



DANIEL RUSSO • RESIDENTIAL SALES CONSULTANT

BUYER'S PACKAGE

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The Home Buying Process

Your roadmap to a successful home purchase.

This package should answer the question, “What steps are involved in purchasing a home?” In addition, it will explain the services that I provide as your partner in the process. I pride myself on my professional approach to my work, and exceptional service to clients. Please consider this package my first service to you.

What to Expect When We First Get Together

Our goals are to understand your home buying needs, review the contents of this package with you, and to convince you that we would make good partners in your home search. Topics we’ll cover include:

- Information About Brokerage Services
- Finding a Great Home
- How to get Pre-Approved for a Mortgage
- Homeowner’s Insurance
- New Home Warranties and Residential Service Contracts
- The Buyer’s Representation Agreement

You should read this package before we get together to understand my approach to home buying and put together a list of questions that may come up as you read.

I - Overview

This page provides an overview of the home buying process from start to finish. Note that Step 2 has parts A & B, which means these steps should happen together:

Find a Real Estate Consultant

Step One...find a Realtor who is easy to work with and trustworthy. Professionalism and preparedness should greatly influence your decision. Once you've found your Realtor, we suggest signing a Buyer's Representation Agreement. It guarantees that your interests are protected throughout the entire process of buying your home.

Begin Loan Approval Process

Step Two A...meet with a lender or mortgage broker you feel comfortable with to determine how much house you can afford. Obtain pre-approval for the loan amount you need. This will save time in the home search, and improve your negotiating position with home sellers.

Look for Your Perfect Home

Step Two B...start by deciding which neighborhoods you want to live in and whether you want a new or existing home. Here is where I can match your needs to the right home. If we work together, you should find your dream home in the first 8 to 12 houses I show you.

I am happy to provide you with neighborhood profiles or preview areas and homes to save you time.

Make an Offer

Step Three...when you find your dream home, you should present a competitive offer *immediately*. I will represent you during contract negotiations. I'll advocate for you and ensure the terms are in your best interest. The process may include a counter offer from the seller. We'll work with the seller to accommodate their needs and ensure a win-win deal.

Sign the Contract

Step Four...the seller accepts your offer and you go "under contract." We will ensure your home closes properly and on time. At this time you'll provide an "earnest money" check to show the seller your serious intent, and likely a check for the "option fee" to ensure we have time to order proper inspections.

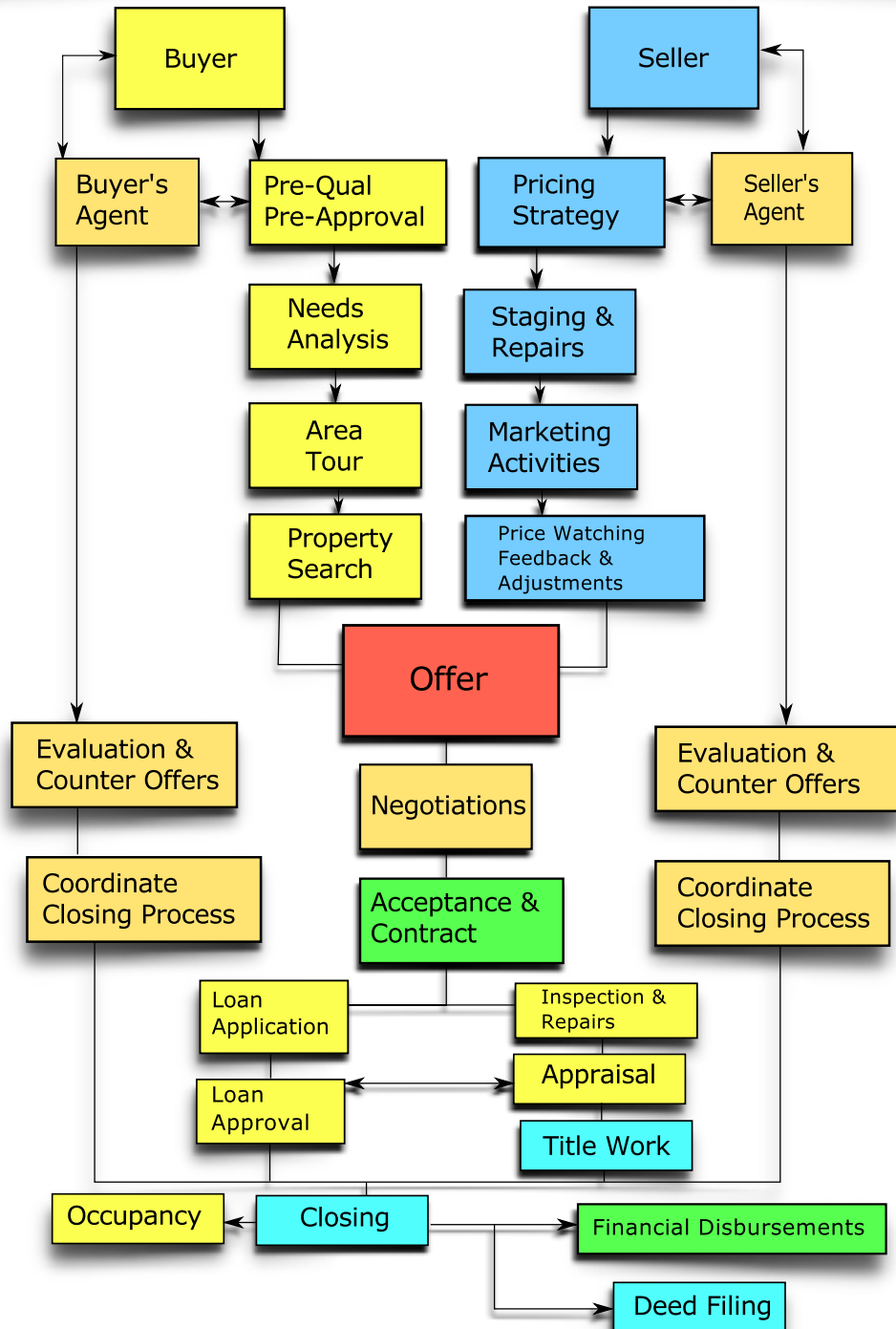
Inspections, Repairs, Insurance, etc.

