

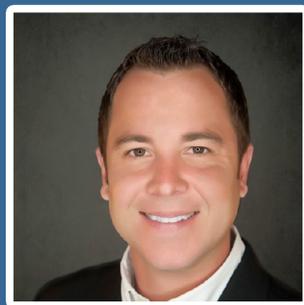


Homes *in* Hagerstown.com  
REAL ESTATE BY CHRIS DICKERSON

# Buyers Guide

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Your Guide to Home Ownership



## Overview

Thinking about purchasing residential real estate? Then you probably have a good idea of what you want and where you want it. Whether you are looking to purchase your first home or are ready to take that next step toward owning your dream home, there are many emotions and issues that surround that next purchase.

To help you navigate the world of legal and regulatory issues, we have created this **Buyers Guide** with helpful information and resources. While it's difficult to address every issue, the information in our Buyers Guide provides a good start to understanding the major considerations.

- Financing Qualification and Approval
- Comparing Your Home Search Options
- Buyer Agent Representation
- Purchase Offer and Negotiations
- Performing Home Inspections
- Settlement and Closing
- Moving In

## FINANCING QUALIFICATION & APPROVAL

Many homebuyers start looking online for properties they think they can afford. If they want to live in Washington County for instance, they may search for home listings in Hagerstown, Williamsport, Clear Spring, Hancock or Smithsburg, Maryland. While this isn't the worst first step, there is a much better way to start. Although buyers may understand their own finances, most don't understand that there is a lot more to it than "I can afford a payment of..." The best starting point is to contact a local lender. They will review an array of information that will help you make one of the biggest financial decisions in your life.

### How Much Should I Spend?

When searching the internet, you can find mortgage calculators that provide an estimate of what you can afford based on information such as your income, credit scores, estimated revolving debt, car payments, etc. While some of these estimators may help, there are numerous loan options for buyers of all income levels and credit scores. The terms of these different loans can also vary significantly, making it impossible for an online calculator to accurately evaluate all the necessary personal factors that are involved.

There is no single formula for determining what interest rate or how big a loan you may qualify for. While you might qualify for a loan of a certain amount, only you know what monthly payment you are comfortable with.

For that reason, you should consult with a local, trustworthy loan officer who can advise you of your different options with respect to your particular financial circumstances and goals. If you do not know a loan officer who you trust, please [contact me](#) and I will refer you to a highly respected loan officer who can help you determine how much you can afford.

### What Is The First Step In Getting A Loan?

A loan officer can pre-qualify or pre-approve you for a loan amount after gathering certain financial information from you. This process is a crucial first step in the home-buying process so that you have an idea of what homes for which you should be looking. It is standard practice for buyers to include a copy of a pre-qualification or pre-approval letter from a lender with a purchase offer that will be submitted to the property's listing agent and seller. Most agents will advise their sellers to reject or, not to accept any offer submitted that does not include at least a pre-qualification letter.

## **Getting “Pre-Qualified” or “Pre-Approved.” What’s The Difference?**

*Pre-Qualification* is the process by which a loan officer determines how much you may be qualified to borrow based on your income, assets and liability. This is based on unsupported financial information.

*Pre-Approval* is a more extensive step than pre-qualification since the loan officer requests a credit report, reviews your finances, and issues a “pre-approval” for the loan. Loan approval is conditional – based on such things as verification of employment, assets, liabilities, etc. Formal commitment to pay the loan back will come from the lender after the purchase contract is ratified and all the necessary financial verification documents are reviewed. When a pre-approval letter accompanies a purchase offer, it is strong demonstration of the homebuyer’s ability to actually obtain financing and ensure the sale will go through.

## **How Can I Know What My Monthly Payments Will Be?**

This site contains a mortgage calculator at the Mortgage Center (coming soon), which also includes a summary average of prevailing market interest rates. A payment estimator is also included on the listing detail page of every MLS-listed property available for search on this site. However as previously mentioned, the best first step is to talk with a lending professional. This site offers an affiliated [lender link](#) on the [Home](#) page of this site.

## **Are There Special Financing Programs For Me?**

All homebuyers may qualify for special financing programs, such as government financing programs and/or first-time homebuyer incentives. The best way to ensure that you find out exactly what programs you may qualify for is to speak with your local lender. If you do not have one feel free to contact me for a list of local reputable lenders.

