

Home Buyer's Guide

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Thinking Green,
Living Green,
Helping you go Green.

Commitment of Service

Enlightening Real Estate knows you have many options to choose from when looking to buy a home. The following is why I feel you should choose us...

Enlightening Real Estate is committed to the following:

- ◆ To be **honest** about every aspect of the home buying process. This will allow you to make difficult decisions with confidence and peace of mind.
- ◆ To provide clients with a choice of an Energy Evaluation, Solar site assessment, Community Car membership, Eco-lawn care or donation to Sierra Club.
- ◆ To **reduce** carbon emissions and reduce paper use whenever possible.
- ◆ To **negotiate** and **advise** with your best interests in mind.
- ◆ To **communicate** weekly all events relating to the purchase of your home. You will never have to say, “We never heard from our agents.”
- ◆ To **give** your family exceptional service, care genuinely for your needs and earn the right to become your family real estate agent for life. If you buy a house with me, you will receive a discounted commission when you sell with me.

In today's competitive real estate market, **commitment** makes all the difference. Make the right decision...



Overview : The Process

There are six steps to the home buying process.

1. Agency Discussion (page 4)
2. Pre-Qualifying/Pre-Approval (page 5)
3. Searching for the Right Home (pages 6-8)
4. Negotiation (page 9)
5. Post Acceptance Activities (pages 10-14)
 - Inspection (pages 11-13)
6. Closing (page 15)

Terms to understand:

Buyer Representation/Buyer Agency: Most buyers retain a broker/agent to represent their interests. Since Wisconsin is a Seller Agency State, all agents are representing the seller until a Buyer Agency Agreement is signed by both the buyer and the buyer's agent. Upon signing this contract, a duty of loyalty and faithfulness is owed to the buyer by the buyer's agent.

Seller Agency: A seller broker/agent is an agent of the seller (not the buyer) and owes duties of loyalty and faithfulness to the seller. All agents are, by default, seller's agents.

Designated Agency: A form of Multiple Representation where both a buyer's agent and listing agent work for the same broker/company. Unlike previous agency law, a buyer's broker can work for the buyer's best interest even if property is listed with an agent from the same broker/owner.

Amendment: Used to change the offer after an accepted offer and must be signed by all parties.

Notice: Signed by buyers waiving contingencies.

Gap Insurance: From the time the title company conducts its search to the time the deed with our name on it is recorded is called the "Gap" period. This insurance prevents the seller from taking out any liens against the property in this period.

Earnest Money: Can be thought of as a deposit, which at closing, is applied to the purchase price. Typically 1-2% of the purchase price is delivered to the listing agent's trust account within 3 days of an accepted offer.

- What happens to the money if the transaction does not close? A real estate attorney should be consulted.



Agency Discussion

Why use a Buyer's Agent?

A home is one of your most important investments. A Buyer's Agent can be one of your most valuable resources.

Buying real estate is a complex matter. No two properties are the same, and no two transactions are alike. Contract terms, financing options, inspection requirements, and closing costs can be confusing. To navigate the maze of financing, inspections, pricing and negotiation, it makes sense to work with a professional.

Most people don't realize, however, that without a Buyer Agency Agreement, all agents MUST work for the SELLER. Here are some of the ways the Buyer Agency Agreement can give you the edge in the process of buying real estate:

- ◆ Protect the buyer from overpaying and undesirable contingencies.
- ◆ Give the buyer a “professional, third party negotiator.”
- ◆ Expand the buyer's marketplace and their choices.
- ◆ Give the buyer information and advice with respect to their real estate.

When the buyer's agency agreement is signed, buyers have a choice of

- ◆ Home Performance with Energy star evaluation \$300 value
- ◆ Solar Site Assessment \$275
- ◆ Community Car Basic Membership \$200
- ◆ Eco-Lawn Care 2 months \$200
- ◆ Donation to Sierra Club \$200

Pre-Qualifying/Approval

Pre-Qualifying-A lender takes some information from you and estimates if they will be able to lend to you, as well as how much you are a qualified for. Knowing your ability to finance can save the heartache you may suffer if you fall in love with a home that you cannot afford. On the other hand, purchasing a home you can afford can be your stepping stone to getting the home of your dreams.

Pre-Approval-Your home lenders can pre-approve the amount of loan you qualify for and provide you with a letter of commitment which can prove to be an invaluable tool when negotiating the purchase price of your home.

If you choose to use a lender I haven't met, please provide me all the contact information immediately. On occasion sellers may require the pre-approval letter be sent with your offer.

