Opportunity Knocks:
Everything You Need to Know
About Buying or Selling Your Home

By Julie Hayward

About this book

"To give real service, you must add something which cannot be bought or measured with money, and that is sincerity and integrity." –Douglas Adams, author

Like many other people, I got into real estate when the market was booming in the early 2000s. I got my start in commercial real estate. After the market turned in 2008, my husband, a real estate attorney, began assisting his real estate clients in other areas of law such as bankruptcy. As his business in this area of practice grew, he needed help and I jumped in. I began working more and more with short sales—and I found I enjoyed the complexities of the transactions and the experience of helping people rebuild their lives. I gave hope where hope was needed and usually found a way, even in the strangest of circumstances, to satisfy all parties involved. As the market has changed, I now work with all types of clients.

The real estate business has changed over the years, thanks to the Internet, with buyers and sellers having access to far more information than ever before—and so value as an agent has changed. We no longer hold all the information on which properties are for sale, what their specifications are, and who the competition is. Most information is readily available online, even if it is not always accurate. And, clients do much more research before contacting agents (or even while working with them) than ever before. Therefore, in today's market, it is important to find an agent that not only has passion for the business but can also enhance the client's experience and support the tools that are readily available to them online. Making the buying and selling process easy, enjoyable, and providing information and knowledge is where agents contribute value. I save buyers and sellers time and money in the long run with my expertise and guidance.

I look forward to guiding you through the buying and selling process and passing my experiences and knowledge on to you.

It's my hope that my knowledge empowers you to close a successful real estate transaction and saves you money. Yet, you may not be interested in the "do-it-yourself" approach, but are seeking information to prepare your home for sale or to guide you through the copious paperwork involved in real estate transactions. In that case, I hope this book serves you well.

About the author

Julie Hayward specializes in the resale of residential properties in the distressed and luxury markets. She has extensive experience in working directly with buyers and sellers in the acquisition and disposition of their properties. Additionally, she works closely with asset managers, sellers, and foreclosure defense attorneys for single and multi-family properties placed in foreclosure. She has closed over $315 million in commercial and residential real estate transactions over the course of her career and has negotiation experience in working with such lenders such as Fannie Mae, Bank of America, CitiMortgage, Wells Fargo, HUD, and Chase, among others.

She earned a bachelor's degree from Illinois State University and then participated in Harvard Business School's Management Certification Program. She is the former Managing Broker/Owner of Edge Realty and a certified specialist in REO and bank-owned properties. Currently she runs the Hayward Home Group at Keller Williams Realty Infinity where she serves as the Team Leader & Listing Specialist.

Table of Contents

Chapter One:
Real Estate Q&A: An Interview with Julie

Julie shares insights into the current market, demystifies the best time of year to buy or sell a home, and gives some simple tips to increase curb appeal.

What motivated you to get into real estate—and how has that motivation changed over the years?

I was always interested in the development of communities as well as historical architecture. I found myself utterly fascinated by the complexities of deals that may not otherwise have occurred if it wasn't for the parties involved. Plus, if you're successful, the financial upside is a great bonus. More millionaires are made in real estate than any other industry!

What is your outlook on the current market?

Over the last 10 years the market has changed significantly. We experienced the housing bubble, where prices and growth were some of the highest we've ever seen. In 2004, 69% of Americans were homeowners, a percentage that represented an all-time high in ownership. But because of irrational exuberance (the term Warren Buffet coined for the practice of offering irrationally low interest rates at high levels of approval for those with low credit scores and lax lending standards), nearly 1 million of those American homeowners went into foreclosure.

Now we are in the process of returning to pre-recession prices. Last year the real estate market grew by 4%--some markets more than others. Overall, home prices rose in 236 out of 276 markets, but growth is going to continue to be a slow progression. This year the market is expected to grow by 3% (according to Kiplinger). Banks are now pushing through the foreclosures that were held up in legislation or the judicial process, and that has had an effect on prices.

Supply is also very low. This low supply results from a couple of factors. First, there is a lack of new construction. Second, some would-be sellers don’t have enough equity in their homes and are delaying putting them on the market—or are deciding to stay put. Instead of moving, they are remodeling because it’s a less-expensive option for them.

There is good news, too: Millennials are getting ready to become first-time homeowners, unemployment numbers are down, and lenders are expected to ease some credit standards for GSE-eligible and government loans. We are also starting to see a rise in new construction. All of these factors combined will help the market grow.

If I am a buyer, when is the best time to buy?
That depends. While most people think spring is the best time to buy, it is actually the busiest time. More houses come on the market in spring, and buyers ramp up around mid-May. Inventory peaks in July. But, because of the cycle and the number of buyers on the market, prices are also higher in the spring. So you may have more of a selection during the spring season, but you may end up paying more. If you have a timing issue, such as moving during the summer so kids can start a new school in the fall, then spring may be the best time for you because you can move and get your family settled before school starts.

If you’re looking for a real deal and you have no timing constraints, you may want to consider looking in the winter. Prices are lower but keep in mind that there is also less inventory. That low inventory can increase the time you spend looking for a home, but it only takes one house to be the right house for you. That magic moment can come at any time of year.

When is the best time to sell?
We just finished talking through timing for buyers. The situation is the reverse for sellers. Inventory is higher in the spring in the Midwest, but so is the demand since there are more buyers. There are more buyers in spring and summer because it's the most convenient time to move. It seems counterintuitive, since in other markets higher demand and higher inventory equals lower prices, but not in the housing market. Housing prices are highest in high season, when the greatest number are listed and there are more buyers on the market. It's like shopping for decorations during the holidays: prices are higher but more people are also buying. Fewer people buy decorations after the holidays. If you do, you get a great deal.

Valuations are also higher. Appraisers use comparable properties that recently sold in the area to determine value. The houses they use as comparables have just sold during the high season, and so those prices are higher than at other times of year. If the most recent data available is during the winter, the homes will sell for less and the value will be less. However, if you need to sell in the winter, inventory nationally is only about 25% less in December than it is in July. But even a home in a hot area can create a bidding war in the middle of winter, so you have to calculate what's right for you and what best matches your goals as a buyer or seller.

What are some easy and inexpensive ways to get your home ready to sell?
A clean home makes for great photos and strong buyer appeal. Start by cleaning and decluttering the space. Clear countertops

and dressers, remove furniture from rooms to make them appear more spacious, clean your windows to let in more light, and replace lightbulbs. Also depersonalize and limit picture frames to one or two. The potential buyer has to be able to envision living in the space, which is hard to do if your wall is covered in family photos. He or she will feel like more of an intruder rather than getting excited about the space.

Flowers add an elegant touch. Fresh flowers on the kitchen countertop or on a side table will also make the room smell good. You might consider planting flowers outside and cutting the lawn on an angle to add charm and curb appeal. If buyers love the outside, they will want to see the inside. Yellow also sells, so if you can, add a pop of color with yellow flowers!

If your home could use some updating but you don’t want to break the bank, consider painting rooms, putting new hardware on kitchen and bathroom drawers or cabinets, and changing out a light fixture. You’ll want to keep your color palette neutral. Bold colors can turn off potential buyers; buyers may get stuck on whether the colors match their existing décor or furniture. All of the above will give a quick update and won’t be as time-intensive or expensive as renovations.

If I’m thinking about buying or selling, why should I use an agent?

Simply put, we’re able to get greater value for a home and simplify the process of selling it, from marketing through showings through closing. According to a study done by the National Association of Realtors, sellers that used an agent sold for 28% more than those that didn’t. Part of the reason is those homes were appropriately priced, nicely staged, and marketed well. We agents are trained in those areas. Since we practice those activities daily, we are more skilled than the average homeowner who may only sell a few homes during their lifetime.

We also provide clients with the most current market information, which allows us to get the highest value per square foot and make a strong offer. Since we have relationships with other agents and lenders, this provides us with better access to homes and more in-depth knowledge on the best financing programs than most homeowners.

Lastly, we work for you. We simplify the process, since we coordinate all showings, know which documents are needed and prepare them for you, as well as use proven, effective negotiating strategies. We are able to get you the best deal on an existing or new home and save you time and money in the long run.

Chapter Two:
Julie's Top Ten Secrets for Selling Your Home

Do you want your home to look like a model home? These are my top ten strategies to maximize the number of people who will be interested in your home. Why does that matter? The more interest, the more buyers, and the better chance your home will sell quickly—at the best possible price!

Secret #1: Price it right

Price sells a home faster than any other factor. If a listing price is set higher than 5% above market, buyers are discouraged. As these buyers look around your house, they know they can get more elsewhere. Even if you lower your price, they may not come back for a second look.

