

Compare your housing needs with your housing wants to prepare for house hunting. You'll know where to look, what to tell your real estate agent, and what compromises your family can accept.

A home is a major purchase. Therefore, you'll want to make sure that any home you buy meets your housing needs and fulfills as many of your housing wants as possible, based upon your budget.

“The indispensable first step to getting the things you want out of life is this: decide what you want”

-Ben Stein

Section 1: Looking for a Home

Before you begin house hunting, take time to do a “needs vs. wants” assessment. This will enable you to focus your search and avoid viewing homes that are unsuitable or unaffordable. Plus, you'll be more apt to find the home that's right for your lifestyle and your budget.

What features do you need in a new home?

Most people need cost-effective features that provide safety, security and comfort. For example, a family with small children might need a fenced yard, while a rural homeowner might need to supplement his heating system with a wood-burning stove. A person who uses a wheelchair might need access ramps and wide interior doorways. Or, a rural homeowner might need space for his own washing machine, while an urban condo apartment owner might need to save floor space by sharing a common laundry room with others.

When determining your own housing needs, you should consider several factors such as your current financial circumstances, your future plans, and the number, health and age of your household members.

What features do you want in a new home?

Once you decide a home meets your needs, you can look at the amenities it offers to fulfill your wants. Amenities are items that improve the appearance, comfort and convenience of a home for an additional cost.

Before you begin house hunting, a good way to decide between needs and wants is to develop a wish list that describes the type of home you need and the features you'd like to have. As you write, you and the members of your household can determine if a feature is a “must-have,” or a “nice-to-have.” With this information, you and your real estate agent can base your search on finding a home with the features you must have to be safe, comfortable, and secure. You'll also avoid homes that are too far above or below your price range. An example of a “needs vs. wants” wish list follows.

Table 6-1: Housing Needs vs. Wants

Type of Home: Existing Home ___ New Home ___ Detached Home ___ Apartment Condo ___ Town Home ___ Mfg. Home ___		
Floor Plan Single Level ___ Multi-level ___		
Price Range From \$ _____ to \$ _____		
Indoor Features	We need...	We wish to have...
Bedrooms	3 bedrooms	4 bedrooms
Bathrooms	2 full baths	2 ½ baths Spa tub in master bathroom
Living/dining area	Combined living/dining room	Separate dining room Eat-in kitchen
Family room and/or basement	Family Room	Finished basement Enclosed porch
Kitchen	Stove, sink, refrigerator, dish washer, disposal	Custom Cabinets Built-in water purifier Cooking island Marble counter tops
Heating and A/C	Central heating	Fireplace on each level Central air conditioning
Storage space	Closets and pantry	Walk-in closet in each bedroom
Laundry	Washer and dryer	Built-in shelves and racks Laundry sink
Office/entertainment	Wiring for computer	Space for ironing board Office space Media center
Outdoor Features	We need...	We wish to have...
Parking	Off street parking	Attached garage Two-car garage
Porch/patio	Back porch or patio	Porch and patio
Yard	Fenced yard	Covered deck
Storage space	Covered storage for lawn/garden	½ acre lot Storage shed

Is this home a bargain?

Bargain-priced homes may be available when home sellers need to make quick sales. Ask your real estate agent for advice on foreclosure sales, short sales, estate sales or fixer-uppers. However, unless you have experience with home buying and selling, be cautious because the amount of money you save on the purchase could easily be exceeded by the amount you'll spend on legal fees and repairs.

Here are some possible sources for finding bargain home sales.

