# HOMEOWNERS

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## Buying a Home: Frequently Asked Questions

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### How much should I spend on my next home?

The first step is to think about how much you can afford to pay out each month for a mortgage payment. Keep in mind that a mortgage payment typically includes property taxes and mortgage insurance as well as the mortgage payment itself. The general rule of thumb is that no more than 30 percent of your gross monthly income should be spent on housing expenses.

If you plan to borrow money from a lender then you might want to consider getting pre-qualified. Pre-qualification is helpful to the buyer for planning purposes because it gives you an estimate of the maximum mortgage amount you can afford based on your current financial situation. Unlike a pre-approval, pre-qualification is not a commitment on the part of the lender, but it does give you an idea of the mortgage amount you probably qualify for.

Knowing this information in advance can help you figure out a price range for your new home.

When you're figuring out a price range, don't forget to take into account any amount you apply as part of a down payment. You will want to save as possible for a down payment. The reasons for this are two-fold: first, lenders will not require you to pay for private mortgage insurance if you can come up with a 20 percent down payment; second, the sooner you pay off your mortgage, the better off you are financially.

Once you've figured out a price range let your real estate agent know what it is, but don't be afraid to look at homes that are 15 percent to 20 percent over your price range. In many cases, you will be able to negotiate the price down.

## How can I find a good real estate agent when buying a home?

As a home buyer you pay a commission to the agent, so you want to make sure you are getting your money's worth. What you need is an agent who is competent and experienced, and whose way of working is compatible with your own. If you're working with a real estate agent that you feel is not doing his or her best to find you the home you want, then don't hesitate to find a new one.

When looking for a real estate agent ask yourself the following:

**Is the Agent Full-Time? Is the Agent Experienced?**

Look for an agent with at least a few years of full-time experience. As with many professions, real estate agents acquire most of their skills on the job.

**Does the Agent Listen, and Communicate Clearly?**

The agent must understand what's important to you in your home purchase and be able to tell you what you need to know about a home.

**Is the Agent Willing to Negotiate For You?**

To get the best home for the best price you'll have to negotiate with the seller. If the agent is not willing to show you houses that are 20 percent over your price range or to go to bat for you when negotiating with the seller, you should find a new agent.

**Is the Agent Careful In His or Her Work?**

You need an agent who will cover all the details that go into buying a home.

## Can I save money by buying a home without a real estate agent?

You can shop for and buy a home without a real estate agent, but keep in mind that it will be more time-consuming. Homebuyers who already have a property in mind that they want to buy are the best candidates to forgo an agent, but if you're willing to do the extra legwork such as searching for properties, scheduling appointments to see them, coordinating inspections, and negotiating, then it's probably worth a try.

## How can I negotiate the lowest price when buying a home?

Here are some negotiating tips:

- Be willing to walk away from a deal. If you decide you must have a certain house, you have already lost negotiating power. There are other good properties out there.
- Learn everything you can about the property before making your offer. For instance, how long has it been on the market? Has the buyer dropped the asking price? Why is the owner selling? The answers to these questions will help you to negotiate.
- Know what comparable homes are selling for.

- When the seller won't budge on price try to negotiate something else. For instance, try to get the seller to pay for repairs or improvements you would have done yourself.
- Don't forget the real estate agent's commission. This is negotiable, too.

## Should I have the home I want to buy inspected?

The purchase of a home is probably the largest single investment you will ever make. You should learn as much as you can about the condition of the property and the need for any major repairs before you buy.

The standard home inspector's report will include an evaluation of the condition of the home's heating system, central air conditioning system (temperature permitting), interior plumbing and electrical systems; the roof, attic, and visible insulation; walls, ceilings, floors, windows and doors; the foundation, basement, and visible structure.

The inspection fee for a typical one-family house varies by region and may also vary depending upon the size of the house, particular features of the house, its age, and whether additional services are required such as septic, well, or radon testing. The knowledge gained from an inspection is well worth the cost, however.

