

BUYERS

Guide





YOUR EXPERT

Kelly Spence

With a wealth of experience spanning over a decade in residential real estate sales and as a paralegal for a prestigious real estate attorney firm, I bring a unique blend of skills and expertise to the table. Known for my dedication to outstanding client service, personal touches, and skilled negotiation, I am deeply committed to representing your best interests every step of the way. I firmly believe that it's my responsibility not only to advocate for my clients, but also to empower them through education throughout the real estate journey.

HOW TO PREPARE TO BUY A HOUSE

Talk to mortgage lenders.

Many first-time home buyers don't take the time to get prequalified. They also often don't take the time to shop around to find the best mortgage for their particular situation. It's important to ask plenty of questions and make sure you understand the home loan process completely. It is also important to make sure you and your lender are a good personality fit. Make sure you understand the difference between a bank, a mortgage broker, and a credit union when it comes to your mortgage options.

Find a trusted partner.

It's absolutely vital that you find a real estate professional who understands your goals and who is ready and able to guide you through the home buying process.

Be ready to move.

This is especially true in markets with a low inventory of homes for sale. It's very common for home buyers to miss out on the first home they wish to purchase because they don't act quickly enough. By the time they've made their decision, they may find that someone else has already purchased the house.

Make a good offer.

Remember that your offer is very unlikely to be the only one on the table. We will work together to ensure we write an offer that is appealing to a seller.

Factor maintenance and repair costs into your buying budget.

Even brand-new homes will require some work. Don't leave yourself short and let your home deteriorate. Explore your personal budget.

Think ahead.

It's easy to get wrapped up in your present needs, but you should also think about reselling the home before you buy. The average first-time buyer expects to stay in a home for around 10 years, according to the National Association of REALTORS 2013 Profile of Home Buyers and Sellers. Talk to your trusted REALTOR® to get their opinion on value.

Develop your home “want” list.

Prioritize these items from most important to least. List 5 “Must Have” items for your new home. Also list 3 “Wishes” for items you hope your home has but you can live without.

Select where you want to live.

Compile a list of three or four neighborhoods or areas you'd like to live in, taking into account nearby schools, recreational facilities, area expansion plans, and safety.

HOME BUYING PROCESS

1

PRE-APPROVAL

Speak with a lender
Address any credit issues
Determine the right mortgage & payment
Get a pre-approval letter

2

HOME SEARCH

Discuss your home criteria
with a buyers agent
Tour listings in your price range
Adjust criteria if needed

3

OFFER & NEGOTIATION

Research comparables with agent
Submit a strong offer to seller
Negotiate terms of contract
Sign contract

4

DUE-DILIGENCE

Schedule home inspection
Appraisal scheduled
Negotiate repairs
Begin title exam
Finish loan process

5

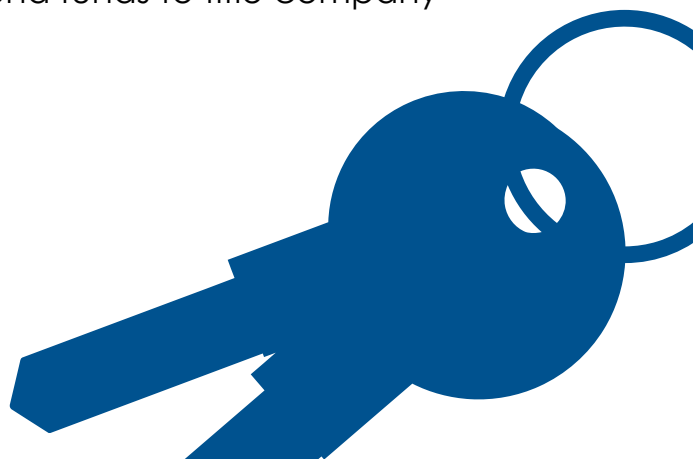
PRE-CLOSING & TITLE

Confirm repairs are complete
Pre-closing walk-through
Send funds to title company

6

CLOSING

Review closing statement
Sign closing documents
Receive keys



THINGS TO KNOW: APPRAISALS

Appraisals Help Guide Mortgage Terms

The appraised value of a home is an important factor in the loan underwriting process. Although lenders may use the sale price to determine the amount of the mortgage they will offer, they generally only do so when the property is sold for less than the appraisal amount. Also, the loan-to-value ratio is based on the appraised value and helps lenders figure out how much money may be borrowed to purchase the property and under what terms. If the LTV is high, the lender is more likely to require the borrower to purchase private mortgage insurance.

Appraised Value Is Not A Concrete Number

Appraisals provide a professional opinion of value, but they aren't an exact science. Appraisals may differ quite a bit depending on when they're done and who's doing them. Changes in market conditions also can dramatically alter appraised value.

Appraised Value Doesn't Represent The Whole Picture Of Home Prices

There are special considerations that appraised value doesn't take into account, such as the need to sell rapidly.