Step Five...final details are handled and inspections are performed to ensure the property is perfect for you. Contract details such as repairs are further negotiated. During this time you'll need to arrange insurance for your new home. Your title insurance company will provide a Commitment for Title Insurance for you to review.

Go to Closing

Step Six...you will need to bring a certified check and picture ID to the closing at the title company. Possession of your home will occur when your lender releases funds to the seller. This can often happen the same day you sign the closing documents. Once this is complete, the next step you will take will be over the threshold of your new home!

THE LIFE OF A REAL ESTATE TRANSACTION



Getting Started

Please fill out the “Client Information” form, plus the questionnaire on your home-buying needs before we get together. That’s all the paperwork you’ll need for now! Next, we’ll explain the home buying steps in the order of the most benefit to you.

2 - Information About Brokerage Services

Brokerage Relationships In Texas

In Texas, Real Estate brokers and their agents are required to disclose the type of working relationship they have with the principals in a real estate transaction. There are several types of relationships that are available to you. You should understand these at the time a broker provides specific assistance to you in buying real estate

Buyer’s Agent Responsibilities

A Buyer’s Agent acts solely on behalf of the buyer and owes duties to the buyer that include the utmost good faith, loyalty, and fidelity. The agent will negotiate on behalf of, and act as an advocate for, the buyer. The buyer is legally responsible for the actions of the agent when that agent is acting within the scope of the agency. The agent must disclose to sellers all adverse material facts concerning the buyer’s financial ability to perform the terms of the transaction and whether the buyer intends to occupy the property.

Seller’s Agent Responsibilities

A Seller’s Agent acts solely on behalf of the seller and owes duties to the seller that include the utmost good faith, loyalty, and fidelity. The agent will negotiate on behalf of, and act as an advocate for; the seller. The seller is legally responsible for the actions of the agent when that agent is acting within the scope of the agency. The agent must disclose to buyers or tenants all adverse material facts about the property known by the broker.

Intermediary or Dual Agency Responsibilities

An Intermediary (or Dual) **Agent** represents both the buyer and seller in the transaction. The agent cannot negotiate on behalf of either party. Their role is limited to passing information and documents between the parties. No advice or opinions may be offered to either party. The agent must obtain agreement from both parties in writing before entering into an intermediary role. Your interests are not represented in this type of agency agreement.

The Information About Brokerage Services form is the official Texas Real Estate Commission (TREC) document describing the various forms of agency available to you. We can answer any questions you might have about agency at our meeting.



The Story

KELLER WILLIAMS REALTY is one of the fastest growing real estate companies in the United States and was founded in 1983 in Austin as a traditional real estate brokerage by Gary W. Keller and Joe F. Williams.

Keller Williams is recognized by "The Austin Business Journal" as **Austin's # 1 Real Estate Company**. We have five offices and over 1500 associates serving Austin and surrounding communities.



VALUES

Win – Win – Or no deal.

Integrity – Do the right thing.

Commitment – In all things.

Communication – Seek first to understand.

Creativity – Ideals before results.

Customers – Always come first.

Teamwork – Together everyone achieves more.

Trust – Begins with honesty.

Success – Results through people

KELLER WILLIAMS REALTY attracts dedicated, caring people - and because of us you can feel confident that your real estate needs will be handled in a most trustworthy, professional and efficient manner.

3 - Finding a Great Home

The fun part! Based on the information from your Client Questionnaire, I'll put together a list of candidate homes for you to tour. In addition, you may want to find your own candidates on the Internet or by other means such as Open Houses. I can suggest the best sites to visit and search techniques as needed. I am also available to "preview" homes on your behalf to weed out the ones that might not fit your needs or flag homes you need



to visit immediately. I will do the leg work and provide feedback, saving you time and travel. In addition, my affiliation with the large team of REALTORS at Keller Williams allows me to spread the word regarding your needs and **get the jump on any homes not yet listed in the MLS** or on search sites.

On the days when we tour homes together, we'll need to pre-plan the visits to allow the owners enough time to tidy up and leave the premises. You'll spend most of a morning or afternoon looking at five to six houses. Any more than that and they'll all start to blend together. **Plan on looking at between 10 and 15 houses total** - anything more indicates your priorities have changed and we'll need to revisit your home search criteria.

When we tour a property, you should focus on whether or not the house fits your needs and if it says "home" to you. I will not try to "sell" you the house. I am your advocate, not your salesman. My job is to protect your interests by doing my best to ensure the home will not be a problem for you later on. We'll be looking for potential problems, reviewing the **Seller's Disclosure Form** (Appendix B), and assessing the overall condition of the property. When touring homes, point out any problems you see or details you dislike. A good home with a few adjustments could be your dream home and I would appreciate the opportunity to contact my network of professionals to get **accurate** quotes for any renovations before ruling out a property.

Once you find your dream home **I'll help you write a competitive offer**. Otherwise, I'll need to ask you what you liked and disliked about each house so we can adjust our candidates appropriately.

For now, here are some tips for deciding what you're looking for in that special property:

Finding the Right Neighborhood is as Important as Buying the Right House

There are many factors to consider when selecting a neighborhood that is right for you. Below are just a few. Please note them on your Client Information Questionnaire so I include them in my searches.

