BUYERS GUIDE

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EXPLORING LOAN CHOICES

from the Consumer Protection Financial Bureau

Understand the different kinds of loans available Not all home loans are the same. Knowing what kind of loan is most appropriate for your situation prepares you for talking to lenders and getting the best deal.

1. Loan Type

Conventional, government, or special program

Mortgage loans are organized into categories based on the size of the loan and whether they are part of a government program.

This choice affects:

- How much you need for a down payment
- The total cost of your loan, including interest and mortgage insurance
- How much you can borrow, and the house price range you can consider

What to know

Choosing the right loan type

Each loan type is designed for different situations. Sometimes, only one loan type fits your situation. If multiple options fit your situation, try out scenarios and ask lenders to provide several quotes so you can see which type offers the best deal overall.

Conventional

- Majority of loans
- Typically cost less than FHA loans but can be harder to get

Find details about conventional loans

Government

- **FHA**: Low down payment, available to those with lower credit scores
- **VA:** For veterans, servicemembers, or surviving spouses
- **USDA:** For low- to middle-income borrowers in rural areas

Special programs

- **State or Local Housing Agencies:** Can be available to low- to middle-income borrowers, first-time homebuyers, or public service employees
- **Special Purpose Credit Programs:** Loans from private lenders or low- to middle- income borrowers generally in targeted communities.

Find details about FHA loans

Find details about VA, USDA loans, and special programs

2. Loan Terms

30 years, 15 years, or other

The term of your loan is how long you have to repay the loan.

This choice affects:

- Your monthly principal and interest payment
- Your interest rate
- How much interest you pay over the life of the loan

What to know

Shorter loan terms generally save you money overall, but have higher monthly payments.

There are two reasons shorter terms can save you money:

- You are borrowing money and paying interest for a shorter amount of time
- The interest rate is usually lower—by as much as a full percentage point

However, a lot depends on the specifics – exactly how much lower the interest costs are, and how much higher the monthly payments could be, depends on which loan terms you're looking at as well as the interest rate. Rates vary among lenders, especially for shorter terms. Explore rates for different loan terms so you can tell if you're getting a good deal. Always compare official loan proposals, called Loan Estimates, before making your decision.

3. Interest Rate Types

Fixed rate or Adjustable rate

Interest rates come in two basic types: fixed and adjustable.

This choice affects:

- Whether your interest rate can change
- Whether your monthly principal and interest payment can change and its amount
- How much interest you pay over the life of the loan

What to know

Consider carefully what type of interest rate type make sense for your situation. Check the differences between a fixed-rate and adjustable-rate mortgage loan.

Fixed-rate mortgages

Most borrowers choose fixed-rate mortgages. Your monthly payments are more likely to be stable with a fixed-rate loan, so you might prefer this option if you value certainty about your loan costs over the long term. With a fixed-rate loan, your interest rate and monthly principal and interest payment stay the same. Your total monthly payment can still change—for example, if your property taxes, homeowner’s insurance, or mortgage insurance goes up or down.

Most ARMs have two periods. During the introductory first period, your interest rate is fixed and won’t change. During the second period, your rate goes up and down regularly based on market changes. This means your monthly principal and interest payment could go up a lot, even double. Review how adjustable rates change. Some ARMs include rate caps, which are limits to how much rates can adjust. Find out more about ARM rate caps.

Adjustable-rate mortgages (ARMs)

ARMs offer less predictability but could be cheaper in the short term. You might want to consider this option if, for example, you plan to move again within the initial fixed period of an ARM. In this case, future rate adjustments don't affect you. However, if you end up staying in your house longer than expected, you could end up paying a lot more. Review what to look for when considering an ARM and consult our Consumer Handbook on Adjustable-Rate Mortgages .

Explore rates for different interest rate types and see for yourself how the initial interest rate on an ARM compares to the rate on a fixed-rate mortgage.

Loans are subject to government regulation

Generally, your lender must document and verify your income, employment, assets, debts, and credit history to determine whether you have the ability to repay the loan. If your lender does this and the loan follows certain criteria, it may be called a "qualified mortgage."

"Nonqualified mortgages" can be riskier or more expensive and are used when loans have unique characteristics that make them ineligible to be a qualified mortgage. These loans are sometimes marketed towards self-employed borrowers or borrowers without Social Security numbers.

Check for Risky Features

Be careful if a loan has features that could surprise you in the future. Does the loan have a prepayment penalty, a balloon payment, negative amortization, or is it an interest-only loan? If any of these features are included in the loan, ask the loan officer why. Ask the lender to give you another Loan Estimate for a loan without the feature, so you can see the difference in costs for a loan with less risk to you.

