



Charting Your Course to Home Ownership

Choosing Home Buying Professionals

Many people who are careful to check the qualifications or methods of a home repair or building contractor are often reluctant to question the expertise or skill of other real estate professionals (such as attorneys, appraisers, architects, real estate brokers, etc.) whose work is done on paper and not on the house. First-time home buyers tend to avoid asking questions for fear of insulting the professional.

Remember, the only dumb question is the one that hasn't been asked. If a home professional won't give you a straight answer or seems offended by your questions, look elsewhere. (If he or she is put off by preliminary questions, imagine what will happen when you get to the complicated ones!)

Compare services and prices. Beware of the "blind-faith" syndrome. Since most home professionals produce paperwork and opinions, there are no physical tests of quality. Without a questioning attitude, you may make important decisions about your home purchase on little more than appearances of expertise and authority.

All real estate professionals should be able to give you a clear idea of what they will do for you and how they will proceed. Ask if they can put their services in writing before you hire them. If they can't sum them up, ask for samples. Always ask for referrals. Ask these important questions when interviewing:

1. Exactly what will be included in your services?
2. What will it cost?
3. Who pays the bills?
4. When will the work begin, and how long will it take?
5. What kind of guarantee will you provide?

Guidelines to Help You Select Your Home Buying Professionals

Realtor, Broker, Agent

Before you hire a real estate professional, it is important to know the difference between a real estate broker, a real estate agent and a realtor.



Who Are They?

- A **Real Estate Broker** is a real estate person who is licensed by the state to practice real estate and assist buyers and sellers.
- A **Real Estate Agent** (or sales associate) also has a state license but works under the supervision of a licensed real estate broker.
- A **Realtor®** is a real estate professional, usually a licensed broker, who belongs to the National Association of Realtors and subscribes to its code of ethics. Most active agents are Realtors®. For more information contact your local National Association of Realtors or visit <http://www.realtor.com>

Realtor titles include:

- **GRI (Graduate Realtors Institute)** awarded by the Louisiana Real Estate Education Foundation and developed for members of the National Association of Realtors. The GRI program includes 90 hours of coursework on various topics such as marketing and servicing listed properties to real estate law. GRIs are nationally recognized and professionally trained.
- **CRS (Certified Residential Specialist)** awarded by the Residential Sales Council (a nonprofit affiliate of the National Association of Realtors) has completed advanced training in listing and selling and are a part of a nationwide network allowing an agent in one state to refer a client moving to another state to an agent with confidence the referred agent is knowledgeable and well-trained.
- **CRB (Certified Real Estate Brokerage Manager)** awarded by the Institute of Real Estate Management Council of Real Estate Brokerage Managers (a nonprofit affiliate of National Association of Realtors). Has taken additional professional development courses in brokerage management.

A real estate agent brings together home buyers and sellers. If you work with an agent, remember who he or she is working for. Unless there is a special agreement, agents in Louisiana have a fiduciary responsibility to both seller and buyer. Ask your agent to represent your interest only.

The broker generally earns a 6-7% commission on the sale and is employed by the seller unless you arrange to hire a “buyer’s broker” to whom you pay a commission. The agent gets a part of this commission.

A real estate agent can have a big influence on your housing decisions, especially if you are moving to a new community. That’s why it is so important to choose a realtor carefully and seek other sources of information before making a final decision.

A good agent will take time to get to know you, your family’s needs and desires and what would be a suitable house for you. Seek an agent you can trust, can really communicate with and enjoy being with. The agent’s knowledge of the market, ability to protect your interest, skill in concluding the sale and track record should all be important considerations.

What is the difference between a listing agent, seller's agent, buyer's agent and for sale by owner?

- Listing agent – works for the sellers of the house, representing only the seller's interest. They are obligated to seek qualified buyers. Even if the listing agent is not involved in negotiating the sale, they receive a percentage of the sale commission.
- Seller's agent – represents only the interests of the seller. It is in the best interest of the seller's agent to close a sale at the highest price since the commission is a percentage of the sales price. Sell must be completed to earn commission.
- Buyer's agent – is hired by the buyer and works for the buyer only. The agent is obligated to represent the buyer's best interest in obtaining the lowest sales price and best conditions in the purchase contract. In hiring a buyer's agent, you can negotiate a basic fee plus incentives to reduce the price of the house. For more information or to contact a local exclusive buyer's agent visit <http://www.naeba.org>.
- For Sale By Owner (FSBO) – Some home owners sell their home without a broker. The FSBO route means avoiding paying a broker's commission, but requires the seller to take on the time and expense of selling the home. Services are available to help FSBO sellers market their properties.

