

**I
HAVE DECIDED
TO
BUY A HOME...

WHAT SHOULD I KNOW

TO MAKE IT GO SMOOTHLY??**

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THIS BOOKLET IS PREPARED FOR INFORMATION ONLY. The contents are not intended to be construed as legal advice. We intend only to walk you through the home-buying process and provide some of the alternatives that may be considered as you choose a property and then proceed to the offer and the closing phases of the transaction.

MUTUAL AGREEMENT

If I will:

- Make my best effort to find the property that meets your needs,
- Commit my time, car, computer, and experience to help you find what you want,
- Incur car, phone and administrative expenses,
- Continue to help you until either you find what you are looking for or you tell me to stop looking,

Will you:

- Let me know if your plans change?
- Tell me if you want to look at homes listed with another broker, builder, or For Sale By Owner?
- Tell me what you like and dislike about the homes we look at?
- Tell me if you need to talk to another agent?
- Tell agents at open houses that you are working with me?
- Work with me until we find you the right home?

YES

NO

Since we have agreed to work together, here are some guidelines:

When you see an ad.....

- **DO** write down as much information as possible or save the ad.
- **DO** call me with the information so that I can get additional details for you.
- **DON'T** call the listing agent directly.
- **DON'T** call the owner directly, even if the phone numbers are listed.
- **DON'T** approach the owner if you drive by the property and see them in the yard.

When you go to an Open House.....

- **DO** upon entering the home, disclose immediately that you are working with another agent.
- **DO** immediately give my card to the agent or the person holding the open house. If they require that you be accompanied by an agent, **DO NOT** view the property. Call me as soon as possible so that we may set an appointment to view the property together. (I am nearly always available by page: 414-590-8374)
- **DON'T** disclose any information regarding your buying situation.
- **DON'T** disclose your likes and dislikes with the owner or the other agent.

- **DON'T** discuss how you should make an offer or any kind of discussion that pertains to making an offer, etc.

New Homes/Under Construction

If you would like to see any of the new construction in the area, call me. Some subdivisions are “closed-shops”, meaning that they will not cooperate with other brokers. Some builders are happy to cooperate. I will be happy to find out what situation you are looking at. Some builders who are willing to cooperate require that I accompany you to AT LEAST the first appointment for construction. We can talk about this if the situation arises.

Driving by Property

- **DO** write down as much information as possible, such as sign information, address, etc.
- **DO** call me with the information so that I can get additional details for you.
- **DON'T** call the agent whose name is on the sign if you want me to assist you in your purchase.
- **DON'T** call or approach the owner of the property if you want me to assist you in your purchase.

NOTE: Contracts between sellers and listing brokers specifically address this. Code between real estate agents also specifically addresses this. If you contact another agent or the seller directly, I will not be able to help you with the home/property you called about.

How Does Multiple listing work?

As a member of MLS, my office can show you any property. If you have seen an ad in the paper or a sign in the yard, call me to find out the information. If you want to see it, we will show it to you. Nearly all real estate agents are part of MLS. Almost every property that is for sale can be found in the MLS computer files. If the agent/company that has the listing is not a member of MLS, in the area they will almost always cooperate with us. The area brokers have a good relationship with each other and share their listing information and work together to get the properties sold.

For Sale By Owner

A homeowner trying to sell their own home is usually doing so in hopes of saving the commission. Coincidentally, this is the reason a buyer wants to deal directly with a homeowner. Homes that are priced competitively, based upon comparable sales of similar properties, are priced to include the professional services of a REALTOR. The buyer who pays market value as indicated by a market analysis is paying for services that they do not receive. A FSBO transaction has no professional guiding either party through financing, appraisal, inspections, documentation and closing. If either or both of you retain an attorney you will get legal advice. Much of the “hand-holding” that is done by a real estate agent is not included. An attorney will charge a flat fee plus additional fees for anything that occurs over and above the base fee inclusions. This may include Faxes, calls to lenders, calls to and from you, etc.

If you see a FSBO that interests you, you may ask me to help, if you wish. It is often possible for me to help through a Buyer Agency contract for the specific property. You, as the buyer, may pay my fee or we can structure your offer for the seller to credit you the agent fee or for the seller to credit the selling broker. When you purchase through a professional, you have the experience of the professional, the benefit of their errors and omissions insurance, and the benefits of the optional Home Warranty program. If your transaction runs into some “bumps” during the process, the professional’s experience may be an invaluable resource.

FINANCIAL CONSIDERATIONS

If you have access to the internet, I invite you to go to my web site, www.vernacker.com. The Buyer’s Guide has many articles that address financing and several other considerations in the home buying process. If you don’t have internet access, I will be happy to print out any report that is of interest.

THE HOME BUYING PROCESS

The Decision to Buy

Whether this is your first or your tenth, the decision to buy a home can be monumental. When it is the first time, your questions are many and your apprehension is extreme. The last big thing you purchased was probably a vehicle...perhaps \$15,000-\$25,000. Committing to \$100,000 in debt and payments every month for “nearly the rest of your life” is pretty scary. The second home purchase causes less apprehension and it does get easier each time you do it. If you are buying a second time, but the first time was 20 or more years ago, you may be in for some surprises. Lending has changed. Offers to Purchase contracts have changed. What may have been done with a handshake years ago has become an 8+ page transaction with many professionals involved in the process. The buyer who is “buying-down” may have knowledge of the general procedure but must acclimate themselves to the realities of the smaller home, the smaller yard and the different neighborhood. “What are we going to do with all of the stuff we have??” “I don’t want the neighbors so close.” The “upwardly-mobile” buyer may need less hand

holding through the process, too. Their concerns will likely center around the life they intend to lead in their new neighborhood and the extra burden of the higher payments, etc. Regardless of your experience in the home-buying process, there will be moments of apprehension and an occasional need for explanation and direction.

This manual will try to approach the buying process from the beginner's viewpoint. The more seasoned buyer will be able to scan through the material, stopping only where something is being discussed that needs review or explanation. I also invite all readers to contact me if you think of something that I have missed or if you think that any topic could be covered better or differently. This manual is printed a few at a time. Each printing can expect some changes. Your input is extremely valuable. The better this material is, the more it will help future buyers.

Let's Get Started...

LAYING THE GROUND-WORK

Start By Reading the Real Estate Ads. When you first begin to think about buying a home, start by following the daily and weekly real estate ads in the areas that you are considering. If you are moving to a new area, the on-line real estate information will help you a great deal. Pay careful attention to the homes that are in the general price range that you are working with. Start taking a few notes regarding the homes, i.e. number of bedrooms, baths, garage size, lot size, square footage and special features. Pay attention to how long it takes the properties to sell and what their final sale price is. After you have picked a Realtor to work with, ask for a list of sold properties in your chosen area within the general price range that interests you. That will give you valuable information to help you determine the expected sale price of homes that catch your eye. During the "ground-laying" time, play a little game with yourself. As new listings come on the market, look back at your charts and guess what you think the homes will sell for. Then watch for the actual closed prices. By the time you are ready to write an offer to purchase you will have a good idea of value in your chosen location.

Look at Your Personal Finances. You, and whom ever else is buying with you, should sit down with pen and paper in hand. Write down how much money you make, how much you spend and figure out what house payment is comfortable in your budget. The lender guideline is that you can spend about 28% of your monthly gross on principle, interest, taxes, and insurance (PITI). Some lenders will allow you to go higher. If your life style costs more than the percentages were designed for, make your decision on monthly payment limits and stick to it...regardless of what an agent or a loan officer says you can spend. In your own mind, pick a number that is the "I won't spend more than" figure and then stick to it. You may want to begin looking at the conservative end of your price range. You can always "up" your limit later, if you find that you cannot find what you want in the lower numbers. If the home you want seems to be priced a lot higher than your comfort level, lower your expectations or wait until you make more money.

Nothing breaks up a personal relationship quicker than being strapped by house payments to the point that you can't do anything for fun anymore.

Research Loan Options. Choosing a loan and a lender is like buying a pair of shoes. You find the ones that fit you best and those are the ones you take home. I will review some of the basic kinds of mortgages. You should talk to a loan officer for more details. The right loan officer will take plenty of time with you, will explain the process, and will help you decide which package is best for you.