Not all states require home inspectors to be licensed or certified. When hiring a house inspector, qualifications, including experience, training, and professional affiliations, should be the most important considerations. One organization that can help you find a qualified home inspector is the American Society of Home Inspectors (ASHI). You can contact them through their website: www.ashi.org

## What should I watch out for when dealing with home contractors?

Once you find a home you may want to do some remodeling or updating. Before you get started, however, make sure that the remodeling you're doing is something that the average home buyer wants such as a modern kitchen, larger closets, and modernized or additional bathrooms. Improvements in electrical wiring are also a plus, and when redecorating, keep future buyers in mind and use neutral colors.

**Do not pay the contractor too much money upfront.**

Before you sign a contract, work out a detailed plan that includes a target date for finishing various portions of the job, and a payment schedule as well. The contract should detail the costs of materials and labor so that you know what the contractor's profit will be. The final payment should be due on completion and should be the largest payment.

**Don't contract with someone who's not bonded, licensed, and insured.**

To find out whether a contractor is licensed, you can contact either a state licensing agency or check with a consumer protection agency to find out whether complaints have been filed against that contractor. Always ask to see copies of insurance policies.

**Ask for as much detail as possible from the contractor about what the job will entail.**

You never know what you'll find when you rip open that 30-year-old wall or start replacing that electrical wiring. On a big project, hire an independent engineer to inspect the work. If you don't, you could regret it later if the work has to be redone at your expense because it's not up to code.

## How much should I expect to pay in closing costs?

Closing costs vary by state and by lender so it pays to shop around if possible. In addition, many of the fees associated with closing costs are negotiable such as credit checks, application fees, title searches, broker fees, appraisals, and other processing fees. Property taxes, homeowners' insurance (usually paid one year in advance), and private mortgage insurance (PMI) are not negotiable. One of the largest closing costs is likely to be the origination fee, which is typically 1 percent of the mortgage. You may also pay from 1 to 3 points or 1 percent to 3 percent in up-front interest. If you put less than 20 percent down, you will also need private mortgage insurance, which includes a one-time fee of up to 1 point plus a specific dollar amount that is included in your monthly mortgage payment.

Your lender must send you an estimate of your closing costs, referred to as a GFE or Good Faith Estimate (required by law), within three days of receiving your application and your realtor, lawyer, or escrow agent will give you the exact amount of your closing costs before closing. If you have only enough cash for a down payment, you can fold closing costs into your mortgage, but you will have to pay a higher interest rate. You can also ask the seller to pay some of the closing costs when you are negotiating your price.

## Should I buy or rent?

Depending on your particular situation, owning a home makes might make more economic sense than renting one. With home prices dropping and mortgage rates at historically low rates, people who are planning to stay in their homes long-term can build equity over time and reap the benefits of writing off mortgage interest on their taxes. A modest increase in value represents an even greater gain for people who make a typical down payment of 20 percent or less. The higher your income tax bracket, the better your return.

You may want to rent however if you can find cheap housing, such as a rent-controlled apartment or the cost of renting is substantially less than owning. If you are young and single, newly divorced, move often with your job, or just don't want the responsibility of home ownership, then renting probably makes more sense. It's tough to recover the costs of buying a home within the first five to seven years, so if you're planning on moving before then renting is a better option. Retirees also may want to sell the family homestead and invest the proceeds. If you live in an area where housing prices are falling, then wait until the market bottoms out before you buy.

# Mortgages: Frequently Asked Questions

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## How can I minimize problems when getting a mortgage?

Much of the information required by your lender can be brought with you when you apply for a loan. To avoid delays, try to find out in advance exactly what documentation the lender will require from you. In general, however, most lenders will ask for the following documents:

- The purchase contract for the house
- Bank account numbers, name and address of your bank branch and your latest bank statement, pay stubs, W-2 forms, or other proof of employment and salary.
- If you are self-employed, balance sheets and tax returns for 2-3 previous years.
- Information about debts, including loan and credit card account numbers and the names and addresses of your creditors.

- Evidence (such as canceled checks) of mortgage or rental payments you currently pay.
- Certificate of Eligibility from the Veterans Administration if you want a VA-guaranteed loan.

Ask the lender what is the average time for processing loans and what time frame you can reasonably expect your loan to be approved in.

People who are rejected for a mortgage loan often find that it is due to problems with their credit score. To circumvent potential problems, several months before applying for a mortgage try to pay down your credit cards, but do not close them. Although it may seem counterintuitive, closing them can negatively affect your credit score. Obtain a copy of your credit report so you can dispute any errors you find. Do not apply for credit unless you really need it and start paying bills on time if you do not already do so. Your recent history is counted heavily. If your credit history is sparse, take out a small loan or obtain a bank credit card or store charge card and make timely payments. Try not to change jobs.