Before you pick a realtor to help you in your home hunt, there are more questions to ask. Here are some suggestions:

1. Are you a licensed broker or sales agent in good standing, and for how long?
2. Are you a member of the National Association of Realtors and/or Louisiana Real Estate Commission (LREC)?
3. Do you belong to the Multiple Listing Service (MLS - Multiple Listing Services are cooperative information networks of REALTORS® that provide descriptions of most of the houses for sale in a particular region) and/or a reliable online home buyer's search service?
4. What real estate designations do you hold?
5. Do you work full time in real estate?
6. How long have you been selling real estate in this area?
7. Will you provide several references of recent home buyer clients?
8. Do you have current information about local mortgage alternatives and loan terms?
9. Can you provide reputable banking and credit referrals?
10. What types of disclosures will you provide about a home before I make an offer?
11. In exchange for your commitment, how will you help me accomplish my goals?
12. Do you have any knowledge of green building?

Attorney and Closing Agent

The services of an attorney are often used in real estate purchases. If you hire one, choose an attorney as carefully as you choose your family doctor. Ask for recommendations from friends and relatives. You might also contact the local bar association.

Look for an experienced real estate attorney rather than a general practitioner. If you are moving to a new area, you can find out which firms handle the most real estate transactions by checking the deeds and mortgages recorded at the parish clerk's office.

Once you have the names of several attorneys who have good references, it may be helpful to call two or three of them. Explain that you are in the process of choosing a real estate attorney to handle your home purchase.

You should ask:

1. Is there a fee for a preliminary consultation, and is it applied to the final bill?
2. Do you charge by the hour, or can you quote a flat fee for handling all of the details of the purchase?
3. May I have a written estimate of the fees and what they cover?
4. Do you have an attorney/client relationship with either the lender or the seller?
5. Will you review my purchase agreements and add contingency clauses to protect me from hidden problems and disputes?
6. If you get a discount on title insurance, will you pass it on to me?

You may choose to involve your attorney in any of these four steps of buying a house:

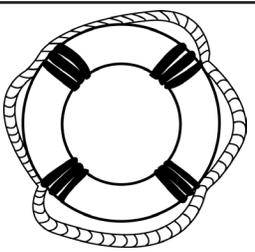
- Reviewing and revising the purchase agreement.
- Evaluating financing terms.
- Arranging the title search and survey of the property, making sure there is clear title and that the home is free of liens.
- Closing the sale. That includes making all of the disbursements, having all sale documents prepared and signed and recording the deed and mortgage at the clerk of court's office.

In many areas, title insurance companies routinely provide these last two services. The company may offer the closing service for a fee or it may be included when you purchase title insurance.

In some places, closings can also be conducted by lenders, real estate brokers or escrow companies offering that service. You could save money if you ask and shop around for your closing agent.

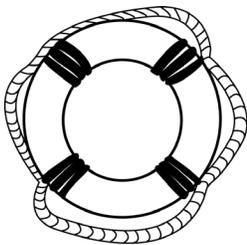
Title Insurance Company

Before closing, you need to get a title search on the property and title insurance. A title search is required by lenders to prevent fraudulent sales and to find any liens (legal claims on the property). Lenders also require you (and/or the seller) to pay for lender's title insurance. This protects the lender in case a flaw in the



Life Saver:

A flat fee is usually a better option. Avoid an attorney who charges a percentage of the home's purchase price.



Life Saver

A professional real estate appraisal is necessary to determine if the asking price is a fair one.

title turns up after the sale. It's a good idea also to buy owner's title insurance to protect yourself.

Look for a company that can save you money by charging a reduced fee for a combined lender's/owner's policy. You may also get a lower price by using the same company that has previously insured the title on that property. In addition to title services, some companies may conduct closings as a service to their customers. Ask about fees.

Appraiser

An appraisal is an educated opinion of the market value of a piece of real estate based on sales of nearby or comparable homes within the past 60 days.