Visit our sources page to learn more about the facts and numbers we reference.

The process and forms described on this page reflect mortgage regulations that apply to most mortgages.

Seven Reasons to Own a Home

from the National Association of REALTORS

1. **Tax benefits.**
   The U.S. Tax Code lets you deduct the interest you pay on your mortgage, your property taxes, and some of the costs involved in buying a home.
2. **Appreciation.**
   Historically, real estate has had a long-term, stable growth in value. In fact, median single-family existing-home sale prices have increased on average 5.2 percent each year from 1972 through 2014, according to the National Association of REALTORS®. The recent housing crisis has caused some to question the long-term value of real estate, but even in the most recent 10 years, which included quite a few very bad years for housing, values are still up 7.0 percent on a cumulative basis. In addition, the number of U.S. households is expected to rise 10 to15 percent over the next decade, creating continued high demand for housing.
3. **Equity**.
   Money paid for rent is money that you'll never see again, but mortgage payments let you build equity ownership interest in your home.
4. **Savings.**
   Building equity in your home is a ready-made savings plan. And when you sell, you can generally take up to $250,000 ($500,000 for a married couple) as gain without owing any federal income tax.
5. **Predictability.**
   Unlike rent, your fixed-rate mortgage payments don't rise over the years so your housing costs may actually decline as you own the home longer. However, keep in mind that property taxes and insurance costs will likely increase.
6. **Freedom.**
   The home is yours. You can decorate any way you want and choose the types of upgrades and new amenities that appeal to your lifestyle.
7. **Stability.**
   Remaining in one neighborhood for several years allows you and your family time to build long-lasting relationships within the community. It also offers children the benefit of educational and social continuity.

Seven Reasons to Work With a REALTOR®

from the National Association of REALTORS

REALTORS® are members of the National Association of REALTORS® and subscribe to its strict Code of Ethics. When you're buying a home, here's what an agent who's a REALTOR® can do for you.

Act as an expert guide.
Buying a home typically requires a variety of forms, reports, disclosures, and other legal and financial documents. A knowledgeable real estate agent will know what's required in your market, helping you avoid delays and costly mistakes. Also, there’s a lot of jargon involved in a real estate transaction; you want to work with a professional who can speak the language.

Offer objective information and opinions.
A great real estate agent will guide you through the home search with an unbiased eye, helping you meet your buying objectives while staying within your budget. Agents are also a great source when you have questions about local amenities, utilities, zoning rules, contractors, and more.

Give you expanded search power.
You want access to the full range of opportunities. Using a cooperative system called the multiple listing service, your agent can help you evaluate all active listings that meet your criteria, alert you to listings soon to come on the market, and provide data on recent sales. Your agent can also save you time by helping you winnow away properties that are still appearing on public sites but are no longer on the market.

Stand in your corner during negotiations.
There are many factors up for discussion in any real estate transaction—from price to repairs to possession date. A real estate professional who’s representing you will look at the transaction from your perspective, helping you negotiate a purchase agreement that meets your needs and allows you to do due diligence before you’re bound to the purchase.

Ensure an up-to-date experience.
Most people buy only a few homes in a lifetime, usually with quite a few years between purchases. Even if you’ve bought a home before, laws and regulations change. Real estate practitioners may handle hundreds or thousands of transactions over the course of their career.

Be your rock during emotional moments.

A home is so much more than four walls and a roof. And for most buyers, a home is the biggest purchase they'll ever make. Having a concerned, but objective, third party helps you stay focused on the issues most important to you when emotions threaten to sink an otherwise sound transaction.

Provide fair and ethical treatment.

When you're interviewing agents, ask if they're a REALTOR®, a member of the National Association of REALTORS®. Every member must adhere to the REALTOR® Code of Ethics, which is based on professionalism, serving the interests of clients, and protecting the public.

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Finance a Home, Creatively

from the National Association of REALTORS

Investigate down payment assistance programs. Research shows homeownership is good for communities. That's why lenders, municipalities and state governments offer programs to help qualified applicants cover all or part of the required down payment. These programs are often for first-time buyers earning up to a maximum income, but some programs are available to repeat buyers, too. Sometimes the assistance comes in the form of a grant and sometimes it's a loan that's forgivable if the buyers stay in the property and make their mortgage payments over a certain number of years. Talk to a lender or a REALTOR®, a member of the National Association of REALTORS®, to learn what programs are available in your area.