## How can I lock in a mortgage rate most effectively?

A lock-in, also called a rate-lock or rate commitment is a lender's promise to hold a specific interest rate and number of points for you while your loan application is processed. A lock-in is typically held for a specific amount of time as well. A lock-in that is quoted when you apply for a loan may be useful because during that time the mortgage rates may change and it's likely to take your lender several weeks or longer to prepare, document, and evaluate your loan application.

But if your interest rate and points are locked in and rates increase you will be protected while your application is processed. Remember, however, that a locked-in rate could also prevent you from taking advantage of decreases in the interest rate unless your lender is willing to lock in a lower rate that becomes available during this period.

When considering a lock-in, ask the following questions:

- Does the lender offer a lock-in of the interest rate and points?
- When will the lender let you lock in the interest rate and points?
- Will the lock-in be in writing?
- Does the lender charge a fee to lock in the interest rate?
- Does the fee increase for longer lock-in periods?
- If so, how much? If you have locked in a rate, and the lender's rate drops, can you lock in at the lower rate?
- Does the lender charge an additional fee to lock in the lower rate?
- Can you float your interest rate and points for now and lock them in later?
- What rate will be charged if the lock-in expires before settlement? Will it be the rate in effect when the lock-in expires?
- If you don't settle within the lock-in period, will the lender refund some or all of your application or lock-in fees if you decide to cancel the loan application?
- If your lock-in expires and you want to get another lock-in at the rate in effect at the time of the expiration, will the lender charge an additional fee for the second lock-in?

## How are escrow payments calculated?

An escrow account is a fund that your lender establishes in order to pay property taxes and hazard insurance as they become due on your home during the year. The lender uses the escrow account to safeguard its investment, which is your home. Similarly, if you neglected to pay the hazard insurance premium, then a fire or flood that destroyed your home also would destroy the lender's security for the loan.

The goal of the escrow account is to have enough money to pay taxes and insurance when they become due. To achieve this, the lender adds one-twelfth of the tax and insurance amount to your mortgage payment each month. For example, if your taxes and insurance are $1,200 per year, the lender would collect $1,200 in twelve installments of $100 per month.

To cover possible tax or insurance increases, the federal Real Estate Settlement Procedures Act (RESPA) permits the lender to add to the yearly amount two months of extra payments prorated monthly. So, the lender would collect an additional $200 divided by 12, or $16.67 per month, for a total escrow payment of $116.67 per month

Mortgage services are required by federal law to make payments for taxes, insurance, and any other escrowed items on time. Within 45 days of establishing the account, the servicer must give you a statement that clearly itemizes the estimated taxes, insurance premiums and other anticipated amounts to be paid over the next 12 months, and the expected dates and totals of those payments.

You should also receive a free annual statement from the mortgage services that outlines activity in your escrow account such as account balances and when payments were made for property taxes, homeowners insurance, and other escrowed items.

To determine if you are being charged correctly, compare your escrow payments with what you owe annually on your hazard insurance and property taxes. You can get this information from your local tax authority and your insurance company. If the lender charges you substantially less than the required amount, you will need to pay an additional lump sum at the end of the year. If the lender charges you substantially more, it may tie up your money unfairly, as well as violate the RESPA regulations.

## What should I do if my bank or other mortgage lender sells my mortgage?

To protect borrowers, the National Affordable Housing Act requires lenders or mortgage servicers (the company that borrowers pay their mortgage loan payments to) to do the following.

- They must provide a disclosure statement that says whether the lender intends to sell the mortgage servicing immediately; whether the mortgage servicing can be sold at any time during the life of the loan; and the percentage of loans the lender has sold previously.

- The lender also must provide information about servicing procedures, transfer practices, and complaint resolution.

They must notify you at least 15 days before they sell your loan unless you received a written transfer notice at settlement. If your loan servicing is going to be sold, you should receive two notices, one from the current mortgage servicer and one from the new mortgage servicer. The new servicer must notify you not more than 15 days after the transfer has occurred.