Deciding how much to offer can be difficult until you know the market value of the house. **Mortgage loans are based on the appraised value and not on the asking price.**

Whether or not you choose to have your own appraisal done before you sign a purchase agreement, your lender will require one afterward. The lender's appraiser must verify the home is in good condition and has a high enough market value to cover the debt if you default. Get a copy of this appraisal for your records. It contains a lot of information about the house you're about to buy. If you're hiring your own appraiser, choose one who knows the community and has MAI or ASA after his or her name.

- MAI stands for Member, Appraisal Institute (for more information and additional professional designations go to <http://www.appraisalinstitute.org/designations/>)
- ASA denotes membership in the American Society of Appraisers.

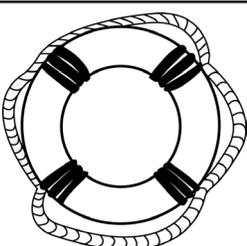
Get in writing the cost and time involved. Be aware that many lenders do not accept an appraisal selected by a buyer instead of their own. Discuss this with the lender you plan to use before you choose an appraiser.

If you are using one of the government insurance programs to finance your house, the appraisers must be recognized by the Department of Housing and Urban Development (HUD) or the Veteran's Administration (VA). Appraisals made for one of these types of loans will be good for either type of financing.

A qualified appraiser should have nothing to gain or lose from a sale and should work for only one party. Findings should be reported in written form and include:

- An accurate description of the property
- A purpose statement for the appraisal
- All of the data used to determine value, including at least three comparable sales and cost-approach figures
- A final estimated value
- Any special conditions (easements, etc.)
- Appraiser's certification and signature

The cost of a complete appraisal of a three-bedroom, two-bath house may range around \$350-\$550. An update on an existing appraisal may be less.



Life Saver

To locate a local appraiser in Louisiana, go to http://www.lreasbc.state.la.us/dbfiles/appraiserinfo_new.htm

Home Inspector

Lenders usually require a termite inspection and mechanical equipment inspection. A more complete inspection is a good idea. Getting a thorough inspection before you buy a home can save you thousands of dollars and heartache from unexpected problems.

If you plan to hire an inspector, be sure your purchase agreement says the sale is subject to your approval of the results of a professional inspection. Knowing about the home's flaws could also help you negotiate a better price on the house if you decide to buy it anyway or get the seller to pay for repairs.

A reliable home inspector should thoroughly examine the home and give you an evaluation of its condition, describe structural problems and check all the mechanical systems (plumbing, heating, air conditioning, electrical, well water, septic, etc.).

Sometimes home warranties are used instead of a house inspection. While a warranty may be a worthwhile form of insurance for buyers who couldn't easily afford major repair expenses, it's wiser to know up front if there are any problems so you're not caught by surprise. Most real estate companies sell such a warranty. Sometimes sellers pay for the warranty to make their home more attractive to buyers.

Look for a licensed inspector, preferably who is a member of the American Society of Home Inspectors (ASHI). In Louisiana home inspectors must be licensed. If the structure is complex, you may want one with Professional Engineer (PE) credentials.

An inspection by a company that also makes repairs poses a conflict of interest. A reputable inspector would never offer to perform needed repairs and should not refer you to a contractor.

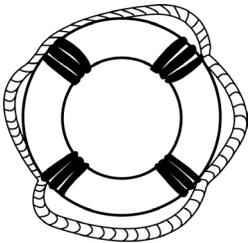
Your contract for an inspection should state that the detailed report be written and list:

- Major problems and estimated costs to correct them
- Minor problems and estimated costs to repair them
- Estimates of the expected life of various items such as roof, furnace, electrical system, air conditioning, appliances
- Costs of maintenance

If possible, go with the inspector on his or her rounds so you can learn first-hand the condition of the house as well as maintenance tips. The inspection may take 2 or 3 hours and cost \$300-\$500, depending on the complexity of the house and credentials of the inspector.



Red Flag: Homes built before 1978 may contain lead-based paint. The older the home, the more likely it is to contain lead-based paints. You may want to seek an inspector who is certified to conduct lead inspections. The Louisiana Department of Environmental Quality lists certified lead inspectors on their Web site <http://www.deq.louisiana.gov/portal/Default.aspx?tabid=2251>. Scroll down to the section labeled Louisiana Lead Accredited List by Discipline.