- **FIXED RATE MORTGAGES.** The fixed rate mortgage is traditionally the most popular type of mortgage. The typical fixed rate mortgage is taken out for a 30-year period. Other options are 15, 20, or 25 years. In other parts of the country, the fixed rate may also exceed 30 years. So far, in Wisconsin, the 30-year mortgage is the most popular and longer terms are seldom used. The interest rate remains the same throughout the entire life of the loan. The main advantage is that the borrower knows exactly what their monthly costs will be until the entire mortgage has been paid. The main disadvantage is that you will pay a somewhat higher interest rate than with the adjustable rate mortgages.
- **ADJUSTABLE-RATE MORTGAGES.** The interest rate for adjustable rate mortgages is linked to current market rates and the current economic situation. Rates are usually linked to either the Treasury Index or the Wisconsin Cost of Funds Index. The Treasury Index sees sharper changes while the WCOF is more stable. Initially, an ARM begins with a rate that is lower than the Fixed Rate. You will have an annual cap for interest rate changes and a life-of-the-loan cap. Typically you will find about 2% for the annual and 6% over the initial rate for life-of-the-loan. The ARM often will allow you to get into a larger mortgage because the rates are lower. Sometimes, however, you still have to qualify at a higher rate than the start rate. ARMs often have a conversion clause that allows you to, within the pre-set guidelines, freeze the interest for the remainder of the 30-year amortization. There is usually a minimal conversion charge. Conversions may be allowed on the anniversary date of the loan and some may be converted at any time after a pre-set period of time. The ARM can be beneficial to a family who expects their income to rise incrementally over the next few years or when a spouse expects to return to the workplace. Another good use for the ARM is for the family who expects to be moving within the period of the first adjustment period. A three-year ARM, for instance, could work well if you expect to be moving in 2 years, or so. The specifics of each ARM varies with the lending institution. Discuss the details carefully with the loan officer. They will set down exact figures showing you where your payments will go with each change and what the "worst-case scenario" could be if the mortgage interest rates rise to a high figure during the term of the loan. An ARM is usually structured to go up OR down with the market.
- **"CONFORMING LOAN."** You may come across this term. Almost all fixed rate loans are sold on the secondary market. Many are backed by Fannie Mae or Freddie Mac. These companies are independent, privately run companies

that operate under special congressional charter. Their mandate is to ensure that mortgage funds are made available to a broad spectrum of the American public. They do this by buying mortgages from approved lenders and then packaging those monies into securities backed by Fannie Mae/Freddie Mac. Those securities are then sold to investors in the secondary mortgage market. FNMAE and FRDMC are independently owned companies that compete with each other for mortgage business. The competition ensures that there is an ample supply of low cost mortgage money available to the homebuyer.

- **BALLOON MORTGAGE.** This mortgage is usually amortized over the traditional 30-year period, but the actual length of the loan, or the term, is much shorter. You will typically see a term of 3 or 5 years. At the end of the term, the homeowner must renegotiate a new mortgage at the new current rates. The amount still owing at the end of a balloon term is due in full. The homeowner will then have to obtain a new mortgage to replace the expired one. A benefit to the balloon mortgage is that the rate is generally lower than the traditional 30-year fixed loan. There may not be a guaranteed renewal privilege with your balloon note. You may be required to go to another institution to obtain a new mortgage to pay off the balloon that is due. Keep in mind that each time you must renew you must also re-qualify. If your job situation has changed and lessened your qualification for a payment, that will affect your ability to re-finance. Also, expect there to be charges for each re-finance.
- **FEDERAL HOUSING AUTHORITY (HUD).** These are mortgages that are guaranteed against default by the Federal Government. Lenders are willing to give mortgages to homebuyers with smaller down payments than under conventional financing because the Federal government guarantees the loan against default. The homebuyer must pay an insurance premium for this privilege and this cost is usually added to the mortgage. In order To qualify for an FHA mortgage, the property must meet certain requirements. The maximum amount of the loan allowed under this system varies from region to region and is based on the average price of housing in each area. The downpayment expected is generally in the 3-4% range. With the closing costs added to the mortgage, it is conceivable that the mortgage could be more than the purchase price. This is an excellent loan program for people trying to get into a home with very little cash money in their pockets.
- **VETERANS ADMINISTRATION.** In Wisconsin, there are two veteran loan programs. The Federal VA loan is available to all qualifying veterans regardless of your location when you entered the service. The State of Wisconsin has a state VA program that is typically at a lower rate than the FVA. There are requirements to obtain the SVA loan; one of which is that you had to be a resident of Wisconsin when you entered the service. Each kind of VA loan will have a list of criteria, including the conflicts that you participated in and the years that you were on active duty. One of the beauties of the FVA program is that the veteran can purchase a home with no downpayment. Disabled Veterans are encouraged to call their Veteran Service Officers to find out the special programs that are available to them.

- **NOTE: PRIVATE MORTGAGE INSURANCE/MORTGAGE INSURANCE PREMIUM.** Any time that your downpayment does not equal at least 20% of the purchase price, the lender will require that you place PMI/MIP coverage on your loan. The two terms are used interchangeable but mean basically the same thing. You can expect to have your up-front costs to be about 1% more and you can expect your annual interest rate to be about ¼ to 1/3% more.

FOR YOUR INFORMATION

Interest Rates have fluctuated a great deal in the past 30 years. Here is a brief review of where they have been:

1971 7.5%	1972 7.5%	1973 8%	1974 9%
1975 9%	1976 8.75%	1977 9%	1978 10%
1979 11%	1980 13%	1981 15%	1982 16.5%
1983 13.5%	1984 14%	1985 12%	1986 10.5%
1987 10.5%	1988 10.5%	1989 10%	1990 10%
1991 9.25%	1992 8%	1993 7.5%	1994 8.25%
1995 8%	1996 7.75%	1997 7.75%	1998 7%
1999 7.25%			

The figures shown here are just rounded estimates of the prevailing rate in the year shown. The trend of home prices and interest rates affect each other. In the periods when the rates were very high, the home prices were depressed and sellers were extremely negotiable regarding prices and terms. When interest rates are very low, the seller is generally less negotiable because there are more buyers. The conclusion seen when the rates were very high was that many people got homes at reasonable prices and refinanced when the rates went down. Interest rates, in fact, are not the major factor that makes the real estate market “tick.” Levels of employment and confidence in the economy are often more important factors.

Research the Market. What are the interest rates? How are they affecting housing prices? What have similar properties sold for in the immediate area? How long were the SOLD homes on the market? How does the home you like compare with those that are already sold? Is it over-priced, under-priced, or fair value? Is it a Seller’s market or a Buyer’s market? You are free to ask for comparables and you are free to ask how the home you like compares to those already sold. Be sure you do drive by comparisons.

Determining Your Price Range. The best way to determine the price range that fits your budget best is to talk with a loan officer. They will speak candidly with you regarding the guidelines as they pertain to your circumstances. They will explain what part of the payments are deductible as far as taxes and how much of a house payment will likely equal the smaller rent payment you may now pay. The lender will do a work sheet to estimate your price range and the expected costs involved in the purchase and loan process.

Typically, in today’s market, the loan-to-income ratios are at 28% for PITI (principal, interest, taxes and insurance) and 36% for full debt. If you have a high debt load the 28% will adjust downward. The long term debt responsibilities that you have will be subtracted from the 36% and the PITI will represent the lower of the two figures; 28% or whichever is less.

Note: There is much more about this topic on my web site: www.vernacker.com

Pre-Qualification. The meeting with the loan officer described above is the best place to be pre-qualified. But, what if you find a home that you want before you have met with a loan officer? A competent real estate agent will have the materials needed to help you determine the price range that best fits your needs. The agent can help you work with the ratios that are typical for the type of loan you are considering. Conventional loans are basically the 28%/36%. Government loans have different ratios; sometimes 29%/41%. There are almost as many different loan options as there are loan companies. Many companies have special packages that will allow for varying ratio guidelines. Your best choice at the “pre-qual” stage is to work with the 28%/36%. You can make adjustments as you get further into the purchasing process.

Pre-Approval. The best advice I can give you regarding your qualifications and their impact on the Offer to Purchase process is to get **Pre-Approved**. This is the step beyond pre-qualification by the loan officer. Pre-qualification can be done at your first meeting with the loan officer or even over the telephone. Pre-Approval is more involved. You will do an application. You will give the loan officer the fee for your credit report. Some lenders have a small fee for pre-approval; most do not. The loan officer will order cash verifications, employment verifications, credit, and other documentation that will be necessary for a loan approval. This process generally takes about 2-3 weeks. You will receive a pre-approval certificate. It will state that the loan will be formally approved when you have chosen a home and a satisfactory appraisal is added to your application portfolio.

