

A photograph of a young couple smiling and embracing in a room filled with cardboard boxes, suggesting they are moving into a new home. The woman is in the foreground, and the man is behind her, both looking at the camera. A large red banner is overlaid at the bottom of the image.

HOME BUYER GUIDE

What You Need to Know Before Buying Your First Home

Table of Contents

Chapter 1

| | |
|--|----------|
| How Much Do Real Estate Agents Charge | 3 |
|--|----------|

Chapter 2

| | |
|---|----------|
| Going from Renter to First Time Home Buyer | 4 |
|---|----------|

Chapter 3

| | |
|---|----------|
| Being in a Multiple Offer Situation: Knowing When to Walk Away | 5 |
|---|----------|

Chapter 4

| | |
|--|----------|
| Being in a Multiple Offer Situation: Making the Winning Offer | 7 |
|--|----------|

Chapter 5

| | |
|--|----------|
| Lending Terms: What Does a First Time Home Buyer Need to Know | 9 |
|--|----------|

Chapter 6

| | |
|--|-----------|
| What to Know About Buying After a Foreclosure or Short-Sale | 10 |
|--|-----------|

How Much Do Real Estate Agents Charge

Most real estate agents (or agencies) offer a “one size fits all” menu of services. If you want to sell your home, it is “x.” If you want to buy a home, it is “y.” These agencies offer very few choices or flexibility and charge the same amount to everyone regardless of their situation or needs.

We think that this way of business is a very outdated. Our customers are often very technologically savvy and come to us with a variety of needs and experiences. One of the major things that differentiates us here at Yaffe Real Estate is our ability to adapt our services and pricing to the needs of our clients.

Contracts

Recently, we had a customer call to draft a purchase contract for them. The homeowner had been renting the property out to a tenant who now wanted to purchase the property. Could we assist them? Of course we can. Once we understood their situation, spoke personally to both parties and got everyone “on board,” we were able to offer a fee structure that helped both parties involved accomplish their goal.

Property Management

We are getting many calls from landlords who want us to take over the management of their properties. These landlords already have tenants in place but they don’t want to handle the property management anymore. Can we take over? Of course we can! By understanding the situation, speaking with both parties and running the tenant through our qualification process, we can determine whether we are all on the same page.



Closing Assistance

Some of our homeowners have already marketed their homes, found qualified buyers and need us to help them get to the closing table. Once again, we can do this.

The point of all of this is that most real estate companies cannot or will not adapt to the changing marketplace. Their fee structure has been the same for years and they do not deviate from this structure. That is fine but that is not the Yaffe way. We can’t always help everyone but by listening, understanding, and working together, we aim to create win/win situations for our clients.

Going from Renter to First Time Home Buyer

Are you a first time home buyer hiding out as a tenant?

Our partner, Chesapeake Property Management, Inc. manages over 150 individually owned homes in the greater Baltimore area. With that amount of inventory, we process many tenant applications every day causing us to sometimes look at these applications and say: "Why are these people not buying?"

Many times, we simply have to educate people on the buying process and - more specifically - the loan process. With interest rates so low, often a mortgage payment will be less than a rent payment - and you get tax deductions!

For example, we recently had a couple who were approved applicants to rent a home. After speaking with them, they said that they really wanted to buy but were not familiar with the process, did not have a lot of time and did not know where to start.

They had great credit scores, stable jobs and money in the bank. They just needed a trusted adviser to help educate them. With so many horror stories out there, they thought it was just easier to rent than to figure out the home buying process on their own. After speaking with them about their situation, we told them that we could help them and that we could meet their time frame - no problem.

We know that people are busy and that moving is time consuming. We also know that many applicants don't know who to trust or where to start. After 20 years in the business, we know the process, can refer you to excellent lenders, inspectors and title companies and can help streamline the homebuying process for you. Our goal is to get you into your new home as seamlessly as possible.

