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My First American Home

Immigrants Guide to Homeownership in USA

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2007

My First American Home: Immigrants Guide to Homeownership





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Steps to Purchasing a Home

Making your mind: own or rent?

- First of all, it is important to decide why you want to buy a home. There is an alternative to homeownership. If you are the first time home buyer, you need to decide yourself, is it better to rent or own your place. In most cases, it's better to buy the home than to rent. There are some exceptions.

It is usually more beneficial to buy instead of rent except when:

- You plan to move soon, within few years
- The house you buy is similar to the house you rent, and your rent is very low (less than 2/3 of what your total monthly payments would be for buying the house).



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Advantages of homeownership: social, financial, tax

- Homeownership is a great achievement.
- It can be a strong investment.
- It comes with significant tax advantages.
- It offers fixed housing expenses.
- It comes with opportunity to get better insurance rates.
- It gives you control over your environment.
- It provides such benefits as pride of ownership, security and independence.



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Tax Advantages of Homeownership:

The federal income tax code also offers several advantages for home owners.

- **Deduction for mortgage interest paid.** For instance, if you are making a \$1,000 monthly mortgage payment of which 80 percent goes toward interest, you can deduct around \$9,600 a year.
- **Property taxes are also deductible.**
- **Loan origination fees or points are deductible.**
- **House buying expenses such as legal fees and administrative costs are deductible.**

Consult a tax professional for details or visit
www.mysocietyonline.com/visitors.



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Working with buyer's agent vs. unassisted buying

- You do not want to be alone while going through a complicated process of finding and purchasing your home. You need a good reliable professional on YOUR side, working FOR you, defending YOUR interests in the transaction.
- It's a smart move to hire a professional Buyer's agent.
- Good news is that usually you do not need to pay your agent directly: both Seller's and Buyer's representatives' commission are included into the price and paid by Seller. [Local-n-Global Consumer's Guide to Agency Relationship](#) clearly explains how it works.
- Your real estate agent will assist you with all the [steps of your real estate transaction](#).
- Your agent will be well acquainted with all the important things you'll want to know about a neighborhood you may be considering, such as what schools are in the district. The agent can supply information on real estate values, taxes, insurance, utility costs and municipal services and facilities.



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Working with buyer's agent vs. unassisted buying

- **All the financial details that can seem so complicated to first-time home buyers are something the agent deals with daily. He or she will help you figure the price range you can afford, explain the advantages and disadvantages of different types of mortgages and guide you through the paperwork.**
- **The agent can help you prepare an offer to purchase and help with negotiations.**
- **Your agent will coordinate and walk you through all of the inspections, financing, appraisal and insurance needed to complete the transaction.**
- **Your agent will be with you during the closing process and will assist you to arrange the moving process.**



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Working with buyer's agent vs. unassisted buying

- Language barriers may, but should not complicate your working with the Real Estate agent.
- We in Local-n-Global Realty are committed to serving our diverse multicultural communities and helping you find your new home. Every Local-n-Global sales associate and employee receives special training in diversity-related issues, such as fair housing, affirmative marketing and multicultural sensitivity. Many of us speak multiple languages or have the assistants speaking different languages. Many of us are immigrants, too. We understand your needs.
- In accordance with [Fair Housing laws](#), our dedicated, full-time multicultural, multilingual consultant can provide information, counseling and assistance to help you buy your new home. We offer English as a second language (ESL) classes, featuring information on home buying.
- We work with specialists from [Expert Immigrant Support Center](#) and consult with the best [immigration attorneys](#) if our clients need specific advise.



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House or condominium?

- **Single family home vs. condominium: this is not only about your life style. It is about the different types of homeownership in America. Few facts about condominium may help you make a right decision.**
- **Condo Is a Type of Ownership. Each unit owner of a condominium has individual title to the space inside his unit, plus an undivided interest in the common elements, which are owned jointly with the other condominium unit owners.**
- **A condominium association is often elected to handle repairs and administrative work related to the common areas.**
- **Normally, each unit owner pays fees for common maintenance.**
- **Each condo project has its own specific rules. It is very important to read the condo documents carefully. Some specific restrictions may be not suitable for your life habits. It may be pet restriction, satellite dish restrictions, parking restrictions, etc.**
- **You should review and decide for yourself if you feel comfortable with these restrictions.**



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House or condominium?

- The Ohio real estate contract for condominiums requires that the buyer be given a copy of the condo documents – Declaration and By-Laws, with some time to review them.
- During the document-review period, the buyer may terminate the contract without penalty.
- The condo documents spell out which repairs will be handled by the common budget. In some cases, the association may maintain all exterior components, decks, pools, sidewalks and driveways. In other cases, the individual owners may be responsible for their own roofs, decks and exterior painting.
- The condo documents should contain the information about insurance. If hazardous insurance is included into a monthly maintenance fee lender will not normally require a separate unit owner's insurance policy.
- Some condominiums collect the reserve funds to cover future major expenses.
- Before buying a condo, be sure to review the documents, and don't be afraid to ask questions!