The notices must include the following information:

- The name and address of the new servicer
- The date the current servicer will stop accepting mortgage payments, and the date the new servicer will begin accepting them
- Toll-free or collect call telephone numbers for both the current servicer and the new servicer that you can call for information about the transfer of service
- Information about whether you can continue any optional insurance, such as credit life or disability insurance; what action you must take to maintain coverage; and whether the insurance terms will change
- A statement that the transfer will not affect any terms or conditions of the contract you signed with the original mortgage company, other than terms directly related to the servicing of such loan

For example, if your old lender did not require an escrow account, but allowed you to pay property taxes and insurance premiums on your own, the new servicer cannot demand that you establish such an account. They must grant a 60-day grace period, in which you cannot be charged a late fee if you mistakenly send your mortgage payment to the old mortgage servicer instead of the new one.

If you believe you have been improperly charged a penalty or late fee, or there are other problems with the servicing of your loan, contact your servicer in writing. Include your account number and explain why you believe your account is incorrect.

Within 20 business days of receiving your inquiry, the servicer must send you a written response acknowledging your inquiry. Within 60 business days, the servicer must either correct your account or determine that it is accurate. The servicer must send you a written notice of what action it took and why.

If you believe the servicer has not responded appropriately to your written inquiry, contact your local or state consumer protection office. You can also file a complaint with the FTC. Or, you may want to contact an attorney to advise you of your legal rights. Under the National Affordable Housing Act, consumers can initiate class-action suits and obtain actual damages, plus additional damages, for a pattern or practice of noncompliance.

## When can I stop paying Private Mortgage Insurance (PMI)?

Generally, if you make a down payment of less than 20 percent when buying a home, the lender will require you to buy private mortgage insurance (PMI). You can usually drop the PMI when your home equity is more than 20 percent. Making extra payments, home improvements, and appreciation can all help increase equity and reduce the length of time that you have to pay PMI. Thanks to new regulations, it's now easier for people to cancel PMI when their home equity reaches 20 percent; however, some government-insured loans such as FHA and VA loans require that homeowners pay PMI for the life of the loan.

To find out whether you can cancel PMI, call your lender or mortgage servicing company (the company to which you send your mortgage payments) and ask what steps you need to take to cancel it. You will be required to request it in writing, but by calling first you can make sure you have included all of the necessary information when you submit your request.

In most cases, you will be required to pay for a formal appraisal. When you call the lender ask whether you can set up the appraisal or if it's something the lender needs to do. Lenders also take a close look at your payment history, so it's important to have made your payments on time. One other thing to keep in mind is that if you rent your home out, most lenders will require a higher equity percentage before dropping PMI.

If your request is approved, you will receive any pre-paid premiums that are in your escrow account.

## How can I avoid paying Private Mortgage Insurance (PMI)?

Lenders usually require private mortgage insurance if the loan is more than 80 percent of the home's purchase price, but even if you don't have the standard 20 percent down-payment, you can avoid paying private mortgage insurance in other ways. Some buyers go for 80-10-10 financing, which means that they put 10 percent down and take out a first mortgage for 80 percent of the purchase price. Sellers sometimes will carry a 10 percent second mortgage. Otherwise, you can finance the remainder through institutional lenders, which often charge a point above the first mortgage's rate.

If you only have 5 percent to put down, you may still be able to do the deal. You will pay a much higher interest rate on a 15 percent second mortgage, however.

## Should I prepay my mortgage?

As a general rule, if you are able to prepay your mortgage (and if there is no penalty for pre-payment), it makes good financial sense to prepay as much as you can every month, but there are some exceptions. For example:

1. You do not have an emergency fund stashed away. Once you've put away three to six months' worth of living expenses, then you can begin paying down your mortgage.
2. You have a large amount of credit card debt. In such a case, all of your extra funds should be used to pay down those debts.
3. There are a few individuals who might be better off not paying down their mortgages since they will achieve a better return by investing that money elsewhere. Whether an investor fits into this category depends on his or her marginal tax rate, mortgage interest rate, return achievable on investments, and long-term investment goals.

## When should I refinance my home?

Refinancing becomes worth your while if the current interest rate on your mortgage is at least 2 percentage points higher than the prevailing market rate. Talk to several lenders to find out the current refinancing rates and what costs are associated with refinancing. Costs can include items such as appraisals, attorney's fees, and points.