A BUYER WITH A PRE-APPROVAL CERTIFICATE IS NEARLY AS GOOD AS A CASH BUYER! If the real estate market is moving quickly, it is quite likely that you may be competing with one or more other buyers for the same property. The cash buyer is usually the strongest. Cash buyers, however, are scarce these days. If there is more than one buyer, the one with the best qualifications often will get the home...even, sometimes, over a higher offer. The buyer who still needs to find a lender, get qualified, and get job, cash, and credit verified leaves many “non-absolutes” when the seller is making decisions. The better prepared you are, the stronger you and your offer will look to the seller.

Choosing a Realtor. You have heard several terms that are commonly used to describe a real estate agent: salesperson, broker, agent, realtor. The words are incorrectly used interchangeably. A salesperson refers to someone who is properly licensed to help the general public to buy, sell, lease, exchange or negotiate an interest in real property. All salespersons **MUST** work under the supervision of a Broker. A Broker has the proper licenses and qualifications to run a real estate brokerage. A broker can do everything that a salesperson does and are also qualified to own, operate and supervise a real estate company and have salespeople working for them. A salesperson may hold a Broker’s license. The salesperson with a broker’s license is still working under the auspices of the Broker in charge of the office/company. The broker’s license is only used in the supervision mode when the broker is in charge of the office. An agent is defined as

anyone who represents another in a business transaction. To be an agent in a real estate transaction, there must be a valid contract between the two parties to establish the agency relationship. The seller's agent has a contract with the seller. The buyer's agent has a contract with the buyer. The seller's subagent is an agent that is working with the buyer/customer and is working as a subagent of the agent who has a contract with the seller. REALTOR is a registered trademark that can only be used by someone who has been accepted as a member of the National Association of Realtors (NAR). All members of NAR must adhere to a strict Code of Ethics and Standards of Business Practice. All REALTORS are real estate agents, but – all real estate agents are not REALTORS.

THAT ALL SAID; How should you choose an agent to work with you?

Talk to your friends. They may have worked with someone that they felt did a good job for them. Go into the area that you would like to live. Ask at some of the businesses, especially the neighborhood restaurants, etc. Ask the business owners whom they would call if they were buying a home in the area. REALTORS with good reputations are well known within the community they work. I believe that it is extremely important to work with an agent who is familiar with the area within which you are looking. Whether you are working with a Buyer's Agent or a Seller's Agent, the agent should be knowledgeable enough to answer your questions and to know general information about issues that may affect the properties. I work frequently with other agents who are showing buyers through my listings. It becomes very difficult when the agent knows nothing about the area; has no idea where the property is; and has no knowledge of issues such as wells, septic, environmental corridor, shoreland regulations, etc. I remember one time that I had to spend 15-20 minutes trying to explain to an agent how a well and septic system worked. Another time an agent got quite upset with me when she couldn't understand why it was called a town and not a city, why the post office was a different zip than the area of the home and why the house had another community's phone exchange? Does the agent know about the schools, future development, the churches, job opportunities? The buyer is the loser when the agent they are working with doesn't know very much about the property or the community.

Whether you choose to work with a buyer's agent or a seller's agent, find one that has the time and the inclination to help you. It is an extreme frustration for a buyer to work with an agent who has a "day job" and therefore, has no time to help them find a home, except after they get home from work. Ask any agent that you plan to work with what their plan is for keeping in touch with you regarding homes that come available. Are they going to be available to show you homes when you are available? How many homes do you usually show to a buyer before they find the right one? That may sound like a funny question. It isn't. Is the agent listening to you when you tell them what you want and the features that you are looking for? Or, are they just running you through anything and everything? That can be a MAJOR waste of your time. A good agent will pay attention to you and should be able to "weed" through the homes on the market to show you only ones that are close to your criteria. If you have done your homework and the agent is listening you shouldn't look at more than 6 or 8 homes, on average. Does the agent plan to show you homes in the range of prices that fit your budget, or are you being run through homes that are not within your comfort-range in price? How much do they know

about financing options and the home-buying procedure so they can help you during the transaction?

BOTTOM LINE. Talk to a few REALTORS. Get a feel for the one that makes you comfortable and makes you feel that they are listening to you. Back away from anyone who tries the “fast-talk” approach or tries to talk you into something that you don’t like. The agent should show you through the home, then step back and let you look at your own pace. They should be available to answer questions and perhaps make suggestions regarding some of the elements of the home that concern you. **CHOOSE ONE** agent and be loyal to that agent. Any good real estate agent will likely back away and only give you minimal assistance if they know that you are running around town with any agent that has the time to put you in their car. Agents get paid after a closing. They don’t get paid for running people around town, and they don’t get paid for educating them. A full time professional will invest their time in the buyer that is most likely to buy from them so they get paid for their time. The better you are at being a good buyer, the better the service you will receive from the good salesperson.

Decisions Regarding Agency. When you enter into a real estate transaction, you are either the client or the customer. The **client** has contracted with an agent who acts on behalf of their client. The agent owes fiduciary responsibilities, such as loyalty, confidentiality, accountability, duty of care, obedience to all lawful instructions and full disclosure of all pertinent facts. The **customer** is a person who has not retained an agent to work on their behalf. While a customer does not enjoy the fiduciary duties and benefits of the client-agent relationship, they are still entitled to be treated fairly, honestly and with due care at all times. The state of Wisconsin has the highest standards of fairness to all parties. In Wisconsin, the agent is allowed to have confidential information from either a client or a customer. Duties of full disclosure are required regarding anything in the transaction that is considered a material fact. Adverse facts that may affect the present or future use of the property must be shared with the buyer. Any material adverse fact that is observable or known by the agent should be shared with the buyer. The seller is obligated to fully disclose any condition of the property that may affect the present or future value of the property or may affect the health, welfare, and safety of the future occupants.

Single Agency. An agent exclusively represents a single client’s interests in a transaction.

Dual Agency/Multiple Representation. It is possible for an agent to represent both the seller and the buyer. If the agent and the buyer have a Buyer Agency Contract and the buyer chooses a home that is listed by the agent or the agent’s company, dual agency occurs. It may be difficult to ensure that everyone’s best interests are being protected. Because of this, the written informed consent of both Seller and the Buyer is usually required before an agent can represent both. A complete discussion of agency is available on my web site:

www.vernacker.com.

I specialize as a seller's agent. I do buyer's agency when the buyer is one of my clients because I have their home listed. I do buyer's agency when the buyer is a member of my immediate family or if the buyer is a multiple customer/client from previous transactions. In the instance of a repeat customer, a business associate or one of my immediate family, it would be a "stretch" to say that I was only working on behalf of the seller. Since the majority of the listings in this area are with my firm, dual agency is the most common possibility. (This occurs when one of my buyer/clients wants to purchase one of my listings where the seller is also my client.) I have done business in this community since 1978. The buyers who choose to work with me have the benefit of my knowledge of the area and the benefit of knowing that my expertise will help them to make a well-informed buying decision. Because I am the leading listing agent in the area, buyers who choose to work with me often receive the information on newly listed properties before they are available through the multiple listing system. The listing agent has 48 hours from the date of listing to enter property in the MLS. Buyers who are working closely with me are called first. We also have a system of checking every morning for the properties that have come on the market since yesterday. We make every effort to get that information to any buyers who have shown loyalty to us in their home search. Additionally, the buyers who have e-mail addresses are provided with a complete list of properties that come available each week through our on-line newsletter.

The buyers who work with us have the confidence that we will do everything we can to make the transaction go smoothly. If you would like to have someone represent your best interests and the legal aspects of the transaction, you might include an **Attorney Approval** clause in your Offer to Purchase. That gives you the benefit of my expertise regarding the area and the property that you have chosen and the peace of mind of legal representation. As a seller's agent, I am not allowed to discuss the pricing of a property or to comment on what you should offer. The asking price is the only price that I can represent to you. If you have done your homework by researching value in the area, you should have a good idea whether the property is priced properly. You are also allowed to ask me for comparables to support the asking price, if you wish. If asked, I will provide the tax information and some comparables from the area that pertain to the property you choose. As the seller's agent, my job is to get the seller the best possible deal that is available in the market place. The criteria can include price, terms, occupancy, etc. I will do my best to accomplish the seller's wishes and best interests. Part of that is to be fair and honest with the buyer. "A happy buyer makes a happy seller." With full disclosure by all parties and fairness to everyone, the transaction is a happy one. If disagreement occurs during the transaction or even after the transaction, I **MUST** stand with the seller. If litigation occurs, I must stand with the seller. In the event of disagreement or litigation, both parties are instructed to call for legal counsel. I am not allowed to intervene where legal matters are involved. Whether I am a Buyer's Agent, a Seller's Agent or a Dual Agent, I cannot give legal advice because I do not hold a law license.