Appraisers Use Data From The Recent Past

Appraisals are often considered somewhat backward looking, because they use sold data from comparable properties (often nicknamed "comps") to help come up with a reasonable price.

There Are Uses For Appraised Value Outside Of The Purchase Process

For selling purposes, appraisals are usually used to determine market value or factor into the pricing equation. But other appraisals are used to determine insurance value, replacement value, and assessed value for property tax purposes.

HOW TO IMPROVE YOUR CREDIT SCORE

Check for errors in your credit report.

Thanks to an act of Congress, you can download one free credit report each year at annualcreditreport.com

Pay down credit card bills.

If possible, pay off the entire balance every month. Transferring credit card debt from one card to another could lower your score.

Don't charge your credit cards to the max.

If possible, pay off the entire balance every month. Transferring credit card debt from one card to another could lower your score.

Wait 12 months after credit difficulties to apply for a mortgage.

You're penalized less severely for problems after a year.

Don't order items for your new home on credit.

Wait until after your home loan is approved to charge appliances and furniture, as that will add to your debt.

Don't open new credit card accounts.

If you're applying for a mortgage, having too much available credit can lower your score.

Shop for mortgage rates all at once.

Having too many credit applications can lower your score. However, multiple inquiries about your credit score from the same type of lender are counted as one if submitted over a short period of time.

Avoid finance companies.

Even if you pay off their loan on time, the interest is high and it may be considered a sign of poor credit management.

TYPES OF MORTGAGES

CONVENTIONAL LOAN

The most common type of a home loan, which is offered through private lenders.

FHA LOAN

The FHA loan is designed to help low- to moderate-income families attain homeownership. They are particularly popular with first-time homebuyers. It is a home mortgage that is insured by the government and issued by a bank or other lender that is approved by the agency.

VA LOAN

A VA loan is a mortgage loan available through a program established by the U.S. Department of Veterans Affairs. With VA loans, veterans, service members, and their surviving spouses can purchase homes with little to no down payment and no private mortgage insurance and generally get a competitive interest rate.

USDA LOAN

A USDA home loan is a mortgage either made or guaranteed by the United States Department of Agriculture's Rural Housing Service agency to help households with very low to moderate incomes purchase safe and affordable homes in rural areas.

TYPE OF LOAN

DOWN PAYMENT

TERMS

Conventional

3-20%

15-30 Years

FHA

3.5-20%

15-30 Years

VA

NONE

15-30 Years

USDA

NONE

15-30 Years

*Other Loan Types are Available. Discuss with your lender what is right for you.

*investopedia



FHA INSPECTION OVERVIEW

SO MANY QUESTIONS!

Many of my clients have asked me what the FHA inspection really entails, how does the FHA loan affect their offer for a new home and what do they do IF the inspections don't go as well as hoped?



QUESTIONS TO ASK
YOUR REALTOR

WILL AN FHA LOAN
AFFECT MY OFFER TO
PURCHASE?

WILL IT COST THE
SELLER MORE TO
ACCEPT MY FHA
OFFER?

IS IT AN APPRAISAL
OR AN INSPECTION?

WHAT WILL THEY BE
LOOKING FOR?

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WHAT WILL AN FHA INSPECTOR LOOK FOR?

First, the FHA inspection will determine the current market value. The inspector will compare the home to others that have recently sold nearby. The home will be compared to homes that have the same number of bedrooms, bathrooms and also similar property characteristics that may impact the home value (ie waterfront).

Next, the FHA inspector will perform a full inspection according to FHA guidelines making sure the home meets the minimum standards for an FHA approved home.

FHA INSPECTION CHECKLIST

The FHA inspector will be looking at the following during the inspection process:

In Every Room – The following applies to every room in the home.

- Check whether the room has electricity and its condition
- Window condition
- Ceiling condition
- Wall condition
- Floor condition
- Security
- Presence of lead-based paint

Bathroom – The items below are unique to the bathroom portion of the inspection

- There must be a toilet and in good working condition with no leaks
- There must be a sink and in good working condition with no leaks
- There must be a tub or shower and in good working condition with no leaks
- There must be ventilation – can be an exhaust fan or window

Kitchen – The items below are unique to the kitchen portion of the inspection

- Stove or range with an oven in good working condition
- Refrigerator in good working condition
- Any other appliances included must be working
- Sink in good working condition and with no leaks
- Room for storage, food preparation and the serving of food

Exterior of the Home

- Condition of foundation
- Condition of stairs, railings and porches
- Condition of roof and gutters (maximum of 3 layers on the roof)
- Condition of siding
- Condition of the chimney
- Lead paint on exterior surfaces
- Swimming pool (if applicable) must be in working order and adhere to local ordinances

Heating and Plumbing

- Heating unit is adequate and in good working condition
- Ventilation and cooling
- Water heater in good working condition
- Approved water supply (city sewer or well)
- Plumbing must exist and be in good working condition
- Sewer connection either to city sewer or an operable septic system

General Health and Safety

- Working smoke detectors in the home
- Access to home for first responders
- Fire exists
- Pest infestation
- Garbage and debris
- Refuse disposal

- o Stairs and common hallways must be adequate
- o Elevators (if applicable) must be safe, inspected and working
- o Interior air quality
- o Site and neighborhood conditions (no nearby hazards)
- o Lead-based paint owner's certification

When the inspector is reviewing the list above, he or she will be making notes on their checklist indicating the presence of these conditions as well as any repairs that may be needed.