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Effective house hunting

- Choosing a home you can afford in a desirable neighborhood is a smart move.
- Remember an old saying that you buy three things: location, location, location. Join our [Local-n-Global Neighborhood Real Estate Market Watchers Club](#). The property value of the houses in the neighborhood and the market trends tell you a lot.
- Drive around, ask the neighbors, visit local schools and libraries, dine in local restaurants. Ask your Local-n-Global agent. She or he has excellent resources to share.
- Consider your priorities. If you can't get a home at your price with all the features you want, then what features are most important? Make a list of features and benefits important to you and your family. You may use our [Buyer's questionnaire](#) to self-assess your needs and desires.
- Tell your Local-n-Global agent as much as possible about your needs and preferences, so your Realtor® can find a house which will meet your requirements and make you happy in your new home.



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Financing your purchase

Truth about Credit score

- Most people, especially first-time home buyers, must finance part or all of their home purchase with a mortgage. It is very important to have a good credit rating. The best loan terms are reserved for those individuals with the best credit history. The worse your credit rating, the higher your interest rates will likely be, and the more points you may have to pay to secure your loan.
- Please review the sample comparison for 30 yrs. Fixed \$100,000 loan . Higher credit score and better credit history indeed save you money!

FICO Score	APR	Monthly Payment	Total Interest Paid
720-850	6.57%	\$637	\$129,204
700-719	6.696%	\$645	\$132,181
675-699	7.233%	\$681	\$145,168
620-674	8.383%	\$761	\$173,829
560-619	10.86%	\$942	\$239,034



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Financing your purchase

Truth about Credit score

It is a good idea to get a copy of your credit report from one or all of the three credit reporting agencies:

- Equifax, www.equifax.com
1-800-685-1111;
- Experian, www.experian.com
1-888-397-3742;
- TransUnion, www.transunion.com
1-800-916-8800.

This will let you check for any discrepancies and correct any errors that may have a negative impact on your ability to secure financing.



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Financing your purchase

Building your credit

Few factors affecting your credit ratings:

- **Length of Credit History:** Having had credit accounts for a long time is a positive factor, because your history gives lenders information to evaluate how you typically use credit and repay your debts. Having a longer credit history is optimal. Do not close your first credit card accounts without consulting with your mortgage or Real Estate specialist.
- **Credit Accounts:** A high amount of previous credit is a positive factor because it indicates to lenders that other lenders have trusted you by lending you money in the past. Conversely, having a low amount of credit is a negative factor because it indicates that either you are just starting to use credit or you have missed payments in the past. If you are just starting to use credit, lenders do not have information to evaluate how you typically use credit and repay your debts.
- **Payment History:** Missing payments is a negative factor. Some cases are worse than others. Ask your loan officer to estimate how harmful it was to miss that credit card or car payment.



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Financing your purchase

Your immigration status and home financing

- **Home Financing in the United States is available not only to US citizens or permanent residents (Green Card holders).**
- **Some visas like H-1 or L-1 make you eligible for most of the home mortgage programs.**
- **Even non-residents of the United States may obtain mortgage financing for their US properties. Higher down payment requirements may apply.**
- **Your home loan specialists will help you find the right program. More information you can provide to your Real Estate and loan consultants, higher is the chance to find a better deal for you.**



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Financing your purchase

Interest rates and programs

- Nearly 90 percent of home buyers finance their purchase. That means virtually all buyers require some sort of loan. The real issue with real estate financing isn't getting a loan (virtually almost anyone willing to pay lofty interest rates can find a mortgage). The issue is getting the loan that is right for you – one with the lowest cost and best terms. You should do your home work first, before shopping for a mortgage, in order to avoid the problems related to [predatory lending \(go to \[www.ResponsibleLending.org\]\(http://www.ResponsibleLending.org\).\)](#)
- Interest rates depend on multiple factors. One factor is the term of your loan. 30-years loan has typically higher rate than 20- and 15-years loans. Use our [mortgage calculators](#) to determine which term is more suitable for you.
- Lenders may offer you fixed rate or adjustable rate programs. National Association of Realtors® in cooperation with the Center for Responsible Lending (CRL) and the U.S Department of Housing and Urban Development (HUD) have issued special brochures explaining different types of mortgages. You may view, download, and order these brochures. Go to:
<http://www.realtor.org/housopp.nsf/pages/mortgages?OpenDocument>.