Neighborhoods have characteristics designed to best suit single people, growing families, two-career couples, or retirees. **Be sure to determine that the neighborhood where you choose to look for a home matches your lifestyle and personality.**

Scout out the Neighborhood

Neighborhood Factors to Consider

Look for factors like access to major thoroughfares, highways, and shopping. Listen for noise created by commerce, roads, railways, public areas, schools, etc. Smell the air for adjacent commerce or agriculture. Check with local civic, police, fire, and school officials to find information about the area, or simply ask me



to provide data. Research details such as soil and water. Look at traffic patterns around the area during different times of the day and **drive from the area to work**. Is the neighborhood near parks, churches, shopping, theaters, restaurants, public transportation, schools, etc.? Does the neighborhood have a Home Owner's Association (HOA)?

I am happy to provide you with neighborhood overviews and conduct any research that will help you in your decision making..

Don't Get Swept Away When Shopping

When touring homes you will find that there are many beautiful homes on the market. There are several things you should be aware of while looking at homes:

It is easy to become excited about features found in homes outside of your price range. Before you get your heart set on that big, tree-shaded colonial on the hill, you need to understand your financial situation. Only then will you know if you can afford Rough Hollow, or if it makes more sense to aim for Steiner Ranch.

Complete the **Client Information Questionnaire**. Take a moment to decide what features are "Requirements" (location, number of bedrooms, eating space, architectural style, garage, etc.) and which features are "Extras" (fireplace, walk-in closets, wet bar, pool, siding, vaulted ceilings, deck, landscaping, etc.). There are many different features in homes that range from necessary to luxury. It is easy to get caught up in the excitement of a beautiful home loaded with amenities. **It is important that you select a home that truly meets all or most of your requirements first and foremost!**

Know yourself and your abilities. A house that 'needs a little work' might be the ideal for someone who is experienced at repairs and enjoys the process. However, if you are working full time and want to enjoy the superb lifestyle that Austin has to offer, a fixer-upper could turn into a time and money sink. The same applies to landscaping, pools, etc.

4 - Pre-Approval for a Loan



Quite often, what you think is important may change as you tour the homes in your desired price range and neighborhood. If this happens (and it often does), **please speak with me and let me know if your priorities or requirements are changing.** There is nothing more frustrating for you than looking at houses that no longer fit your needs.

As you tour homes, refer to your Questionnaire and the items above to make sure the home meets your requirements, plus make notes on the home flyers or MLS printouts I provide. The extras should only come into play when you need to make your final decision between homes that meet your requirements.

Prior to looking at homes you will want to meet with a lender or mortgage broker to obtain pre-approval for your loan. This helps you in several ways. First, you won't waste time looking at houses outside your price range. Also, the lender can explain any special programs you may qualify for such as reduced rates or down payment assistance. Finally, a seller will take your offer more seriously if they know you've already been through the pre-approval process.

A note on choosing the right lender. You can shop for a loan the same way you shop for a house. Some fees are negotiable and will vary lender to lender. You might also find a better interest rate. A few tips:

- **You do not have to obtain financing from the lender that pre-approves you.** Pre-approval is just a jumping off point.
- **I can assist you in finding a lender.** My years of experience auditing mortgages gave me a solid barometer for assessing lenders and I am happy to refer a few with whom I've had success. Ultimately this is your loan and you should exercise diligence in your selection.
- **You should feel comfortable with your lender representatives.** They will be collecting very personal financial information and will often be in frequent communication with you through closing. If it doesn't feel right, move on.
- **The lender should be well organized and know the local market.** The last thing you want is to delay or miss out on your dream home due to lender inefficiencies or lack of expertise.
- **Read everything and ask questions.** Loan programs and their various options can be complex, make sure you understand the bottom line as well as the details.

How Much Home Can I Afford?

Before you begin looking for your home, you will need to prepare the necessary documents to present to your lender. There are three factors to consider when determining how much home you can afford.

- 1) The down payment,
- 2) Your ability to qualify for a mortgage, and
- 3) Closing costs associated with your transaction.

Down Payment Considerations:

Many loans only require a down payment of 3.0% to 5.0%, depending on the type and terms of the loan. On the other hand, if you are able to make a 20% to 25% down payment, you may be able to take advantage of special fast-track programs or avoid paying mortgage insurance.

Conventional wisdom states that “bigger is better” when making a down payment. In many cases this is true, however the benefits will vary from case to case. A larger down payment means smaller monthly payments and more of your money building equity versus paying interest. This can be an important factor for many people. However, if you can put your available funds to work for you in other investments earning more than the interest rate on your loan, you could be dollars ahead with a smaller down payment. Also, a smaller down payment may allow you to keep your extra cash liquid and available for an emergency. **I am happy to walk you through the pros and cons of down payment size so you can make an informed decision. A good lender will walk you through the details of various loan programs that fit in with your broader financial strategy. If you desire a more comprehensive overall plan I can refer financial advisors with whom I've had success.**

Qualifying for a Mortgage:

Most lenders require that your monthly payment range between 25-28% of your gross monthly income. Your mortgage payment to the lender includes four items... the **PITI**. These items are discussed below. Remember, when you buy a home all interest is tax deductible, so you will qualify for a major tax advantage that will effectively increase your take-home pay. Your total monthly PITI and all debts (from car loans to revolving charge accounts) should range between 33-38% of your gross monthly income. The lender will likely refer to these as your “ratios.” This is a general rule of thumb, but other key factors specifically determine your eligibility for a home loan. These factors are:

INCOME: History of employment, stability of income, potential for future earning, education, vocational training and background, and any secondary income such as bonuses, commissions, child support, etc. Self-employment usually has different income requirements.