Being in a Multiple Offer Situation: Knowing When to Walk Away

With the market heating up, we are seeing multiple offers again. Exciting...if you are a Seller! Stressful and confusing... if you are a Buyer. Fortunately, here at Yaffe Real Estate, we have over 20 years of experience and we know how to handle multiple offer situations on behalf of our clients. Remember the run up in the mid-2000's? We did many multiple offer deals on behalf of our Sellers and Buyers.

So, let's look first at multiple offer situations when you are a Buyer.

Recently, a client of ours was in a situation where he lost out on a contract for a home in a multiple offer situation. Multiple offers came in on the house and the winning offer (which was not our client's) removed the inspection and appraisal contingencies, taking the home "as is."

The Background

The Seller was an investor who had purchased an older home located in a neighborhood of newer homes and flipped it from a \$230,000 purchase to a \$375,000 sale in a short period of time. Despite the increased sale price, it was still an older home and needed to be fixed up, but the Seller refused to provide inspection reports or any receipts for any repairs or upgrades. So ultimately, the Buyer who won the contract had no idea what quality of work they are getting or how much they will need to invest in the home.

What We Advised

We advised our Buyer to walk away. In this particular situation, the house was older and the flip time was short, so the uncertainty regarding the quality of work made a huge difference in how we advised our client. Sometimes, we will advise a client to waive appraisals, inspections or contingencies but this was not one of those situations. There were too many unknowns and too much risk so, although we had a lot of time into this potential deal, it was best to walk away. We will start over and find another home that is better for our client.



Our Take

Sometimes you need to know when to walk away. We know that most other agents would have moved forward and collected a hefty commission in a short period of time. But we are not “most agents” and our number one priority is to “do right” by our clients. We take a long term view and try to preserve and maintain our client’s trust in us at all costs. We take this trust seriously and, therefore, our mission is to be honest, transparent and knowledgeable at all times. Even if we have lots of time into the deal; even if it is inconvenient; and even if we don’t feel right about the deal, we will advise our client to walk away and start over.

Other Situations

This particular deal warranted walking away. However, there will be multiple offer situations where we encourage and support our Buyers to “go for it.” In those cases, we may use the following strategies to help our clients compete and win so they get the home of their dreams:

- Quicker settlement times,
- Larger down payments
- Waiving certain contingencies
- Using escalation clauses

We weigh the risks against our experience and the Seller’s situation to decide when to play and when to walk away.

Being in a Multiple Offer Situation: Making the Winning Offer

In the last chapter, we talked about a client of ours who lost a bid on a home per the advice of one of our agents - the house was a flip, and she advised this couple not to waive the inspection contingency. A decision that absolutely made sense. What's interesting is the same couple ended up putting in another offer on a home - same price point, same location but different facts that caused the agent, as a fiduciary, to give different advice and they ended up with the winning bid on their dream home.

What Was Different?

Unlike the last home, this home was built in the 1980's and was being sold by the original owners. They had renovations professionally done, and were retiring to the South after almost 30 years in the home. Our buyers originally offered \$10,000 over asking with an escalation clause to go another \$10,000 higher.

In addition to the escalation clause, our buyers offered the flexibility for the sellers to choose the closing date. This was important based on facts that our agent got from the seller's agent - they were moving to new construction and were looking at late June/early July as a settlement. The completion date was uncertain so flexibility was important to these Sellers.

How We Used Our Expertise

- **We researched the neighborhood, the values, the supply of inventory and assessed that this home was priced right and in a very competitive area regarding supply and demand.**
- **We knew what our buyers wanted.** They were specific and were on a deadline and had been transparent with us regarding their needs. Based on the supply and demand in the area, we knew that this was the right home for our clients.
- **We communicated with the Seller's agent and asked very specific questions about the Seller's needs and drafted an offer that was win/win for both parties.**
- **We know how to handle contracts and negotiations.** By focusing on win/win, instead of being adversarial, it makes for a much smoother transaction.
- **We also focused on the emotional side of the situation.** With four offers on the table, we wanted our offer to stand out. So we encouraged our buyer to write a personal letter to the Seller about why they loved the home, how they intended to continue the Seller's care and pride of ownership and about the Buyer's family.

