by yourself or your spouse
- VA only – Bring Certificate of Eligibility
- Retirees – Bring retirement and/or Social Security Award Letter

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REAL ESTATE TERMS & RELATIONSHIPS

In Montana, the Real Estate Agents/Brokers are required to disclose the type of working relationship they have with you as the buyer. There are four types of real estate relationships that can exist here in Montana and all fall under the term 'agency'. The following definitions are taken from the approved Montana Association of Realtors Relationships in Real Estate Transactions form, ©January 2014.

A "Seller Agent" is obligated to the Seller to:

Act solely in the best interests of the seller, except that a seller agent, after written disclosure to the seller and with the seller's written consent, may represent multiple sellers of property or list properties for sale that may compete with the seller's property without breaching any obligation to the seller; obey promptly and efficiently all lawful instructions of the seller; disclose all relevant and material information that concerns the real estate transaction and that is known to the seller agent and not known or discoverable by the seller unless the information is subject to confidentiality arising from a prior or existing agency relationship on the part of the seller agent with a buyer or another seller; safeguard the seller's confidences; exercise reasonable care, skill, and diligence in pursuing the seller's objectives and in complying with the terms established in the listing agreement; fully account to the seller for any funds or property of the seller that comes into the seller agent's possession; and comply with all applicable federal and state laws, rules, and regulations.

A "Seller Agent" is obligated to the Buyer to:

disclose to a buyer or the buyer agent any adverse material facts that concern the property and that are known to the seller agent, except that the seller agent is not required to inspect the property or verify any statements made by the seller; disclose to a buyer or the buyer agent when the seller agent has no personal knowledge of the veracity of information regarding adverse material facts that concern the property; act in good faith with a buyer and a buyer agent; and comply with all applicable federal and state laws, rules, and regulations.

A "Buyer Agent" is obligated to the Buyer to:

act solely in the best interests of the buyer, except that a buyer agent, after written disclosure to the buyer and with the buyer's written consent, may represent multiple buyers interested in buying the same property or properties similar to the property in which the buyer is interested or show properties in which the buyer is interested to other prospective buyers without breaching any obligation to the buyer; obey promptly and efficiently all lawful instructions of the buyer; disclose all relevant and material information that concerns the real estate transaction and that is known to the buyer agent and not known or discoverable by the buyer, unless the information is subject to confidentiality arising from a prior existing agency relationship on the part of the buyer agent with another buyer or seller; safeguard the buyer's confidences; exercise reasonable care, skill, and diligence in pursuing the buyer's objectives and in complying with the terms established in the Buyer/Broker agreement; fully account to the buyer for any funds or property of the buyer that comes into the buyer agent's possession; and comply with all applicable federal and state laws, rules and regulations.

A "Buyer Agent" is obligated to the Seller to:

disclose any adverse material facts that are known to the buyer agent and that concern the ability of the buyer to perform on any purchase offer; disclose to the seller or the seller agent when the buyer agent has no personal knowledge of the veracity of information regarding adverse material facts that concern the buyer; act in good faith with a seller and a seller agent; and comply with all applicable federal and state laws, rules and regulations.

DUAL AGENCY

IF A SELLER AGENT IS ALSO REPRESENTING A BUYER, OR A BUYER AGENT IS ALSO REPRESENTING A SELLER WITH REGARD TO A PROPERTY, THEN A DUAL AGENCY RELATIONSHIP MAY BE ESTABLISHED. IN A DUAL AGENCY RELATIONSHIP, THE DUAL AGENT IS EQUALLY OBLIGATED TO BOTH THE SELLER AND THE BUYER. THESE OBLIGATIONS MAY PROHIBIT THE DUAL AGENT FROM ADVOCATING EXCLUSIVELY ON BEHALF OF THE SELLER OR BUYER AND MAY LIMIT THE DEPTH AND DEGREE OF REPRESENTATION THAT YOU RECEIVE. A

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BROKER OR A SALESPERSON MAY NOT ACT AS A DUAL AGENT WITHOUT THE SIGNED, WRITTEN CONSENT OF BOTH THE SELLER AND THE BUYER.