CREDIT REPORT: History of debt repayment, total outstanding debt, total available credit, and what percentage of your available credit you are using. If you have concerns about your credit report, consider contacting one of the major credit bureaus for a copy of your file: Experian (www.experian.com), TransUnion (www.transunion.com), or Equifax (www.equifax.com). The cost is around \$12.95 per report. **If you find errors on your credit report, I am happy to refer firms that assist in credit correction.**

Note: **Due to regulatory and security changes, your lender may require letters of explanation about information on your credit report.** Some explanations may seem very silly or obvious, but your lender is heading off any questions the underwriter could be required to ask in order to ensure a timely closing.

If it turns out your credit history needs a little repair before you can qualify for the loan you want, a good lender will be able to advise you on simple strategies to boost your reporting score. I would love to stay in touch along the way to help you achieve your home ownership dreams.

ASSETS: Cash on hand, other liquid assets such as savings, checking, CDs, stocks, etc.

PROPERTY: The home you are buying must be appraised to determine that it has adequate value and is marketable to ensure it will secure the loan.

Note on appraisals: In a hot market where buyers continually make offers over the estimated market value, appraisal results can be a concern. If the appraised value does not come in at the level of the negotiated purchase price, it will affect the amount money the buyer is allowed to borrow. In such an event, the buyer is responsible for coming up with enough cash to cover the difference or the sale cannot proceed.

CLOSING COSTS:

In addition to the down payment, you will be required to pay fees for loan processing and other closing costs. These fees must be paid in full at the time of the final settlement, unless you are able to include these in your financing. Typically, the total closing costs will range between 2-5% of your mortgage loan. You should receive a “Good Faith Estimate” or GFE from your lender that will give you a good estimate of what your closing costs should be. We have provided an example “**Buyer’s Estimated Closing Costs**” worksheet for your convenience.

NOTE: Starting August 1, 2015, the CFPB is changing the requirements for loan cost disclosures and estimates. Ask me about these changes and how they will affect your loan shopping process.

Estimating Your Monthly Payment (the PITI)



Your monthly payment (also known as the PITI) is the sum of four items – the principle on the loan (P), the interest on the loan (I), property taxes (T), and homeowner’s insurance (I). There are many free PITI calculators available to estimate your payment. I am happy to provide a few recommendations, but your Title Insurance company or lender will likely have one via a convenient smartphone app or website.

Add your monthly insurance premium and property tax to your principal and interest - this is your monthly payment. Your mortgage lender will require Hazard Insurance coverage on your home for at least the amount of the mortgage loan.

Section 5 in this package has more information on obtaining homeowner's insurance.

Property Taxes:

All property owners must pay general real estate taxes. These taxes are called "ad valorem" taxes because the amount of the taxes varies, according to the value of your property.

Each agency or municipality determines how much money is needed for the budget. They obtain these funds through mills levied against properties in their counties. The state limits how much the mill levy can increase each year without voter approval. Each mill is equal to one-thousandth of one dollar (\$.001) of assessed value, or \$1 for every \$1,000 of assessed value.

Properties are valued or ASSESSED by the county assessor. The land and buildings are usually assessed separately. If an owner feels the assessed value of their property is incorrect, they can present their objection through the local taxing authority on an annual basis.

Note: The assessment used for property taxes is not the same as the property *appraisal* you order when applying for a mortgage and the values will likely not be the same.

As a free service to my clients, I will provide the property valuation data needed to file an objection with the Assessor's office, and will help you put together your presentation for the review meeting.

One way to reduce your property tax bill is to apply for a **Homestead Exemption**. This effectively reduces the assessed value of your home, and should be applied for between January 1st and April 30th. There is one catch, though - you must own your home on January 1st to apply for an exemption. Otherwise you'll have to wait until the following January to apply. There are many companies offering homeowner's insurance in Texas. While there are several factors to consider when choosing insurers, here are some suggestions to help you choose a provider and policy that meets your needs:

5 - Homeowner's Insurance

Where can I get Homeowner's Insurance Information?

Comparison Shop the Providers with the Texas Department of Insurance (TDI)

The TDI website at: www.tdi.state.tx.us/apps/perroot/u_cp_homerate/rghome.html lists many licensed insurance companies by county, compares premiums and financial soundness ratings, and provides each company's complaint index and contact information.

Know What Coverage You Are Buying

6 - Warranties and Service Contracts

Some companies are selling a modified version of the HO-B policy, and some are selling the original version. The modified version limits coverage for mold and water damage, but allows you to add additional coverage in increments at additional cost. Other companies have discontinued the HO-B policy and are only offering HO-A instead. The HO-A coverage might be considerably less, depending on the plan. For a list of companies selling HO-B policies, look at: www.tdi.state.tx.us/company/pccphob.html.

Research the Available Discounts

Many companies offer discounts for deadbolt locks, hail resistant roofs, burglar alarms or sprinkler systems. Ask about other discounts - otherwise you won't know whether or not you might qualify. Most companies also offer discounts for insurance bundles such as having home and auto insurance with the same company. Your existing auto insurance agent would be a great place to start when shopping rates, but don't be afraid to seek out the best deal! **Insurance is a details business. I am happy to refer highly knowledgeable, local insurance agents who would love to walk you through all your insurance needs and options.**

As a final note, call the Texas Department of Insurance at 800-252-3439 to be sure the insurance company you're considering is licensed in the state. Otherwise your property may not be protected.

New Home Warranties

When you purchase a newly built home, the builder usually offers some type of full or limited warranty on things such as the quality of design, materials, workmanship and habitability. These warranties are typically for a period of one-year from the purchase of the home.

At closing, the builder will assign to you the manufacturer's warranties that were provided to the builder for materials, appliances, fixtures, etc. For example, if your dishwasher were to become faulty within one year from the purchase of your newly built home, you would call the manufacturer of the dishwasher – not the builder.