As the seller's agent, when I work with a buyer, I stand in a role much the same as the salesperson in the department store or the car dealership. The customer knows that I don't own the property I am selling. The customer is aware that I stand in the shoes of the person who DOES own the property. Because I know the property and the area well, I am qualified to answer questions and help you to purchase the merchandise/home that will best fit your needs.

If you make the choice to work with a Buyer's Agent, read the contract carefully. Typically the contract will state that you will owe the agent a fee when you buy a home. When you work with an MLS agent, the fee you owe to your agent is likely paid by the home seller. If you go out on your own, while you are under contract, you could find that you owe the fee to your agent, regardless of whether you worked with them for that sale or not. If you buy a For Sale By Owner or perhaps go into an Open House where the host agent believes that they were the procuring cause of the sale, you could be obligated to pay your agent out of your own pocket. Occasionally, in MLS, some listing agents will agree to pay the buyer's agent a different fee than they pay the sub-agent. If that fee is less than the fee you have agreed to pay your agent, you could owe the difference. Be sure to discuss these possibilities with the agent you would contract with.

What is the difference between a Buyer's Broker and a Selling Broker in a Subagency Relationship?

Taken from Legal Update 92.09 of the Wisconsin Realtors Association, Page 2 and 3.

"Generally speaking, a broker represents and can advise his or her principal, whether seller or buyer, and is subject to that principal's control. In a buyer's broker relationship, the buyer is the client of the buyer's broker, and the buyer's broker works for the buyer and represents the buyer. The buyer's broker is a representative of the buyer, honors fiduciary duties to the buyer, and can give the buyer real estate advice.

On the other hand, when a selling broker works with a buyer who is the broker's customer, the broker is responsible for giving that buyer information, but not advice. The selling broker is a representative of the seller and owes fiduciary duties to the seller, but must treat the buyer customer fairly and honestly.

Section RL 24.025 of the Wisconsin Administrative Code requires all licensees to treat all parties to the transaction fairly and give them information, and that the buyer's broker must treat sellers fairly and give them information, and the selling broker must treat buyers fairly and give them information. This regulatory obligation to treat the other party fairly weakens the buyer's broker ability to exclusively represent the buyer and the selling broker's ability to exclusively represent the seller; neither representative relationship is a full-blown pure agency where the agent serves the interest of the principal exclusively because of this regulatory obligation to treat the other party fairly. Therefore, the distinctions between the buyer's broker and the selling broker's treatment of the buyer are primarily those of giving advice as opposed to giving information, and modified representation versus fair and honest treatment.

For instance, when a buyer asks whether a list price is fair and is supported by market values, both the buyer's broker and the selling broker can give the buyer comparative market values. The buyer's broker can take his or her response a step further by advising the buyer if the list price is not supported by market values, while the selling broker is limited to giving factual information only in observance of his or her obligation to treat the buyer fairly. The buyer's broker is also somewhat limited by the obligation under Section RL 24.12 to encourage all buyers to make their highest and best offers.

With respect to the negotiation of an offer to purchase, the buyer's broker is an agent of the buyer but is rarely authorized to actually negotiate on behalf of the buyer in the sense of having authority to make decisions within specified parameters, as might be the case with an attorney authorized to negotiate on behalf of a buyer. The buyer's broker can advise the buyer to frame the contingencies in her or her offer in terms that are more favorable to the buyer. The selling broker, as agent for the sellers, does not offer this advice, but rather gives the buyer information regarding alternatives available to the buyer and drafts the offer as the buyer indicates. The offer is presented to the seller by the listing broker in either case, so the impact of the buyer's broker is not as dramatic as some may assume it to be."

FINDING THE RIGHT HOME

The Right Agent is a Key Factor. The right real estate salesperson is your key to a successful and happy transaction. The sales person is responsible for getting you into the homes that you want to see. They should be proficient in drawing contracts that adequately state your wishes on the offer to purchase. Whether you are working with the seller's agent or the buyer's agent, that person should be adept at putting your thoughts onto the paper. The salesperson should be knowledgeable about loan types and be able to give you the names of competent loan officers to assist with your financing. They should be able to give you the names of home inspectors and other professionals that may be needed throughout the transaction. They should do a good job of going over all of the points of the offer and help you "jot" down the main dates and contingencies so that you can keep track of the transaction efficiently. A good real estate agent will walk with you throughout the transaction, answer your questions, and be there when you need to talk through issues as they arise. **REMEMBER, HOWEVER.** Do not look to the agent to give you legal advice. The agent may not explain the contract in terms that apply to you and your situation. Whether a buyer's agent or a seller's agent, legal advice and counsel must be procured from an attorney.

When you choose the REALTOR, ask for their credentials and qualifications. Ask about years of experience. Ask about education over and above the basic licensing course. If at all possible, choose to work with a Certified Residential Specialist (CRS). The agent who holds the CRS designation has demonstrated their commitment to the industry and to staying abreast of the rules and regulations. The CRS designation is given only to about

5% of the REALTORS across America. It is an intensive program of study, production statistics and experience. A REALTOR brings to the table all of his or her knowledge, training and negotiation skills, and will explain what you can expect from the buying process. He/She will be able to explain your basic rights as stated in the offer, your obligations, help organize the transaction and discuss financing options. The agent should be familiar with the complexities involved with qualification, approval, and the process in-between. The REALTOR has exclusive access to the Multiple Listing Service (MLS).

Multiple Listing Service. REALTORS have exclusive access to MLS. It is one of the most effective marketing tools available, giving all REALTORS nation-wide access to properties on the market. The MLS system allows you to examine all properties for sale and allows you to pick the ones that interest you. The MLS has information on nearly all of the properties that are for sale. In each region there are a few real estate companies that do not belong to MLS. The full-time REALTOR generally has a relationship with those offices. Non-MLS offices usually are willing to let you see their properties and they are usually willing to work with the MLS offices. For Sale By Owner properties are not available through MLS. If you would locate a FSBO that you would like to see, I could do a one-party Buyer Agency contract for you, if you would like. If you decide to buy one of the FSBO properties, keep in mind that there has been no professional doing the research, there is no errors and omissions insurance and no general criteria for the stability of the transaction. If you choose to buy a FSBO without professional assistance, be certain that you have an attorney write your offer and watch out for your best interests. In this event, choose your attorney wisely and AFTER you have determined that they have expertise in the field of real estate.

Price Range. Once you have had your conference with the loan officer and the agent that will be helping you, you will be pretty sure about the price range that you want to stay in. Don't choose homes that are too far over the price range that you have determined. Looking at homes that are beyond your budget will only frustrate you. I sometimes hear people say, "Well, maybe they will take an offer." That may be. There may be a house out there that is over-priced. But that is the exception. A "low-ball" offer is often met with a "REJECTED" response. At best, you often get a full-price counter with the subliminal message, "If you want to get serious, let us know." Now you have wasted your time, the Realtor's time and the Seller's time. Pick your price range, give it a little "wiggle-room" and find the home that will fit your budget and your criterion within those guidelines. If you find that you simply cannot find what you want within the price parameters you have been given you will have to do some more homework. Can I get an ARM that will give me more buying power with my dollar? Can I get more money for a downpayment? Am I comfortable going into the next increment of pricing without hurting my budget? Should I be looking for a home with the qualities I like but one that needs work to bring it to its full potential?