Explore seller financing or an assumption. In some cases, sellers may be willing to finance all or part of the purchase price of the home and let you repay it gradually, just as you would a mortgage. Be sure to consult a qualified real estate attorney to review the terms and ensure you're protected. A similar option is the assumable mortgage, where a home buyer takes over the seller's existing loan (with bank approval). FHA, VA and USDA loans are all assumable. These options can be attractive when the interest rate on the existing loan is lower than the going rate and the sellers don't expect a big equity payoff from the sale.

Ask your family for help Perhaps a family member will gift you money for the down payment. Gifts must be documented: Lenders will need to know the source of a large deposit into your account and require proof that the money is a gift, not a loan. If you have a minimal credit history, the lender may require a co-signer. Before entering such an agreement, though, family members should understand the risks of co-signing—including being responsible for the loan should you be unable to make the payments.

Consider a shared-appreciation or shared-equity arrangement. Under this type of agreement, a family member, a friend or even a third party may buy a portion of the home and share in any appreciation when the home is sold. The owner-occupant usually pays the mortgage, property taxes and maintenance costs, but all the investors' names are usually on the mortgage. Again, be sure a qualified attorney reviews the terms of the agreement.

Lease with the option to buy. Renting the home for a year or more may give you the chance to save toward your down payment. And in many cases, owners will apply some of the monthly rental amount toward the purchase price.

Consider a short-term second mortgage. If you qualify, a short-term second mortgage could give you money to make a larger down payment. This may be possible if you’re in good financial standing with a strong income and little debt. Such arrangements may also help you avoid jumbo loan restrictions or having to pay private mortgage insurance (required on conventional loans with a down payment of less than 20%), but they can be risky for lenders and borrowers.

Improve Your Credit

from the National Association of REALTORS

Credit scores play a big role in determining whether you'll qualify for a loan and what your loan terms will be. So, keep your credit score high by doing the following:

Check for errors in your credit report. Thanks to an act of Congress, you can download one free credit report each year at annualcreditreport.com. If you find any errors, correct them immediately.

Pay down credit card bills. If possible, pay off the entire balance every month. Transferring credit card debt from one card to another could lower your score.

Don't charge your credit cards to the max. Pay down as much as you can every month.

Wait 12 months after credit difficulties to apply for a mortgage. You're penalized less severely for problems after a year.

Don't order items for your new home on credit. Wait until after your home loan is approved to charge appliances and furniture, as that will add to your debt.

Don't open new credit card accounts. If you're applying for a mortgage, having too much available credit can lower your score.

Shop for mortgage rates all at once. Having too many credit applications can lower your score. However, multiple inquiries about your credit score from the same type of lender are counted as one if submitted over a short period of time.

Avoid finance companies. Even if you pay off their loan on time, the interest is high and it may be considered a sign of poor credit management.

Seven Principles for Homebuying Success

from the National Association of REALTORS

Accept that no house is ever perfect.

The yard may be smaller than you had hoped. The kitchen may be imperfect. The roof may need repair. But if the home is in the right location and fulfills your shelter needs, don't immediately discount it. Make a list of your priorities, focusing in on those that are most important to you. Let the minor ones go. Accept that a little buyer’s remorse is inevitable and will most likely pass.

Know that there’s no “right” time to buy.

Found a great home? You risk losing it if you try to time the housing market and interest-rate shifts. Those factors usually don’t change fast enough to make a big difference in an individual home’s price.

Don’t ask for too many opinions.

It’s natural to want reassurance for such a big decision, but too many ideas from too many people will make it much harder to make a decision. Focus on the wants and needs of the people who will actually be living in the home.

Don’t try to be a killer negotiator.

Negotiation is definitely a part of the real estate process, but trying to “win” by getting an extra-low price or refusing to budge may lead to hard feelings or cost you the home you love.

Remember, the home doesn’t exist in a vacuum.

Don’t get so caught up in the physical aspects of the house itself that you forget about important issues such as noise level, access to amenities, and other factors that also have a big impact on quality of life.

Plan ahead.

Don’t wait until you’ve found a home to get approved for a mortgage, investigate insurance, or consider a moving schedule. Being prepared will make your bid more attractive to sellers.

Choose a home first because you love it; then think about appreciation.

A home is still considered a great investment, but its most important role is as a comfortable, secure place to live.

Prepare to Buy a Home

from the National Association of REALTORS

Talk to mortgage brokers. Many first-time home buyers don't take the time to get prequalified. They also often don't take the time to shop around to find the best mortgage for their particular situation. It's important to ask plenty of questions and make sure you understand the home loan process completely.

Be ready to move. This is especially true in markets with a low inventory of homes for sale. It's very common for home buyers to miss out on the first home they wish to purchase because they don't act quickly enough. By the time they've made their decision, they may find that someone else has already purchased the house.