Encroachment

No portion of the dwelling or improvement may encroach onto a neighboring property. In similar fashion, a neighbor's structure may not encroach onto the property you are purchasing. These issues must be resolved before closing.

If the encroachment is due to a fence, that fence may remain as long as it does not negatively impact the value of the home.

FHA HOME INSPECTION FOR SAFETY

Safety is very important during the FHA inspection. The inspector will look for hazards inside and outside of the home. This could be a leaking oil tank on the property or a toxic waste dump next door. Yes, that is an extreme example, but conditions nearby will determine whether the home passes the inspection.

If the home is in close proximity to an airport and its flight pattern, that may result in extreme noise hazards that could disqualify the home from being financed with an FHA loan.

The inspector will also make sure every bedroom has a window or a door to be used as a fire escape. The home must also have adequate access for police, fire and ambulance emergencies. This means the home could be on a dirt road, but it must be in passable condition.

WHAT HAPPENS IF THE HOME FAILS THE FHA INSPECTION?

The home will not "fail" inspection but there may be things noted on the inspection that did not pass. The repairs or modifications noted by the inspector would need to be made before the loan can close. This means the current homeowner would need to make those repairs or pass on selling to an FHA buyer.

If there are repairs that cannot be made prior to closing, the lender can setup an escrow account for the repairs to be made afterwards. The escrow account will include the cost to make the repairs and borrower labor is not considered as part of the costs.

The home must be in habitable condition excluding these repairs. Meaning, if the home needs windows fixed or some floors repaired then that is fine. However, if there is no working kitchen or bathroom (as an example), then the loan will not close.

With non-FHA loans, the buyer and seller can negotiate a reduction in price to cover the repairs for the buyer to manage on his or her own after closing. That cannot happen with an FHA loan. All repairs need to be made prior to closing.

SUMMARY

The FHA inspection and appraisal are mandatory and an important part of the process when applying for an FHA loan. Buyers should look at it as an added measure of protection when buying a home. Sellers should plan ahead in preparation for an FHA inspection by making obvious and significant repairs before listing the home for sale

FHA INSPECTION TIPS FOR THE SELLERS

If you are selling your home, there is a good chance the buyer may be considering an FHA loan. Especially due to the many benefits of an FHA loan and the fact that 25% of all mortgages today are FHA insured.

As a home seller, it is a good idea to review the FHA inspection checklist referenced above and make the appropriate repairs before you put your home on the market. An FHA loan can be problematic for home sellers if they are not prepared.

There are some large ticket items that you may not be able to ignore. For example, if the roof is old and leaking or you have termites. These things will need to be repaired regardless as to whether you sell your home. In addition, fixing these conditions and anything else that is visible to potential home buyers will likely help you to get close to your listing price.

FHA Requirements For Manufactured Homes

FHA mortgage loans are available for much more than just suburban homes or condominiums. FHA loans can also be used to purchase [manufactured homes](#) and/or modular homes.

Manufactured homes are often sold and transported in sections to be assembled on-site. Some buyers may wonder if the assembly counts as "construction", and would such "construction" reclassify the manufactured home in the eyes of the FHA?

The FHA defines a manufactured home differently than new or existing construction properties--what does the FHA consider different than with those new construction or existing construction suburban homes?

According to FHA rules, a manufactured home differs from a new construction project because of the nature of its assembly. New construction property is built "on-site." FHA defines a manufactured home as "a structure that is transportable in one or more sections. In traveling mode, the home is eight feet or more in width and forty feet or more in length."

These homes are regulated under the rules known as Federal Manufactured Construction and Safety Standards and must be labeled accordingly. To be eligible for FHA mortgage insurance, the manufactured home must be built after June 15, 1976 and there must be a certification label to prove it. Manufactured home floor space cannot be smaller than 400 square feet and must be classified as real estate.

Testimonials

Kelly is very professional and I will use her again. She was not rushing us like most realtors do, she always kept in contact. She is compassionate as well and always considerate.

WILLOUGHBY/NUNNERY FAMILY

Kelly is awesome! She helped us with the sale of our home. If I ever have to buy or sell a home again she will be the one I will get to help us. She is wonderful to work with and very caring. She gets the job done.

COLON FAMILY

Kelly's great! She helped us buy our home AND sell our family's home. She helped us find the home that we were looking for at the price that we wanted!

MCCRANEY FAMILY

