

# Buyer Information Package



*Service Provided by Your Real Estate Professionals*

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## 7 Reasons to Buy a Home

1. Pride of ownership is a key reason for wanting your own home. Decorate it to your own taste and enjoy all of the benefits while making a great investment.
2. Real estate over time has been considered a good investment because most of it has appreciated. The effects of leverage can multiply the increase when borrowed funds are used to purchase the home.

Many times, the largest investment a person owns is their home. Homes have been a good hedge against inflation. Homeowners build equity and can borrow against that equity for a variety of reasons that could include college, medical, or to start a business.

3. Qualified mortgage interest and home equity loans are deductible for Income Tax purposes.
4. Property taxes on a first or second home are deductible on for Income Tax purposes.
5. A homeowner can exclude up to \$500,000 of capital gain if married, filing jointly or up to \$250,000 if single or filing separately for homes that have been the taxpayer's principal residence for the previous two years. There is no age requirement for taking the capital gains exclusion like the "over 55" rule in the past.

It is not necessary to purchase a replacement home more expensive than the one sold. Homeowners can buy a more or less expensive home with no tax consequences assuming their gain is less than the allowable amounts.

6. Preferential tax treatment on gains that have been made from capital assets held more than one year are permitted by IRS. This is especially important for homeowners with gains in excess of the allowable exclusion.
7. Mortgage payments include the interest for the time that the money has been used and principal to retire the debt over a period of time. Each month part of the payment is for principal accumulation.

## Search Criteria

How many bedrooms? \_\_\_\_\_

How many baths? \_\_\_\_\_

How many living areas? \_\_\_\_\_

What size garage? \_\_\_\_\_

What area do you want to live? \_\_\_\_\_

What style home do you like? \_\_\_\_\_

When do you want to occupy? \_\_\_\_\_

What is most important to you in a home? \_\_\_\_\_

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Are schools important? Yes  No  If yes, which ones and why: \_\_\_\_\_

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Where do you work? \_\_\_\_\_

When is the best time to look? \_\_\_\_\_

If we found the right home for you today, is there be any reason that could keep you from buying it? \_\_\_\_\_

Does anyone else have to approve of your purchase? \_\_\_\_\_

Notes: \_\_\_\_\_

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## Good Financial Information Leads to Good Decisions

Better decisions are made when they are based on good financial information. The following reports are simple to read and easy to understand. Knowing there are alternatives helps to determine the right choices.

**Estimated Purchase Costs** – It is important to know how much you'll need to buy a home not only for the down payment but for all of the fees that are charged in connection with getting the loan and conveying title.

**Mortgage Qualification** – Discover what size mortgage you can qualify for using the same guidelines that a mortgage company uses.

**Alternate Financing Plans** – Choices will help you to make a better decision as to how to finance your new home. You deserve to know what options are available and that is exactly what you'll get.

**Mortgage Accelerator** – Discover the advantage of adding an additional amount of principal to your fixed rate mortgage on a regular basis to shorten the term and save tens of thousands of dollars in interest.

## Financial Data

What size monthly payments do you want: \$ \_\_\_\_\_  
What price range are you looking: \$ \_\_\_\_\_  
How much cash is available? \$ \_\_\_\_\_  
Does this include closing costs? Yes No  
Do you currently own? Yes No  
Do you need to sell before buying? Yes No  
How much do you think your home is worth? \$ \_\_\_\_\_  
What is the unpaid balance? \$ \_\_\_\_\_ Interest rate \_\_\_\_\_% term \_\_\_\_\_ yrs. dated  
\_\_\_\_/\_\_\_\_/\_\_\_\_ type of loan \_\_\_\_\_  
Monthly payment \$ \_\_\_\_\_  
If renting, how much is your rent? \$ \_\_\_\_\_

### List your regular monthly payments (installment debt, revolving charges, student loan, etc.)

Description	Amount
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

Are all debts current? Yes No  
Is there any problem with your credit? Yes No  
What is your monthly income: \$ \_\_\_\_\_  
Employed Self-employed  
What is your spouse's monthly income? \$ \_\_\_\_\_  
Do you have any other monthly income? Yes No  
If yes, how much? \$ \_\_\_\_\_  
Where are you employed? \_\_\_\_\_  
How long have you been employed there? \_\_\_\_\_  
Have you or your spouse ever taken bankruptcy? Yes No  
If yes, explain: \_\_\_\_\_  
Have you or your spouse had a home foreclosure? Yes No  
If yes, explain: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## Pre-Approval an Advantage

Applying for a loan and obtaining approval before a buyer finds a home they want to buy can be a distinct advantage. Making a loan application is going to need to be necessary eventually anyway unless they are going to pay cash for the home.