Essentially, our agent read the full multiple offer situation and encouraged the Buyer to “go for it” based on her experience, knowledge and expertise and knew it would be a good deal for the buyers.



Lending Terms: What Does a First Time Home Buyer Need to Know

When you apply for a home loan, your first thought is going to be “where do I start?” I spoke with lender Jennifer Orner from Prime Lending in Baltimore about some lending terms you need to know before you apply for a mortgage.

Pre-Approval versus Pre-Qualification

“With most banks, there’s not a difference,” Orner said. “A pre-approval simply means that a lender has checked your credit, income and your assets.” However, they have not necessarily been verified or submitted to underwriters. “Pre-approval is the term most often used, which is what most brokers or agents want to hear,” states Orner. Few banks have a difference between pre-approval and pre-qualification, so be sure to check with your preferred lender to find out what their process is.

PMI

PMI, or private mortgage insurance is required by anyone with less than a 20% down payment. “There are ways to avoid PMI or get a lower PMI,” Orner states, “usually with a higher down payment, or improving your credit score, but work with your bank to find out what the options are.”

Points

Points are pre-paid interest to lower your interest rate. Meaning, at closing you can pre-pay a certain percentage of your interest, to get a lower interest rate over the life of the loan. Often times, these points are tax deductible.

Seller Contribution

This is an amount negotiated in the contract that can be used to pay closing costs, title fees, lender fees, etc. However, it may not be used for the down payment and is usually for 3-6% of the cost of the home.

FHA

Federal Housing Administration (FHA) loans are guaranteed by HUD. Though commonly assumed they are for first time buyers, FHA makes home buying accessible for many (not just first time buyers) by requiring a lower down payment. These programs are offered through many lenders, be sure to check with your lender to find out if they are a preferred FHA lender.

What to Know About Buying After a Foreclosure or Short-Sale

If you had a foreclosure or a short sale and are ready to venture into the real estate market again, you are probably wondering what it will take to make home ownership a reality.

Jennifer Orner from Prime Lending gave us some tips for what buyers can do after they've been through foreclosure or a short-sale to become eligible for a home loan again.

1. Wait

After a foreclosure or a short sale, the waiting period to become eligible to apply for an FHA mortgage would be three years. The waiting period starts from the date that the foreclosure case was made final-usually the date of the foreclosure auction sale. However, if you want a conventional loan, you will have to wait seven years after a foreclosure and two years after a short sale and have at least a 20 percent down payment. If you have only a 10 percent down payment, you will have to wait four years after a short sale. There are exceptions to extenuating circumstances, however, they are very difficult to document and/or prove.

2. Reestablish Your Credit

"It's extremely important to re-establish [your] credit history after a foreclosure or short-sale. You can start by establishing an on-time rental history," Orner recommends.

Some ways she recommends re-establishing your credit are:

- Making your full monthly payment around the same time every month by check, if possible, and keep copies of canceled checks to document that history.
- Continue to make any remaining credit card, car and installment loan payments on time every month.
- If you have no other debt, or have it discharged in bankruptcy, consider opening two new small credit cards to use monthly. Charge a small balance and pay it down or off every month to re-establish a consistent history of on time payments for at least 12 months.
- Monitor bills closely to ensure that nothing becomes delinquent or goes to collection.

"It is most important to the underwriters to see that although you may have had difficulty making your mortgage or other debt payments in the past, your recent credit history proves that you are stable now and able to pay your bills on time."

3. Show a Pattern of Savings

Even saving as little as \$50-\$100 per month and slowly building up a savings again will show lenders that you're creating a pattern of savings.

Remember, when buying after a foreclosure or short sale, you will need to meet the income and credit requirements for the loan in addition to the conditions as outlined above.





www.yaffeteam.com