A "**Dual Agent**" is obligated to a Seller in the same manner as a seller agent and is obligated to a buyer in the same manner as a buyer agent, except that a dual agent: has a duty to disclose to a buyer or seller any adverse material facts that are known to the dual agent regardless of any confidentiality considerations; and may not disclose the following information without the written consent of the person whom the information is confidential;

- (i) the fact that the buyer is willing to pay more than the offered purchase price;
- (ii) the fact that the seller is willing to accept less than the purchase price that the seller is asking for the property;
- (iii) factors motivating either party to buy or sell; and
- (iv) any information that a party indicates in writing to the dual agent is to be kept confidential.

A "**Statutory Broker**" is not the agent of the Buyer or Seller but nevertheless is obligated to them to: disclose to:

- (i) a buyer or a buyer agent any adverse material facts that concern the property and that are known to the statutory broker, except that the statutory broker is not required to inspect the property or verify any statements made by the seller; and
- (ii) a seller or a seller agent any adverse material facts that are known to the statutory broker and that concern the ability of the buyer to perform on any purchase offer; exercise reasonable care, skill, and diligence in putting together a real estate transaction, and comply with all applicable federal and state laws, rules and regulations.

An "**Adverse material fact**" means a fact that should be recognized by a broker or salesperson as being of enough significance as to affect a person's decision to enter into a contract to buy or sell real property and may be a fact that:

- (i) materially affects the value, affects structural integrity, or presents a documented health risk to occupants of the property; and
- (ii) materially affects the buyer's ability or intent to perform the buyer's obligations under a proposed or existing contract.

"Adverse material fact" does not include the fact that an occupant of the property has or has had a communicable disease or that the property was the site of a suicide or felony

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ADVANTAGES OF HOME OWNERSHIP

- ✓ **Purchasing a home is one of the most important decisions of your lifetime.** It is easy to become overwhelmed at the idea of finding, purchasing and finally owning your own home. You may feel that you are comfortable renting. Following are some good reasons why owning your home can be one of the best investments in your future you will ever make! Instead of paying someone else's mortgage you can build equity in your own future!
- ✓ **It will be yours.** The freedom of owning your home cannot compare to the restriction that renter's experience. You can paint the walls any color you like, hammer a nail in any wall. Decorate a nursery; landscape the yard, anything you like!
- ✓ **Lifestyle.** Home co-owners are different from renters. When you live in a neighborhood or complex that is primarily owner-occupied, your neighbors, like you, have invested in and care about their property. Naturally, they are willing to invest time, money and effort to improve their property and community, which in turn, improves the value of your property.
- ✓ **Freedom from rent increases.** Over time rents tend to rise. If you have a fixed-rate mortgage, your payments of principal and interest remain the same.
- ✓ **Building equity for the future.** Rental payments are gone once you have made them. But, with each mortgage payment you are buying something tangible, building up equity in your home. The longer you own the home typically the larger your equity.
- ✓ **Keeping up with inflation.** A home is an investment that helps you keep up with inflation. Real estate has historically kept pace with and usually appreciates faster than the rate of inflation.
- ✓ **Stability.** As long as you make your mortgage payments on time, you can live in your home for as long as you wish. Your landlord will not have control over the sale of your home.
- ✓ **Security for retirement.** Unlike rent, which goes on forever, the mortgage on your home will be paid someday, providing you with rent-free living for your retirement.
- ✓ **Income tax benefits.** Interest paid on a mortgage incurred in buying your primary residence is deductible. In the early years of your mortgage, most of your payment is interest. Remember that real estate taxes are also deductible. Later on, should you decide to take advantage of the growing equity in your home by taking out an equity loan, that interest may also be deductible.
- ✓ **Pay back on improvements.** A renter typically gets no financial benefit from any of the improvements they make on the property, either to the home or yard. As a homeowner, you can realize some or even all of the costs from improvements when you sell your home.
- ✓ **Trade-up value.** Even if your first home isn't your dream home, you will be working your way up to it. With appreciation and the possibility of a return on improvements, it may provide you with enough equity to make a down payment on your dream home later.
- ✓ **Investment property.** For some, second single-family homes or condominiums are providing to be good income investments and tax shelters. You will be realizing profits and tax benefits from renters who may not know the benefits of owning a home.