Secret #2: Make your house move-in ready

After price, buyers' next priority is a house that's move-in ready. Get rid of the clutter, make it Q-tip clean, and refurbish where needed. Elbow grease can be just as effective as cash. Good investments include: shampooing the carpet, polishing the floor, replacing existing light bulbs with high-wattage ones, opening curtains, oiling hinges, cleaning windows, and polishing. My other tips: use bagged limestone to remove damp odors, clean stained porcelain with hydrogen peroxide mixed with cream of tartar, and use soap scum remover on ceramic tile. A clean home will show better and your light fixtures will sparkle like jewelry! Nothing makes a buyer feel happier.

Secret #3: Pay attention to curb appeal

You have only one chance to make a first impression, right? The outside provides the first impression buyers have of your home. If they fall in love with the outside, they will want to see the inside. If a buyer isn't immediately drawn from the outside, chances are that negative first impression will not be counteracted by the perfect floor plan or interior décor. Spruce up the outside by keeping the lawn mowed and shrubs trimmed. Make sure shutters are straight and blinds are at the same height across the front of the home for uniform appearance. Clean or paint the front door and mailbox. Make sure windows are clean and walkways are clear. Put away garbage cans, garden hoses and lawn ornaments. You may love your gnomes but the buyer may not.

Secret #4: Brighten décor

Consider updating walls with fresh paint in neutral colors. Neutrals are less likely to clash with other people's furniture and accessories. This is probably your best dollar-for-dollar investment in selling a home. Also, think about replacing the carpet. A buyer can steam-clean an old or stained carpet but new carpeting can make a big difference and offer you a nice return on investment. The home will also smell like new.

Secret #5: 3 "focus" rooms

The kitchen, master bedroom, and garage are the three most-inspected areas in the home. To prepare the kitchen, clear counters and cabinets. Yes, buyers will look in your cabinets, pantry, and refrigerators. Some buyers may judge the whole house on the cleanliness of the appliances. Create spaciousness in the master bedroom by removing or moving furniture. Clear the closets of unused or seasonal clothes to make them appear larger. Get the junk out of the garage. It too will appear larger and allay concerns that there is enough room for cars and storage.

Secret #6: Accent strategically

Add charm and a welcoming touch with color and fragrance. Depending of the time of year, seasonal potted flowers by the front door, fresh cut flowers, a wreath on the front door, or birch wood in the fireplace helps to set the stage. You want the buyer to be able to envision living in the space. Add potpourri, cinnamon sticks in the oven, (be sure to turn it off just before showing) and placing candles on electric warmers to give a warm fuzzy feeling. Lemon is said to entice buyers to buy, so consider running a lemon through the garbage disposal just before showings.

Secret #7: Be open to various financing options

The more buyers who can afford your property, the better, and quicker you'll sell it. Consider FHA or VA financing, paying closing costs, points, offering a decorator's allowance, a price reduction, or seller financing. Flexibility may give you an edge over the competition.

Secret #8: Work as a team

Tell your agent what you love about your home and neighborhood to provide him or her additional selling points so this can be communicated to buyers and buyer's agents. In return, the agent will provide you feedback from prospective buyers to ensure the home is at its maximum marketability.

Secret #9: Know how to show

During showings and open houses, you should plan to be away from the home. Statistically buyers spend more time in a property when the owner is not present. The more time a buyer spends in the property, the better chance at an offer. You want buyers looking at the home, not socializing with you or leaving early because they feel uncomfortable. Also, be sure to secure pets, as some people may be afraid or allergic. Set the mood by putting on soft music and turn all lights on. You want the home to appear bright and inviting.

Secret #10: Time is of the essence when negotiating and accepting an offer

Reply as soon as possible. When buyers make an offer, they are in the mood to buy. Don't let too much time pass—you don't want them to experience buyer's remorse. Be positive and flexible in negotiations. After all, you both have the same goal: a closed transaction. It can be challenging and even fun. Leave the details up to us. That's what we're trained to do!

Chapter Three:
Julie's 5 Tips for Sellers
Things that make or break your sale

Tip #1: Take your first buyer seriously
Ninety percent of the time, the first buyer is the best buyer. Real estate agents everywhere will tell you the same. The buyer who makes the first offer is highly motivated and ready to do business, That is why they are quick to the plate. The first offer might be lower than you'd like, but consider it a starting point and move on to negotiations

You can hold off in hopes of better offers, but you may risk sitting on the market too long and those offers may never come. Then the property will grow stale. Three months later, the seller will end up taking 5 percent less than the first offer they received. By this time, that first buyer has already bought the next house on the list, because they were motivated to buy a house. The seller is left kicking himself or herself and settling for a lower price.

Tip #2: Don't offer a credit at closing instead of doing repairs
Does the back deck need refinishing? Do you have a faucet that leaks or a cracked window? Invest the time and money necessary to make your home as move-in ready as possible before putting it on the market.

The average buyer doesn't really want to deal with repairs after they close. When they discover faults, they will want a discount from the purchase price, or credits at closing. These amounts are often far more than it would cost to fix yourself. If you do the repairs beforehand, you control the money spent on repairs and the price. You will also spend less time going back and forth in how much the repairs are going to cost and if the repairs you propose are up to the buyer's standards. Thus, the property will sell faster, you will put more money in your pocket, and you will save yourself the hassle.

The $500 or so you invest in a plumber or electrician before you put the home on the market could save up to $5,000. This will spare you requests for credits at closing and eliminate the headache of running around to get multiple bids for projects in order to find a "fair price."

Tip #3: Don't make highly personal changes to your home.
Recently, a seller I worked with in Chicago painted her bathroom red so her house would stand out. It stood out so much that buyers that didn't like the color and passed on the house. Think carefully about changes you make to differentiate or improve the home. Changes should be neutral in color and style to accommodate any buyer's décor. Most buyers add their own personal touches to the home after they close anyway. Your attempt to accomplish this for them is a losing battle. Trying to convince a buyer they like blue when they really like red is like trying to convince your four-year old they like vanilla ice cream when they really like chocolate. Not likely.

Tip #4: Don't overprice the home
When you price your home too high, you're not fooling anyone. Buyers have done their research and know the comps in your neighborhood. If they don't, their agent does. If your asking price is too high, your home may not sell as quickly. The longer it sits on the market, the more stigmatized it becomes. Buyers start to think something may be wrong with it since it's been sitting on the market for so long, and they move on. You may end up reducing the price multiple times to generate interest. If you price the home right from the beginning, the final sale price will be higher than if you'd priced it too high from the beginning and you will sell faster. You'll also have saved yourself months of frustration, mortgage payments, and property taxes.

Tip #5: Don't make your home difficult to show
Ninety percent of buyers are shopping online. If your home is priced right and the online pictures are good, chances are you could get showing requests within hours of listing the property. A serious seller must be flexible and make the home easy to show to potential buyers. This means accommodating the showing requests, agreeing to broker tours, open houses, and

schedule interruptions. If it is difficult for the buyer to make an appointment or showing times are narrow, they may give up easily and move on. This also can send the message you aren't serious about selling.

Once your home is listed, you should plan to show within 24 hours if requested. If you have young children or pets, work from home, are going on vacation, or any other restriction that may make showing a challenge, plan specific showing times so buyers know to request the best times.

Chapter Four:
Choose Wisely: Common Mistakes Sellers Make When Choosing an Agent

Selling a home should be similar to other business transactions, but often sellers make emotional, impulsive decisions that cost them time and money. Here are the most common mistakes:

"I have a friend or family member in real estate."
Friendship isn't enough to establish good credentials. Use high standards when hiring an agent, just as you would if you were hiring an attorney or a doctor. Does your friend or family member practice full-time? If they are only doing a few transactions a year, they may not fully understand the market and trends or have the experience necessary to appropriately serve you. They also may not have the time if they do it part-time and have another job. If you have an issue and can't get a hold of your friend because they are busy working at their "real job," you are going to be frustrated. If a problem arises while selling your home, you can risk damaging your relationship or have a hard decision to make, such as deciding to fire your friend or risk losing money by not firing them.

"You're the only agent that agrees with me on the asking price."

Some agents will tell you what you want to hear to try to win your business. When several agents disagree with your asking price, and you finally find one who does, you need to rethink it. You may feel someone is finally on your team, but that team will quickly fall apart if your price is too high, since showing activity will be low, if any, and the home will sit on the market for a long time if not priced correctly—and ultimately not sell.

Then, when you finally drop the price to the appropriate value, your house becomes stigmatized and buyers believe something must be wrong with it. Offers will come in lower and you may find yourself accepting a price lower than what you could have received had the price been properly priced when it first went on the market. Pricing a property too high will only make your competition look that much better

"I'm going to list with the agent that charges the lowest commission."

You get what you pay for. Paying a low commission will often get you a sign in the yard and your listing in the Multiple Listing Service, but little additional marketing or effort from your agent. Real estate companies and agents put up their own funds to market and advertise your property. Marketing and advertising costs money, so the lower the commission, the less incentive an agent has to put up their own money to market your home and expend the extra effort necessary to get it sold.