If you don't already have a mortgage lender that you want to work with, a great place to start is:

Christian Gridley

President

American Home Bank

608-833-3838

Cgridley@bankahb.com

Kelli Ezzell

Mortgage Loan Officer

USBank

608-834-2927

Kelli.Ezzell@usbank.com

Jessica Duren

Loan Officer

Home Savings Bank

608-282-6173

Jduren@home-savings.com



Searching for the Right Home

These questions will help me find the best property/home for you!

Identifying the property (Need/Want Analysis)

Need

Want

Location/School District

Bedrooms

#Baths

Square Footage

Why are you buying?

When do you have to move? Why

Do you have to sell first or wait for a lease to end?

Are you working with a lender? Are you pre-qualified?

What is your price range?

Maximum?

Monthly Payment?

In not pre-qualified, how did you come up with these figures?

Are you capable of renovating the home you move into?

Do you have any barrier free requirements?

What are good times to see properties?

Location

What kind of setting do you want your home to be in? Downtown/suburbs/New construction

Where is your most desirable neighborhood/community?

Is there a school district you must have?

Do you need to be near anything? Bus stop/work/shopping/schools/Beltline



Searching for the Right Home

Interior

Does the type of heat source matter? Forced heat/radiant heat/heat pump/boiler

Will you consider houses without central A/C?

Is there anything on the interior I should look for? Fireplace/skylights

Does the type of floors matter? Hardwood/Carpet

Does it matter if some of the square footage is in the basement?

Exterior

Is there a style of home that your prefer? Is there a style of home you would not live in?

How many garage spaces do you want? Attached/Detached?

What kind of lot do you want? Small/large/fenced

Is there anything on the exterior that I should look for? Porch/Shed/Pool/Hot tub/Solar Window for solar panels

The four most important criteria for a new home:

- 1.
- 2.
- 3.
- 4.

Searching for the Property

MLS- I will take what we learned from your needs and wants discussion and questionnaire to search the Multiple Listing Service and set you up in a automatic notification system that sends you an email the second a new listing 'hits the market.'

Open Houses- Driving your desired neighborhoods and attending open houses is a great way to discover houses. Please, Please, Please: Make sure that you identify to the agent holding the open house that you are working with me. They need to know you are already represented. If you write an offer with that agent, your best interest may be overlooked-- s/he is works for the seller!

Procuring Cause- Most buyer agents are paid by the seller as part of the MLS OFFER. However, if you contact another agent (i.e. the LISTING AGENT whose name appears on the street sign) or don't tell the agent at an open house that you are working with me, you may be jeopardizing the ability for us to collect from the seller.

Viewing the Property- Generally we will set one hour time periods for each of 3 to 5 properties that best fit your needs and wants. Most sellers will not be home during our visit and encourage us to 'feel at home'.

Negotiation

After deciding on the property that you like, we will write the Offer to Purchase

Some of the key decisions that we will include in the offer are:

- ◆ Purchase price
- ◆ Earnest money
- ◆ Items to include in purchase price (kitchen appliances, washer, dryer, pool table, etc)
- ◆ Date of closing
- ◆ Testing (radon, lead paint, etc)

After presenting the offer the seller has one of three options:

1. Accept the offer
2. Submit a counter offer
3. Decline the offer without countering/let expire

If the seller submits a counter offer, we have to decide whether we still want the house under the new terms. If we sign the counter offer, then we have an accepted offer.

Please be aware that testing for issues like radon is not covered by the standard inspection contingency and if you desire to conduct testing we will need to draft another addendum.

- **Radon** is the invisible, radioactive mono-atomic gas that results from radioactive decay of some forms of uranium that may be found in rock formations beneath buildings or in certain building materials themselves ASTM E-2121 is standard for reducing radon in homes as far as practicable below 4 picocuries per liter (pCi/L) in indoor air.

Post Acceptance Activities

Items that need to be completed after an Accepted Offer.

1. Turn in earnest money
 2. Start formal loan process
 3. Set up inspection
 4. Find homeowners insurance
 5. Change utilities to your name
1. Write check out to the listing agent's trust fund. For example if the listing agent was from First Weber Group you would make the check payable to "First Weber Group Trust Fund."
 2. Once the offer is accepted, the lender should be contracted and told to start the formal loan process. We have between 21-45 days for the lender to work with and to deliver a loan commitment to the seller.
 3. We have a 7-14 day period to inspect the home and decide if we are satisfied with the condition of the house. All houses will have defects. With the advice of our home inspector we need to decide if the defects are major defects or minor defects. For our purposes a major defect falls into one of two categories: large dollar or safety concern. All other defects are considered minor defects.