If the homebuilder does not offer a warranty or asks you to waive a warranty, you might want to consult with your attorney first, or consider looking elsewhere. **No property should be purchased without some form of warranty protection.**

Residential Service Contracts

When you purchase an existing home, you may buy a Residential Service Contract (RSC) that will protect you against most ordinary breakdowns for at least the first year of occupancy. Sometimes, the RSC may be offered by the Seller as part of their overall package, or by Realtors who have access to programs that will ensure the buyer against defects in the home. Even with an RSC, you should have the home carefully inspected before you purchase it. A home RSC program will give you peace of mind, knowing that the major components in your home will be repaired if necessary.

7 - Advantages of Buyer's Representation

Do You Need a Realtor to Buy a Home?



As a Real Estate Consultant, I bring a wealth of knowledge and experience to the process of buying a home. Real Estate Consultants are not just sales agents, I am also an experienced negotiator, seasoned financial advisor, and I will provide insight into local neighborhoods. I am a member of the National Association of Realtors (NAR) and must abide by a Code of Ethics and Standards of Practice enforced by the NAR. Professional Realtors are your best resource when buying a home.

- I know the housing market and can help you find the right property in the shortest amount of time.
- I can help you with *any* house even if it is listed by another broker, a new home, or is for sale by the owner.
- I work with the best lenders in the area; they can help you get pre-approved for a mortgage, plus discuss down payments, closing costs, and monthly payment options.
- I am an excellent source for general information about the community, specific information about schools, shopping, transportation, plus advice on house inspections and pricing.
- I am experienced at presenting your offer to the homeowner and can help you through the process of negotiating the best deal. I bring objectivity to the buying transaction, and can point out advantages and disadvantages of a particular property.

Should I use an Agent to purchase a new home?

The advantages of having us help you purchase a new home are the same as those for a resale home - knowledge of the market, help in finding the perfect home quickly, expertise in contract writing/negotiation, and closing assistance. The builder has a professional representative watching out for their interests, and you should have the same expert representation.

Buying a new home is a little more difficult and time-consuming than buying a resale. We can guide you through this process. We have experience working with builders and have access to a database of information about subdivisions, floor plans, etc. We are also familiar with new home warranties and builders purchase contracts.

It is also important that your interests be professionally represented when you are entering into a contract for a semi-custom or build-to-suit home. These transactions are complex and the contract details must be exact in order to protect you and to ensure you get exactly the home you want!

Is there any financial reason not to use an Agent to purchase a new home?

No. There is no financial advantage for you to buy directly from the builder. Builders have a "single-price" policy, meaning you will be charged the same price whether you are represented by an Agent or not. However, just as in resale purchases, the Seller pays your Agent's fee.

Note: Some Builders require that your Agent accompany you on your first visit to the Builder's sales office, or they will not work with your Agent, or pay their fee. Always notify the builder that you are working with an agent before your first conversation and register your agent's name with the builder if possible.

GEORGE KARVEL: Real estate agents are worth the cost

From the Austin American-Statesman - November 1, 2002

Dear George: What does a real estate agent do that a good informed consumer can't do for himself? I feel with some research, I can bypass them and save the commission. Should I reconsider? -- **J. Carmon, Bloomington, Calif.**

Dear J.: Everything you want to know about anything is on the Internet or in the library. With self-study a person can be his or her own lawyer, dentist, tax accountant or real estate agent. Nationally, 13 percent of residential real estate sales were sold by owners (FSBOs, or for sale by owner). Most people use agents because of their knowledge regarding a complex legal and financial transaction. The benefits licensed agents bring to the home selling process include:

1. Pricing. Sellers lack market knowledge. What information they have obtained regarding the value of their home may be erroneous. They are at great risk of selling their property for too little or overpricing and not selling their home at all.

2. Qualifying buyers. Some people's weekend entertainment is looking at homes they are not financially qualified to buy. Agents interview and eliminate lookers who are not financially qualified buyers.

3. Negotiating. Sellers rarely have the objectivity and skill to elicit and identify the buyer's objections to buying. Selling a home is more than just setting the price.

4. Legal. Real estate agents are not attorneys. They are, however, licensed and trained to draft purchase agreements and ensure that all appropriate disclosures are made.

5. Problems. Real estate agents earn their commission only when the sale is closed. Consequently they pay close attention to ensuring that problems with title, documentation and financing or any other issues are resolved in a timely manner.

Most people who write me have created a mess that could have been avoided if they used an attorney and a real estate agent when buying or selling their property. Professional services are costly but cheaper than resolving problems after the closing. By the way, most FSBOs after one experience representing themselves vow never to do it again.

GEORGE KARVEL teaches real estate classes at the University of St. Thomas, St. Paul, Minn. E-mail questions to: gkarvel@aol.com. Please include name, city and state.

The Advantages of Having a Buyer's Representation Agreement

What is a Buyer's Representation Agreement?

A Buyer's Representation Agreement is a contract between a Buyer and a Broker that spells out the services the Broker will provide to the Buyer, and the commission the Broker will be paid for those services. When you sign the agreement, you are agreeing to hire a personal representative (Agent) who, by law, must represent your interests to the best of their ability. This legal obligation on the part of the Agent is called a "fiduciary responsibility." It is the same relationship that a lawyer, banker or accountant has toward their clients. In exchange, you agree to work with the Broker/Agent exclusively. This protects everyone in the relationship.

This personal service is available at no out of pocket cost to you. The Seller is responsible for paying the Buyer's Agent's fee. You get a full-time professional devoted to protecting your interests and to helping you make one of the most important investment decisions of your life.

The KELLER WILLIAMS “Easy Exit” Buyer’s Program

The good news is you aren’t locked in...

You may have concerns about signing an agreement with a real estate broker and you could be locked into a

lengthy buying process where you’re not satisfied, or can’t find the right home.