Incentive is an important component in sales. A full-service agent earning a full commission will often drop everything to deal with issues and make sure you are a happy customer. For an agent earning a small commission, your home will not be priority.

Incentive is also important to the buyer’s agent, so be sure to offer a fair commission to that side as well since there are almost always two agents involved in every sale. One agent is the listing agent and the other is the buyer’s agent. If a listing agent drops their commission, did they also drop the commission paid to the buyers’ agent? If that’s the case, you won’t find as many agents willing to show your house. Instead they’ll be showing the neighbor’s house that does offer a fair commission to the buyer’s agent.

Finally, negotiating is an important skill for a listing agent. You want a strong negotiator on your case. It’s actually a good thing when the agent doesn’t drop the commission at the drop of a hat and instead negotiates it! Think about that skill being used in your favor for the sale of your home and putting money in your pocket!

Chapter Five:
Five Reasons to Own Rather than Rent

When you’re considering whether you’re ready to make the investment of a home purchase, you have to take into account many things. Sometimes, buyers are tempted to continue renting rather than make a purchase. If you’re in this camp, then this section is especially for you. Here are five great reasons to own a home rather than rent.

Reason #1: Tax benefits
The tax code lets you deduct interest paid on the mortgage, property taxes, and some costs involved when purchasing a home. When you rent, you miss out on those deductions.

Reason #2: Your investment appreciates

Historically, real estate has gained long-term, stable growth. According to the National Association of Realtors, home sale prices have increased 5.2% per year from 1972 through 2014. That's over 30 years of growth. If you're looking for a good long-term investment, real estate provides it. The housing crisis created concern regarding the long-term value of real estate, but even in the last decade, overall values still increased by 7.0%. Additionally, with the coming-of-age of millennials, the number of households is expected to rise 10 to 15% over the next ten years. This increase will create continued demand for housing.

Reason #3: Build equity

Mortgage payments let you build equity. The payments you make go towards building equity. When you pay rent, you help someone else build equity. Think of it as a built-in savings plan. And, when you sell, you can take up to $250,000 for an individual and $500,000 for a married couple as a gain without paying income tax on it.

Reason #4: Lower monthly payments over time

Rent payments go up. With a fixed-rate mortgage, payments don't rise over the years. So your payments may actually decline over time when you consider them as a percentage of rising income. Investors that own rental properties often increase monthly rents, on average, 5% per year. Keep in mind that property taxes and insurance costs will likely increase but that the monthly mortgage payment will stay the same. That's a clear advantage.

Reason #5: Ownership provides freedom and stability

It can be so liberating and satisfying to own your home. The home is yours to decorate however you like and you may add upgrades, additions, or make other changes. You can also make alterations as your lifestyle, preferences, or needs, such as a growing family, change—without having to request permission (unless it's work that requires a permit, of course). Remaining in the same area for several years also provides social benefits, such as building long-lasting relationships with neighbors and others in the community. If you have kids, they also gain the benefit of that educational and social continuity. Plus, you don't have to worry that your landlord may decide to sell and not renew your lease. If that happens, you have to house-hunt, pay moving costs, and deal with the hassle. Your next home may not be as close to work, school, shopping, etc. Owning a home provides that stability.

Chapter Six:
The Buying Process: Q&A with Julie

In this section, I provide guidance through some of the common concerns and steps in buying a home, as well as other considerations you should know about when actively in the process of shopping.

What are the steps in the buying process?

The first step is to get pre-approved. A pre-approval, unlike a pre-qualification, will allow you to put an offer on a home right away. Most sellers want the pre-approval letter or proof of funds (if paying cash) submitted along with your offer to know you can get funding from the lender. A pre-qualification is more like an algorithm that uses the yearly income you verbally provide to determine how much you can afford to pay—but this calculation isn't verified by paystubs, W2's or other official means. A pre-authorization is generated based on verifiable financial data, is more accurate, and sellers take it more seriously when accepting an offer. A pre-qualification is usually just a ballpark and not an absolute, for it doesn't take into account other factors such as debt and child support and there is no verification. The pre-approval is more in-depth and verifies income, debt, and other factors that affect your ability to obtain a loan.

I strongly advise buyers to get pre-approved before shopping. If you find a home you absolutely fall in love with and later discover you can't get the loan for it, you will have wasted your time and will be very disappointed.

After I get pre-approved and I find a house I like, what happens next?
After you find a home you like, you can put an offer on it. There are strong offers and not-so-strong offers. In order to have a strong offer, you want to put earnest money down. Earnest money is like a security deposit and essentially holds the property for you. It also lets the seller know you are serious about purchasing and have skin in the game. Earnest money also holds the seller accountable to complete the transaction. Other factors that can strengthen an offer are: price, limited concession requests, no sale contingencies (the offer is contingent upon the sale of your current property), type of financing, and a quick closing date, to name a few.

What price do I offer or what price do I list at?
Your agent should show you a CMA (Comparative Market Analysis) for the property. This analysis gives you an estimated value based on similar homes that have sold in the area. If you

are a buyer, you'll want to make a fair offer and not a low-ball offer. You could offend the seller with a low offer, and they may not think you are a serious buyer. Make an offer you are comfortable with based on estimated monthly mortgage payments, similar recent home sales and asking prices, and work that may need to be completed. Your agent can and should guide you in the amount you offer.

If you are a seller, you will base your asking price on several factors: recent home sales for similar properties in the area, current asking prices for similar homes in the area, how quickly you'd like to sell and any concessions you may be willing to give in order to attract a buyer to make your home stand out from the crowd. I use a three-pronged strategy in helping sellers appropriately price their properties. Sellers choose which one is best for them based on their goals, motivations, timing, and comfort level.

Should I remodel before I put my house on the market and, if I do will I recoup my investment?

The *Remodeling Cost vs. Value Report*, produced by *Remodeling* magazine in cooperation with the National Association of REALTORS® and REALTOR® Magazine, provides estimated costs for 36 midrange or upscale home-improvement projects, along with the percentage of cost that owners can expect to recoup when they sell. The report says large-scale jobs aren't likely to return sellers their full cost. But there are improvements worth doing, since some will return almost 100%. Others may not have 100% payback, but they improve the market position of the property in relation to the competition.

As a general rule, simple low-cost projects tend to return a greater value. Projects expected to top or come close to the

100% payback in multiple markets are: entry door replacement, stone veneer, midrange and high-end garage door replacement, midrange window replacement, and minor kitchen remodels. With the exception of the kitchen job, they're all replacement projects. Upgrading or replacements usually cost less and provide larger returns than remodels or additions.

First impressions are important, so replacements that offer the largest return are the ones that are most obvious to buyers when they first view a house, either in person or online. Examples include new front door, garage doors, new windows, and stone veneers. Siding replacement also provides great value when selling. Manufactured stone veneer is also very popular right now and expected to recoup 92.2% of its cost, on average nationally.

Kitchens yield the highest return when remodeling. It is the only remodeling job that breaks into the top 10 in terms of payback. The minor kitchen remodel with a national average cost of $19,226 returns a national average payback of 79.3%.

Top 5 projects nationally in percentage of cost recouped are:

1. Entry door replacement (101.8%)
2. Manufactured stone veneer (92.2%)
3. Garage door replacement—mid-range (88.5%)
4. Siding replacement, fiber cement (84.3%)
5. Garage door replacement—upscale (82.5%)

How much sellers can expect to recoup from home improvements depends on the size and type of job, and the market they live in. Other factors also come into play, such as what updates are typical for the neighborhood and how important the improvement is to the buyer. Those aren't things you can control. While the data can't be extrapolated directly to a specific home or neighborhood, you can use the *Cost vs.*

Value Report as a guideline on whether or not improvements make sense for you before putting your house on the market.

What if I like two properties equally? Can I submit two offers at the same time?

Do not submit two simultaneous offers unless you are prepared to buy two properties. Once a seller accepts your offer, the offer becomes a legally binding contract. If both offers are accepted, you will ultimately end up breaching a contract and potentially paying thousands of dollars in legal fees, damages and penalties. So, choose the property you like best and that most closely fits your requirements. If for some reason it doesn't work out, maybe it wasn't meant to be. I promise you there will be another one right around the corner that will work for you. I've had this happen to several buyers and the second property ends up ultimately being their favorite! Sometimes life works in mysterious ways.

Here is a personal example. Years ago, my husband and I put an offer in on a property we loved but weren't too sure about the area. When things didn't work out with the property, we were initially upset, but then we found one we liked that was just as nice, yet not as big. The area was closer to work, was in a better community, and development in the area really took off, so we built a lot of equity in a short amount of time. Although the first property was bigger, it was in an up-and-coming area that never took off after the market crash of 2008. In the end, things worked out for the best—and we were thankful. We said to ourselves: "Thank God we didn't end up getting that other house. After the market crashed and no one wanted or could afford to develop around there we wouldn't have been able to sell it. Can you imagine?!" As an agent, I see this sort of result all the time.