Find a trusted partner. It's absolutely vital that you find a real estate professional who understands your goals and who is ready and able to guide you through the home buying process.

Make a good offer. Remember that your offer is very unlikely to be the only one on the table. Do what you can to ensure it's appealing to a seller.

Factor maintenance and repair costs into your buying budget. Even brand-new homes will require some work. Don't leave yourself short and let your home deteriorate.

Think ahead. It's easy to get wrapped up in your present needs, but you should also think about reselling the home before you buy. The average first-time buyer expects to stay in a home for around 10 years, according to the National Association of REALTORS®' 2013 Profile of Home Buyers and Sellers

Develop your home/neighborhood wish list. Prioritize these items from most important to least.

Select where you want to live. Compile a list of three or four neighborhoods you'd like to live in, taking into account nearby schools, recreational facilities, area expansion plans, and safety.

Prepare for House-Hunting

from the National Association of REALTORS

Know that there's no "right" time to buy. If you find the perfect home now, don't risk losing it because you're trying to guess where the housing market and interest rates are going. Those factors usually don't change fast enough to make a difference in an individual home's price.

Don't ask for too many opinions. It's natural to want reassurance for such a big decision, but too many ideas from too many people will make it much harder to make a decision. Focus on the wants and needs of the people who will actually be living in the home.

Accept that no house is ever perfect. If it's in the right location, the yard may be a bit smaller than you had hoped. The kitchen may be perfect, but the roof needs repair. Make a list of your top priorities and focus in on things that are most important to you. Let the minor ones go. Also, accept that a little buyer's remorse is inevitable and will most likely pass.

Don't try to be a killer negotiator. Negotiation is definitely a part of the real estate process, but trying to "win" by getting an extra-low price or refusing to budge may cost you the home you love.

Remember your home doesn't exist in a vacuum. Don't get so caught up in the physical aspects of the house itself that you forget about important issues such as noise level, access to amenities, and other aspects that also have a big impact on your quality of life.

Plan ahead. Don't wait until you've found a home to get approved for a mortgage, investigate insurance, or consider a moving schedule. Being prepared will make your bid more attractive to sellers.

Choose a home first because you love it; then think about appreciation. A home is still considered a great investment, but its most important role is as a comfortable, safe place to live.

Questions to Ask When Choosing a Lender

from the National Association of REALTORS

Loan terms, rates, and products can vary significantly from one company to the next. When shopping around, these are questions that can help you determine the best lender and loan product for you.

General questions:
What are the most popular mortgages you offer?
Why are they so popular?
Which mortgage products would you recommend for my situation?
What are your rates, terms, fees, and closing costs negotiable?
Do you offer discounts for inspections, home ownership classes, or automatic payment set-up?
Will I have to buy private mortgage insurance?
If so, how much will it cost, and how long will it be required.
What escrow requirements do you have?
What kind of bill-pay options do you offer?

Loan-specific questions:
What's included in my mortgage payment (homeowners insurance, property taxes, etc.)?
Who will service this loan? (The loan servicer is the company you pay each month, which may be different from company that originates the loan.)
How long can I lock in this rate?
Will I be able to obtain a lower rate if market rates go down before I close?
How long will the loan approval process take? How long will it take to close the loan?
Are there any charges or penalties for prepaying this loan?
How much will I be paying over the life of this loan?

Federal law requires lenders to provide two documents to borrowers:
Within three days of applying for a loan, you'll get a Loan Estimate that spells out important information about the loan, including your estimated monthly payment and estimated closing costs.

Then, at least three business days before you close on your purchase, your lender will send you a Closing Disclosure, which provides important details such as final closing costs and who gets paid at closing.

Vocabulary: Agency & Agency Relationships

from the National Association of REALTORS

State law, and the agreement between you and your agent, will determine what duties you're owed as a buyer.

The term “agency” is used in real estate to help determine what legal responsibilities your real estate professional owes to you and other parties in the transaction. Real estate agency is governed by state law and varies from state to state, but here are some agency terms you're likely to hear.

The buyer's representative (also known as a buyer’s agent) is hired by prospective buyers and works in the buyer's best interest throughout the transaction. The buyer can pay the agent directly through a negotiated fee, or the buyer's rep may be paid by the seller or through a commission split paid by the listing broker. The agency agreement usually is created by a signed buyer's rep agreement.

The seller's representative (also known as a listing agent or seller's agent) is hired by and represents the seller. The agent's fiduciary duties are to the seller, meaning it's the agent's job to get the best price and terms for the seller. The agency relationship usually is created by a signed listing agreement.