Once you have an estimate of what the costs might be, figure out what your new payment would be if you were to refinance. You can estimate how long it will take to recover the costs of refinancing by dividing your closing costs by the difference between your new and old payments (your monthly savings). Be aware, however, that the amount you ultimately save depends on many factors, including your total refinancing costs, whether you sell your home in the near future, and the effects of refinancing on your taxes.

Refinancing can be a good idea for homeowners who want to get out of a high-interest rate loan to take advantage of lower rates or those who have an adjustable-rate mortgage (ARM) and want a fixed-rate loan in order to know exactly what the mortgage payment will be for the life of the loan. It is also a good idea for those who want to convert to an ARM with a lower interest rate or more protective features than the ARM they currently have. Finally, refinancing is recommended for those who want to build up equity more quickly by converting to a loan with a shorter term or want to draw on the equity built up in their house to get cash for a major purchase or for their children's education.

## Should I pay off my mortgage?

The rule of thumb is to pay off your mortgage if there aren't any better uses for your money. As far as loans go, mortgages have moderate interest rates, and interest payments are tax-deductible. However, any investment that yields substantially more than the interest rate on your mortgage (such as tax-deferred retirement plans) is probably a good alternative. Paying off credit card balances is also a better use of your money than paying off a mortgage, but if you know you will just spend the money otherwise, paying off your mortgage is a good idea.

Before you make any extra payments, make sure that your loan has no prepayment penalty. If so, then you can make an extra payment once a year, pay every two weeks instead of every month, or just send in whatever you can afford above your normal monthly mortgage payment. The larger the extra payment and the sooner you make it, the faster your mortgage will be paid off--and the more you will save in interest. Contact your lender to make sure your payments will be credited toward principal rather than future payments. There is no need to pay a third party to arrange extra mortgage payments.

## What are the different options for mortgages?

There are two basic kinds of mortgages: fixed-rate and adjustable. Fixed-rate mortgages carry the lowest risk and are an especially good deal when interest rates are low. Adjustable-rate mortgages typically cost less, but they can become expensive if interest rates rise substantially. Some of them also amortize negatively, which means that your payment does not cover all of the loan's interest for the month. Your balance will increase, and you will owe interest on the interest. You can get either loan for different terms, typically 15 or 30 years.

There are now many different kinds of mortgages that combine aspects of both fixed-rate and adjustable loans. A mortgage may start as a fixed-rate loan, for example, and then convert to an adjustable after several years. One loan that has been around a long time is a balloon mortgage. It has low, fixed payments for a period of years, and then the entire loan comes due. Considered very risky, it is sometimes used by a seller to help a buyer with the down payment. Banks now offer balloon mortgages that can convert to fixed-rate or adjustable mortgages.

## How do I choose between low rates and low points on a mortgage?

Get a lower interest rate and pay more points if you intend to live in your house for a long time. Points are an up-front interest fee that generally increases as the mortgage interest rate decreases. Trading this fee for a higher interest rate will cost more over the life of the loan.

If you plan to be in your house for less than five years, however, it is less expensive in the long run to avoid paying points by taking a higher interest rate. You also might want to take the higher interest rate if it means you can then put enough cash down to avoid private mortgage insurance.

## Which mortgage is best for me?

It may depend on how much risk you can tolerate. A traditional 30-year, fixed-rate mortgage is still the safest way to go. Your monthly payment stays the same for the life of the loan. You are protected from increases in interest rates, and if rates go lower, you can always refinance.

An adjustable-rate mortgage, or ARM, is riskier but often less costly. ARMs typically offer below-market teaser rates and then adjust according to current interest rates as often as every few months. These loans set caps on the interest rate and the amount it can ratchet up each period. Be careful of loans that have payment caps because they can leave you owing more money on your mortgage each time you make a payment if interest rates rise quickly. ARMs are best for people who need initially lower monthly payments, who expect their income to rise, or who expect to live in their home for five years or less.

Mortgages with 30-year terms are still the most popular although 15-year mortgages are gaining favor among people who want to build equity faster at a lower cost. Many homeowners with 30-year mortgages, however, can also lower their costs and shorten the term of their loans by paying extra each month.