What if I need to sell my current property first, in order to buy the next property? Do I sell first or find a property I want to buy first?

My answer depends on your comfort level. Depending on what your contract with your agent says, your home may need to be listed within 5 days of contract acceptance. Personally, I recommend listing the current property and searching for the new property simultaneously. Sellers that are also buyers need to familiarize themselves with the current market. Should they find a home they like, they should put an offer on it before it goes under contract with someone else —and, therefore, they should be prepared to list their home as soon as possible upon acceptance.

There are risks to and some stress in both approaches. If you list your current home first and quickly receive an offer but have no place to go, or don’t find something you like, you could end up living in something you may not like or in temporary housing. If you decide to buy first and then cannot sell your current home, you may lose your first choice and find yourself house-hunting again. Whatever you decide, be sure to take a look at the market first and know the range that homes are selling for in the areas you like as well as the value of your current home. You want to base your decisions on facts and realistic expectations in such an emotional decision. Doing so will make everything go a lot more smoothly. You can do everything right and there still may be an issue or two, but planning in advance will help you prepare.

After I submit an offer, what happens next?

The seller will accept, reject, or counter the offer. Sometimes this process will go back and forth several times until both parties come to terms. Once both parties accept and the contract is signed, depending on what your contract says, there is usually an attorney review period. In my particular market this period is five business days. During this time, buyers have five days to conduct a home inspection. After the inspection report comes back, the buyer, agent and attorney work together to arrange for repairs or credits to be made. If the buyer and seller cannot come to terms on this, the contract may become null and void.

Can I change my mind on the contract and decide not to purchase the property?
You can but there may be penalties depending on the terms of the contract. The contract is usually contingent on certain parameters being met, such as financing. If these parameters are not met, the contract can be cancelled without penalty. If a buyer or seller meets all the contingencies but decides not to proceed with the sale, they will be in breach of contract. In this case, the breaching party may be liable for damages, costing them their earnest money as well as additional penalties or damages.

After the home inspection is completed, what happens next?
After the inspection is complete, if you are financing, the bank will order an appraisal. Once the appraisal is done on the property and the value comes back, the loan will go to processing and then underwriting. If the value of the appraisal comes back higher than the loan amount, the bank can decide to issue the loan for up to the value and the buyer may have to cover the difference out of pocket.

This reason is why you need to be careful and not overbid for a property. If you decide to offer more than it's worth, you may be stuck with the difference and if you're unable to pay, you will lose the house. Once the loan process has been completed, a HUD will be issued prior to closing. This document will be supplied by the lender and will show all costs for closing. Your attorney will then schedule the closing date and time within several days after the lender has clea to close.

I just bought new construction and I was hoping the appraisal value would come back higher. The developer told me that, with the upgrades, the house is worth $350,00,0 but the appraisal came back at $299,000. Should I be worried?

No, an appraisal and Comparative Market Analysis are ways to determine value. They are similar but differ in the aspect of what the market will bear. Appraisals use formulas that include algorithms for replacement cost, whereas CMAs look at similar homes and asking and sold prices. An appraisal isn't always indicative of what a home can and does sell for, those these two amounts are generally within 25% of each other.

Historically real estate values maintain a steady increase over time. The housing crisis created concern regarding the long-term value of real estate, but even in the last decade, overall values still increased by 7.0%. So, depending on how long you want to live in the home, the chances are good that when you do the next appraisal, you'll get the numbers you were hoping for whether you stay or move.

Where do I go for the closing?

The closing will usually take place at the title company's office. Before closing, you should transfer utilities, forward mail, and arrange movers. A day prior to closing or the day of closing, you should conduct a final walkthrough with your agent. The purpose is to make sure the property is in the same condition it was when you first made the offer. Closing usually only takes a few hours and you will sign several documents to consummate the deal. Then you get the keys!

What should I do and look for in the final walkthrough?
Here is a brief checklist on things you should look for and do:
1. Make sure all windows and doors (including garage) open and close
2. Look up (ceiling) and down (flooring) Look for any cracks, scratches, and other potential issues.
3. Turn on all faucets and flush toilets.
4. Turn on appliances if possible (electricity may not be turned on yet)
5. Take any measurements for refrigerator, furniture, window treatments, TV, etc.
6. Schedule utilities to be turned on for day of closing or move-in

Chapter Seven:
Short-Sale Expertise: Q&A with Julie

As I mentioned in this book's introduction, I have particular passion for and expertise in short sales. In my career, I have enjoyed handling the complexities in these sales and in helping people affected by them rebuild their lives. I'm happy to share here some answers to common questions.

I am behind on my mortgage and unable to catch up. What can I do?

You could ultimately continue not to pay and the property will go into foreclosure. The bank will serve you notice and an auction is scheduled. Once the property is sold at auction you will have approximately 45-90 days to vacate the property.

I am not behind on my mortgage yet but I can't afford to keep the property. However, what I owe is more than the property is worth. Should I consider a short sale?

The benefit to opting for a short sale instead of foreclosure is that doesn't wreak as much havoc on your credit and it gives you more time in the home. As long as you have a contract on the property, in most cases, the lender will not schedule an auction since they are working on negotiating the transaction with a current buyer. This takes time, usually longer than 45-90 days, and in some cases up to two years.

There are several reasons for this lengthy timeframe. Some buyers get tired of waiting during the approval period. Other buyers think they can find a steal in a short sale, and when the bank comes back with a counteroffer they dislike, they walk away. Sometimesthe lender has a lot of inventory in a particular area and is not adequately staffed to meet demand. When this is the case, the files sit on a desk until someone gets to them. There are more reasons but those above are the most common reasons for delay in a short-sale transaction.

There are other benefits to your credit in going through a short sale. You can buy another property sooner, and depending on what type of loan you want to obtain you can get a better loan rate since short sales can do less damage to your credit. With a foreclosure on your credit, you may pay higher rates.

Foreclosure could affect your credit more than a short sale if there was a deficiency, especially if it is still outstanding. If you can't repay it could put you into bankruptcy. A short sale can eliminate that amount. Just because you may be eligible for an FHA loan through their guidelines does not necessarily mean you qualify. For FHA loans there is also a minimum FICO score required of 640 with a 3-year waiting period after a short sale or foreclosure. If you have had a previous deficiency, this will negatively impact your credit score, pulling it down. Therefore, you may not qualify. Deficiencies can also affect your rate. A two-point difference in interest rates (3.8% vs 5.8%) can affect your monthly payment by a few hundred dollars. That is money you could have invested. If you were to invested the difference in the stock market, let's say $200 a month, $2400 a year, over the course of 30 years (your mortgage term) at an 8% return you would have gained $293,630. Some people don't see the difference between a foreclosure and a short sale but in the long run, it can make a big difference.

Finally, often the lender offers a seller's moving credit, which can be up to $10,000 and yes, we have gotten this amount for several sellers. Some of those people decided to take the $10,000 and start over. After they came to terms with the situation, they usually ended up in nicer, more affordable homes and some were even closer to work! After it was all over, they were happy and could start rebuilding their credit, and their lives. Ultimately , it didn't make sense to continue paying; it was time to start over.

I have decided to do a short sale. When should I stop paying my mortgage?

The answer to that depends on your current credit score. if your credit is already pretty low, and you cannot afford to pay the mortgage, it may make sense for you to stop paying immediately. If your credit isn't bad, and you can afford to pay the mortgage, you may want to continue to pay, as any additional late payments reflect poorly on your credit.

How does a short sale affect my credit?
After the short sale is completed, it will show as "settled." A short sale can impact your credit score up to 100 points or more. However, creditors look closely at the last two years, and you could qualify for a mortgage again soon. Fannie Mae recently changed their guidelines and decreased their mandatory waiting period after bankruptcy and short sales from four years to two years. It is important to rebuild your credit after the short sale by reducing your debt-to-credit ratio (creditors prefer 10% of debt-to-total-credit available) and making payments on time. These actions will bring your credit score up so you can qualify for a mortgage in that two year time period.

Do I need to contact my lender?
No, you do not have to contact your lender if you have hired a real estate agent and attorney. They should handle that for you. You will give them authorization to speak to them and negotiate on your behalf.

If you decide to go it alone, you will need to contact the lender and provide all the necessary documents to the lender(s). However, I highly recommend the use of a professional with experience in this area. The transaction can be highly complex, especially if a homeowner's association or liens are involved, and you will want someone to guide you through the process. Moreover, the bank pays their fees, so they handle a majority of the work, alleviating your stress and allowing you to focus on other things. Also , it will be done correctly with a professional's help.

What do I do with letters I receive in the mail from the lender—or an auction notice?

Forward all letters to the agent and attorney. If you receive an auction letter, notify them immediately, especially if you do not yet have a contract on the house. I can't stress this enough. If you do not, depending on where you are at in the process, there may not be enough time to submit all the paperwork and the auction will proceed as scheduled.