The concept of “Easy Exit” has been designed to eliminate any concerns you might have in signing the Buyer’s Representation Agreement. When you employ my services, you can exit at any time you feel that I am not representing your best interests in keeping with our fiduciary responsibility. It is my intent to eliminate any concerns that my clients have with the home buying process.

I stake my livelihood and my reputation on my clients’ satisfaction. It is my intention to provide first class service and earn referrals, not just commission.

If at any time you feel that I am not representing your best interests or even if we’re just not clicking, please call me immediately. If I cannot resolve the issue to your satisfaction, you can end the agreement by filling out the Termination of Buyer’s Representation Agreement form and then simply email, fax, mail or drop it by the Keller Williams office. 24 hours later the agreement will be cancelled. (Please note this program is not intended to circumvent any professional fees that have been earned up to that point).

My focus is to make the purchase of your property a smooth process all the way through to closing. I understand that my job is to provide exceptional customer service in support of our common goal - the successful purchase of your next home!

8 - Making Offers and Negotiating

With the exception of the Closing, nothing is more emotionally charged than making an offer on a house and negotiating to contract. The seller is understandably proud of their home and expects top dollar for it. As the buyer, you have found your dream home and would like to pay as little as possible for it. This is where making good offers and being willing to negotiate pays off for both sides.



The Offer

Your first offer should reflect all your needs with regard to closing date, move-in, financing, repairs, etc. along with the price you'd like to pay. Always remember that the seller may accept your first offer as-is, at which point it becomes a binding **contract** (see Appendix B). Always allow sufficient time to write-up a complete and correct offer, even if you suspect there are other bidders.

In addition to documenting your needs, the offer has several items that must be correctly specified or the seller might be able to void the contract and sell the home to another buyer.

To prevent this, I use contract checklists to avoid creating loopholes or problems later on. I study contracts and contingencies relentlessly to ensure you are as informed as possible. I am serious about getting you the home you want at the price you need.

Prior to making an offer it is critical to review the **Seller's Disclosure Form** (see Appendix B) and ask questions about any pre-existing conditions the Seller has noted. By law, the Seller must disclose any defects or issues with the property, and you are responsible for acting on that information before purchasing the property. Often, correcting these issues becomes part of the offer.

Finally, for a small fee you may specify an "**Option Period**" of between 5 and 15 days during which you may cancel the contract for any reason. This allows your inspector time to look at the property and discover any problems that might cause you to change your mind. We highly recommend obtaining an option period on any property you consider purchasing and would never recommend purchasing a property without a professional inspection. **I am happy to refer local inspection companies and you should choose your provider before making an offer so**

we can arrange the inspection immediately upon entering a contract. Inspection results can often open up the contract to urgent renegotiation during the option period based on any issues that need to be resolved or appropriately compensated.

Negotiation

If the seller objects to any of the conditions in the offer, they may either reject the offer outright, or make a counter-offer. Good offers reduce the chances of rejection and increase the odds of obtaining your home. If the seller counter-offers you will have the same options of acceptance, rejection or countering. This may go on for several rounds until both parties are satisfied. Below are some of the conditions that are typically negotiated:

Price - based on a Comparative Market Analysis (CMA) that I provide, you should know what the fair market value of the property is, and decide on your offering price accordingly. Depending on how badly you want the property, you may make an offer over, under or at market value. We can also advise you on the best approach for the current market conditions. In a hot market, it is not uncommon for buyers to make offers over market value. Many buyers don't feel comfortable paying over market, but should be aware of the current market climate. When discussing price we will also discuss the likelihood that the appraisal will come in at the negotiated purchase price.

Terms - there are situations where the seller may agree to pay some part of the buyer's closing costs, or contribute to the down payment. In addition there are many programs for first time home buyers which can help with making the down payment or closing costs. There are also negotiations with regard to who pays for the survey, etc.

Note: Your lender will need to be consulted with regards to any seller paid closing costs to ensure it does not interfere with the terms of your desired loan program.

Inclusions - if there are window treatments, etc. that you would like conveyed with the property we can help you decide what the add-ons are worth and adjust your offer accordingly.

Possession - many times one party needs extra time to arrange a move or for a new home to be completed. We can negotiate a lease-back or other arrangement to meet both parties' needs.

Contingencies - quite often a buyer must sell their existing home before purchasing a new one, or can only afford a certain monthly payment. We can help structure the offer so that you won't be stuck with two mortgages, or help you fill out a **Third Party Financing Addendum** (see Appendix B) to set limits on the terms of the loan you might be required to accept.

9 - You Have a Contract!

During the option period it is critical to have the property inspected and to carefully review the **Inspection Report** (see Appendix B). The option period is the only time you may back out of the contract without losing your earnest money or incurring other penalties. If you allow the option period to expire without **canceling the contract** (see Appendix B), you have purchased the property “as-is”! This is



also the best time to check with your insurance agent to find out if you can insure the property at a reasonable cost.

The option fee is due within 3 calendar days of the contract effective date (the final signature) so have your checkbook ready! If the option fee is not paid in a timely manner, the option period is waived.

Note: If you have a Third Party Financing Addendum and the lender decides the property does not meet underwriting standards, you will not be required to purchase the property.

How to Choose a Good Inspection Company

Is an Inspection Necessary?

You have the right to request an inspection of any property you are thinking of purchasing, by a professional inspector of your choice. You should always exercise your right to have the inspected. Many of the critical and expensive systems such as mechanical, electrical, structural, and plumbing are not visible to the untrained eye. If repairs are needed, we can help you amend the contract to include them.

Are Inspectors Licensed?

Since an increasing number of buyers are requesting property inspections, there has been a rapid increase in the number of people entering the inspection field. Fortunately, the State of Texas *does* require testing and licensing of inspectors.