- Buying a **foreclosure property** can save you thousands. A foreclosure is a legal process that occurs when a homeowner fails to make his or her payments. Major obstacles to look out for in a foreclosure sale are all-cash sales requiring you to pay the total cost in a lump sum, “as-is” sales that require you to accept the home with no repairs paid for by the seller. In a foreclosure sale, getting a thorough home inspection before you agree to buy is critical.
- A **short sale** is a variation on a foreclosure. If a homeowner is having difficulty paying the monthly mortgage payments, the lender may reduce the loan balance to avoid foreclosure and allow the homeowner to make a quick sale. Before buying a home in such circumstances, get a written statement from the lender agreeing to the sale and get a thorough home inspection identifying any major defects.
- In an **estate sale**, the home of a deceased owner will be sold to settle the estate. The estate executor will look for the best possible price, so you may or may not get a bargain. If the estate's heirs are disputing their inheritance rights, you may not be able to take possession of the home until all lawsuits are settled.
- A **fixer-upper** is a home that needs repair. This can be a good deal if the cost of repairs or renovation doesn't exceed the money you could save by buying a home in better condition. When the problems are cosmetic such as decorating or extensive cleaning, the home could be a bargain, especially if you can do the work yourself. If, however, the problems are structural, such as defective plumbing or electrical systems or a leaking foundation, you'll need to hire contractors to make the home meet housing codes. Such repair costs quickly transform a “bargain” into a pink elephant. As with other types of bargain sales, you should have the home carefully inspected before you buy.

No home purchase is a bargain if you can't afford to make repairs. Before borrowing money for repairs, do the math to see how an additional loan will affect your budget and saving plans. Make sure you can pay your monthly mortgage note, other credit accounts, and other expenses before you buy any of these bargain homes. Moreover, if you plan to live in the home while it's being repaired, make sure the members of your household are prepared to put up with the inconvenience.

Why is the location important?

Shopping, transportation, convenience, safety and schools are important considerations when buying a home. Take a walk through the area and talk to residents to find out what they think of the neighborhood. Contact the school board and ask how the neighborhood schools compare with other schools in the district. Make daytime, evening, and weekend visits to the neighborhood to judge its friendliness, cleanliness, safety and traffic. Figure out what your commuting routes will be to and from work. Find out how close you'll be to grocery stores, shopping malls and entertainment. Ask your real estate agent about any planned road or housing construction or zoning changes affecting the area.

What is a condo? A co-op?

With either a condo or a co-op you'll share property ownership with a group of other homeowners. However, there is a major difference between owning a home and a condo or co-op.

- The word **condominium** describes a form of property ownership that gives you exclusive use and ownership of the space inside your home, as well as joint use and ownership of common areas of the condominium property. Your condo may be an individual apartment in a larger building, a single home in a row of townhouses, or one half of a duplex. As a condo owner, each month you'll make a payment to your mortgage lender to pay for your home. You may sell or rent your condo whenever or to whomever you choose. Condo owners are members of an association that manages day-to-day operations. Each owner pays a set monthly fee to the condominium's governing association to pay for maintenance and repair of common property.

Ownership in a **co-operative** gives you exclusive use of an apartment unit and shared ownership of the apartment building and all shared areas of the co-op property. In exchange for monthly payments to the corporation that owns the property, you'll hold a lease for exclusive use of the apartment in which you live. Because you do not own the apartment, you cannot sell it and you may not rent or sub-lease it without the approval of the corporation.

Co-op owners are shareholders in a corporation that manages operations for the entire co-op property.

What is a homeowners association and how does it operate?

A homeowners association is a form of government that manages the common property and enforces regulations called bylaws concerning many public activities of homeowners. A board of directors elected by association members runs the association. These directors determine when and how the common property will be cleaned, repaired, or replaced. To pay for these services, the association collects a monthly fee called an assessment from each homeowner in the group.

You should carefully consider the advantages and disadvantages of living in a community controlled by a homeowners association before you buy. Do you like the consistency of a neighborhood where parking is carefully assigned and all the shrubbery is clipped to a precise height? Or do you prefer a neighborhood where you can paint window shutters in your favorite color and build a kennel for three dogs and a tree house for your kids in the side yard? If you are interested in living in an association community, read the bylaws carefully and make your offer to purchase based on accepting the association's rules.

What are the advantages and disadvantages of living in an association?

The association's purpose is to preserve a style of living that maintains property values and appearances. This is accomplished by enforcing rules that affect how you can behave as an association member. These rules can affect anything from the color you paint your home to the number of pets you keep. Some homeowners find it comforting to be in an environment where specific standards are maintained, while others chafe at the thought of being under their neighbors' control. Therefore, before purchasing a home in a neighborhood governed by an association you should read all the bylaws, covenants and restrictions. Also pay careful attention to the association's budget. It shows how money is collected and used for the good of the homeowners. You'll want to be sure the association is on sound financial footing so you can avoid paying special fees if emergency repairs are needed on common property.