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# Homeowner's Insurance: Frequently Asked Questions

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## How can I get the best homeowner's insurance at the best price?

The price you pay for homeowner's insurance can vary by hundreds of dollars, depending on the insurance company you buy your policy from. One tip is to ask your insurance agent or company representative about discounts available to you, but there are many others, some of which are listed below.

- Shop around
- Raise your deductibles
- Buy home and auto policies from the same company
- Check a home's insurance cost prior to purchase
- Don't insure land
- Increase home security
- Stop smoking
- Check your policy once a year

## How much homeowner's insurance should I buy?

**Insure For 100 percent of Rebuilding Costs**

The amount of insurance you buy should be based on the cost of rebuilding, and not on the price of your home. The cost of rebuilding your house may be higher (or lower) than the price you paid for it or the price you could sell it for today.

**Do You Have a Replacement Cost Policy?**

Most policies cover replacement cost for structural damage but check with your insurance agent to make sure your policy does this. A replacement cost policy will pay for the repair or replacement of damaged property with materials of similar kind and quality. The insurance company won't deduct for depreciation (the decrease in value due to age, wear and tear, and other factors).

**Find Out About Flood Insurance**

If your home is in an area prone to flooding, contact your insurance agent or the Federal Insurance Administration at (800) 638-6620 and ask about the National Flood Insurance Program.

## How much homeowner's insurance should I buy?

**Check Your Policy and Keep Your Agent Informed**

Make sure your agent knows about any improvements or additions to your house that have been made since you last discussed your insurance policy.

Look at your policy to see what the maximum amount is that your insurance company would pay if your house was damaged and had to be rebuilt. The limits of the policy usually appear on the Declarations Page under Section 1, Coverage, Dwelling. Your insurance company will pay up to this amount to rebuild your home.

**Contents Insurance: Make a List of All Your Personal Possessions**

This includes everything you and your household own in your home and in other buildings on the property, except your car and certain boats, which must be insured separately. Among the things you should include are indoor and outdoor furniture; appliances, stereos, computers and other electronic equipment; hobby materials and recreational equipment; china, linens, silverware, and kitchen equipment; and jewelry, clothing and other personal belongings.

**Check Your Policy for Special Limits**

Check the limits on certain kinds of personal possessions, such as jewelry, artwork, silverware, and furs.

This information is in Section 1, Personal Property, Special Limits of Liability. Some insurance companies also place a limit on what they'll pay for computers and other home office equipment.

If the limits are too low, consider buying a special personal property "endorsement" or "floater."

## How Should I shop for a Home Insurer?

First, do some preliminary research. Start by making a list of insurers to call. Ask your friends about their insurers, search online, check the Yellow Pages, or call your state insurance department. Also, check consumer guides. You can also check with an independent agent.

When talking to insurers, ask them what they could do to lower your costs. Once you've narrowed your search to three companies, get price quotes.

> **Tip:** Don't consider price alone. The insurer you select should offer both a fair price and excellent service. Quality service may cost a bit more, but it provides added conveniences. Talking to insurers will give you a feel for the type of service they offer.

## How much of a homeowner's deductible should I have?

Deductibles on homeowners' policies typically start at $250. Increasing your deductible saves you money.

## Should I buy home and auto policies from the same company?

Some companies that sell homeowner's, auto, and liability coverage will take 5 to 15 percent off your premium if you buy two or more policies from them.

## Should insurance costs be a factor in the home purchase decision?

A new home's electrical system and plumbing, as well as its structure, are usually in better shape than those of an older house, so insurers may offer you a discount of 8 to 15 percent for a new home. Check the home's construction. Brick houses may result in less costly premiums in the East; frame houses are less costly in the West. Choosing wisely could cut your premium by 5 to 15 percent. Avoiding areas that are prone to floods can save you money as well.

Does your town have full-time or volunteer fire service? Is the home close to a hydrant or fire station? The closer it is to either of these, the lower your premium will be.

## Should I insure the entire home cost including land?

Insuring the value of the land under your house is not necessary because land isn't at risk from theft, windstorm, fire or other disasters.

## Does home security reduce insurance cost?

You can usually get discounts of at least 5 percent for a smoke detector, burglar alarm, or dead-bolt locks. Some companies offer to cut your premium by as much as 15 or 20 percent if you install a sophisticated sprinkler system and a fire and burglar alarm that rings at the police station or another monitoring facility. These systems are not inexpensive, and you should also be aware that not every system qualifies for the discount.