## COMPARING YOUR HOME SEARCH OPTIONS

Recent statistics show that 87% of all homebuyers begin their search online. This is not a shocking statistic considering the ability to view pictures, virtual tours and detailed property descriptions without having to spend hours driving around. However, given all the options and to avoid being overwhelmed, it may be helpful to review the categories of how homes on the market are organized:

### Sources of Listing Information

#### Multiple List Service (MLS) Homes ([www.realtor.com](http://www.realtor.com))

The MLS is a database of homes for sale that are advertised through participating professional brokerage companies. Sellers of MLS-listed homes employ the services of real estate professionals and typically pay the commission for both the listing agent (representing the seller) and the buyer's agent (representing the home buyer).

Many real estate websites (operated by brokers and their agents) offer access to MLS-listed properties, but not all do so with the same level of quality. Some may not update the listings on a regular basis, so buyers may be looking at out-of-date information or missing out on brand new listings.

Just imagine wanting to purchase a home in a small town in Washington County, Maryland. You've set aside a full day of driving to do "curb views" of properties you have pulled listings for in Smithsburg, Cascade, Maugansville, Clear Spring and Williamsport. As you drive, you realize most have sold signs or no signs at all. Now you've wasted valuable time and you are no further ahead in your search.

Unlike the vast majority of real estate websites claiming to provide MLS data to the public, [www.HomesinHagerstown.com](http://www.HomesinHagerstown.com) offers information about active MLS-listed homes for sale from a direct feed from the local MLS provider, Metropolitan Regional Information Services, Inc. (MRIS). The listing data information is updated every day and stored on our servers, so you can feel confident that you are getting the most accurate information available.

It should be noted MRIS has regulations similar to other MLS operators that certain information can only be accessed by license real estate professionals and cannot be displayed to the general public. This site is in full compliance with these contracted regulations, but we have made available as much of the most valuable information as we can for homebuyers related to homes for sale listed here.

### **For Sale by Owner (FSBO) Homes**

Homes that are being sold directly by the owner of the property without the assistance of a real estate professional are commonly referred to as FSBOs. These homes are usually marketed in the local classifieds or websites where “fizbos” are welcomed. The principal and perhaps only reason why a homeowner might choose to sell their house without representation of a professional is to avoid paying commission on the sale. And, while many For Sale By Owner home sales are successfully conducted, there are a number of concerns that prospective homebuyers must be aware of before entering into such a transaction.

### **Foreclosure Sales**

Foreclosure sales of real property occur when the owner defaults on the terms of a loan and the bank or other lender holds a “mortgage” or “deed of trust” as collateral for the loan. Usually the foreclosure is a result of the owner failing to make timely payments on the loan. When this happens, the lender initiates foreclosure proceedings in order to have the property sold, often at auction, in order to recover the amount of the debt. The details of a foreclosure depend on the particular jurisdiction of the property and can vary.

There are two main categories of foreclosure sales:

**Bank/Lender Foreclosures:** When a bank or other non-government lender institutes a foreclosure, an auction sale often takes place at either the county courthouse or the property location. If the bank or lender has repossessed the property prior to the foreclosure sale, it is referred to as a Real Estate Owned (REO) foreclosure sale. Most foreclosures are advertised through the local MLS system. Don't be fooled by some sites or e-mail solicitations that claim to have complete listings of these properties. Some even say things like “Hagerstown Homes from \$1,000” or other unbelievable messages. If you have questions about the foreclosure process or would like a list of recommended online sources of foreclosure listings, please contact me.

**Government Agency Foreclosures:** When the U.S. Government sells a residential property via foreclosure, it is usually done through one of two agencies:

- (1) the Department of Housing and Urban Authority (HUD) when a borrower defaults on a Fair Housing Authority (FHA) loan; or
- (2) the Department of Veterans Affairs (VA) when foreclosure is required against a home purchased through a VA-financed or VA-guaranteed loan.

Most foreclosure homes for sale by the U.S. Government are available to be viewed online at [www.HomeSales.gov](http://www.HomeSales.gov).

When HUD or the VA needs to start foreclosure proceedings, it sub-contracts with the following professional property management companies to administrate the transaction:

- **HUD:** [HomeSource Real Estate Asset Services, Inc.](#)
- **VA:** [Ocwen Financial Corporation](#)

### **Buyer Beware**

Buying a foreclosure property does not automatically mean that you will get a great deal. As with any other financial investment decision, buyers should conduct their own due diligence on the property and the foreclosure process. While money can be made through foreclosure purchases, novices and bargain hunters can get burned.