Home Tours and Open Houses. Looking at homes can be a lot of fun if you plan right. First, leave your children at home, if at all possible. It doesn't take very long before they are bored and restless. If you must bring children along, hold their hand when you are in

any home. Hold their hand for the entire showing. If holding their hand is not practical, keep a close watch on them. The last thing we want is for the children to touch the remote, open drawers, pick up things, etc. Insist that the children stay right with you and do not wander off. Once something is broken or messed up, it is too late to collect the children. Don't smoke and don't carry in food. One of my sellers called once. She was irate. It seems that the buyers at that afternoon's appointment had left Burger King wrappers and cups in her living room! That is ba-a-ad!! The agent should have had more control and the buyer should have had some common sense. Take off your shoes if there is the slightest chance that there is anything on your feet! Leaving footprints as a testament that you were there is poor indeed. On that note, don't wander around the yard before you go in the house. You will get your feet all dirty. Do the yard last! If your feet are dirty from the last showing, don't wear your shoes into the next houses. All I am really saying here is to use common sense and common courtesy. You are walking through someone else's home. Act as if you are their guest. It may surprise you to hear some of the horror stories that we have regarding incidents during showings.

Look at homes in "threes." Every three home that you look at should be evaluated. Throw out two; keep one. After you have done that three times, glean out two again. That way you are only considering a couple at a time and the homes don't get all "jumbled up" so that you can't remember any of them.

Tell the agent what you like and don't like about each property. If you really don't like a property, don't spend a lot of time asking questions. That is a time-taker and you are likely to get running late for the subsequent appointments. Save your time. When you find one you really like you will have saved the time to use on "the good ones."

BE LOYAL. If you see an ad in the newspaper from another real estate company, call the agent helping you. DO NOT CALL THE LISTING AGENT OR COMPANY. If you leave your name with another company or agent, I will likely lose the chance of working with you on that property. If you are going through Open Houses on a Sunday afternoon, present my card when you cross the threshold. Tell the agent in charge that you are working with me. Give them my business card. If you ask, I will give you a packet of my old cards to give to other agents. That agent will tell me that you have gone through his open house and won't be calling you. If the host agent wants you to sign in, sign in MY name with your first names in parentheses. Put down MY phone number. If you are interested, contact me. We will go back to look together and I can help with the rest. If there are several people in the Open House, do not consume the host agent's time. Call me to handle your needs and your questions. Don't begin negotiating with the agent regarding terms, etc. It is likely that the agent will not honor our relationship if you have gotten all of the needed information from him/her.

WHAT TO LOOK FOR WHEN YOU TOUR HOMES

Although a thorough inspection by a trained professional is highly recommended, here are some things that will help when you are viewing properties:

KITCHEN/BATHS. Make sure faucets and drains work well, and that electrical outlets include ground fault interrupters where necessary. Look for stains on walls or flooring that may suggest plumbing leaks or sewer back ups. Check for caulking around sinks and tubs. Faulty caulking can lead to hidden rot damage. Check out the appliances that will stay with the house to be sure they are in good working order.

CEILING. Look for stains on the ceiling and upper walls and other signs that there is or has been leaks in the roof.

CLOSETS. Be sure lights work and storage space is adequate for your needs.

GARAGE. Be sure the garage door is in good working order.

IN GENERAL. Check condition of interior and exterior paint. Look for severe cracks in stucco or grout that could suggest structural shifts. Watch out for pet stains and odors. However, the presence of pets in the home is not cause for alarm unless excessive stains and odors are present.

As you are looking at the property, determine what deficiencies you can live with and which ones are not acceptable. Homes that need some work are generally priced accordingly. Your willingness to make repairs and updates can put money in your pocket if you plan carefully and are able to do the work yourself. Be sure to compare the expected costs of necessary repairs and the costs of those things that you would like to change to meet your own taste. Try to determine that the purchase price of the home, plus the costs for repair and updating will not exceed the projected value of the home and will not exceed the average value for the neighborhood.

LOOK AT THE DESIGN. Does the floor plan meet the needs of your family? Is the garage large enough or is there enough room to add on to the garage? Is the yard right for your family? Is there enough storage? Does your present life-style fit this home's design? If the home needs changes to fit your family, are you able and willing to make the changes?

CHECK OUT THE LOCATION. Is it close enough to the schools to be convenient? Is it close to a commute route for work? Do you like the neighborhood? Whenever I considered the purchase of a home, I always looked at the neighborhood first and then the yard. I figured that I could make a home into what I wanted with some "elbow-grease" along with decorating and some carpenter work. If there were large trees and space for my children to play and the area was nice, the rest of my criterion could be handled after I moved in.

CHECK OUT THE NEIGHBORHOOD. How do traffic patterns change depending on the day or the time of day? Are there any future developments in the works? Is that nice green space down the road actually zoned for high-rise development? Ask around – check things thoroughly.

In all of the years that I have been in the real estate business, I don't believe that I ever SOLD A HOUSE! Houses have to sell themselves. The buyer knows instantly when they are in the one that they will call home. There is a feeling that tells you that this one is the right one. There is nothing that I can say to change your mind if you don't like the property. I will listen to the pros and the cons of the homes you look at and try to find you something that fits you best. When you walk into the right one, your eyes will start to shine. That is when we go back to the office to write your offer. ☺

DON'T LET FIRST IMPRESSIONS AFFECT YOUR DECISION TOO MUCH. There are entire books written on how the first impression of a home is the single most decisive factor affecting many purchaser's decision to buy. Don't let bad décor or messy housekeeping scare you away from a structurally solid home that meets all your needs. Remember, you are buying the house, not the furnishings. On the reverse side, when you walk into a home that has beautiful décor and looks especially nice, be careful to look past the pretty things and look at the house. Don't get caught up in the seller's collections or the pretty things on the walls. I have found, however, that the home that shows well is likely to be the one that was maintained well. The home that is a mess has likely had little maintenance over the years. Heads up, either way! **NOTE:** This is where the home inspector becomes invaluable.

PREVIEW THE CONTRACT FORMS! Ask the agent you are working with to give you a copy of the forms that you will be using to write your offer. There are anywhere from 5 to 8 or more pages of words that make up an Offer to Purchase. If you sit down during quiet time at home and read them carefully, you will feel much more confident when you sit down to make an offer. This will give you the opportunity to ask questions of the agent or to perhaps call an attorney for better explanation. I will review the offer next and give you some guidelines that you may wish to follow when you put your offer on paper.

Drafting the Offer.

- **WB-11 RESIDENTIAL OFFER TO PURCHASE**

A great deal of the Offer to Purchase is self-explanatory. Read through the contract thoroughly before you put your signature on the final document. Here are just a few guidelines that are sometimes missed or misunderstood:

- **Purchase Price.** Whether you are working with a buyer's agent or a seller's agent, the price that you offer has got to be decided by you and no one else. You might ask what someone else thinks. That really doesn't matter. After you have done your homework well, and after you have seen the homes that are available, and after you have decided that this is the home you want to live in, the decision on price is yours alone. Regardless of what someone tells you that you should pay for the property, or regardless of what some of the comparables may dictate, the final purchase price will be a coming together of the minds of the buyer and the seller. What is the buyer willing to pay and what is the seller willing to sell for? No matter what anyone tells you, that is what the property will sell for, if it is going to sell! Don't look to someone else (your agent, your parents, your friends) to tell you what you what to offer. Rely upon your own research and

your own good sense. There is a myth about writing offers. “Start low with your offer. The seller will counter and you might save a few dollars.” That is not true. You may never have the chance to respond to a counter. Time and again, I have seen a buyer choose the home that they like. There is something uncanny that happens....choose one you like and you may find that two or three other people suddenly like it, too. I have often had a listing that I couldn’t get anyone interested in. Lo, and behold...let an offer come in and all of a sudden a couple of other REALTORS announce that they are writing on the same house. If there is more than one offer on the home you want, the best offer wins. If you have found something that just came on the market, you can bet that there are others that have found it at the same time you did. My best advice is to write your best offer. I have seen some pretty irate buyers when they didn’t get a counter, they lost the house, and they were screaming to “high heaven!” “But, I would have paid full price!” If a competing offer has the price and the terms that the seller wants, it is likely they will take that offer and perhaps counter another as a back-up. You might be the one chosen to be the back-up if you “played games” with the purchase price. If you offer less than the asking, know in your heart that you are offering the most that you want to offer and that you won’t be upset if you lose the house. This is where the quality of your homework is extremely important. Depending upon the price range of the homes you are looking at and the “speed” of the market, you may even consider going over asking if you really want to be sure that the house is yours. I see a lot of material that tells you how a buyer’s agent will give you advice on pricing so you can get the best price. That only works if the seller’s agent and the seller agree and if there are no other competing offers.