> **Tip:** Before you buy an alarm system, find out what kind your insurer recommends and how much you'd save on premiums.

## Do home insurers offer discounts for non-smokers?

Some insurers offer to reduce premiums if all the residents in a house don't smoke. Ask your insurer if this discount is available.

## How often should I review my homeowner's policy?

Compare the limits in your policy with the value of your possessions at least once a year, to make sure your policy covers major purchases or additions to your home.

> **Tip:** On the other hand, you don't want to spend money for coverage you don't need. If your five-year-old fur coat is no longer worth the $20,000 you paid for it, reduce your floater and pocket the difference

## Should I buy private or governmental sponsored storm insurance?

If you live in a high-risk area, one vulnerable to coastal storms, fires, or crime, for instance, and have been buying your homeowner's insurance through a government plan, you may find that there are steps you can take to allow you to buy insurance at a lower price in the private market. Check with your insurance agent.

# Selling Your Home: Frequently Asked Questions

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## How do I find a good real estate agent when I sell my home?

First, ask friends, family, and colleagues for recommendations of real estate agents. You can also look for names listed on posted "for sale" signs, especially for houses that have been sold. Once you have at least three names, schedule a telephone or in-person interview with the agent.

Ask the real estate agent what problems she or he sees in marketing your home. The broker should be honest about potential problems and be able to think creatively about solutions. Ask for a plan for marketing the home and what you as a homeowner can do to help implement the plan. Listen to the answers. Does the agent exhibit a willingness to think creatively in approaching whatever problems might exist with the selling process? Does she seem co-operative or receptive to your input? Other things to consider are whether the broker knows the good and bad points about your neighborhood or town. And last but not least, don't forget to ask the broker for a list of comparable homes, which is essential in helping you arrive at an asking price for your home.

## Which type of listing agreement should I enter into with the real estate agent?

A listing agreement is a contract between the homeowner and the agent. It states how much the agent will be paid and what services are provided. You will generally have to enter into an exclusive listing, which gives the agent the exclusive right to sell your house for a limited period of time. The listing agent gets 100 percent of the commission if he or she sells the house and a percentage of the commission if another broker sells the house.

> Establish a time limit of three months for an exclusive right to sell agreement. This will give the broker an incentive to sell the home quickly and still gives you an out if you feel the broker isn't doing enough for you. If you have a lot of confidence in the broker, and you have seen and approved of his or her plans for marketing the home, you may wish to sign for six months.
>
> If at any time during the marketing process, you feel that your broker is not as effective as he or she could be, switch brokers. Do not waste time with a broker you have doubts about.

## How can I speed up the sale of my home?

**Make cosmetic improvements to get the house looking as good as possible.** For instance, patch damaged plaster and drywall, repaint, and re-wallpaper. Spruce up the exterior by replacing broken shingles or shutters or doing some minor landscaping to give your home more "curb appeal."

**Increase your home's appeal to a wider range of potential buyers.** Repair or replace any part of your home that's been modified that might not appeal to the general population.

**Make your home cozy and inviting when potentials buyers come by.** Make sure the interior and exterior are clean, neat, and well maintained. Have a fire burning in the fireplace, bake some cookies or an apple pie, or have a pot of coffee brewing. Put away toys and tools. Keep pets out of sight. Not everyone is as enamored of Fido as your family is. Try not to cook foods like fish with lingering odors.

You can also work with your broker to speed up the sale of your home using the following techniques:

**Offer a warranty.** Sometimes offering a warranty on the roof, electrical system, or appliances can speed up a sale or smooth the negotiating process, particularly if it's causing buyers to balk at the asking price.

**Create a home sale kit with your broker.** A home sale kit consists of flyers that are distributed to potential home buyers and contain photos of your home's exterior, interior, and surroundings. The flyer should also list major selling points and include information about utility costs, taxes, and a floor plan.

**Let the broker show your home.** Allow the broker to do his or her job. Make yourself available for questions, but do not try to help sell to potential buyers who are looking at your home.