### **Short Sales**

By definition a short sale is the sale of a property to a lender for less than the amount of the mortgage owed. This sale is often only permitted under extreme circumstances, much like those found in many real estate markets between 2008 and 2010. The bank or mortgage lender takes into account current economic outlooks, the personal [financial situation](#) of the debtor or home owner, the local real estate market and the reasonable possibility that the bank will recover some or all of the entire mortgage loan.

A short sale is often pursued instead of foreclosure proceedings, which helps keep a “major black mark” off their personal credit report. Also, the difference between the original mortgage and the short sale offer, also known as the deficiency balance, is partially under the control of the debtor. This means that the debtor is free to pay back the deficiency under their own terms. Sometimes some or all of this debt is forgiven. The advantages of a short sale for the bank or mortgage lender are concentrated solely on recouping their financial losses. Thus, they may choose to allow a short sale if they believe that this course of action will result in a smaller [financial loss](#) than the foreclosure process. A short sale does not include legal fees and costly red tape, whereas a foreclosure can often cost the bank or mortgage institution quite a sum of [money](#).

### **Auction Sales**

As an alternative selling option, some homeowners choose to sell their home through an auction. A seller may choose to go this route in order to get a quick sale. If you have a home in Washington County, MD, you can put it on the market where it may sit for a while, or have an “auction event” where the bidding frenzy may bring an offer in one day. Non-foreclosure auctions are typically conducted by private auction companies.

There are certain things that buyers should be aware of before bidding at an auction. For example, in most cases buyers are not allowed to conduct an independent inspection of the property before bidding. The purchaser of the property is typically responsible for paying all or most of the transaction’s closing costs. There is also a fee called a “Buyer’s Premium” that ranges on average from 6-10% that can be hidden in the fine print. In most MLS-listed transactions, closing costs can be negotiated and split between buyer and seller. Like with foreclosures, buying at auction does NOT mean you will get a bargain. Buyers need to educate themselves in advance about the property and the auction process.

## **BUYER AGENT REPRESENTATION**

Having a real estate professional represent your interests through the home purchase process can help put your mind at ease. The knowledge of a good buyer's agent is invaluable in today's market because the brokerage commissions associated to the sale are typically paid exclusively by the seller of the property.

### **The Benefits of Buyer Representation**

As a Sales Associate with the full-service real estate brokerage of Prudential Premier Realty, my buyer clients receive a comprehensive array of services. A list of services is provided below:

- Assist with Pre-Qualification/Pre-Approval in Financing Process
- Guide the Home Search Process
- Establish a Fair Market Value of A Property
- Prepare the Purchase Offer
- Negotiate the Contract Terms
- Schedule & Attend Inspections
- Guide Settlement/Closing proceedings
- Provide On-Going Homeowner Resource Services

The majority of people shopping for a home are represented by a real estate agent or broker in the transaction. Understandably considering that the seller in the transaction usually pays most or all of the brokerage fees or commissions due the buyer's agent. This page addresses the real value of having a buyer's agent throughout the home buying process.

The following are the major benefits to a homebuyer from having carefully selected proficient representation from a real estate agent professional.

“Listing Agents” Represent the Seller and “Buyer Agents” Represent the Buyer  
Even though this point may sound obvious, having a thorough understanding of who represents who is an important aspect to the real estate transaction.

In most cases, under Maryland law, a real estate broker or agent that advertises a home for sale represents the seller. This means the seller's agent – or listing agent — has contractual and fiduciary duties to that seller and not to any prospective buyer. Although realtors are bound by duties of fairness (a code of ethics ) to all involved, the listing agent's primary responsibility is to represent and negotiate on behalf of the seller.

On the other hand, the advantage to having a buyer's agent is that homebuyers can have a real estate professional available to represent them while shopping, negotiating, scheduling inspections and ultimately guiding the entire process of purchasing the home they desire.

State laws vary drastically concerning which party a real estate agent can represent in the transaction and in Maryland, complicated rules exist regarding "Dual Agency Representation". These rules permit the buyer and seller to be represented by the same brokerage or agent when full disclosure is given to those involved and other steps are taken. These rules are necessary because of the possibility of conflict of interest since the objectives of the buyer and seller may be in direct opposition.

The Maryland Real Estate Commission has a disclosure form called *Understanding Whom Real Estate Agents Represent* that is required to be given to anyone using their services upon the first face to face meeting.

### **Experienced Buyer Agents Save Time And Money**

The real estate agent representing the buyer can help make sure the home purchase transaction is a smooth one and assist the buyer in getting an excellent deal. An experienced buyer's agent can also help homebuyers steer clear of some significant liability that can be part of a real estate contract.