Unless they conflict with state or local laws, bylaws, covenants, and restrictions are usually enforceable in court. Therefore, you need to understand these rules because violating them could cost you time, money, and the goodwill of your neighbors. You also need to understand how to work with your neighbors to change rules that are ineffective, unnecessary, or detrimental to your common desires.

If you choose to be a member of an association, give some thought to becoming active by attending association meetings and voting in board elections. One way to make sure that things are run effectively is to work on the board of directors or one of the association's operating committees.

What is a manufactured home?

A manufactured home is a dwelling that is partially or completely constructed in a factory and then transported to the housing site. Decades ago, these were called trailers or mobile homes, but today those terms no longer apply because these homes are seldom moved from the original site. Today, a homebuyer can choose from modular homes, panel homes, and pre-cut homes. The U.S. Department of Housing and Urban Development sets standards for plumbing, heating and air conditioning, electrical systems, structural design and construction, fire safety, and transportation. However, **onsite** additions such as garages and decks must comply with local or state building codes. While many manufactured homes are placed in clustered communities the majority are located on privately owned lots.

The chief benefit of manufactured housing is its low cost. Because components are mass-produced and assembly takes place in a central location, the cost per square foot is lower, and you can find the same amenities that you'll find in site-built homes. You can find a wide range of sizes, floor plans and exterior finishes. In addition, for a new home, there are no costs associated with weather delays during construction. You'll also receive the same tax benefits as owners of traditional homes.

A manufactured home may be financed as personal property if you lease the land on which it sits. If you purchase land along with the home, you can use a traditional mortgage loan. If you already own the land, you can use it as collateral to secure a mortgage loan.

If you are considering the purchase of a manufactured home, the AARP Website, www.aarp.org, provides a comprehensive checklist of factors to consider concerning the layout, size, construction, and durability of your home. The American Homeowners Association, www.ahahome.com, also offers a Top Ten Tips on Buying a Manufactured Home checklist for potential owners. In any case, have the home inspected before you move in. The manufacturer may provide a “punch list” of items to look at, but don’t overlook the services of an independent home inspector who can protect your investment by identifying problems or construction defects.

How does the neighborhood affect my home’s value?

Location, location, location is the real estate agent’s slogan when it comes to selling a home. When you find a home you like, you’ll need to know the basics - schools, shopping, commuting, and safety issues. But you’ll also need to know about:

- Planned changes in zoning.
- Major construction.
- What’s going on in nearby neighborhoods.

For example, auto and homeowner insurance rates can vary from neighborhood to neighborhood, depending on traffic patterns and police activity. Property values in a quiet suburban housing development might drop drastically if an eight-lane thruway is slated for construction in the next two years. Or, a house with a riverfront view might have a low price because it’s built on a floodplain. And you might reconsider buying an urban townhouse if you learn that the city is selling construction bonds to build a casino or a sports facility two blocks away. On the other hand, finding out that a run-down apartment complex will be replaced by luxury condominiums may be an incentive for you to buy in the neighborhood.

Remember, you don’t just purchase the home; you purchase the neighborhood. Find out all you can about commercial activity, land use restrictions, and the responsiveness of local government to activities in the neighborhood before you buy. That way, you will minimize surprises and disappointments after you’ve signed the mortgage.

Why choose one real estate agent over another?

Wherever you live, you’ll find real estate agents who are eager to sell you a home. A safe assumption is that these agents are working for the home sellers. So, how do you find an agent to work for you and protect your interests? For a purchase as important as this you’ll want to be treated fairly and kept informed of all the rules and regulations that affect you. You’ll also want to be sure that you get a fair price on the home you buy.

Begin by asking for recommendations from friends and relatives who have purchased homes. Don’t be swayed by an agent’s number of years in business, or high sales volume. Instead, ask for recommendations from friends and family members who have purchased homes. Ask the recommended agents for lists of their past clients and talk with those clients to learn how well they were served. Ask for a written statement telling whom the agent represents - you, the buyer, or a seller. Discuss fees, so you’ll have a clear understanding of how, and how much, your agent will earn. If you have a deadline by which you must buy, let your agent know. Also make it clear that you want the agent, not his or her assistants, to represent you.