Life Saver
Louisiana law requires existing homes be inspected by a licensed home inspector prior to purchase. This law does not apply to new construction; a licensed inspector is not required. To locate a local home inspector, go to <http://lsbhi.state.la.us>

Surveyor

A reliable survey is as important as your property deed, because it is the exact definition of the property you are buying. Your lender may require a survey before closing to confirm that the property's boundaries are as described in the purchase agreement. The survey, or plot plan, might show that a fence or other feature is on the wrong property.

A typical four-corner residential lot survey averages from \$250 - \$500, sometimes more if you want stakes placed in the ground. It is normally paid by the buyer. Find a surveyor by getting referrals from your lender, tax assessor, inspectors, architects, building contractors or title companies.

Mortgage Lenders

Banks, credit unions and mortgage companies lend money to home buyers. Some government agencies provide housing assistance or direct loans to low- and moderate-income home buyers. These include Rural Development for rural low-income residents, the Louisiana Housing Finance Agency, some city governments and various federal programs that can make loans from private lenders more affordable.

You should shop for financing just as carefully as for the home itself. Begin comparison shopping at the financial institution where you do business. Also get recommendations from friends, your attorney, sales agent or the real estate section of the local newspaper. To do your homework:

- Learn the meaning of mortgage terms and look into different types of home finance alternatives and affordable loan programs.
- Check at least 10 mortgage sources to shop for the best terms.
- Shop for services as well as interest rates.
- Compare all the fees and costs charged by each lender. Ask about interest rate lock-in options.

Do not wait until you have a signed purchase agreement to begin the search for a mortgage, because it can take a long time to get a loan commitment. Ways to get information about mortgages include: checking the weekly real estate section of the local newspaper, calling lenders directly, asking your real estate agent and contacting appropriate government agencies to request information about home ownership programs and participating lenders.

Adapted from: Reichel, C. (1998). Your Path to Home Ownership. Baton Rouge, La.: LSU AgCenter.

Additional Resources:

- *FTC Facts for Consumers: Selling Your Home? Tips for Selecting a Real Estate Professional (10/2006)*, Federal Trade Commission, Bureau of Competition. Retrieved on April 17, 2008 from <http://www.ftc.gov/bc/edu/pubs/consumer/homes/zrea01.pdf>
- *How to Choose A REALTOR®*. Retrieved July 21, 2008 from <http://www.realtor.com/Basics/Buy/Looking/Realtor.asp>
- Hernandez, Ivan, O'Brien, PhD. David P., Kratzer, PhD., Constance. *Home-Buying Process: Using Real Estate Professionals, Home of My Own, My Propia Casa*, Retrieved on April 14, 2008 from http://www.nmhomeofmyown.com/buying/buying_pdf/UsingRealEstateProfe.pdf
- *Appraisal Institute (2008). Designations*. Retrieved April 16, 2008 from <http://www.appraisalinstitute.org/designations/>

LSU AgCenter Writing Team:
Jeanette Tucker, Ph.D., Professor
Deborah Hurlbert, Extension Associate
Cynthia Stephens, Extension Agent, Ouachita Parish
Deborah Cross, Extension Agent, Iberville Parish
Sheri Fair, Extension Agent, Ascension Parish
Cindy Richard, Extension Agent, Calcasieu Parish

This material is based on work supported by the Restoring Home Ownership in Louisiana Hurricane Recovery project funded in part by USDA Cooperative State Research, Education and Extension Service, Smith-Lever Special Needs project number 2007-41210-03986.

Visit our Web site: www.lsuagcenter.com
Louisiana State University Agricultural Center
William B. Richardson, Chancellor
Louisiana Agricultural Experiment Station
David Boethel, Vice Chancellor and Director
Louisiana Cooperative Extension Service
Paul D. Coreil, Vice Chancellor and Director
Pub. 3085-E 09/08

Issued in furtherance of Cooperative Extension work, Acts of Congress of May 8 and June 30, 1914, in cooperation with the United States Department of Agriculture. The Louisiana Cooperative Extension Service provides equal opportunities in programs and employment. This institution is an equal opportunity provider.