We have two recourses when we find defects, Amendment and Notice.

Our first and best option is to see if we can satisfy our concerns with an **Amendment**. If we file an amendment we need the seller to agree to fix or compensate us for any defects. NOTE: if the seller doesn't agree to sign the amendment, then the inspection contingency is still on the clock and will expire in the ten days.

Our second option is to file a **Notice of Defect**. This should only be done if there are major defects ("Deal Breakers") and if the inspection contingency is about to expire. With a notice we can extend our inspection contingency unilaterally. However, this "opens a can of worms"; once notice is filed all the seller has to do to revoke the whole offer is to provide us written notice.



Inspection

Home Inspection Guide for Buyers

Home inspections are an important component of your real estate transaction. It provides peace of mind, whether you are looking for a previously owned house or a newly constructed home. It provides insight into the condition of the home you are buying.

A home inspection is a visual examination of the house and property, and when done by a qualified professional will include:

A thorough visual inspection of the structure (inside and out, from roof to foundation)

An examination of all major systems

An objective evaluation of the condition of more than 400 items

A report covering all findings and identifying potential concerns

Who Needs a Home Inspection?

You do, if you are preparing to purchase a new home. A home inspection can help you avoid costly and avoidable mistakes and provide peace of mind. It will help you identify the home that is right for you, and alert you to potential concerns prior to closing the transaction. It will also teach you about your home and its operating systems.

What is a Home Inspection?

A home inspection is a thorough visual examination of the home and property. It usually takes 2-3 hours depending on the size of the home and number of components. The inspector will observe, and where appropriate, operate the plumbing, heating, air conditioning, electrical and appliance systems, as well as structural components: roof, foundation, basement, exterior, and interior walls, chimney, doors and windows.

A professional inspector will look at approximately 1000 checkpoints and 400 items around the home. The results of the inspections should be provided to you in a detailed report. It should be an objective evaluation of the home's condition and define any defects that may be costly to repair.

What a home inspection is not:

A home inspection differs from an appraisal. An appraiser is hired by the bank to perform an analysis on the value of home and property as compared to other similar properties in the neighborhood and the mortgage loan or mortgage insurance. Appraisals do not list defects or note potential problems in the home.



Inspection

A home inspection is not a warranty. Because of the visual nature of the home inspection, it is not technically exhaustive. Mechanical devices and systems can fail at any time. However, there are home warranty programs available to complement your home inspection and protect you from unforeseen system failures due to normal wear and tear. See www.uhpwarranty.com for more information on home warranties.

A home inspection does not detect every potential flaw. Your inspector should be diligent in reviewing all areas that are visible but he cannot see through the foundation, floors and walls. Nor can he inspect areas or items that are inaccessible. The seller's furniture, pictures, and personal items would not be displaced for inspection of home.

WHEN DO YOU SCHEDULE THE INSPECTION?

As soon as you receive your accepted offer to purchase it is time to look for a professional and reputable home inspector. Your offer to purchase contract should have a window of time (commonly 7-14 days) written into it that allows you the right to have a home inspection company perform a complete general home inspection.

IS IT IMPORTANT TO BE AT THE INSPECTION?

It is important that you, as the buyer, attend the inspection. During the inspection you will:

- ◆ See the condition of major components throughout the home and property and have a better understanding of your home and the report.
- ◆ Completely understand the findings, which may appear overwhelming or distressing in the inspection report but may actually be superficial. For example: a moisture stain in paper caused by a remedied problem may be painted.
- ◆ Have all your questions and concerns addressed immediately as they arise.

Prior to the inspection, make a list of questions and concerns about the property. Make sure you tell the inspector so that these areas can be given special attention and you have time to discuss any findings.

CHOOSING A HOME INSPECTOR

These are some helpful questions (with possible answers) when looking for a home inspection company:

Do you follow industry standards? The State of Wisconsin regulations follow 1999 ASHI standards.

Are you willing to supply me with a sample report? Reports should show detailed explanation regarding inspection issues; some reports are checklists or hand written and may be difficult to read.

Are you a full time home inspector? A full time home inspector is devoting all his effort into staying current on building standards and giving the buyer his full attention.



Inspection

What other home services do you offer?

Additional services (such as Radon Testing, Water Testing, Carbon Monoxide Testing, Weatherization, Well and Septic) may be important for your purchase.

May I attend the inspection?