## **PURCHASE OFFER AND NEGOTIATION**

The manner and quality an offer to purchase a home is submitted to a seller can make a major difference in whether or not the offer is accepted or even reviewed. Equally important in getting the property at the best price is the strategy used as part of the negotiation process. This section will provide a concise summary of these topics: The Purchase Offer and Negotiations.

### **The Purchase Offer**

#### **What should I include with my offer?**

This may vary somewhat according to location. In Maryland a comprehensive purchase offer for residential real estate will typically include: a contract of sale signed by the buyer(s), earnest money deposit, pre-approval or pre-qualification letter from a lender, various signed contract addendum relevant to the property, specific terms of the offer and the specific location of the property, MLS print-out, and copy of the public record (if available).

A buyer's representative may also send a cover letter describing the main deal points and, where appropriate, provide a little background about the buyer if the information would strengthen their negotiating position. Sometimes a good agent will present the offer in person to the seller's to describe the buyer position.

#### **What will make my offer attractive to a seller?**

How appealing the offer is usually depends on market conditions and most importantly the seller's motivations. The sales price is always one of the most important parts of the offer, but other contract terms can influence the seller. For example, a below asking price offer might look appealing in a buyer's market if the remaining contract terms (settlement, contingencies, inspections, etc.) are acceptable and a pre-approval or pre-qualification letter demonstrates that the buyer is financially capable of following through. However, in a competitive seller's market, items such as sales price and lack of contingencies are usually of most importance to a seller.

### **Negotiations**

The process of contract negotiation in buying your home is a different compared to most industries. The typical process is simply for a prospective buyer to submit a written offer and then wait for the seller to accept the offer as presented; reject the offer; or present a counter-offer. Most negotiation usually occurs after a counter-offer is sent by the seller.

### **What contract terms are usually negotiated in the buying process?**

The deal points in a residential contract of sale that are typically negotiated are:

- Sales price of the home
- Escrow period (time between contract acceptance and settlement)
- Contingencies (conditions placed on the performance of one or both parties)
- Required repairs to the property following the home inspection

### **What should my “negotiation strategy” be?**

Negotiation strategies used by the parties of a residential real estate transaction are not typically different than any other such agreement. The motivations, concerns and financial positions of the parties hold most of the power, while factors like general market conditions and interest rates influence how much negotiation will take place.

One component in a home sale transaction that is unique is the emotional element. Homes are not just financial assets but are a possession with significant sentiment. For example, the owner of a home in Washington County, MD may have inherited the home they were raised in from their parents. Typically a home in this situation carries a lot of memories for this seller and they might have an unsubstantiated idea of the value it has for others. These factors are not easily quantified in financial terms and can drastically affect the perceived value of a property.

Any negotiation strategy should take into account the alternatives available to the both parties. The more real alternatives that are available to a party significantly increase the negotiating position of that party. As a buyer, it may help if the seller of a Williamsport home knows that you like his as well as a home in Boonsboro and one in Smithsburg.

## PERFORMING HOME INSECTIONS

Home inspections are important! Depending on the language in the contract, the results of the inspection may determine whether or not a buyer has to proceed with the purchase. This outlines the importance for buyers to have a contract that protects their interests relating to the condition of the property.

### Types of Inspections:

**Structural Inspection.** This usually includes an examination of foundations, floor systems, ceilings, doors, windows, roofing, insulation, walls, decks, porches, garages, chimneys and any other structural components. This inspection is typically paired with the Mechanical Inspection.

**Mechanical Inspection.** This usually includes an examination of the home's plumbing, electrical systems, heating and cooling systems, appliances and other mechanical items. This inspection is typically paired with the Structural Inspection.

**Termite Inspection.** This is pretty self-explanatory and the terms of this inspection are outlined in the standard Maryland Contract of Sale. This inspection determines if there is damage from termites or other wood destroying insects. It will also uncover whether infestation is continuing or the property has been previously treated and repaired. The lender typically requires a termite inspection before approving a home loan.

**Environmental Inspection.** This inspection may include inspection of the presence of asbestos, lead-based paint, radon, mold, polybutylene piping, existence and integrity of underground oil/gas storage tanks, urea formaldehyde foam insulation, well water quality, septic tank functionality, and anything else an inspector may deem as harmful to the new owners or the environment.

Inspections should always be conducted by an independent inspector qualified in each particular field mentioned above. It should be noted that most inspectors are not trained experts for all inspection types although there are some that have been trained to perform multiple types of inspections. A competent real estate agent can offer several properly trained and licensed home inspectors for each inspection type for you to choose from. Maryland law now requires inspectors to be licensed.