After I decide to do a short sale, how soon should I put my house on the market?

After you decide to proceed with the short sale, you want to put the house on the market as soon as possible if you are behind on your mortgage. Once you have missed three consecutive payments, the house could be scheduled for auction at any time. For most lenders, if you do not have a contract on the property 30 days prior to auction, the sale cannot be stopped unless you declare bankruptcy.

Putting the house on the market and finding a buyer takes time. Depending on the market and time of year, this process can take several months. Documents need to be signed to list the property, pictures need to be taken, signs placed in the yard (although this can be optional), and an offer signed by both parties must be submitted by the bank with all required bank documents. Some documents such as pay stubs from the seller or proof of funds from the buyer may need to be gathered, and all of that takes time.

How soon do I get the seller's moving credit?
You will receive the moving credit at closing.

I don't want my neighbors to know I am doing a short sale. Do I have to have a sign in the yard?
No sign is necessary, but it is helpful in finding a buyer. The only way the neighbors will know if it is a short sale is if they are actively looking for information on the property, or if you tell them.

After we get a contract on the property, how soon do I have to move out?
You can move out as soon as you'd like, but is not necessary until we have approval from the lender. At that time, the lender will give a deadline date by which you need to close, or you could forfeit the seller's moving credit. You usually have an adequate amount of time, generally a month or two, to find a property.
If I am a member of a homeowner's or condo association, do I have to pay the assessments if I'm doing a short sale?
Yes, continue to pay the assessments. If you don't, the association may be able to take possession of the property and then sue you for back assessments plus damages.

Am I responsible for lawn care?
Yes, continue to cut the grass. If you don't, you will receive a citation from the city and will have to pay fines.

Take me through the whole short-sale selling process, through each step. What can I expect?

After all paperwork is completed and submitted, the property can be listed. Once it's listed, you will begin to receive showing requests. Do your best to accept them since the sooner we can show it, the sooner we can get a contract. Once a buyer submits an offer, you will accept the offer and it will go to the bank for approval. At this point, you do not have to continue to show the property.

During that time, the buyer may want to do an inspection and an appraisal by the bank will be done. After those are complete, the bank will usually give a counteroffer and negotiations will begin between the buyer and bank. After they have come to terms, if the buyer is financing, there is a waiting period when the loan is being approved. If for some reason the bank and buyer don't come to terms, the buyer gets tired of waiting, or the buyer doesn't get financing, the property goes back on the market and the process begins all over.

Chapter Eight: More on Short Sales

Interview with Jeff Wolff, President of Illinois Distressed Property Solutions. Jeff has been in the business for over 15 years and negotiated hundreds of short sales with multiple lenders. Here he provides his expertise on the most commonly asked questions regarding short sales.

1. *Why should I do a short sale vs. foreclosure?* A short sale is the best option for your credit. Though it will impact your credit if payments are missed until closing, your credit will start repairing itself once the short sale is complete. A Deed in Lieu (DIL) is a secondary option usually offered by the lender if the short sale process does not attract a buyer for the property. A foreclosure on your record is most damaging in many ways:

- It puts a judgment against the borrower(s) for the deficiency balance that the lender can come back after the buyer for up to 10 years.
- If a second lienholder is part of the short sale, they almost always sue the borrower(s) for their deficiency balance, causing the borrowers to take other action such as bankruptcy.

2. *My bank offered cash for keys. Can I get a larger seller's concession if I do a short sale?* This all depends on the investor who owns your loan. Typical relocation incentives from Fannie Mae/Freddie Mac are $3000. FHA loans start at $3000 but are often reduced to meet the net of a short sale. If the investor is someone other than those three, a current program, if qualified, is the HAFA Short Sale program with relocation incentives up to $10,000.

3. *How long does approval usually take?* Typical short sales take about 90-120 days. FHA loans typically take more than 6 months due to strict guidelines.

4. *What is the process and what is important to know about the process?* We always pre-qualify a seller as to whether they will qualify. The number one question is: what is your hardship?

5. *My auction date is less than a month away. Can I still do a short sale?* In most cases yes, but you have to act quickly and provide the required paperwork to the lender. The property needs to be listed and your short sale team in place with third party authorization.

6. *If I get the paperwork in by the required date, will it stop the auction?* This all differs by lender and the investor who owns your loan. It also depends on the county your property is in. It's best to make the decision to do short sale before an auction is set. If this isn't possible, yourbest chance of success is greater than 25 days before auction.

7. *My short sale got approved. What if I can't find a new home by the approval deadline?* Once a short sale starts, I advise the sellers they need to have an idea where they may move next. There should be a minimum of 90 days from the time the property is listed before a closing. A future landlord should understand you have suffered and your credit score is going to be lower but you took the initiative to short sale and start anew and landlords are fairly reasonable if you explain properly. There have been millions of homeowners who have had to short sale in this country and had to find a rental with lower credit.

8. *I can't afford lawn care or repairs. What can I do?* Your short sale team with work with the lender's property preservation group to cut the grass, or winterize the home in the winter if vacant. They will not do any repairs, though. They will ensure the lawn is maintained and house secure, if it is not occupied.

9. *What are the biggest challenges with short sales?*

- Getting full cooperation from the sellers.
- Getting a fair bank appraisal/BPO.
- Getting an offer in a weak market.

10. I *am an investor,how low will a lender go on a property?* (I get asked this all the time: "What do you think the lender will accept?") An upfront analysis is done before all short sales are listed. We can determine a range of what the fair market value is as perceived by the lender. The lenders will generally accept as low as 88% of FMV determined by their appraisal. Lenders do not put any emphasis on a cash deal in most cases. They want the highest amount for the investor.

11. *Can I apply for a loan modification at the same time as putting my property on the market for a short sale?* No. If home retention is the goal, a loan modification should be completed before a short sale. If you are denied a loan mod, you will automatically qualify for a short sale, which is when you will then list the property.

12. *What does it cost me to do a short sale?* There are usually no costs to the borrowers for a short sale if qualified. All fees such as commission, attorney, tax and title charges are credited by the lender from the accepted purchase price of the buyer for that property. If a seller has more than $5000 in liquid assets (bank accounts) the investor may request a 20% cash contribution of that amount.

13. *I know the property is worth more than the bank is accepting. Why are they accepting that amount?* The amount the lender accepts on any short sale is based on their current BPO or Appraisal and typically will accept 95% of that value. It's all based on the value the lender receives from their appraisals.

14. *What happens with the deficiency balance if I complete a short sale?* If the property is your primary residence, you will qualify through 2016 for the 2007 Mortgage forgiveness act which a 1099-c will be issued and that amount goes on the IRS

982 form and zeroes out any tax liability. Congress should extend for another 2 years but they typically do it in December of the calendar year. If the property is an investment, the sale will most likely result in a capital loss to offset the deficiency balance. Please seek a Certified Public Accountant for your situation.

Chapter Nine:
Top Ten First-Time Homebuyer Questions: Q&A with the Gustan Cho Team, The Money Store

The Money Store provides loans for home improvement, refinancing, and debt consolidation. Gustan Cho offers perspective and expertise to help first-time homebuyers with questions about financing and the buying process.

"I'd like to thank Julie Hayward and Edge Realty LLC for giving me this opportunity to offer my expertise as a loan officer to the readers of her new book. It is always a great pleasure working with Julie. Every homebuyer praises the outstanding service that Julie provides. I am always grateful for the great advice I get from Julie when it comes to real estate questions. Special thanks goes to her real estate attorney husband, Chad Hayward, who always goes beyond the call of duty in being available to my loan officers, my borrowers—and me." –Gustan Cho

First-timer question #1: How do I find a loan officer?
Once you have decided to become a homeowner, the first step to take is to consult with a mortgage loan officer to get pre-approved for a home loan. If you already have been looking at homes, your realtor can refer you to loan officers with whom they have worked and whom they know will be diligent to close on time. You can feel confident in your agent's

recommendation. Real estate agents are extremely selective in referring loan officers and will most often not refer anyone who they have not worked with in the past. Your realtor is the quarterback in the entire process: he or she coordinates all efforts towards closing. If you don't have a referral from your agent, you can shop online or ask family or friends. You need to be comfortable with your loan officer because the mortgage process can be stressful.

First-timer question #2: What is the first step in buying a home?
Julie offered great counsel on this in Chapter Six. The first process in buying a home is to get pre-approved by a mortgage lender. Consulting a mortgage lender and getting a pre-approval letter will not cost you anything and by law, residential mortgage lenders cannot ask for any upfront money except for the home appraisal fee. Credit reporting fees should not be charged upfront. However, if borrowers need rapid rescores done during the mortgage process, a rapid rescore may or may not be charged upfront, depending on the borrower. Once you have chosen a lender and a loan officer you trust and obtained a pre-approval letter, your next step is to give that pre-approval letter to your realtor. Together you can start shopping for a home and enter into a real estate purchase contract.