A subagent owes the same fiduciary duties to the agent's client as the agent does. Subagency arises when a cooperating sales associate works with the buyer but doesn't represent the buyer. Although a subagent cannot assist a buyer in any way that would be detrimental to the seller, a buyer customer can expect to be treated honestly by the subagent who is a REALTOR®, a member of the National Association of REALTORS®. That's because the REALTORS® Code of Ethics requires that all parties to a transaction be treated fairly and honestly.

A disclosed dual agent represents both the buyer and the seller in the same real estate transaction. In such relationships, dual agents owe limited fiduciary duties to both buyer and seller clients. Because of the potential for conflicts of interest in a dual-agency relationship, all parties must give their informed consent. Disclosed dual agency is legal in most states, but often requires written consent from all parties.

Designated agents (also called appointed agents) are chosen by a managing broker to act as an exclusive agent of the seller or buyer. This allows the brokerage to avoid problems arising from dual-agency relationships in situations in which licensees affiliated with the brokerage represent different parties to the same transaction. The designated agents give their clients full representation, with all of the attendant fiduciary duties.

A transaction broker (sometimes referred to as a facilitator) is permitted in states where nonagency relationships are allowed. These relationships vary considerably from state to state. Generally, the duties owed to the consumer in a nonagency relationship are less than the complete, traditional fiduciary duties of an agency relationship.

Vocabulary: Loans & Lending Terms

from the National Association of REALTORS

Loan Term Mortgages are most commonly available for 15-, 20-, or 30-year terms. In general, the longer the term, the lower the monthly payment. However, shorter terms mean you pay less interest over the life of the loan.

Fixed- vs. adjustable-rate mortgages

A fixed-rate mortgage is one in which the interest rate stays the same as long as you hold the mortgage. An adjustable-rate mortgage (ARM) changes in accordance with some benchmark rate, typically the Secured Overnight Financing Rate (SOFR). The interest on an ARM is generally fixed for some initial period before floating up or down with the benchmark. Ask the lender how much and how frequently the interest rate can be adjust. ARMs may be a good choice for you if the initial rate is significantly below fixed-rate options, if you think you'll move or refinance before the rate begins to float, or if you expect your income to grow significantly in the coming years.

Amortization

The process of gradually paying off a loan with some of your monthly payment going toward interest and some toward paying off the principal loan amount.

Government-backed loans

Loans insured by the Federal Housing Administration (FHA), the Department of Veterans Affairs, and the U.S. Department of Agriculture offer special terms, including reduced interest rates to qualified buyers. VA Loans are open to veterans, reservists, active-duty personnel, and surviving spouses and are one of the only options available for zero down payment loans. While FHA loans do require a down payment, it can be as low as 3.5 percent. FHA borrowers pay a mortgage insurance premium.

Conventional loans

A conventional loan isn't part of a government guarantee program. It may be more difficult to qualify for a conventional loan, but the upfront costs are generally lower than those for an FHA mortgage. Conventional loans are either conforming, meaning originated in accordance with guidelines set by Fannie Mae and Freddie Mac or non-conforming. Jumbo mortgages are non-conforming because they are larger than the conforming loan limits (set each year by the federal government). Non-conforming may also be used to refer to so-called nontraditional or "exotic" mortgages.

Nontraditional mortgages originated in the subprime market were common in the run-up to the 2008 financial crisis and contributed to the crisis. They often featured no-documentation qualifying and negative amortization (meaning the loan balance grew over time). The financial crisis led to a spike in foreclosures and resulted in a new federal Qualified Mortgage rule, which requires lenders to make a good faith effort to discern borrowers' ability to repay the loan.

Balloon mortgage

This is a form of non-traditional financing where the interest rate is very low for a short period of time—often three to seven years. Payments usually cover interest only so the principal owed is not reduced. This is a risky loan for both lenders and borrowers but may pay off for someone who is able to sell the home at a large profit within a few years.

As the housing market shifts, so do lending practices. A mortgage broker—an independent professional who acts as an intermediary between you and lending institutions—may be able to help you find a better rate and terms than you could find on your own. Be sure to shop around; slight variations in interest rates, loan amounts, and terms can affect your monthly payment.

About Credit Scores

from the National Association of REALTORS

Credit scores range between 200 and 850, with scores above 620 considered desirable for obtaining a mortgage. The following factors affect your score:

Your payment history. Did you pay your credit card bills on time? Bankruptcy filing, liens, and collection activity also affect your history.

How much you owe and where. If you owe a great deal of money on numerous accounts, it can indicate that you are overextended. However, spreading debt among several accounts can help you avoid approaching the maximum on any individual credit line.

The length of your credit history. In general, the longer an account has been open, the better.