We can provide guidance on how to structure a real estate transaction to include home inspection contingencies.

## SETTLEMENT AND CLOSING

### What to expect for closing costs?

Buying a home is a mixture of emotion, especially with the money involved. You will receive a Good Faith Estimate (GFE) from your lender when you apply for your loan and then right before settlement you receive a HUD-1 Settlement Statement. The Settlement Statement summarizes the fees that comprise your closing costs. Certain fees are assigned to the buyer and the seller; some of the closing costs are negotiable.

### General Buyer Closing Costs

- **Down payment**
- **Lender fees include all or some of the following:**
  - Loan Origination
  - Loan Discount
  - Documentation Prep Fee
  - Administrative Fee
  - Funding/Wiring Fee
  - Credit Report\*
  - Tax Service/Escrow Fee
  - Appraisal Fee\*
  - Flood Certification Fee
  - Hazard Insurance \*\*
  - Interest\*\*
  - Mortgage Insurance (fee is based on mortgage buyer is qualified for)
  - Mortgage Broker Fee (if using a broker for your loan)

\*These fees are commonly paid in advance (POC - Paid Outside of Closing)

\*\* These are fees the lender will require a minimum of 2 months held in escrow

- **Attorney/Settlement Agent Fees**
  - Closing/Settlement Fee
  - Title Search (on purchase property)
  - Title Insurance
  - Courier/Wire Fee
- **Government Fees**
  - Recording Fees
  - Tax Stamps
  - Recordation and Transfer Taxes
  - City and/or County Property Taxes
- **General Real Estate Purchase Fees**
  - Survey Fee

HOA fee (if applicable)  
Pest Inspection Fee  
Home Inspection Fee

The fee list is the most common fees associated with a closing on the purchase of a home. Negotiating the sales price of a property is not the only negotiation of costs; there are fees that can be negotiated on the Settlement Statement. For example, if a buyer is concerned about the condition of something, such as the plumbing, the seller may agree to pay for the home inspection.

Another example of negotiations on the Settlement Statement might be that the buyer agrees to pay the full asking price in return for the seller paying all the allowable closing costs. When negotiating closing costs assure all the terms are written down on the purchase agreement.

Understanding what fees and who to negotiate those fees with are critical to getting the best closing costs. The following is a breakdown of who to discuss what fees with:

- **Lender Fees** – The Lender and Buyer
- **Attorney/Settlement Agent Fees** - Attorney or Settlement Agent and Buyer (sometimes done between the buyer's real estate agent and the settlement agent)
- **Government Fees** – Negotiate between Buyer and Seller. This is done between the Real Estate Agents for the Buyer and Seller.
- **General Real Estate Fees**
- **Pest and Home Inspection Fee**- Buyer and Seller. This is done between the Real Estate Agents for the Buyer and Seller.

### **Proration**

The most common costs prorated (or distributed) between buyer and seller are the property taxes. Property taxes are typically paid at the end of the year for which they are assessed. This can be very confusing on the Settlement Statement; example would be if a home is sold in June, seller will have lived in the house for six months of the year, but the tax bill won't come due until the following year. The taxes are prorated; the Settlement Statement will show a credit to the buyers for half the taxes at closing.

## **MOVING IN**

Prior to settlement, there are a number of steps new owners should take to make the “move-in” process a little smoother and make sure the property is ready to be lived in.

### **Plan For Moving Day**

If you plan to hire professional movers, it would be a good idea to get multiple estimates and make sure the moving company is properly bonded and/or insured. Getting a personal recommendation is always best when hiring a company that will be trusted with your valuable possessions.

If you are moving yourself, make sure you have all of your things in boxes, furniture wrapped and a lot of friends lined up to help before settlement day.

### **Switch The Utilities to “On”**

Buyers should contact local utility providers in advance of settlement to establish a “turn on” date and verify what date you will begin taking billing. Typically it is the day of settlement however sometimes the “turn on” date varies. In some jurisdictions, the settlement officer will switch certain utilities from the seller to the buyer, but check with your realtor to know which ones you need to account for.

### **Prepare For The Trials Of Homeownership**

In addition to the thrill of homeownership, there are also responsibilities and chores associated with maintaining your new investment. Regular maintenance – whether it’s done by you or a hired professional – will develop an on-going appreciation for your home and add to its value. Most real estate agents will be able to serve as a good resource for knowing where to turn when you need these types of resources, so don’t hesitate to call.