First-timer question #3: Now I'm pre-approved. Can my interest rate change?
The answer is YES. Interest rates can change and your interest rates are not set in stone until the loan officer LOCKS in your mortgage interest rates. Normally, most mortgage loan officers will lock the borrowers' interest rates after the borrower gets a conditional approval. Loan officers can lock interest rates prior to approval. Before you can lock in any mortgage interest rates,

however, you do need to submit an executed real estate contract and your loan has to be registered with the mortgage company. Most interest rate locks are for 15 to 30 days. If your home closing gets delayed and the interest rate lock period expires, your loan officer will ask for extensions. Keep in mind that the longer your lock period is, the more it will cost via pricing adjustments. Locking a mortgage interest rate is like getting insurance: if rates skyrocket during the locked-in period, the mortgage company still needs to give you the locked interest rate. Extensions are not free and do cost money so it is in everyone's best interest to do everything possible to close the loan on time.

First-timer question #4: What is the difference between pre-qualified and pre-approved?

Again, Julie gave great insight into this in Chapter Six. So, let me add mine to hers. Remember, most sellers' realtors will not let you submit a real estate purchase offer without a solid pre-approval letter. When a borrower calls me to get pre-approved for a home loan, I interview the borrower for about 30 minutes. This phone interview process is the pre-qualification process and once I feel that the borrower qualifies, then we move to the pre-approval process. During the pre-approval process, some of the questions asked by your loan officers may include:

1. What is the price range of the home you are intending to purchase?

2. Do you have an estimate of the property taxes, homeowners insurance, flood insurance if applicable, HOA, if applicable? I can normally estimate the homeowners insurance.

3. What is your source of income? Are you self-employed or a W2 wage earner? Are you hourly or salaried? Do you receive social security income, pension income, part time income, overtime income, alimony income, child support income, or other income? Your loan officer will also ask you about all of your monthly minimum debts, and whether you have any child support payments and/or alimony payments that you need to pay out.

4. What is your credit score? Your loan officer will ask you about your credit prior to pulling your credit. He or she may ask you if you had any bankruptcies, foreclosures, deed in lieu of foreclosures, or short sales. The reason is that there are federal minimum mandatory waiting periods after a bankruptcy and/or foreclosure to qualify for home loan programs. Your loan officer will ask you about if you have any outstanding judgments, tax liens, delinquent federal student loans, and outstanding collection accounts. You can qualify for a mortgage with outstanding collection accounts and charge-offs without having to pay them off. If a mortgage lender tells you that you need to pay off your outstanding collection accounts and/or charge off accounts, that is not a requirement and it is that lender's own overlay, so you need to seek a different mortgage lender with no lender overlays. Your real estate agent can refer you to a lender he or she works with that has no lender overlays.

5. Many loan officers make a simple but yet serious mistake where they do not ask about the monthly debt

obligations on borrowers of community property states. With community property states, HUD requires that the debts of the spouse needs to be counted even though they are not on the loan. Credit scores do not matter and poor credit does not matter, but monthly debt obligations, judgments, and tax liens do matter.Illinois is not a community property state, however, there are 9 community property states, and our neighbor to the north, Wisconsin, is a community property state.

Once the loan officer deems that the mortgage applicant qualifies, the loan officer will take a four-page mortgage loan application called a 1003 either over the phone, or the borrower can complete it online. With the mortgage loan application, the lender will run credit and once everything matches, the borrower is normally deemed pre-qualified.

The pre-approval stage is the most important phase of the mortgage process. The number one reason why borrowers go through stress during the mortgage process and the reason for last minute loan denials is due to not being pre-approved correctly or because the loan officer issued a hasty pre-approval without properly doing his or her due diligence.

There are many borrowers who want a pre-approval within minutes of getting pre-qualified. However, if you want your loan process to go smoothly, then you need to cooperate with your loan officer and make sure that the loan officer has all grounds completed. Once he or she has all your information and documents, the loan officer is able to run it through Fannie Mae's Automated Underwriting System called Desktop Underwriter (DU), and/or Freddie Mac's Loan Prospector

(LP). An n automated approval does not guarantee that your loan will close. Borrowers need to understand that DU or LP will only go by the information that is listed on the mortgage loan application and the items reporting on the credit report. Credit reports will contain errors. All pre-approvals are not pre-approved the right way. And, some loan officers are more picky than others. Some loan officers will just issue a pre-approval without looking at all of the documents provided by the borrower. Sometimes loan officers will not even ask for documents.

A loan officer should carefully review the borrower's two years of tax returns and pay special attention to the borrower's unreimbursed expenses. Tax returns for self-employed borrowers are averaged for the past two years; however, if the most current year’s tax returns show a significant decrease in income, most underwriters will not average the two years but will only average the year with the lower income. If the borrower needs overtime income, bonus income, or other income to qualify for the loan, the loan officer should get a verification of employment prior to issuing a pre-approval letter.

The loan officer should also question the borrower to determine if he or she has any public records such as judgments and/or tax liens that the borrower knows about but is not reporting on the credit report. Many people who go to credit repair can have derogatory items removed and deleted off all reports from the three major credit bureaus. This will work for outstanding collection accounts, late payments, charge-off accounts, and even car payments or installment payments and the borrower can get away with it. However, ALL PUBLIC RECORDS not on the credit report will be discovered by your mortgage lender because all mortgage lenders will hire a third party public records search company, usually DATA VERIFY or LEXIS NEXIS, and any public records such as judgments, bankruptcies, foreclosures, short sales, tax liens, federal student loans, and delinquent child support/alimony payments will be discovered prior to a clear to close.

Sixty days' of bank statements are required and your loan officer should pay attention for overdrafts in the past 60 days and/or any overdraft fees on your bank statements. If you have overdrafts in the past year but do not have overdrafts in the past 60 days, then an astute loan officer will tell you to go to the bank and get him 60 days of bank printouts that are signed, stamped, and dated by the bank teller. Year-to-date overdraft fees are reported on the actual bank statements but they are normally not reported on computer bank statements provided by the teller. Proof of funds needs to be provided for the down payment. Closing costs can be covered either by a sellers' concession or by a lender credit from your mortgage lender in lieu of a higher interest rate. Your loan officer should carefully review your credit report and make sure that you do not have any credit disputes on non-medical collection accounts for which the aggregate balance exceeds $1,000, or on any charge-off accounts. Credit disputes are not allowed on non-medical collection accounts when the total outstanding balance of your unpaid collection exceeds $1,000 or on any charge off accounts. You can have credit disputes on non-medical collection accounts with zero balances or on medical collection accounts. Removing your credit scores will drop your credit scores, so borrowers who barely meet the minimum credit scores for a FHA loan or conventional loan (580 FICO for FHA and 620 FICO for conventional) and have credit disputes may no longer qualify once they retract those credit disputes.

Not telling the whole truth to your loan officer is a fundamental mistake because the mortgage business is extremely regulated and everything will be verified—and the mortgage lender will find out. Your loan officer is on your side and will do everything possible to make the deal happen, but her or she needs your cooperation.

Once your loan officer has reviewed your mortgage application, reviewed your credit scores, reviewed your credit report, reviewed your income docs, reviewed your bankruptcy and foreclosure paperwork if applicable, reviewed your divorce decree if applicable to see if you are obligated to pay and/or receive child support/alimony, and every other potential item a mortgage underwriter may question, then the borrower will be deemed as pre-approved and a pre-approval letter should be issued. The pre-approval process should not take long. But, ultimately, how long it takes depends on how fast the borrower can get all of the required documents to the loan officer.

First-timer question #5: What is the difference between FHA and conventional loans?
FHA Loans are by far the most popular loans today. FHA Loans are residential mortgage loans that are originated and funded by banks and mortgage companies but guaranteed by the United States Department of Housing and Urban Development, HUD, which is the parent of FHA (the Federal Housing Administration).

Most folks think that FHA is a government mortgage lender. FHA does not originate, process, underwrite, nor fund FHA Loans. The role and purpose of the FHA is to insure private, FHA-approved mortgage lenders when their borrowers default on their FHA Loans. In order for FHA to insure these FHA-approved mortgage lenders, the mortgage loan borrowers need to meet FHA Lending Guidelines. If the borrowers do not meet any aspect of FHA Guidelines and the lender makes a mistake, FHA will not insure the FHA Loan that they originated, nor can the lender resell the FHA Loan on the secondary market because no institutional investor will purchase a FHA Loan that was not originated and funded correctly. This is the main reason why mortgage lenders can be nit-pickers in asking so many questions during the mortgage process.