- **ADDITIONAL ITEMS INCLUDED IN THE PURCHASE PRICE.** Just because the listing information sheet says something is included or it looks quite obvious that something is included, IT IS NOT unless you have it written on lines 13 and 14. We are talking about anything that you want to be included: window treatments, water softener, garage door opener, garden shed, children’s jungle gym, range refrigerator, the fountain in the garden..... When you come to the NOT INCLUDED lines (15-16), write down anything that the seller may have included that you don’t want them to leave. Also, list the items that the seller has shown in their information that they want to take.
- **RENTAL WEATHERIZATION.** If you do not plan to live in the house, in Wisconsin, the transaction will be subject to the rental weatherization rules. You may have to file a stipulation at the closing that you will bring the property into compliance within one year of the closing. Sometimes, it is negotiated that the seller will do that before the closing. That, however, is rarely done in this market. There is more about this on my web site: www.vernacker.com.
- **CLOSING PRORATIONS.** Real estate taxes are generally credited from the seller to the buyer for the days that the seller has owned the home, January 1 to the day before closing. When you are closing in the latter part of the year it is common to ask that the pro-ration be done on 105% or 110% of the previous year’s taxes. If you are buying a new house that was completed after January 1, the current year’s taxes will be based upon the percentage of completion on

- January 1. Ask that the pro-ration be done on the assessor's written estimate. If ground is broken for a new home after January 1, and you buy it during that calendar year, the current year's taxes will be based upon the bare land only. Again, ask for the assessor to verify that in writing. Wisconsin's law does the current year's taxes according to what was on the property on January 1.
- **Page 2 of 5.** This is "boiler-plate" from the state approved forms. Read it carefully. I suggest that you obtain these forms before you write the offer so you can read everything before you sit down to write an offer.
 - **TIME IS OF THE ESSENCE.** Any date to which "Time is of the essence" applies is exact. If the date ends at midnight, 12:01 a.m. is too late. This becomes important if there is a back-up offer or another reason that the seller would like to nullify your offer. The reverse also applies, in case the seller does not comply with a date. In a counter offer situation, be sure to add "Time is of the Essence" to any date that you put in the counter. It does not automatically apply. Add the words if the timing is important.
 - **THE FINANCING CONTINGENCY.** This contingency speaks for itself rather well. The numbers that are put in these lines indicate limitations that protect you. If you do not have the cash at hand, use the financing contingency. I draw to your attention lines 164-170. **READ THE BOLD SENTENCES!!** Do not allow your loan officer to deliver a copy of a loan commitment to the broker, the agent, or the seller, without your approval. Discuss this with the loan officer when you do your application.
 - **FINANCING UNAVAILABILITY.** If you cannot get the financing per the lines in the financing contingency, the seller has the right to finance the transaction themselves, if they wish. If you don't want that to happen, don't include it in your offer. It seldom happens, but I have seen it done.
 - **TITLE EVIDENCE.** Read lines 188-212. My web site has a good discussion of title insurance, too. May I suggest that you think about asking for Gap Insurance. This may be of special importance if the seller is in a bit of a credit problem or if the closing is a distance from the accepted offer date. It is a good idea, anyway. It will generally cost the seller \$60 to \$100. It isn't ordered unless the buyer asks for it.
 - **Page 4 of 5.** Read this thoroughly. Try to do it before you sit down to write your offer.
 - **SALE OF BUYER'S PROPERTY CONTINGENCY.** When you must sell your present home or other property to obtain the cash to proceed with the purchase of the home you have chosen, lines 278-286 are used. Basically, this says that the seller is accepting your offer but retains the right to pursue and accept other offers from other buyers. If the seller does that, they will give you a written notice that they have accepted another offer. At that point, you will be given the time period that has been agreed to on line 286. You have the choice to proceed with the purchase without having first sold yours or to "back off" and allow the second buyer to step into position. If you choose to proceed, you will typically be asked to remove the financing contingency and the inspection contingencies at the time you waive the sale of property contingency. Your decision to proceed results in the seller's loss of the second buyer because your

rights as the primary prevail. If you retain the right to get out of the offer based upon financing and/or inspection, the seller could conceivably lose both buyers. NOTE: If you do not remove Lines 282-286, the CONTINUED MARKETING CLAUSE, the seller stills retains the right to give you the “bump.” You might consider asking to have that clause to be removed at the same time you waive the Sale Contingency. The seller may or may not agree, however.

- **SECONDARY OFFER.** This clause is used if there is already an accepted offer and you are writing an offer in the secondary position. You may even be third or fourth in line. Read the clause carefully so that you understand your position. The clause, as written in WB-13, does NOT obligate the seller to handle secondary offers in chronological order. If you wish to be in second position ahead of any previous or subsequent offer, you must so state in your offer to purchase and alter the verbiage in lines 287-292.
- **INSPECTION CONTINGENCY.** Buying a home without a professional home inspection is one of the biggest mistakes that a buyer can make. Consider having a professional property inspection. Not only will you know more about what you are buying, but, these reports will protect you from unforeseen nasty surprises in both the short and long run. If you work with me to purchase a home, I will advise you strongly to hire a professional inspector. In fact, if you choose to bring in a friend or relative or decide not to do the inspection, I will ask you to sign a form that we advised you of the benefits of the inspection and that you have waived your right to the inspection. As I look back over hundred of closed transactions, those the caused the most trouble after closing were likely the ones where the buyer opted not to hire a professional to check the property before they proceeded with the transaction. I want to bring the “DEFECT DEFINED” clause on lines 311 – 315 to your attention. It should be understood that the inspection contingency does not allow you an “easy-out” of the offer if you so choose. “Significant Adverse Fact” is the definition of defects that can be used as defects as defined in the offer. This is not to be used as a laundry list or a punch-list of “stuff” you would like to have the seller fix because they are not as you would like them to be. Loose doorknobs, a cracked window that you hadn’t seen before the offer and other items that may be mentioned by the inspector may not qualify as significant adverse facts. If the seller has notified you of the nature and extent of an item and/or you were aware of the condition when you wrote the offer, the item may likely not qualify as a “deal-breaker.” **ALSO**, be sure you understand that a proposed amendment asking the seller to make certain changes or repairs is not considered a “Notice of Defects” as required in the offer. Go back and read the “CAUTION” on line 303. If you are asking the seller to make some repairs and you do not want to proceed with the offer if the seller refuses, you should also complete the Notice of Defects form at the same time you fill out the Proposed Amendment form. The agent you are working with should lead you through this procedure. If you have a deadline for the seller’s decision, be sure that the deadline is BEFORE the time deadline for the Notice of Defects mentioned on line 301.
- **ADDENDUM A.** The Wisconsin Realtors Association suggests the use of the Addendum A that I use in my office. A copy is in the Appendix of this booklet.

Many real estate companies have chosen to write their own. They are similar but have some differences. This form has a lot of things that have, over the years, been found to be significant in the home buying contract process and often missed or assumed, in error. Many things that have come up in the course of business have found their way to this addendum. Read it carefully. It discusses the Home Warranty and if you intend to ask for one to be included in your transaction. The opportunity to request a survey is provided. You have the opportunity to request special testing in the course of your inspections. NOTE: You may NOT do tests on the property without specifically requesting and you must obtain the seller's permission BEFORE any test is conducted. The remainder of Addendum A is informational and designed to be a "heads up" on issues that you may not have considered in the course of the transaction.

- **ADDENDUM B.** This addendum is used if the property you are buying has a well and/or a septic or mound system. You will find some agents will use Addendum A and simply ask for a well inspection, water test and a septic inspection on line 24. It is my opinion that this practice does not adequately cover the breadth of the tests that will be performed and the details of the requirements of the inspections and the right to cure options. Some agent's have a company addendum that addresses the topic but does it differently than the form provided by the WRA. Read this addendum carefully so that you have a full understanding of the tests and inspections as they pertain to your offer. You may go to my web site for more discussion of the well and septic systems that are typically in this area.
- **ADDENDUM S.** If the home you are buying was built in 1978 or before, you will be informed of the possibility of lead paint on the premises. Read the form carefully. There are three pages of explanation as it pertains to the presence of lead paint. Occasionally, I see a one-page form used by some agents. The WRA prefers the use of the full form because it fully informs the consumer about the lead paint controversy and how it affects the consumer. By signing the form, you are also acknowledging receipt of the Federal pamphlet that further informs the consumer about lead paint. Be sure that you are given that booklet. It is the law.
- **THE BLANK ADDENDUM.** This is simply a blank form that has room for anything else that you might want put in the offer to purchase that doesn't fit on the other forms. There are no rules for what you can add here. The agent helping you buy the home may suggest clauses that could be included in the offer, too.
- **DISCLOSURE OF REAL ESTATE AGENCY.** The disclosure of agency should be provided to you at the first meaningful meeting with an agent. If you have completed a Buyer's Agency contract with an agent, that should have been done before you started looking at homes. If you have not signed a Buyer Agency contract, then you are working with a seller's agent or a seller's sub-agent. In my office, the disclosure form is provided with the information sheet that you request and the form is attached to the packet of homes that you will be looking at when we go on our first house-hunting tour. We will explain the basics of our agency relationship with the seller and will give you the form. You will be asked to sign the form as we proceed with our relationship.