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YOUR OFFER & WHAT IT MEANS

Once you have found the home you wish to purchase, you will need to determine what offer price you are willing to make for the home. It is important to remember that the more competition there is for the house, the higher the offer should be – sometimes even exceeding the asking price.

To communicate your interest in purchasing a home, I will present the Listing Agent with a written offer. When the Seller accepts an offer it becomes a legal contract. When you write an offer you should be prepared to pay an Earnest Money deposit. This is to guarantee that your intention is to purchase the property. The Seller can stop considering other offers, knowing yours is valid and serious.

After I present your offer to the Listing Agent, it will either be accepted, rejected or the Seller will make a counter offer. This is when I will negotiate terms of the contract if necessary. It is at this time that you will want to have the property professionally inspected – if that is what you choose to do.

The step-by-step contract procedure for most single-family home purchases is standard and is followed quite closely by most builders and realtors. The Buy-Sell Agreement used is a standard document approved by the Montana Association of Realtors and the Montana Board of Realty Regulation. Some buyers retain lawyers to review the transaction contract but most do not if an Agent is representing them.

The Buy-Sell Agreement or contract constitutes your offer to buy and once accepted by the Seller, becomes a valid, legal contract. Make sure you understand what is written on the contract offer. It will be prepared according to your instructions and contains legally required information. In general the contract requires your name, tenancy, Earnest Money deposit, inclusions and exclusions for the property, assurance of Title Insurance policy, date for closing, purchase price and terms, date of possession, and signature.

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YOU DID IT!

I have provided the following checklist of 'TO Dos' to help you with your move.....

Cancel and arrange for service at your new address the following:

- Newspaper
- Cleaning service
- Laundry service
- Yard/Mowing service
- Electric
NorthWestern Energy 888.467.2669
- Gas
NorthWestern Energy 888.467.2669
- Propane Service if applicable
- Telephone
CenturyLink 877.290.5458
Charter 877.273.7626
- Cable TV / Satellite TV
Charter 877.273.7626
- Sewer, Trash, Water
- Ask your insurance agent to transfer coverage to your new home. Make sure all coverage (life, health, automobile, personal belongings, etc.) is in force while you are en route.

When you close on your new home you should complete the following:

- Schedule a moving company to assist you or begin notifying people who are helping you of your planned move date.
- Schedule the moving van.
- Obtain traveler's checks for traveling funds and for funds while you are settling into your new location.
- Prepare your home for your move by securing carpet cleaning services and a cleaning company to give your previous home a final cleaning after you move out.
- Secure all birth and baptismal records for all family members.
- Obtain medical, dental and other records for all family members.

- Refill prescriptions and transfer prescriptions to a pharmacy in your new area.
- Get transcripts of school records, including immunization records.
- Check with your attorney to see if you must have your will rewritten when moving across state lines.
- Notify your church and social clubs of your move.

Notify the following:

- Post Office
- Friends and relatives
- Magazine and mail order subscriptions.
- Professional organizations of which you are a member.
- Clubs, social or civic organizations with mailings.
- Charge accounts, insurance carriers, and creditors.
- Driver's bureau to receive tag renewal notices.
- Voter Registration officials.

Keep detailed records – some moving expenses are tax deductible!

- Keep detailed records of all moving expenses if your move is job related. Many expenses, including house-hunting trips, are tax deductible. If your move is 35 miles or more from your home, you can deduct your family's travel expenses, including meals and lodging; the cost of transporting furniture, other household goods and personal belongings; food and hotel bills for up to 30 days in the new city if you have to wait to move into your new home; and costs associated with selling your old home or settling a lease, plus the costs of buying or leasing your new home.

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