Present your list of housing wants and needs so your agent can narrow the search for your perfect home. Discuss your target home price to avoid wasting time on homes that are too far outside your price range. If you haven't already been pre-approved for a home loan, ask your agent to identify possible lenders. Expect to answer personal questions about your finances.

Section 2: Offering to Buy a Home

After you've located the right home, you'll want to make an offer to buy it. You'll be involved with several real estate professionals throughout the negotiation process. Your objective will be to purchase a home that meets your needs and wants at the fairest possible price.

What is an offer? Who makes it?

Once you've found a home you want in a neighborhood you like, at a price you can afford, the offer is your first step toward making the actual purchase. This is where the services of a buyer's agent really become invaluable because your agent has experience and can guide you past possible pitfalls and hazards in purchasing a home.

The posted sale price is only the seller's suggested price. Your agent will prepare a written offer that describes precisely what you want to buy, when you intend to buy it, and how much you want to pay. A standard written offer will contain:

- Your name.
- A description of the property.
- The amount you want to pay.
- A time limit for the seller to accept, decline, or make a counteroffer.
- A list of contingencies, or statements to protect you if things go wrong.

If there is more than one buyer, both, or all, your names will be listed. Items you want the seller to include in the sale such as fixtures, appliances and decorations should all be listed. Your agent can search records of recent sales for similar homes in the same area to help you decide on a reasonable amount to offer. The date and time you make the offer and a deadline for the sellers to make up their minds are important. You'll want to allow enough time for reasonable decision making, but not so much time that the sellers can keep you hanging while they wait for better offers.

The contingency list should allow you to have the home inspected and make sure the seller has a clear title to the home before the sale becomes final. If the inspection uncovers a need for expensive repairs, you'll probably want to lower your offered price or have the seller complete the work before you buy. The title search will assure you that the seller can deliver the property free and clear of liens. If there is a homeowner's association involved, include a contingency for reviewing and accepting its bylaws and covenants. A loan contingency will void the offer and return your deposit if you're unable to get a mortgage. Make sure your agent understands your concerns and that the offer protects your interests.

If the sellers make a counteroffer it should also be in writing. It should clearly state any difference in price or items to be included in the sale. You can then accept, decline or negotiate further. The most important point about your offer is that everything *must* be in writing. If there is any part of the process you don't understand, don't hesitate to ask your real estate agent for clarification.

What is earnest money?

When you make an offer, you'll have to deposit money as a show of good faith. That way, the sellers will know that your offer is a serious one. The money you pledge becomes part of your down payment if your offer is accepted. If your offer is declined, you'll get the earnest money back. However, if you change your mind about the purchase after your offer is accepted, the sellers legally may be entitled to keep your earnest money. Never make an offer unless you're certain about making a purchase.

What is the difference between an inspection and an appraisal?

Before you agree to purchase a home, you should have it inspected and appraised. A home inspection provides information on the condition of the home. An appraisal tells you how much the home is worth. They may seem similar, but the following chart briefly outlines how they differ:

Table 6-2: Inspection vs. Appraisal

The Home Inspector	The Home Appraiser
<ul style="list-style-type: none"> • Represents the homebuyer. • Makes a hands-on examination of the entire home. • Rates the home's physical condition. 	<ul style="list-style-type: none"> • Represents the mortgage lender. • Compares the sale prices of similar homes sold in the neighborhood. • Rates the home's market value.

The inspection helps protect your interests and the appraisal helps protect your lender. Remember, however, that inspections and appraisals are merely professional opinions, not guarantees.

Why is a home inspection necessary?