Mortgage rates on FHA Loans are lower than on conventional loans, even when borrowers only put down 3.5% down payment, because the risk tolerance to lenders is low as a result of the guarantee by FHA. Conventional loans are called conforming loans because they need to conform to Fannie Mae and/or Freddie Mac lending guidelines in order for the lender that originates and funds to resell the conventional loan to Fannie and/or Freddie. If the lender does not conform to Fannie Mae/Freddie Mac standards, Fannie/Freddie will not purchase the loan.

Mortgage lenders use their own funds from warehouse lines of credit to originally fund the loan. Then, lenders package up all of the loans they fund and resell them to Fannie/Freddie so that they can relieve their warehouse lines of credit and reuse them to originate and fund more loans. In a way, this process is like using your credit card to purchase something and reselling that merchandise for a profit and paying off your credit card balance so you can go and purchase more items and repeat the process all over again.

Let’s use some numbers to illustrate this process better. To qualify for a 3.5% down payment home purchase FHA Loan, the minimum credit scores required is 580 FICO. FHA has much more lenient lending requirements than Fannie Mae's and Freddie Mac's conventional loans. Here are other basic FHA guidelines versus conventional loan guidelines:

6. 3.5% minimum down payment for home buyers with at least a 580 FICO credit score. With conventional loans, minimum down payment is 3% down for first-time home buyers or 5% down for those who owned a home in the previous 3 years. The minimum credit score to qualify for a conventional loan is 620 FICO.

7. Home buyers with credit scores between 500 FICO and 580 FICO can qualify for FHA loans; however, 10% down payment is required.

8. Maximum front-end debt-to-income ratio is capped at 46.9% DTI and back-end debt-to-income ratio is capped at 56.9% DTI for borrowers with at least a 620 FICO credit score. Maximum debt-to-income ratios to qualify for conventional loans is capped at 45% DTI. There is no front-end debt to income ratio requirement.

9. Maximum debt-to0income ratio is capped at 43% DTI for borrowers with credit scores under 620 FICO.

10. Outstanding collection accounts do not have to be paid. You can qualify for a FHA loan without having to pay off outstanding collection accounts and outstanding charge-off accounts. Many times, borrowers are told that they do not qualify because their credit scores are not 640 FICO and that they need to pay off all of their outstanding collection accounts and judgments. Any mortgage lender can have higher lending standards that surpass the minimum FHA Guidelines and these additional requirements are called mortgage lender overlays. You may not qualify with a lender that has higher standards than FHA but you will find FHA lenders with no lender overlays. Google "FHA Lenders With No Lender Overlays" to find these. Fannie Mae and/or Freddie Mac have similar guidelines on collection accounts and/or charge-off accounts; however, any outstanding account that is past due needs to become current in order to qualify for a conventional loan. Conventional loans are somewhat tougher when it comes with outstanding collection accounts than FHA loans because they are not insured by a government entity like FHA, and any home buyer who puts less than 20% down payment will require private mortgage insurance. The private mortgage insurance company may require additional requirements in order for them to insure the conventional loan.

11. There is a two-year waiting period to qualify for a FHA loan after a Chapter 7 bankruptcy. With conventional loans, the waiting period is four years after the bankruptcy discharge date. You can qualify for a FHA loan one year into a Chapter 13 bankruptcy repayment

plan with the approval of your bankruptcy trustee, and there is no waiting period to qualify for a FHA loan after a Chapter 13 bankruptcy discharge date. There is a two-year waiting period to qualify for a conventional loan after a Chapter 13 Bankruptcy discharge date.

12. What is the waiting period to qualify for a mortgage after a short sale vs foreclosure? You can buy another property sooner with a short sale and/or deed in lieu of foreclosure with a conventional loan. The waiting period after a deed in lieu and/or short sale is different: 4 years versus 7 years' waiting period after a foreclosure to qualify for a conventional loan. is a three-year waiting period to qualify for a FHA loan after a foreclosure, a deed in lieu of foreclosure, or short sale. There is a seven-year waiting period to qualify for a conventional loan after a foreclosure. There is a four-year waiting period to qualify for a conventional loan after a deed in lieu and/or short sale. FHA treats foreclosure, deed in lieu, and short sale the same and the waiting periods are all three years to qualify. However, Fannie Mae/Freddie Mac have different waiting period requirements after foreclosure, which is seven years, and four years after a deed in lieu of foreclosure and/or short sale.

13. Mortgage Part Of Bankruptcy: If you have a mortgage loan as part of your Chapter 7 bankruptcy, there is a three-year mandatory waiting period from the recorded date of your foreclosure and/or sheriff's sale even though the mortgage loan balance has been discharged on your Chapter 7 bankruptcy. The three year waiting

period clock DOES NOT START until the deed to your property has been transferred out of your name. With conventional loans, this waiting period is four years after the discharge date. There are many instances where a mortgage borrower will not qualify for a FHA loan but will qualify for a conventional loan due to this conventional loan guideline on the mortgage part of your Chapter 7 bankruptcy.

First-timer question #6: How much do I need to put down?
On any home purchase transaction, there are two payments: the down payment and the closing costs. Minimum down payments differ for FHA and conventional loans: FHA Loans require a minimum of 3.5% down, and conventional loans require 3% from first-time buyers as well as those who have owned a home within the last three years, and 5% otherwise. The down payment is required by all mortgage lenders and can be gifted 100% by a relative (with FHA loans) as long as the donor of the gift can sign a gift letter that states that the down payment is a gift and is not a loan and therefore does not need to be paid back. With conventional loans, part of the down payment can be gifted. VA loans and USDA loans do not require any down payment and all the homebuyer needs to cover are the closing costs. Homebuyers do not have to pay the closing costs if they can get a seller's concession and/or lender credit to cover the closing costs of their home purchase.

First-timer question #7: How much money do I need to purchase a home?
Homebuyers will need the down payment and closing costs to purchase a home. As noted above, the down payment is mandatory and it can be gifted. Closing costs come with every

home purchase and are any costs that are incurred in closing your home purchase. These costs include title charges, attorney's fees, appraisal costs, one year of your homeowner's insurance premium, origination costs, and pre-paids (which are two months of escrow reserves, required by your lender, of homeowners insurance and property taxes), among others. Most homebuyers only can come up with the down payment and not a penny more, which is fine. Closing costs can be covered either by a seller's concession that covers most or all of the closing costs and/or a lender credit where the mortgage lender issues a credit towards part or all of your closing costs in lieu of accepting a higher mortgage interest rate. An experienced real estate agent will always ask for a seller's concession for homebuyers. FHA permits up to 6% in seller's concessions from the home sellers and conventional loans will allow up to 3% of seller's concessions towards closing costs. You can use seller's concessions to cover all of your closing costs but not put it towards your down payment. Seller's concessions overages cannot be given to the homebuyer in the form of cash, and overages must be given back to the home seller. However, if a loan officer discovers that there is an overage in seller's concession, then the loan officer can use it to buy down the mortgage rate by buying points with the overage.

If the home buyer is short of closing costs because they did not get enough seller's concessions, closing costs can be covered by a lender credit. For example, lets say a homebuyer is buying a home for $100,000:

- The down payment required is 3.5% or $3,500.
- Closing costs are $5,000 but the homebuyer only has a $3,000 seller's concession towards the closing costs. The homebuyer has only $3,500 and not a penny more,

so where are they going to come up with the extra $2,000?

- The answer to this is a lender credit. If the borrower was quoted a mortgage interest rate of 3.75% for a 30-year fixed-rate FHA loan, the borrower can choose a higher mortgage rate and get that extra $2,000 from the mortgage lender. Maybe the rate becomes 4.0% for the $2,000 excess.

The borrower then can choose to lock their mortgage rate at 4.0%, get a $2,000 lender credit and avoid covering closing costs out-of-pocket.

Sometimes a homebuyer can purchase a home without any money out-of-pocket and, in some cases, can get money back at closing due to property tax prorations. In Illinois, property taxes are paid in arrears and the home seller owes the homebuyer one year's property tax credits. These are called property tax prorations. Homebuyers in Illinois can put property tax prorations towards their down payment. Let's go back to the above example on the $100,000 home purchase transaction:

- The homebuyer has only $3,500 for the down payment.
- The closing costs are covered by a $3,000 seller's concession and $2,000 in lender credit.
- Let's say that the homebuyer has put $1,000 earnest money down via check to the seller's real estate agent. This will be used towards the down payment.
- Let's also say that the property tax prorations for this property total $5,000. The net amount of funds the homebuyer will need to bring to close on the home purchase is zero. Actually, on this particular transaction, the homebuyer will get a check for $2,500 back from the title company because the property tax credit by

the seller of $5,000 was more than the required down payment of $2,500.

The above case scenario is just an example, and it may not happen often, but there are times where home buyers either need little to no money or sometimes will get money back at their home closing as a result of Illinois' property tax prorations.

First-timer question #8: I rent. How do I know if I can afford to buy?