Continuing Education is Important for Inspectors

A competent home inspector is familiar with the latest construction materials, home building techniques, and professional equipment. Consumers should research whether prospective home inspectors actively monitor the changes in construction and real estate in order to keep their business practices current and professional. Members must meet annual continuing education requirements for this purpose.

What Does an Inspection Entail?

An inspection consists of physically walking through the home (preferably with the buyer and their agent present), followed up by a written report detailing the

findings. They report on the general condition of the home's electrical, heating, and air systems, interior plumbing, roof, visible insulation, walls, ceilings, floors, windows, doors, foundation, and visible structure. The inspection is not designed to criticize every minor problem or defect in the home. No home is perfect. **It is intended to report on major damage or serious problems that require repair for the well being of the home, or that might require significant expense**

An Informed Buyer is Important

The primary purpose of the inspection is to help the buyer make an informed purchasing decision. The inspector should allow and even encourage the buyer to attend the home inspection. A good home inspector knows how the home's many systems and components work together and how to minimize the damaging effects of sun and water. **The buyer's attendance of the inspection provides them with an overall idea of possible future repair costs and maintenance routines.** This is valuable information which could decrease ownership costs and increase the future selling price of the home.

Time and Fee Guidelines for the Inspection

The time necessary to properly inspect a home, as well as the fee charged by an inspector, varies according to market location, the size and age of the home, and the individual inspection company. However, you can expect that it will take an average of two to three hours to competently inspect a typical one-family, three-bedroom home, with an average cost of \$300 to \$500. The price and time can increase with larger homes and more complex systems such as a pool, septic system, etc. Sometimes it may be wise to hire multiple inspectors with different specialties.

Note: Septic systems are common in Texas and it is always a good idea to have a septic system inspected. Many counties require their regulating body to inspect the system before a transfer permit can be issued to the new owner, but this should not be confused with a full professional inspection ordered by the buyer. A full inspection will give you a far more thorough report on the condition of the system and will require that the system be pumped to view the full interior of the tank- typically at the buyer's expense. Septic service contracts are also available.

10 - Between Contract and Closing

Obtaining Title Insurance or a Title Abstract

There are two kinds of title insurance required for most home purchases: Lender's and Owner's policies. A Lender's or Mortgagee's title insurance policy protects the lending institution. Lenders require this type of insurance and require the borrower to pay for it. However, the borrower is not covered by this policy. An Owner's policy is necessary to protect you against loss. Your Title Company will provide a **Title Commitment** (see Appendix B) for the appropriate policy prior to closing, and you will be billed for it as part of the settlement costs.

In some cases a buyer may prefer having a **Title Abstract** performed and the results certified by an attorney. A Title Abstract is a listing of all title claims leading

up the current title held by the seller. The attorney reviews the abstract and offers an opinion on the validity of the title chain. This meets the legal requirements for purchasing a home, but offers no financial protection to the buyer versus a title insurance policy. I will ALWAYS recommend purchasing an Owner's title policy. It's a small price to pay for peace of mind.

The Property Survey

Before the lender and title company will proceed to closing they will order a survey of the property to ensure there are no encroachments from other properties. In some cases the existing survey may be used, but only if the property was purchased recently and the seller certifies that no changes or improvements have been made to the property. The person responsible for paying for the survey is negotiable, but the seller typically covers this cost.

The Property Appraisal

The lender will request an appraisal as part of the loan process to ensure that the market value of the property is high enough to cover the loan amount. The appraiser will take into account the recent selling price of other similar homes in the neighborhood, along with any homes for sale and the overall condition of the property. **While I am not a licensed appraiser, I have years of experience reviewing appraisals and can guide you through their process.** If I feel the appraisal is inadequate or erroneous, I will inform you and we can discuss further options at that point. The lender should also be trained and experienced in differentiating a solid appraisal from a sloppy one.

Transferral of Services Into Your Name

Electric, Telephone, Cable Television, Internet, Trash, Water, Gas (if available). I will refer you to a FREE service that will connect all your services for you. We can also discuss the various internet service providers in the area and their quality.

Cancel Existing Home Services

- Newspaper, cleaning service, lawn service, etc. Many of these contracts will be with the seller, not necessarily tied to the address, but I will follow up with the seller to ensure any unneeded services are terminated and any you would like to keep are transferred. You can sometimes save a little money by transferring a service rather than setting it up from scratch.



Send Out Change of Address Notices

Complete your Change of Address notices and mail them. Keep in mind that the post office will forward your mail for 30 days but they do expect that you are sending notices to everyone who sends you mail. Your first priority should be notifying any institutions which send you mail containing sensitive personal information, such as your bank.

- Post Office

- Friends and relatives
- Professional organizations of which you are a member
- Clubs, social or civic organizations with mailings
- Charge accounts, insurance carriers, and creditors
- Magazine and mail order subscriptions
- Driver's bureau to receive tag notices
- Voter Registration officials

Keep Detailed Records

Keep detailed records of all moving expenses if your move is job related. Many expenses, including house-hunting trips, are tax deductible. If your move is 35 miles or more from your home, you can deduct your family's travel expenses, including meals and lodging; the cost of transporting furniture, other household goods and personal belongings; food and hotel bills for up to 30 days in the new city if you have to wait to move into your new home; **and the costs associated with selling your old home or leasing your new home.**

Note: There is a ceiling on deductions which is outlined in detail in the IRS's Publication 521, "Tax Information on Moving Expenses," which I can provide.

Pre-Closing Walk Through

One or two days prior to the closing we will walk through the house together to ensure that all repairs have been completed, the house is clean and the seller has removed all personal property. You also want to keep an eye out to make sure there was no accidental damage done while the sellers were moving out. Typically, by catching problems before the day of closing we can correct them without impacting the closing or your moving plans.