DON'T SIGN DOCUMENTS WITHOUT READING THEM.

Do not wait until the last minute before reading the documents. When you have chosen a home, you are excited and apprehensive. You will be much more comfortable if you are already familiar with the forms. All of the forms that you will need are in the back of this booklet. If you find that you are writing an offer before you have read the documents take the time when you write the offer to read every word or take the completed forms home to read them overnight. If time is important for the delivery of your offer, ask the agent to walk you through them and then ask for some time by yourself that you can review them once again. Don't sign them until you understand them. If you feel that you want to ask legal counsel to explain them to you, you may 1) take them to your attorney for review before you sign or 2) include an attorney's approval clause in your offer to purchase. At my office, we have a standard clause, as drafted by the WRA to include in your offer, at your request.

DON'T MAKE VERBAL AGREEMENTS.

Not only are verbal agreements harder to enforce, but any written contract you sign will override a verbal agreement. Contract law says that verbal agreements are not enforceable when they deal with Real property. Get EVERY agreement in writing!

KNOW YOUR RIGHTS AND OBLIGATIONS.

If you do not know your rights, it is possible someone could take advantage of you. Not knowing your rights also makes you feel uneasy during the course of the transaction. If you do not know your obligations, you may run into trouble during the course of the transaction. Failure to fulfill your obligation can cause friction between you and the seller and/or you and the agent. The REALTOR working with you and your attorney are great sources of information concerning this. Make use of this expertise and resource.

Negotiating The Offer. The best advice that I can give anyone in negotiation is to use your common sense and give some thought to the needs and wishes of the other side as well as your own. If there is an item that you cannot move on, give something in return when you ask. You might send a note explaining a position that you have taken so that the seller can understand your motives, too. A successful negotiation occurs when the buyer and the seller accomplish that which they both need and want. Accept the fact that you may not get everything you want and neither will the other side. When the negotiations are regarding money, look closely at the whole picture instead of the fact of money only. If you have offered \$170,000 and the seller wants \$175,000, look at it this way. You have just agreed to pay \$170,000. Concentrate on the \$5,000 difference. Look at what that difference will make to your situation. Will that \$5,000 put you beyond your qualification range? If it does, you cannot proceed. Would you be able to proceed if you looked into an ARM instead of a fixed? Do you honestly feel that \$5,000 more is too much or is it just a line you have drawn in the sand? With today's interest rates, \$5,000 may only represent a difference in payment of \$40.00. Is that too much? Would that make significant problems for you in your monthly budget? Consider your motives and the effect the extra money will have in the overall picture. If the seller is

stuck at one number and you are stuck on a lesser number, you won't get the house. Will that upset you or are you prepared to start over and look for a different property? Are you basing your pricing decisions on firm information regarding similar properties or on less substantial information? These are just some of the questions that you should think of when you are in the negotiation process. There is a country song that has a line that says, "You keep walking my way and I keep walking yours, we meet in the middle....." That is what you are trying to accomplish.

And, remember what I said about writing your offer in the first place. Don't "play games" by offering less than you consider reasonable or less than you are comfortable with. Consider how you will feel if another buyer appears at the same time and gets the home because they wrote a stronger offer with terms that matched the seller's needs. You may not always get the opportunity to negotiate. If you do, do it wisely, fairly, and with full understanding of what you want and how far you are willing to go to get it. I have heard more than once, "Why didn't I get a counter offer...I would have paid full price!!!" You may not always get that chance.

The Home Inspection. Few of us would consider buying a used car without first having a mechanic look it over, or at least take it out for a test drive. Yet many buyers do exactly that when they purchase a home. The home you are investing in costs thousands of dollars more than a vehicle. Why, on earth, would you consider purchasing one without having a third party inspector help you with the transaction? An unbiased opinion of the condition of a home is extremely important.

The home inspector is not hired to find out if the house is perfect. Few are. If you want a perfect home, you might try new construction or a much higher purchase price. Even then, few homes will pass the "perfection" test. A good home inspector will give you an assessment of the structural and mechanical soundness of the home. The inspector will identify existing or potential problem areas. The inspector will give you an overview of the condition of the foundation, basement, roof, windows, doors, walls, ceiling, plumbing, electrical, heating and cooling systems. Inspectors should make suggestions on how to solve any problems they discover and be able to assess the severity of the problem. Surprises are only fun at birthdays and Christmas. Surprises are not fun after the closing. Remember, however, that the inspector is there to educate you on the home and discover serious problems that may fall under the guidelines of your home inspection clause in the Offer to Purchase. Don't expect to take everything that the inspector finds wrong and give the list to the seller for repairs. As we have stated before, many items found by the inspector have already been considered in the pricing of the home and the final results of the negotiation process. "Double-Dipping" by paying less for the home because it has the problems and then expecting the seller to make the repairs besides is seldom successful. Consider if items mentioned were known at the time of the pricing and negotiation process and also consider if they fit within the "Defect-Defined" paragraph in your offer.

When hiring a home inspector, make sure of the following:

- That they are well established and have the required experience and credentials

- That they are independent and unbiased – they have no affiliation with any firms that might cause a conflict of interest
- That they will provide a thorough written report of their findings
- That they stand behind their work. What warranties do they provide? How long will they guarantee their inspection results?
- That they are members of a professional association, such as ASHI (American Society of Home Inspectors) or are at least certified and licensed in our state (Wisconsin).
- Consider hiring an inspector from the general area that the home is located. I have seen inspectors come from other areas or even other states, even. The inspector should be familiar with the community and potential problems that commonly occur in the region.

There is a lot more information on Home Inspections on my web site and an excellent link beyond my site with even more information.

The Loan Process.

The Loan Application. Once you have an accepted offer, the next move is to call your lender. You will, typically, have 21-28 days to get your loan approval. If you are just beginning the process you will have to push to get done in 28 days in our current market. Don't "dally" and then find yourself in a time crunch. Go to my web site for a complete list of Questions The Lender Will Ask. Use that list to help you be fully prepared for your official meeting with the lender of your choice.

NOTE: If you plan to close out further than the normal 4-6 weeks, be sure that you discuss this with the lender of your choice. Many lending institutions have 45 or 60 day locks to the interest rates and the terms. If you make an application in January and you don't intend to close until April, you could lose all of the terms that you expected. If your lender has the typical lock period, ask if you should delay your application date to coincide with the projected closing date. In the event, expect the agent to include a requirement for a pre-qualification statement from the lender within a few days of your accepted offer, in addition to the regular loan commitment obligation.

The Loan Approval. Cooperate fully with the loan officer. Get everything they ask for ASAP. When asked for things that seem excessive, provide them, even though you want to grumble. They ask for just about everything except your blood type. Be prepared and understand that they have a lot of regulations and that you aren't being treated any differently than anyone else.

Remember what I said about the loan approval. Remind the officer that they should not provide the seller/agent with loan commitment until you have approved of the commitment and given your approval for providing it to us. Watch your loan commitment dates. Time is of the Essence as to the loan commitment date. Mark it on your calendar. If you are approaching the date and you don't have word that it will be done in time, call the loan officer and shake things up. You COULD end up losing the house if there is another offer in the wings that the seller likes better. If you find you need more time, ask the seller for an extension. The seller is under no obligation to give you one. If they do, you can breathe easily. If they won't, go back to the lender and push them for the right date. Have you ever heard about the "squeaky wheel?" Most loan

officers get paid as I do; after the closing. That loan officer will do all they can to help you get the property. Contrary to popular myth, the loan officer is there to help you....not to goof you up so you can't borrow money from them!