Many people think that they need a lot of money to purchase a home and therefore they never consider it. However, it is not as difficult as most think it is and sometimes, buying a home may be much cheaper than renting. Julie offered great counsel on this in Chapter Five: Five Reasons to Own Rather Than Rent.

Buying a home and paying your monthly mortgage payments will pay down the principal on your mortgage loan balance. When you pay rent, you are just helping your landlord pay his mortgage and you do not recoup any of your monthly rent payments—ever. Many renters assume that a home purchase requires a lot of money and that their monthly mortgage payments will be much higher than their current monthly rent payments. This is not usually the case. Let’s illustrate: If you were to rent an apartment or home, you will need to come up with a security deposit and your first month's rent. Depending who you are renting from, your landlord may require one month's rent or two months’ rent for your security deposit plus your first month’s rent in order to turn over your keys.

Let’s use the above example on a $100,000 home purchase and compare renting versus buying.

- Most homes in the Chicagoland area normally rent for at least $1,500 per month. For a $1,500 per-month rental, you would need at least the first month's rent plus a one-month rent equivalent for the security deposit for a total of $3,000 for you to get your keys.
- On a home purchase, you will need to put down at least $1,000 earnest money. You will need 3.5% of the purchase price of $100,000 (or $3,500) to show the lender that you have the down payment covered. Remember this amount can be gifted by a family member. Since you already gave the $1,000 earnest money, you need to cover $2,500. The closing costs of $5,000 are covered because you have a $3,000 seller's concession and you have $2,000 from the lender credit in lieu of the higher mortgage rate of 4.0% versus the par rate of 3.75% with no lender credit. You get a $5,000 property tax proration at closing, so you get $2,500 by the seller plus the keys to your new home.

Let's look on a monthly basis now: Here is what your housing payments will be on a $100,000 home purchase with $5,000 annual property taxes and $600 annual homeowners insurance:

1. Purchase price: $100,000
2. 3.5% down payment: $3,500
3. FHA loan amount: $96,500
4. Upfront mortgage insurance premium: $1,688.75 (added to the FHA loan balance). New loan balance: $98,188.75
5. Annual FHA mortgage insurance premium is 0.85% of FHA loan balance or $834.60 annually, $69.55 per month

6. Annual property taxes are $5,000, or $416.67 per month
7. Annual homeowners insurance is $600, or $50 per month

Now we can do the monthly housing payment calculations:

1. Monthly principal & interest on mortgage balance of $98,188.75 @4.0% FHA 30-year fixed: $468.77
2. FHA monthly mortgage insurance premium: $69.55
3. Escrow of property taxes: $416.67
4. Escrow of homeowners insurance: $50
5. TOTAL MONTHLY HOUSING PAYMENT: $1,004.99

In this scenario, the new homeowner would get the home with cash back at closing. Owning their home requires a monthly payment of $1,004.99. Renting the same home would cost them $1,500 per month.

Yes, home ownership does come with more expenses than renting. For example, the homeowner is responsible for expenses, maintenance, and services that are included when renting. Yet, the upside in equity building is compelling.

First-timer question #9: I need to upgrade or downsize, but I can't sell. How does this work?

Technically, this isn't a first-timer question, since you already own a home. There are often cases, though, where you need more space or less space, and you can make that shift and qualify for a second mortgage on a second property.

First, to qualify for a second owner-occupant property without selling the original property you own, if you intend to keep both properties, then the second property needs to qualify as an owner-occupant residence. If it doesn't, it needs to get financing as an investment property. Homebuyers can keep an existing owner-occupant property and purchase a second owner-occupant property if the new owner-occupant property they are purchasing is much larger and/or much smaller. A mortgage underwriter needs to understand why the homebuyer is vacating an existing owner-occupant property and purchasing a second owner occupant property. Good reasons include marriage, or   a growing family.: a homebuyer can purchase the second owner-occupant property if they are moving into a larger property that is at least 30% larger due to a growing family. An underwriter will also understand if the home buyer is going from a larger home to a smaller home due to downsizing. Many folks who have larger single family homes and become empty nesters and decide to downsize to a town home or condominium.

Once the second property purchase can qualify for a primary home loan, the next step is to qualify for the second home purchase with having two mortgage loans. If the existing property has at least 25% equity, then mortgage lenders will let you use 75% of the potential rental income of the first property as qualified income in your debt-to-income ratio calculations. An appraisal will be required on the existing home to determine value as well as market rental value. If you don’t have 25% equity in the first property, then the homebuyer can pay down the current mortgage loan balance to have at least a loan to value of 75% LTV. If that is done, then 75% of the potential rental income of the exiting property can be used as qualified income in the calculation of the borrowers debt-to-income ratios.

First-timer question #10: What do I need to know about closing, and how often should I communicate with my lender during the process of obtaining my mortgage?

A clear to close is when your mortgage lender has cleared all of your conditions and is ready to prepare the closing documents to the title company and fund your mortgage loan. New mortgage regulations, called TRID, went into effect on October 2015. Because of them, there is a three day waiting period after the CTC (clear to close) in order for the closing to take place. Once a CTC has been issued, the closing department of your mortgage lender will be in contact with the title company and the Closing Disclosure, also called the CD, will be prepared. The Closing Disclosure replaces the old HUD-1 Settlement Statement (a breakdown of all the charges and fees and the proceeds that the home seller will get). It will also give the bottom-line figure on how much cash to close the homebuyer needs to bring to the closing table. When the CD is finalized, then the closing date and time are set. The title company and/or buyers attorney will notify the homebuyer on what to bring to closing and the amount of funds the homebuyer needs to wire the title company. At closing, paperwork gets signed by both the buyer and seller. Once everything is signed, the final paperwork is emailed to the mortgage lender. The closing department of the mortgage lender will review the final signed docs and, once approved, the lender will fund the loan funds to the title company. Once the title company receives the wire from the lender, the closing is complete and the homebuyer gets the keys while the seller get the proceeds of the sale.

As a buyer, you should contact your loan officer whenever you have questions. The mortgage process is very complex, and every loan officer has different ways of meeting borrowers' needs. I run my own team of licensed mortgage loan originators, and I have specific rules and standards my team must adhere to. We have a great responsibility to borrowers: they're trusting us with all their financial information and with the future of their new home. Moreover, we're the linchpin holding together the process. Sellers, buyers, and their realtors and attorneys are relying on us. Open communication is key to success, and a buyer should have access to his or her mortgage loan officer at any time. I am available 7 days a week, evenings, weekends, and holidays for my borrowers. Though I'm often on the phone, when I see an inbound call from a borrower, my next outbound call is to him or her. You should communicate often with your lender—the loan officer's job is to answer any and all questions you have. You must trust your loan officer, and he or she has to meet your needs and get the job done—on time, with a successful close.

Conclusion
Grateful Clients
Success stories speak for themselves. Read on to learn how I've helped area clients just like you.

Invaluable assistance with short-sale challenges
"Julie has been very helpful during the challenges with our short sale. Our mortgage servicer changed a few weeks before closing. She went above and beyond our expectations in bringing our short sale to a close. We are very grateful." – Erwin H, Honolulu, HA

Found us properties that fit our needs
"Julie was extremely responsive and knowledgeable throughout the entire process. She answered all of our questions in a timely manner, which always put us at ease. She

listened to our checklist and really took the time to find us properties that matched our needs! She also did a fantastic job negotiating and the transaction couldn't have gone more smoothly. I'd highly recommend anyone to use Julie as their realtor—she was truly wonderful to work with!" Dana R, Arlington Heights, IL

I've already recommended Julie to friends
"Julie did a fantastic job advertising and selling our house. She made the process easy and everything went smoothly. We really appreciated her knowledge of the market and she was easy to work with the entire time. I've already recommended Julie to friends." –Bella T, Aurora, IL

Outstanding agent with deep market knowledge
"Julie is an outstanding real estate agent who knows the market and locations extremely well. She is able to find properties that match our requirements, saving us time in house-hunting efforts.", Nicole R, West Chicago, IL

Helped us manage a quick sale
Julie did a market analysis to determine the value and price of my in-laws' house and the best time to put the property up for sale. The end result was a quick sale at a price better than I expected. Her sales experience, follow-up, and people skills were invaluable." –Don O, Elk Grove, IL

Parting Thoughts

It is my sincere hope that this book has provided you the advice and expertise necessary to guide you through the process of preparing your home for sale, determining an accurate price, researching the market, and preparing to shop for a home, whether you are a first-time or seasoned buyer. For those homeowners currently sorting through the complexity of a short sale, I’ve offered insight into the process to guide decision-making. And, for first-time homebuyers seeking a path through the complexities of pre-approval, pre-qualification, and the lending process, I’ve given concrete guidance and also offered the expertise of my colleague Gustan Cho.

Should you find that you could use my experience and professionalism in your real estate transaction, I’d be delighted to assist you. You can reach me (and learn more about my services) at http://www.haywardhomegroup.com. Best wishes to you on your search for a happy home!