**Offer a bonus to your broker.** A bonus shouldn't be obvious to the buyer because the buyer will wonder if the house price has been bumped up to accommodate the real estate broker's bonus. Instead, offer the bonus in the form of an increased commission, say 3 1/2 percent instead of 3 percent.

**Take it off the market and re-list it later.** If your house has been on the market for a long time, it may be perceived as undesirable. Taking it off the market and re-listing it at a later time sometimes helps.

## How do I get the best price for my home?

Use one of these successful methods for negotiating with buyers, once they've made their first offer:

**Find out as much as possible about the potential buyer.** Try to find out, for example, whether the buyer needs to buy a home quickly or is in a position to take plenty of time to negotiate. This will help you to decide what type of negotiating stance to take. Knowing details about the buyer's family will help you point out how your home accommodates their needs. And, if you know that a buyer lives in an apartment and will need to buy appliances for their new home, then you can throw in deal sweeteners such as refrigerators, washer and dryers, and furnishings.

**Avoid being confrontational.** The offers you receive will likely be 10 to 15 percent below your asking price. Do not be offended by this or by any "low-balling" techniques engaged in by buyers. Be willing to make some concessions. Make counter-offers to try to bring the offer closer to your asking price. If you feel that an offer is unreasonable, however, you can always reject it outright and wait for another buyer.

**Reveal as little as possible about your own situation.**

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# Planning Your Move: Frequently Asked Questions

## Table of Contents

## How can I get the best deal when hiring a moving company?

Even though your moving date may be months away, as soon as soon as the contracts are signed you should start getting recommendations for moving companies from friends or colleagues.

**Start calling movers for estimates.**

Once you have a list of recommendations, call each one to get an estimate of how much your move will cost. You'll have to provide them with the number of miles involved in the move and the approximate weight of your belongings. The mover will help you in making this estimate.

**Ask about extra charges that apply.**

Movers typically charge extra for flights of stairs, heavy items, pianos and other special items. Be aware of the fact that having the movers pack for you increases your moving bill by about 30 percent. You may also have to pay a premium if you schedule your move during busy moving times, generally after the 25th of the month or before the 2nd.

**Do not use a mover whose estimate seems too low.**

The services provided may be second rate. If it seems too good to be true it probably is.

## How can I minimize problems when I move?

As soon as you schedule your move:

- Tag any items you are leaving behind for the new owners.
- If your move is job-related, find out whether your employer will reimburse you for part of the cost.

- Save any receipts relating to the move since part of the cost will be deductible on your taxes when you file.
- Start shopping around for a new bank in your new neighborhood.
- Get a change of address kit from the post office and begin notifying people of your impending change of address. You will need to notify credit card companies, banks, and other financial institutions directly.
- Call schools in your new location and enroll your children.
- Get copies of your medical and dental records (and veterinary records if you have pets). Be sure your move is covered by insurance--either the moving company's insurance or your homeowner's insurance.
- Call your insurance agent and take care of transferring homeowner's insurance to your new home.

As you get closer to the date of your move:

- Call utility companies and give them a date to turn on service at your new home and terminate service at your old home.
- Switch your direct payroll deposit, and any automatic payments, to your new checking account.
- Two or three days before you move, take money out of your old bank account and transfer it to your new bank account. Be sure to leave your new address with the old bank.
- Shop for auto insurance in the new area (if moving out of state).
- Transfer your brokerage account to your new area if you use a local broker.
- Defrost your refrigerator.
- On moving day, check your contract with the mover. Be sure the total cost of the move is clearly detailed and that the moving date, location, and insurance information are all correct.

## Whom should I notify of a new address?

Here is a list of people you should notify when you change your address and phone number. Although the list is not all-inclusive, it can be used as a starting point.

- The IRS-use Form 8822-and state and local taxing authorities
- The U.S. Post Office
- Insurance agents (home, auto, and life)
- Debtors and creditors-mortgage holders, car lien holders, other lenders
- Credit card companies

- Publications
- Clubs and services to which you subscribe
- The Social Security Administration
- Any organization that periodically mails you a check
- Banks
- Employers
- Doctors, dentists, veterinarians
- Motor vehicle departments
- Places of worship and non-profit organizations you are involved with
- The registrar of voters
- Utilities, telephone service, answering service, and trash collectors
- Your CPA, attorney, and broker