Pre-qualification is a procedure where you get an opinion from a mortgage officer about how much you qualify for. In the process, any obvious difficulties that might cause problems might be discovered. This process is always recommended but it doesn't have the advantages of a pre-approval.

Pre-approval requires a complete application with credit reports and verifications. The Mortgage Company will issue a commitment subject to a specific interest rate and points and a satisfactory appraisal when the property is identified.

Time limits are usually placed on pre-approval commitments. It is recommended to be ready to look at homes and make a decision after you receive your pre-approval commitment.

The advantages of being pre-approved is:

- Looking at the right-priced homes.
- Avoiding disappointment in deciding on a home that you can't afford.
- Saving money with a seller who is confident about taking their home off the market with buyers who have a definite loan commitment.
- One less contingency that the seller will be concerned with to get their home sold.
- Closing more quickly the lengthiest contingency is usually the mortgage approval. The appraisal can be done quickly.
- Minimizing the anxiety of not knowing whether or not you qualify.

# Preparation for a Mortgage Application

## Employment

- Names and addresses for two full years
- Gross monthly income
- W-2s for two years, if available
- Year to date pay stub
- Proof of income from rentals, investments, etc
- Proof of retirement, disability or Social Security
- Proof of child support or alimony paid/received

If self-employed:

- Two years Federal Income Tax Returns
- Current year profit and loss statement

## Creditors

- Each creditor's name, addresses and type of account
- Account numbers for each
- Monthly payments and approximate balances
- Amounts of child care expenses

## Banking

- Names and addresses of banking institutions
- Account numbers for all accounts
- Type of accounts and present balances

## Miscellaneous

- List of assets in stocks, bonds, and property
- Life insurance cash value (documented if used as cash down payment)
- If applicant is selling a home, a copy of sales contracts
- Social Security numbers for all parties
- Veterans - Certificate of Eligibility & DD-214
- Cash or check to pay for application fee

## Property

- Copy of sales agreement
- Copy of listing on property
- Instructions on how appraiser is to gain entrance

## **Our Unique Selling Position**

There are a lot of agents available and willing to help you with your home purchase. To make a solid case for letting me help you, I have to provide more services and higher-level services both before the sale and after the sale. I am not just looking for one sale to you. I want you to consider me as your real estate consultant for life.

The reasons for doing business with me must be so compelling that not only will you not consider doing business with anyone else, you will refer me to your friends who are looking to buy or sell a home.

### **Neighborhood Knowledge**

I know the neighborhoods that you are considering or will find someone who does. I will identify comparable sales, and information on the schools, shopping, crime, demographics, and other things you feel are important.

### **Appropriate Houses to Consider**

I'll look for what you want and can afford in an area you want to live. I'll show you all the homes that are available not just the ones that I have listed. I will look for homes that are not yet on the market.

### **Good Financial Decisions**

Every buyer needs basic financial information to make a good buying decision. You'll know that you qualify for the home, what the payments and the closing costs will be. I'll also make additional suggestions like making extra principal contributions with your regular payment and suggest an alternative type of mortgage to allow for the least expensive cost of housing.

### **Work Diligently to Find Your Home**

I'll work hard to find your new home. I understand that finding a home is a priority and will consider it the same. I'll screen and preview homes so as to not waste your time and when I find one that we feel meet your needs, I'll show it to you as quickly as possible.

*You become familiar with how I work so that you can place confidence in my ability. You develop rapport necessary to communicate easily and I can come to understand your particular needs. I can afford to make a commitment in time and effort because I can feel assured of making a sale.*

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## Buyer Agency Can Benefit You

When a buyer agency relationship exists between you and us, you are entitled to special fiduciary client level services.

Loyalty - the real estate agent must act in the best interest of the buyer

Obedience - must follow the lawful instructions

Disclosure - of all material facts such as relationships between agent and other parties, existence of other offers, status of earnest money, seller's financial condition, property's true worth, commission split with other brokers, and legal effect of important contract provisions.

Confidentiality - any discussions, facts, or information that should not be revealed to others but does not include responsibility of fairness and honesty in dealings with all parties.

Accounting in dealings - reporting of where any money placed in the hands of the broker is kept.

Reasonable Skill and Care - arriving at a reasonable purchase price and advising buyer of such, affirmatively discovering material facts and disclosing them to the buyer, investigating the material facts related to the sale.

With buyer agency, your interests will be represented in the purchase of your home. This is different from a typical sub-agency transaction where the buyer is not technically represented.

Agency is a legal relationship and a written agreement should be completed to explain all the duties and responsibilities.