How much new credit you have. New credit—whether in the form of installment plans or new credit cards—is considered more risky, even if you pay down the debt promptly.

The types of credit you use. Generally, it’s desirable to have more than one type of credit—such as installment loans, credit cards, and a mortgage.

Questions to Ask a Home Inspector

from the National Association of REALTORS

Do you belong to a professional association?
There are two main inspection organizations today, the American Society of Home Inspectors (ASHI) and the International Association of Certified Home Inspectors (InterNACHI).

Will your report meet all state requirements?
Also, make sure their professional organization complies with a well-recognized standard of practice and code of ethics, such as those adopted by the American Society of Home Inspectors.

How experienced are you?
Ask inspectors how long they've been working in the field and how many inspections they've completed. Ask for customer referrals. New inspectors may be qualified, but they should describe their training and indicate whether they work with a more experienced partner.

How do you keep your expertise up to date?
Inspectors' commitment to continuing education is a good measure of their professionalism and service. Advanced knowledge is especially important with older homes or those with unique elements requiring additional or updated training.

Do you focus on residential inspection?
Be sure to ask inspectors whether they have experience with the property type or features of the home you want to buy. They should be able to provide sample inspection reports for a similar property. While a qualified home inspector does a whole-house inspection, in some cases, they may recommend further evaluation by specialists such as a structural engineer or chimney inspector.

Do you do repairs or improvements?
Some state laws permit the inspector to provide repair work on problems uncovered during the inspection. In other states, however, it's considered a conflict of interest.

How long will the inspection take?
On average, an inspector working alone inspects a typical single-family house in two to three hours. Anything less may not be thorough.

How much?
Costs range from $300 to $500 but can vary dramatically depending on your region, the size and age of the house, and the scope of services. Be wary of deals that seem too good to be true.

Will I be able to attend the inspection?
The answer should be yes. A home inspection is a valuable educational opportunity for the buyer and a refusal should raise a red flag. That said, a big crew can impede an inspectors work, so avoid bringing kids and third parties to the inspection if possible.

Questions to Ask About Property Tax

from the National Association of REALTORS

Real estate portal sites generally offer information on a property's annual taxes. But it's a good idea to verify this information with your real estate agent and the sellers.

What is the assessed value of the property?
Assessed value is generally less than market value. A recent copy of the seller's tax bill will help you determine this information.

How often are properties reassessed in this area?
In general, this will happen annually, but properties in areas of slower growth may be reassessed less often.

When was the last reassessment done on this property?
Significant tax increases on an individual property usually can be linked to when that property was last reassessed.

Will the sale of the property trigger a tax increase?
Depending upon where you live, the assessed value of a property may increase based on the amount you pay for it. In California, for example, annual increases for existing owners are capped, and properties are reassessed when they're sold.

Is the tax bill comparable to that of other properties in the area?
If not, it might be possible to appeal the assessment and lower the rate.

Does the current tax bill reflect any special exemptions for which I might not qualify?
For example, many tax districts offer reductions to individuals 65 and older.

Questions to Ask About the Neighborhood

from the National Association of REALTORS

Federal fair housing law prohibits real estate agents from steering you to one neighborhood or another, but agents they can direct you to resources that will answer your key questions about neighborhoods you're considering.

Is it close to my favorite spots?
Make a list of activities you engage in and stores you visit frequently. See how far you would have to travel to engage in your most common activities.

Is it economically stable?
Check with your local economic development office to see if household income and property values in the neighborhood are stable or rising. What is the ratio of owner-occupied homes to rentals? Apartments don’t necessarily diminish value, but they indicate a more transient population. Are there vacant businesses or homes that have been on the market for months? Check news sources to find out if new development is planned.

Is it a good investment?
If you're working with an agent, ask about price appreciation in the neighborhood. Although past performance is no guarantee of future results, this information will give you a sense of the home’s price stability and growth potential. Your agent also may be able to tell you about planned developments or other changes coming to the neighborhood — such as a new school or highway — that might affect its value.

Do I like what I see?
Once you’ve narrowed your focus to two or three neighborhoods, drive or walk around to get a feel for what it might be like to live there. Take notes: Are the homes well maintained? Are streets bustling or quiet? Pick a pleasant day if you can, and chat with people working or playing outside.

Is it safe?
Contact the police department to obtain neighborhood crime statistics. No neighborhood is free from crime, but consider not only the number of crimes but also the type and trend. Is crime going up or down? Pay attention to see where in the neighborhood crime is happening.

What’s the school district like?
This is especially important if you have children, but it can affect resale value as well. The local school district can provide information on test scores, class size, the percentage of students who attend college, and special enrichment programs. If you have school-age children, visit schools in neighborhoods you’re considering.