You can't always depend on the seller or real estate agent to disclose every problem in a particular home, especially if they are not aware that problems exist. For any home you consider buying, be sure to look closely at items in the following chart:

Table 6-3: Homebuyer's Do-It-Yourself Inspection

Item	What to look for
Structural defects	<ul style="list-style-type: none"> • Are the floors level? • In the basement, are there cracks or water marks? • Does the roof sag?
Water damage	<ul style="list-style-type: none"> • Is there a mildew odor in the basement? • Is paint uneven on walls or ceilings?
Water pressure	<ul style="list-style-type: none"> • What happens when you flush toilets and turn on hot-and cold-water faucets at the same time?
Water pipes	<ul style="list-style-type: none"> • Ask what kinds of pipes are installed and how old they are. PVC? Copper? Lead (a health hazard)?
Electrical wiring	<ul style="list-style-type: none"> • Is it sufficient for your appliances (220 Amps)?
Electrical problems	<ul style="list-style-type: none"> • Do any lights flicker? • Are there at least two outlets in each room?
Energy efficiency	<ul style="list-style-type: none"> • Ask to see last year's heating and cooling bills. • How thick is insulation in the walls, under the floor, and in the ceiling?
Pest infestation	<ul style="list-style-type: none"> • Do you see any small piles of sawdust (termites)? • Do you see droppings or traps for rodents, roaches, or ants?
Paint	<ul style="list-style-type: none"> • If the home was built before 1978, ask if there is any lead paint.
Asbestos	<ul style="list-style-type: none"> • Older homes may have insulation or flooring that contains asbestos.
Radon gas	<ul style="list-style-type: none"> • Has the home been tested?
Mold	<ul style="list-style-type: none"> • Is there any evidence of mold?

When you carry a list like this one to visit a home, you can ask the seller or real estate broker about these items and make notes on what you learn. This information can help you narrow your list of potential purchases. However, keep in mind that even your best observations won't substitute for an in depth examination by a professional home inspector.

A home inspection performed by a qualified professional provides an objective assessment of the condition of a home. Depending on the size of the property, an inspector can take two or three hours to examine a home completely. The inspector will then prepare a written report that provides detailed information on the home's structural components, fixtures, and appliances. This information can influence your decision to buy, as well as the

price of your purchase offer. If an inspection discloses a major defect or shows that a home was constructed with roofing, siding, or plumbing materials that have been shown over time to deteriorate at a faster-than normal rate, you might not want to purchase the house. If the examination finds electrical wiring that violates residential housing codes, you could decide to make your purchase dependent on having that wiring repaired at the seller's expense. Or, you could lower the price of your offer by an amount sufficient to pay for the repairs.

In addition, a home inspection can judge how well a home has been maintained and estimate when you might need to make repairs and replacements. For example, if you learn that the hot-water heater is in good condition, but not large enough to serve your family of five comfortably, you can consider replacing it. An inspection report that estimates a 10-year useful life for kitchen appliances would let you know that setting up a reserve fund to replace them is not a priority, if you plan on moving in five years.

You can also use the inspection report as a guide for establishing periodic indoor and outdoor maintenance schedules. Life-long apartment dwellers might not realize how much exterior maintenance a detached house requires until they see an inspection report that lists gutters, downspouts, eaves, sloped grading, drainage ditches, septic systems, and driveways.

If the property inspection doesn't include termites and radon gas, consider getting separate inspections. Termites can cause hidden damage that will be costly to repair and radon, which is a naturally occurring gas known to cause certain cancers, can endanger the health of all members of your household. Termites can be exterminated and radon gas can be safely vented, but both procedures are expensive. If either is found, you may choose not to purchase the home, reduce your offered price, or delay the sale until the current homeowners correct the problem.

Why is an appraisal necessary?

Your lender will hire an appraiser to determine the proper sale price for your home. The lender will use this appraised value to determine how much money to offer you for a mortgage loan. The appraisal assures that the amount of your loan will not exceed the value of your home.

The collateral that secures your mortgage loan is your home. A lender will seldom issue a mortgage loan that exceeds the appraised value of a home. If you fail to repay the loan, your lender wants to know that foreclosure and resale of your home will pay back the loan. Lenders don't want to provide more money than they can hope to get back if a foreclosure becomes necessary.

Summary

Knowing what you need and want in a home will make your home search easier, faster, and more effective. List your needs and wants and share this information with your real estate agent.

- Bargains do exist, but look carefully at bargain homes before you buy.
- Remember that when you buy a home, you also buy an interest in the neighborhood where it's located.
- Condos, co-ops, and community associations can impose legally binding rules that affect a homeowner's behavior.
- When you decide to buy a home, make sure your offer contains contingency statements that protect you if the sale falls through.
- Have a professional inspector examine any home you intend to buy.