II - Closing and Beyond

What is a Real Estate "Closing?"

A "closing" is the meeting of the Buyer, Seller, their Agents, and the title company representative where the actual transfer of title to the property occurs. The purchase agreement or contract you have signed describes the property, states the purchase price and terms, sets forth the method of payment, and usually names the date and place where the closing or actual transfer of the property title and keys will occur.



The title company transferring ownership of the property will prepare a new deed for you. Your lender will require you to sign a document, usually a promissory note, as evidence that you are personally responsible for repaying the loan. You will also sign a mortgage or deed of trust on the property as security to the lender for the loan. The mortgage or deed of trust gives the lender the right to sell the property if you fail to make the payments or are otherwise in default. Before you exchange these papers, the property may be surveyed, appraised, or inspected, and the ownership of title will be checked in county and court records.

What is an Escrow Account?

An escrow account is a neutral depository for funds that will be used to pay expenses incurred by the property, such as taxes, assessments, property insurance, or mortgage insurance premiums which fall due in the future. You will pay one-twelfth of the annual amount of these bills each month with your regular mortgage payment. When the bills fall due they are paid by your lender from this special account.

At closing it may be necessary to pay enough into the account to cover these amounts for several months so that funds will be available to pay the bills as they fall due. You may also be required to refund items prepaid by the Seller. For example, if the Seller has paid the special assessments or taxes for that year, you may be required to refund the value of the months remaining in the year when you take possession of the property. An escrow fee is usually charged to set up the account.

What Should I do to Prepare for the Closing?

You will be required to pay all fees and closing costs in the form of 'guaranteed funds' such as a Cashier's Check. These days, many buyers wire the funds so it is wise to check with your preferred banking institution regarding wire fees and setup time before closing. You will be told the exact amount by your agent or escrow officer prior to closing. You are also required to bring a picture ID such as your driver's license.

If your spouse or partner cannot attend the closing, you will need to obtain a Power of Attorney for them ahead of time. On the day of closing the escrow officer will contact your spouse to ensure the Power of Attorney is still valid. Be sure to have their contact information with you at closing for this purpose. It is possible to have the documents mailed out for signatures, but this will add time to the closing process and require advanced notice for the title company to prepare.

What Happens Next?

Once your lender releases the funds to the title company, you will receive the keys to your home and you can move in! Be aware that there may be a day or two delay between "closing" and "funding." Make sure you schedule some flexibility into your moving plans to allow for a possible delay. We will work with your lender and the title company to minimize the possibility of this happening.

That's it. I will check with you on a regular basis to ensure the move went smoothly and that the house is meeting your expectations. You are now our valued customer and I look forward to a long and rewarding relationship with you, whether this is your first house or your 15th.

I like to hold an annual meeting with each of my clients to discuss your satisfaction with the house and anything I may be able to help with such as

market analysis of the value of your home, analysis of your potential for future return on investment in renovations, referrals to various service companies, area and community developments, and just to see how you're doing!

One Final Request

After you read through this Buyer's Package if there are any improvements, additions, or corrections that we can make to improve its value to you, please let me know. I am here to add value and provide exceptional service to my clients. I look forward to working with you.

Best regards,

Daniel Russo



Appendix A - Resources

www.agentrusso.com

My business website and your portal for all things real estate. This site includes:

- All the residential listings from the Multiple Listing Service (the computer system REALTORS® use to list properties)
- Search capability by city, county, zip code, school district and MLS area
- MLS and zip code maps that allow you to pinpoint the area you want to search in
- A Portfolio that allows you to save your listings, searches and agents
- Email notification when a new listing that meets your criteria goes on the market

www.Austin360.com is dedicated to helping Austin residents manage and improve their busy lives by providing online tools and features, such as:

- Movie theaters and showtimes
- Calendar of Events in Austin
- Restaurant search
- Home and contractor searches
- Budget calculators
- 24 hour traffic reports/live cams
- 24 hour local news and weather
- New and used car search
- Health encyclopedia
- Local job listings

www.Gracytitle.com

Gracy Title's website contains a wealth of information on the Austin area. You can even build your own relocation book.

- Area Community Profiles
- Recreation and Entertainment
- Texas Property Ownership
- Local Housing Information
- Medical and Community Services
- Education
- Wining, Dining and Shopping

Appendix B - Example Contracts and Reports

One to Four Family Residential Contract (Resale)

This is the document you'll fill out when making an offer on a resale home. In the case of a new home, the builder typically provides their own contract. You should consult your attorney if you have questions or wish to make changes to the preprinted sections of the document.

Third Party Financing Condition Addendum

This document accompanies your offer unless you are paying cash. It details your home financing requirements. In the event you cannot obtain financing as described in this addendum you may cancel the contract and your earnest money will be refunded.

Notice of Termination of Contract

In the event you wish to withdraw an offer or terminate a contract, this form is used.

Seller's Disclosure of Property Condition Form

The seller is required to document on this form any known defects in the property to protect the buyer in the transaction. It also describes key features of the property such as gas or electric heat, garage door openers, water softeners, etc.

Property Inspection Report

When you have the home inspected prior to buying, you will receive an inspection report that details the condition of the property. Inspectors look at the physical structure of the property, the electrical system, the heating, ventilation and air conditioning (HVAC) systems, the plumbing system and major appliances. There are optional systems to be inspected including the sprinkler system, pool, security systems, etc.

Title Commitment

This document is provided by the Title Insurance Company and explains the coverage they are willing to provide on the property. Schedule A is the property description. Schedule B explains the conditions or occurrences that are not covered by the policy. Schedule C lists the items that must be resolved before title insurance will be issued. These items are the Seller's responsibility to correct. Schedule D contains the disclosures that the Insurer must provide by Texas law.