Removal of Contingencies. Many contingencies will have a self-canceling clause. If the clause is not satisfied within the specified time frame, the clause is automatically waived. Some simply have deadlines. Typically, "Time is of the Essence" applies to their status in the offer. Removal of contingencies is the correct way to get them out of the offer. Consult your attorney regarding the whether-to-remove-or-not questions that you may have. Some of your contingencies may be for a condition or situation, i.e. "contingent upon being able to get documentation that you can build a garage." Every contingency should have a cut-off date. Many don't. When you have concluded that you can build your garage, the contingency should be removed. If you are secondary behind a primary offer with a "bump" clause, it is likely that the seller will not notify the primary buyer of your existence until you have removed contingencies such as this.

Walk-Through. Shortly before the closing, generally within the three days prior, you have the right to walk-through and determine that the property is in the same general condition as it was when you wrote the offer. The exact verbiage is on lines 111-114 of the Wisconsin Offer to Purchase form. This is always a good idea. However rare, it is possible that the sellers have damaged the property or taken something that they shouldn't. Once the closing is over and the seller is on their way to parts unknown, it is much more difficult to rectify the problem. Not long ago I had a seller that removed all of the curtain and drapery rods and all of the hardware from the walls and left gaping holes in the drywall. The walk-through was just before the closing. A tense discussion occurred at the closing. After more than an hour of "stalemate," the problem was finally resolved. Since the curtain rods, etc. were on a moving van on their way to the seller's next destination, the buyer would have had a hard time getting compensation for the missing hardware if they had not done a walk-through. Monetarily speaking, this was a small item. Some items are larger. I remember the kitchen stove/range discussion. The buyer had ask for the stove. The seller's left the stove. The stove was in the family room. They took the kitchen range. Confusion over the use of a word created a problem. The buyer had not looked at the property before closing. The "stove" was on its way to Pennsylvania. In that particular situation, the selling agent ended up purchasing a stove for the buyer. But, the situation would have been avoided or at least resolved if the buyer had exercised their right to a walk-through. I remember once, also, when the tenant of the home being sold was angry for being evicted.....took every light bulb, every switch plate, the curtain rods, etc. One seller who had lost the home to foreclosure even ripped up the carpet and the vinyl in the kitchen. When a seller is angry at the lending institution it can translate into trouble for the buyer. It is always a good idea to check what you have purchased before you "plunk" your money down!

The Closing. By the time you get to closing, you should be ready to sign papers. If at all possible, leave the children somewhere else. The closing is not an exciting place for children. You are signing documents that you must live with for many years. You are spending a lot of money. You should be able to direct your complete attention to the

process. I heard of an attorney, a buyer's attorney. He walked into the closing room and said to the buyer's, "This is not a negotiation session. Sign the papers." He was right. If you want the money you must sign the papers. The lender won't cross off a line here or there because you don't like what it says. The time for reading every word and the time for negotiating with the lender regarding interest rates and terms was at the application appointment. There are "literally hundreds" of papers to sign (or, so it seems). You may have writer's-cramp when you are finished. The papers fly in every direction. If you want to know what all of the fine print says, ask the lender for a complete copy of the whole set of papers BEFORE the closing. Get it far enough in advance that you can read it all. If you prefer, you also can ask the loan officer to sit down with you prior to the closing and go over the details of the paperwork. A closing should take about 30-45 minutes. Most agents can remember at least once, when the buyer read every word and ask for an explanation of every point. The closing is not the time for detailed questioning! My memory is of the 3.5 hour closing that lasted until 7 p.m. Not a pretty situation! I advised you to do your homework before you chose a home. The same advice applies here. Do your homework before the closing. If you are a detail oriented person, read the papers before you arrive. **DON'T MISUNDERSTAND, HOWEVER.** Ask questions. No one is suggesting that you shouldn't. But, if you are well prepared the questions will be concise and to-the-point. The bottom line at the closing is simple: If you don't want to sign the papers as prepared, the closing will be aborted. The lending officials do not negotiate at the closing table.

The closing may occur in one room or two. Sometimes the sellers are in one room for their paperwork and you are in yours with the lender or the lender's representative. Sometimes the agents sit with their customer/client while they sign the papers. Sometimes the agents are asked to wait outside until the paperwork is done. Most often, I sit with the people that I have been working with. When I have worked with both the seller and the buyer, I sit with the seller and step into the buyer's room periodically to see how things are going. By the time I get to the closing, my work should be done. I should have nothing to do except get a hug from you and be there to wish you well as you go on to your new home and your new life. Sometimes a question arises that needs my input. Sometimes there is a disagreement that needs my in-put...like the one with the curtain rods and hardware on their way to parts unknown. Almost every time, and I have gone to a closing between 1500-2000 times, the closing is a pleasant experience and the buyers and sellers shake hands and wish each other well as they go on to their new locations. Sometimes there are tears as the seller lets go of a major part of their lives. Sometimes there is sadness and sometimes there is joy. Sometimes there is anger when, perhaps, the sellers are getting a divorce or the sellers and buyers are disputing something. Happily, the unhappy times are the exception.

**I WISH YOU MUCH HAPPINESS
IN YOUR NEW HOME**

**It is my hope that this guidebook will help to make
your experience more understandable and
make your memories pleasant ones.**

Caution: Please, remember that this manual is from my own experiences and my understanding of the real estate transaction. I am not an attorney. Your legal rights and legal obligation should be discussed with an attorney. I have only attempted to acquaint you with the process so that you are more comfortable as you make the “giant leap” into homeownership. Also, look at the date of this booklet. The real estate industry is an ever-changing process. Forms change, rules change, the market changes. This book is only meant to be informative. Be aware of the differences between the past, the present and the future as it pertains to your home buying process. Be aware, also, that the rules, regulations, and procedures are regional and do not apply to other areas in the same way they apply here. The state of Wisconsin may have different rules than other states. Practices in southeastern Wisconsin may be different from other regions in the state. Do not rely on this booklet as being representative of the industry as a whole. It is written from my personal perspective and opinion and is not meant to be considered legal advice. Neither Verna Acker nor Realty Executives, Lake & Country may be held liable for the contents.

IN SUMMARY

THE REAL ESTATE BROKER WILL:

- Provide you with information about available properties.
- Provide you with sources of financing.
- Help in analyzing and comparing physical and economic features of different properties.
- Give you the opportunity to view properties.
- Assist you in making an offer to purchase.

THE REAL ESTATE BROKER MUST:

- Present all written offers to the owner promptly.
- Disclose material facts about the property known to the broker.
- Offer the property without regard to race, creed, sex, religion, national origin, handicap or familial status.

If you choose to work with a Buyer's Agent:

- Clearly establish the obligations of both parties.
- Clarify how your agent will be paid and by whom.
- Establish the fee you will owe your Buyer's Agent if you look at homes with another agent, purchase through another agent, or buy a FSBO.

WHO PAYS THE COMMISSION?

- The Seller has generally signed a listing agreement with his/her agent specifying a certain fee to be paid, and it usually has provisions for splitting the fee with the agent who brings the buyer for the property, regardless of subagency or buyer's agency.
- The Buyer can pay his/her agent a commission as set out in their written agreement. If this is the case, it would be inappropriate for the buyer's agent to accept any portion of the fee paid by the seller.
- Even though the seller pays the fees out of his proceeds, it has been argued that the buyer paid the fee as part of the overall purchase price. This assumes the buyer could have bought the home for less had it not been listed.
- Each party pays their agent as specified in written agreement.

WHAT SHOULD YOU EXPECT FROM THE REALTOR YOU CHOOSE?

- The Realtor will review the properties available and select those that meet your criteria.
- The Realtor will arrange the showings.
- The Realtor will provide property and finance information.
- The Realtor will provide, upon request, enough information that will help you establish market values.
- The Realtor will prepare your sales contract.

- The Realtor will arrange for the presentation and negotiation with the seller.
- The Realtor will assist you with financing.
- The Realtor will assist you in arranging inspections.
- The Realtor will follow through and will take you through the closing.
- The Realtor will be around after the closing, if needed.

Go to the Appendix for a copy of the Offer to Purchase, Wb-11 and the other addendums that are discussed here. Additionally, there is a flow chart of the home-buying transaction, a list of the items needed for a credit application and a copy of a buyer qualification form. For further information, be sure to go to my web site. There you will find a lot of information that will assist you in purchasing the property of your choice.

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