How will I get to work?
If you work outside the home, you may want to know about tolls, public transportation options and other factors that will affect your commute.

Green Home Programs

from the National Association of REALTORS

Whether you're building the home of your dreams or looking for an existing unit, be aware of the many players involved in certifying sustainability, resiliency, and energy efficiency. Here's a breakdown of the different certification programs.

HERS index

The Home Energy Rating System is an index measuring a home's energy efficiency. An average home built to current industry standards for energy efficiency will have an index of 100. A lower score indicates higher levels of efficiency (for example, a home with a score of 70 is using 30 percent less energy than the average home). The opposite is true with homes that score higher than 100. This index is overseen by RESNET.

Energy Star

The Energy Star program is overseen by the U.S. Environmental Protection Agency. Products such as refrigerators, light bulbs, and furnaces can earn Energy Star certifications. Separately, homes can be Energy Star–certified through an independent inspection.

Indoor airPLUS:

This program is also administered by the EPA. Homes that go above and beyond the Energy Star requirements by incorporating additional features to combat moisture, mold, pests, and pollutants can earn this label.

LEED

The United States Green Building Council is the agency that bestows Leadership in Energy and Environmental Design certifications on environmentally friendly buildings and projects. The highest certification a building can earn is "LEED platinum." Projects earn points based on numerous categories such as indoor air quality and water efficiency. More points add up to a higher certification level.

National Green Building Certification

Overseen by the National Association of Home Builders, this program helps residential building professionals develop and build sustainable projects. Buildings can earn bronze, silver, gold, or emerald certifications. At the Emerald level — which is the highest certification a project can earn — a building “must incorporate energy savings of 60 percent or more.”

Pearl Certification

Pearl Certification is a market-based firm approved by the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Energy (DOE) to administer the Home Performance with ENERGY STAR® program for existing homes. The certification helps homeowners understand and improve their home's performance.

RESNET

The Residential Energy Services Network is a not-for-profit corporation that develops industry-wide standards and rules for energy efficiency ratings and certification systems for buildings. In addition to overseeing the HERS index (see below), RESNET certifies contractors of all types, including builders, roofing and siding professionals, and remodeling contractors.

Questions to Ask When Considering a Condo or HOA

from the National Association of REALTORS

Condominiums, townhomes, and properties located within a homeowner association offer certain perks, but it's important to consider them in your decision process.

How much storage is available? Some properties include storage lockers, but there may not be attics or basements to hold extra belongings.

How's the outdoor space? Your yard may be smaller than you'd find in a traditional single-family home, so if you like to garden or entertain outdoors, this may not be a good fit. But if you dread yard work, it may be the perfect option.

Are amenities important? Many properties offer swimming pools, fitness centers, and other facilities that would cost much more in a single-family setting.

Who handles maintenance and security? Property managers often hire professionals to care for common areas and perform in-unit repairs. Keyed entries and doormen may regulate access to your home when you're not there (good news if you travel).

Are there required reserve funds and association fees? How much are they? Although fees generally help pay for amenities and provide savings for future repairs, the HOA or condo board determines these fees, and you'll have to pay them even if you're not in favor of the improvements.

TWhat are the association rules? Although you have a vote on future changes, association rules can dictate how you use your property. Some condos prohibit home-based businesses; others prohibit pets or don't allow owners to rent out their units. Read the covenants, restrictions, and bylaws carefully before you make an offer.

What's the average vacancy rate? It's never too early to be thinking about resale. The ease of selling your unit may depend on what else is for sale in your building, since units are similar.

How many units are owned by investors? Some lenders require a certain percentage of the building to be owner-occupied and may not be able to offer you financing if the ratio is too low.

Can I meet other residents before making an offer? You will share space and decision-making duties with your neighbors when part of a homeowner association, so it's important to make sure you can work together. If possible, try to meet your closest prospective neighbors before you decide on a place.

Questions to Ask the Condo Board

from the National Association of REALTORS

Before you purchase a condo, you should have an attorney review property documents for you. However, you should contact the board yourself ahead of time. You'll learn how responsive and organized its members are and be alerted to potential problems.

How many units are owner-occupied?
Generally, the higher the percentage of owner-occupied units, the easier the condo will be to resell.

What covenants, bylaws, and restrictions govern the property?
Carefully read the bylaws to determine if you can abide by them. Also, find out if there are grandfather provisions that allow current owners more rights than you would have as a new owner, such as the ability to rent out your unit.

How much does the association keep in reserve?
Ask how the money is being invested.