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Financing your purchase

Foreclosure:

Risk Prevention Strategy

- **First and best rule: think hard and act smart while making such a serious financial decision as home financing.**
- **“If you do not have a clue what it really costs to own a home, how much of a house you can truly afford, and if you are just plain capable of owning a home, I am here to tell you that your dream will most likely turn into your greatest financial nightmare”, best selling author and financial advisor Suse Orman says.**

Just for starter, in order to estimate the real costs of owning a house, please make few calculations. Your monthly payment will include:

- **Principle and Interest (before you pay off your loan)**
- **Private Mortgage Insurance (PMI) if you put less than 20 % down (before you build 22% equity in your house)**
- **Property taxes (forever), assessments and levies (if any exist)**
- **Homeowners insurance (obligatory while getting your house financed, voluntarily when paid off)**
- **Homeowners association dues (if there is a Home Owners Association)**
- **Utilities**
- **Maintenance costs.**



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Financing your purchase

Foreclosure:

Risk Prevention Strategy

- Please allow about 45 % of your Principle and Interest mortgage payment to cover the rest of your housing expenses.
- If the costs and risks do not outweigh the advantages and pride of homeownership, you are on the right page. Let us help you to become the owners of your dream home! Good luck!



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From offer to closing

Written offer and negotiation process

- You, as the prospective buyer, must sign an offer to purchase the property. This is an extremely important document. When the seller accepts it, it becomes a contract and you can be obligated to buy the property on the terms stated.
- Our real estate agents use standard forms for offers, on which they fill in the exact terms. The terms of the offer will become the terms of the sale if it is accepted.
- It is advisable to have a real estate attorney prepare or review your offer for you. While this is an additional expense, the cost of attorney fees if legal action results will be much higher. Visit www.ohiobar.org for more information.
- Terms of your offer are extremely important and should be carefully reviewed.



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From offer to closing

Written offer and negotiation process

Your offer to purchase should clearly set forth the following terms:

- The total price you agree to pay;
- Anything in the house or attached to it you intend to buy. Many misunderstandings arise over this. If you want the appliances, drapes, fireplace tools, or anything else to remain with the house, it must be included in your offer;
- The amount of down payment you will make;
- The amount of earnest money accompanying the offer;
- How long after the offer is accepted you will have to arrange financing;
- When the transaction will “close” or title will transfer;
- When you will take possession of the property;
- Provisions for title searches, insect, structural and other inspections.



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From offer to closing

Written offer and negotiation process

- Good negotiators are trained, not born! Your Local-n-Global Real Estate agent is professionally trained to negotiate the purchase and sale contracts on your behalf.
- You sometimes hear that the amount of your offer should be x percent below the seller's asking price or y percent less than you're really willing to pay. In practice, the offer depends on the basic laws of supply and demand: If many buyers are competing for homes, then sellers will likely get full-price offers and sometimes even more. If demand is weak, then offers below the asking price may be in order.
- Your Local-n-Global Real Estate agent will prepare for you a **Competitive Market Analysis**, which shows how many houses in your price range are available in your desired neighborhood; how much sellers are asking for their homes; how much people really paid for the houses during 6-12 months period prior to your offer; how strong is the market; what is the asking price / selling price ratio; what is a median market time.



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From offer to closing

Written offer and negotiation process

We do negotiate the home prices and other terms of agreement here in America. It's wise to use special techniques how to turn negotiation into agreement.

- **Start with a fair price and a fair offer.** There's no question that significantly overpriced home will turn off potential buyers. Likewise, making an offer that's far lower than the asking price is practically guaranteed to get the sellers angry and non-cooperative. Asking and offering prices should be based on recent sales prices of comparable homes.
- **Respect the other side's priorities.** Knowing what's most important to the person on the other side of the negotiating table can help you avoid pushing too hard on hot or sensitive issues. For example, a seller who won't discount on the sales price, might be willing to pay more of the transaction costs or make more repairs to the home, while a buyer with an urgent move-in date might be willing to pay a higher portion of the transaction costs or forgo some major repairs.



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From offer to closing

Written offer and negotiation process

- **Be prepared to compromise.** "Win-win" doesn't mean both the buyer and the seller will get everything they want. It means both sides will win some and give some. Rather than approaching negotiations from an adversarial winner-take-all perspective, focus on your top priorities and don't let your emotions overrule your better judgment.
- **Meet in the middle.** This works not all the times but it may be a very good approach to negotiation. Can't decide who will pay the recording fee? Can't agree on a close-of-escrow date? Arguing over cosmetic repairs? Splitting the difference is a time-honored and often successful negotiation strategy. Pay half the fee. Count off half the days.