You should be able to attend inspection or don't hire.

How much time with the inspection last?

Depending on the condition of the property and the buyers questions it should take about 2.5 - 3 hours.

When will the report be ready?

Reports vary from on-site distribution to 48 hours. Know your time contingency for the information provided in your home inspection.

Do you perform repairs on the items you inspect?

The State of Wisconsin requires that the inspection company notify you at the time of booking your inspection if they also provide repair services.

What will I receive with the inspection report?

Binders, maintenance, manuals, seasonal checklists, videos, consulting services, coupons may be offered with your inspection services.

What will be inspected?

The inspector will review the property from the roof to the foundation looking for structural, mechanical, health and safety issues. The inspector will also educate you on the maintenance of your future property.

How much will the service cost?

Inspection fees vary greatly depending on the type of property and services provided. You should budget around \$270-350 for an average home

Keep in mind; that a home purchase is one of the largest long-term investments of your life. It is your best interest to know as much as possible about your prospective purchase. By identifying existing or potential areas of concern, an inspection report will help secure your investment, avoid post-closing surprises , and provide you with peace of mind.

Tips provided by Lynette and Michael Gebben
Owners/Inspectors AmeriSpec Home Inspection Services



Post Acceptance Activities

4. Home Inspection: inspector recommendations:

Jon Weiss - Accredited Home Inspections. (608) 233-5555,
m (608) 235-9671, or email accredited@charter.net.

Mark Kanvik -Nook & Cranny Home Inspections. (608) 838-6605
or email Kanvik@terracom.net

Don Robbins - Home Spec. (608) 255-5557 m (608) 275-8273 or
email donrobbins@homespec.net

5. Homeowners insurance. Let me know if you need recommendations
for this.

6. Contact the Utility companies and change the billing name. Here are
some of the numbers

Water

Madison 266-4641
Fitchburg 270-4270
Middleton 827-1070
Cross Plains 798-3241
Deforest 846-6752
McFarland 838-7287
Sun Prairie 837-3050
Verona 845-6695

Telephone

SBC 800-924-1000
AT&T 877-547-4944
TDS 800-856-9918

Gas and Electric

MG&E 252-7222
Alliant 800-862-6222

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14



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Closing

Closing--What to bring:

- ◆ Cashiers check in the amount of down payment (ask your lender)
- ◆ Personal check book, just in case
- ◆ Driver's license or passport

Closing is when ownership of your home is officially transferred from the seller to you. Sometimes sellers will pay closing costs. If not, be prepared to pay an additional two to five percent of the home purchase price. Most closing costs are dictated by the type of loan received and will be spelled out in the “Truth in Lending” disclosure given to the buyer after a formal loan application has been filed. Closing costs can be generalized in three categories:

1. **The cost of borrowing money:** This includes 'discount points,' a one-time charge to adjust the yield on the loan to what market conditions demand. Each point equals one percent of the mortgage amount; for example, 2 ½ points on a \$100,000 mortgage would cost \$2,500.
2. **The costs of establishing a loan:** This includes loan origination fee, appraisal fee and cost of credit reports. Premiums for hazard and mortgage insurance are usually paid at closing. Also, prepaid interest will be collected for the period between closing and the end of the purchase month.
3. **The costs of document preparation:** Title insurance costs pay for the search of public records to determine if the property is free from any other ownership or liens. Recording and transfer fees cover the legal recording of deed with governmental agencies as well as the transfer of taxes.

All closing costs will be reflected on the Closing Statement or HUD Statement.

Post-closing activities:

- ◆ Keep closing statements for your tax adviser.
- ◆ Watch in mail for your deed, it kind of looks like junk mail.

Resume

Education

- ◆ University of Wisconsin-Madison with degrees in Real Estate and Accounting
- ◆ Madison West High School
- ◆ Broker's License 2008; Sales Person's 2003

Special Training Courses

- ◆ JD Real Estate Mentor Program
- ◆ Power Negotiation Part I and II.
- ◆ Eco-Broker workshop,
- ◆ Bill Kessler's Sales Academy,
- ◆ Create 21, Jo Evan's Agent Training

Experience

- ◆ 5+ years experience as a full time Madison Realtor, participating in 100+ Real Estate transactions.
- ◆ Worked as an analyst/accountant for a large private equity Real Estate Investor.

Memberships

- ◆ Certified Solar Site Assessor
- ◆ MREA
- ◆ Home Performance with Energy Star
- ◆ Sierra Club
- ◆ Community Car
- ◆ Madison Magnet