## **Who Pays the Commission?**

### **The Seller**

In many cases, the Seller has signed a listing agreement with his agent specifying a certain fee to be paid for selling the home. It can include provisions for splitting that fee with the selling agent, regardless of agency representation.

### **The Buyer**

In some cases, the Buyer pays his agent a commission as set out in their written agreement. If the buyer pays his agent from his separate funds, it would not be appropriate for the buyer's agent to also accept part of the fee paid by the seller.

### **Indirectly, The Buyer Does**

However, an argument can be made that the buyer indirectly pays the commission even if it comes from the seller's proceeds. The assumption is that the buyer could have bought the home for less had it not been listed and the buyer could have dealt directly with the seller.

### **The Client Determines How the Agent is Paid**

The seller agrees to pay his agent in the listing agreement and the sub-agent of the seller who sells the property.

The buyer agrees to pay his agent if buyer agency is elected. In some cases, the buyer directs his agent to try and be paid from the seller's proceeds.

In any event, each party pays their agent as specified in their written agreement.

## Home Protection Plan

Some sellers provide a Home Protection Plan for the buyer that covers certain items for a one-year period like:

- Heating and air conditioning systems
- Interior plumbing
- Built-in appliances
- Electric pool equipment

If a Home Protection Plan is not provided on the home you contract for, you can acquire the coverage yourself. The price of programs will vary in price and coverage and among carriers.

### Home Inspection

Usually, the seller will provide a property disclosure for interested buyers prior to writing a contract. This will declare the material facts about the physical condition of the property.

The property disclosure does not take the place of a buyer's inspection that is usually made after a contract is completed.

A provision for a home inspection can be added to the sales contract identifying the areas to be inspected by a professional inspector. The purpose of the inspection is to find major defects in the home.

The areas of concern include but not limited to:

- Mechanical – heating, air-conditioning, appliances.
- Plumbing – fixtures, lines, water heaters, sewers.
- Electrical – wiring, out of date systems.
- Structural – doors, windows, roof, foundation, drainage, ventilation, and environmental hazards.

We will be happy to supply a list of recommended inspectors. You are encouraged to accompany the inspector to ask questions and receive a written report itemizing any areas of concern.

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# Process of Buying a Home

## Orientation

During the initial interview, you'll share your expectations and learn about the process of buying a home. You'll obtain valuable market knowledge about areas, prices, financing, your qualifications, and normal procedures.

Considering your wants, abilities, and needs, you decide on price, size, style, and area. At this point, I will begin the search to find your new home.

## Financing

A strategy for a successful purchase is to apply for pre-approval prior to finding a home. Negotiating a contract with a loan commitment can be advantageous to you.

There are specific things necessary to make a loan application and assembling them can take some time. It is recommended to use the enclosed list.

## Formulating an Offer

When you find the right home, you will want to make an offer to purchase it. This is done in writing specifying every detail that is part of the agreement. There are standard forms that your real estate agent can provide you.

The last step is to assemble all of the loan papers at the settlement. You will need to pay the balance of your down payment and your closing costs at this time. Usually, a cashier's check is required for these funds.

## **Representing Your Best Interests In Real Estate**

Karen Hamilton is a native Delawarean and has lived in Sussex County for over 40 years. Karen's career began with Corporate Client Relations in the Internet and Fulfillment industry. She continued her work in the Call Center Client Relations world in New Castle County until 2001.

Karen's Real Estate background began in January 2003 as she joined Callaway Farnell and Moore, Inc. Karen is a member of the National Association of REALTORS, Delaware Association of REALTORS, and the Sussex County Association of REALTORS. In her first year as a Realtor, due to her sales and commitment to the field, Karen was nominated and accepted into Callaway Farnell and Moore's Board of Directors. She also recently earned her designation as a SRES, Seniors Real Estate Specialist. Karen is 1 of approximately 11,000 Realtors in the country with this special ability to deal with our senior population.

Today Karen resides in Seaford with her husband Frank and two children, Casey a Junior at Seaford High School and Josh a 7<sup>th</sup> grader at Seaford Middle School. When not selling Sussex County, Karen can be found most summer days with her family either at the ballpark, or the golf course!

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## Mutual Commitment

### If I will:

Make our best effort to find the home that meets your needs until you either find a home or tell us to stop looking,

Commit my time, resources, and experience to find exactly what you want, while incurring our own expenses

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Karen A. Hamilton

### Will you:

Tell me what you like and dislike about the homes we look at?

Tell me if you want to look at a home listed with another broker, builder, or for sale by owner?

Tell me if you feel the need to talk to another agent?

Let me know if your plans change?

Work with me until I find you the right home?

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