

Protect your financial interests when buying a home

Buying a home can be exhilarating, but given the amount of money involved, it's also a little daunting. Here are seven easy steps you can take to protect your financial interests when buying a home.

► Check comparable home sales. There are many real estate sites that will offer up estimates of a home's market value, but these are not always accurate. Once you find the home you want, ask your buyer's agent what comparable homes in the area are selling for. They can provide recent sales data for homes that are the same style and of approximately the same age, amenities, size, and neighborhood as the home you're interested in buying so you get a sense of a fair price.



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Also, price isn't the only factor for getting an accepted offer on the home you want. For example, if the sellers want to close quickly and you have the flexibility to do so, this could help increase the chances that the sellers will accept a reasonable offer from you.

► Consider the home's resale value. You may not mind that the home is on the top of a ski slope-like driveway or has an unusual style, but these can be impediments when you sell the home down the road. That's not to say that you shouldn't buy that deck house you fell in love with, but just be aware that it may take longer to sell than a more traditional home.

► Get a recommendation for a reputable mortgage professional. "It's so important to work with a loan officer who's seasoned and really understands the available loan products," says Attorney Karen Jennings-Flynn. Ask friends or family or your real estate agent for recommendations of loan officers, or look for one at online review sites like Yelp or Angie's List.

► Protect your deposits. During the home purchase process, you'll pay two deposits. The first is an initial deposit (usually \$1,000) that binds your offer. The second (usually 5 percent of the purchase price, minus \$1,000) is paid when you sign the purchase and sale



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agreement. To protect these deposits, it's important to understand your rights and responsibilities. For example, if you back out of a deal due to inspection items (within the inspection contingency date), you're entitled to your deposit back. If you back out due to cold feet, you're not.

Inspection contingencies: You usually have a short period of time (typically seven days) after the offer is accepted to conduct a home inspection. If you decide not to proceed with the purchase based on problems uncovered during the home inspection, your buyer's agent needs to notify the seller in writing right away (usually within 24 hours of the inspection) to ensure that you receive your deposit back.

Mortgage contingencies: It's important to pay attention to the mortgage commitment date in the offer to purchase contract. This is the date you have until to secure financing. Your loan officer should provide you with a mortgage commitment letter on or before this date. If for any reason you can't secure financing, it's important that your buyer's agent notify the sellers in writing by that date. If that date passes and you need to back out of the purchase, your deposit could be in jeopardy.

► Shop for the best interest rates. When you compare mortgage interest rates, take into consideration not just the quoted rate but also the points (up-front fees paid to the lender at closing) and closing costs (loan fees, including title and escrow charges, recording and transfer fees, etc.)

► Know when to lock in your rate. "It's important to work with a mortgage professional that monitors the mortgage-backed securities market," says Rick Scherer of MSA Mortgage. "This is the market that is directly linked to what mortgage rates are doing hour by hour. There are often short-term indicators that will tell a mortgage professional when it's prudent to lock in your rate in anticipation of how the market is going to react."

Also, check the lender's policies for adjusting to falling rates. For example, if you lock your rate at 4.5 percent and rates go down half a point after that, will the lender automatically drop your rate? "Some lenders treat a rate lock as a lock and will not drop it," explains Scherer. "Others will allow you to take advantage of falling rates once after your rate has been locked, while others will split the difference with you when

rates drop."

► Keep spending to a minimum. As you start planning for your new home, it's tempting to want to splurge on new furniture and other big items, but it's a good idea to keep spending to a minimum until closing. "Lenders are now required to check a home buyer's credit report again five days before the closing," says Scherer. "Any debt or credit inquiries that have occurred would need to be investigated, and could impact your interest rate and/or overall approval. If you do need to make large purchases during this time, let your loan officer know so there won't be any surprises later."

Following these steps will help ensure a smoother process for buying your home, and help to avoid unnecessary costs along the way.

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