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From offer to closing

Written offer and negotiation process

- **Leave it aside.** Politicians and corporate executives are famous for their "for future discussion" agreements. If you have a major sticking point that's not material to the overall contract (e.g., the purchase of furniture or fixtures), finish the main agreement, then resolve the other difficulties in a side agreement or amendment. This technique allows both sides to recognize and solidify basic areas of agreement, then move ahead toward a fair compromise on other terms and conditions. Summarizing the points of agreement in writing is another helpful strategy.
- **Ask for advice.** Successful REALTORS® tend to be experienced negotiators. They've seen what works and what doesn't in countless real estate transactions, and they've established a track-record of bringing buyers and sellers together. Consult your Local-n-Global Real Estate agent about negotiating strategies, win-win compromises and creative alternatives.



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From offer to closing

Caveat emptor: buyer beware of what you are buying

- **Home inspections are not required by law, so it can be tempting to skip them. Do not do this! It's your responsibility and your due diligence to examine what exactly you are buying.**
- **A thorough home inspection before you buy can end up saving you money in the long run. An inspection may uncover problems within the property that might give you leverage to negotiate a better price, or may discover problems so severe that you decide against buying the house at all. A home inspection will cost between \$300 and \$500. All things considered, it's a small price to pay for peace of mind.**



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From offer to closing

Caveat emptor: buyer beware of what you are buying

- Professional inspectors will have special equipment for detecting the presence of pests and mold as well as the damage caused by these problems. In addition, they're trained to identify the warning signs of structural, plumbing, and electrical problems that you need to know about before purchasing a home.
- Skipping the inspection means not knowing in advance about possible problems such as:
 - Out-of-date electrical wiring
 - Leaky roofs, walls or plumbing
 - Termites or other pests
 - Structural damage to weight-bearing walls
 - Heating or cooling appliances nearing the end of their life
- You should require an inspection at the time you make a formal offer. Make sure the contract has an inspection contingency.



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From offer to closing

Escrow and title transfer

- An escrow is an arrangement in which a disinterested third party, called an escrow holder, holds legal documents and funds on behalf of a buyer and seller, and distributes them according to the buyer's and seller's instructions.
- The escrow process was developed to help facilitate the sale or purchase of your home. The escrow holder accomplishes this by:
 1. Acting as the impartial "stakeholder", or depository of documents and funds.
 2. Processing and coordinating the flow of documents and funds.
 3. Keeping all parties informed of progress on the escrow.
 4. Responding to the lender's requirements.
 5. Securing a title insurance policy.
 6. Obtaining approvals of reports and documents from the parties as required.
 7. Prorating and adjusting insurance, taxes, rents, etc.
 8. Recording the deed and loan documents.
 9. Maintaining security and accountability of monies owed and owing.



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From offer to closing

Escrow and title transfer

What Each Party Does In The Escrow Process

The Seller:

- Deposits executed deed to the buyer with the escrow holder.
- Deposit evidence of pest inspection and any required repair work.
- Deposits other required documents such as tax receipts, addresses of mortgage holders, insurance policies, equipment warranties or home warranty contracts, etc.

The Buyer:

- Deposits the funds required, in addition to any borrowed funds, to pay the purchase price with the escrow holder.
- Deposits funds sufficient for home and title insurance.
- Arranges for any borrowed funds to be delivered to the escrow holder.
- Deposits any deeds of trust or mortgages necessary to secure loans.
- Approves any inspection reports, title insurance commitments, etc. called for by the purchase and sale agreements.
- Fulfills any other conditions specified in the escrow instructions



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From offer to closing

Escrow and title transfer

What Each Party Does In The Escrow Process

The Lender (If Applicable)

- Deposits proceeds of the loan to the purchaser.
- Directs the escrow holder on the conditions under which the loan funds may be used.

The Escrow Holder:

- Opens the order for title insurance.
- Obtains approvals from the buyer on title insurance report, pest and other inspections.
- Receives funds from the buyer and/or any lender.
- Prorates insurance, taxes, rents, etc.
- Disburses funds for title insurance, recordation fees, real estate commissions, lien clearance, etc.
- Prepares a final statement for each party, indicating amounts to be disbursed for services and any further amounts necessary to close escrow.
- Records deed and loan documents, delivers the deed to the buyer, loan documents to the lender and funds to the seller, closing escrow.



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From offer to closing

When should I plan to move?

- It is very important to understand that escrow date, title transfer and possession dates may be different.
- Usually it takes one to two business days to record all necessary documents after signing final papers in escrow.
- It is customary to receive the keys from your house after the documents are filed and recorded.

Please refer to our [Real Estate Glossary](#) to get yourselves comfortable with

Real Estate Terminology.

Good Luck!

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