Are association assessments keeping pace with the annual rate of inflation?
Smart boards raise assessments a reasonable percentage each year to build reserves for funding future repairs.

What does the assessment cover?
Ask specifically about common-area maintenance, recreational facilities, trash collection, and snow removal (if applicable).

What special assessments have been mandated in the past five years, and how much of that was the responsibility of individual owners?
Some special assessments are unavoidable. But repeated, expensive assessments could be a red flag about building conditions or fiscal policy.

What's the turnover rate?
This will tell you if residents are generally happy with the building.

Is the condo building in litigation?
Obviously, this is never a good sign. If the builders or owners are involved in a lawsuit, reserves can be depleted quickly to pay legal fees.

What other projects has the developer built?
Try to visit one, and ask residents about their perceptions. Also, request an engineer's report if the building has been converted from another use.

Are multiple associations involved in the property?
In very large developments, umbrella associations also may require separate assessments.

What to Know About Home Hazards

from the National Association of REALTORS

Radon

A colorless, odorless gas that can seep into your home from the ground, radon is often referred to as the second most common cause of lung cancer behind smoking. What to look for: Basements or any area with protrusions into the ground offer entry points for radon. The Environmental Protection Agency publishes a map of high-prevalence areas. A radon test can determine if high levels are present.

Asbestos

A fibrous material once popular as fire-resistant insulation, asbestos was banned in 1985. However, it’s often found in the building materials, floor tiles, roof coverings, and siding of older homes. If disturbed or damaged, it can enter the air and cause severe illness. What to look for: Homes built prior to 1985 are at risk of having asbestos in their construction materials. Home owners should be careful when remodeling because disturbing insulation and other materials may cause the asbestos to become airborne.

Lead

This toxic metal used in home products for decades can contribute to several health problems, especially among children. Exposure can occur from deteriorating lead-based paint, pipes, or lead-contaminated dust or soil. What to look for: Homes built prior to 1978 may have lead present. Look for peeling paint and check old pipes. To get a HUD-insured loan, buyers must show a certificate that their older home is lead-safe.

Other hazardous products

Stockpiles of hazardous household items — such as paint solvents, pesticides, fertilizers, or motor oils — can create a dangerous situation if not properly stored. They can easily spark fires and can cause illness or even death if ingested, even in small amounts. What to look for: Check all the corners, crawl spaces, garages, or garden sheds in the home. If these products are found, make sure you ask for their removal and get a disposal certificate prior to closing.

Groundwater Contamination

When hazardous chemicals are disposed of improperly, they can seep through the soil and enter water supplies. A leaking underground oil tank or septic system can contribute to this. What to look for: Homes near light industrial areas or facilities may be at risk, as are areas once used for industry that are now residential.

Prepare to Finance a Home

from the National Association of REALTORS

Develop a budget: Instead of telling yourself what you'd like to spend, use receipts to create a budget that reflects your actual habits over the last several months. This approach will better factor in unexpected expenses alongside more predictable costs such as utility bills and groceries. You'll probably spot some ways to save, whether it's cutting out that morning trip to Starbucks or eating dinner at home more often.

Reduce debt:
Lenders generally look for a debt load of no more than 36 percent of income. This figure includes your mortgage, which typically ranges between 25 and 28 percent of your net household income. So you need to get monthly payments on the rest of your installment debt—car loans, student loans, and revolving balances on credit cards — down to between 8 and 10 percent of your net monthly income.

Increase your income:
Now's the time to ask for a raise! If that's not an option, you may want to consider taking on a second job to get your income at a level high enough to qualify for the home you want.

Save for a down payment:
Designate a certain amount of money each month to put away in your savings account. Although it's possible to get a mortgage with 5 percent down or less, you can usually get a better rate if you put down a larger percentage of the total purchase. Aim for a 20 percent down payment.

Keep your job:
While you don't need to be in the same job forever to qualify for a home loan, having a job for less than two years may mean you have to pay a higher interest rate.

Establish a good credit history:
Get a credit card and make payments by the due date. Do the same for all your other bills, too. Pay off entire balances as promptly as possible.

Start saving:
Do you have enough money saved to qualify for a mortgage and cover your down payment? Ideally, you should have 20 percent of the purchase price saved as a down payment. Also, don’t forget to factor in closing costs, which can average between 2 and 7 percent of the home price.

Obtain a copy of your credit report:
Make sure it is accurate and correct any errors immediately. A credit report provides a history of your credit, bad debts, and any late payments.

Decide what kind of mortgage you can afford:
Generally, you want to look for homes valued between two and three times your gross income, but a financing professional can help determine the size of loan for which you’ll qualify. Find out what kind of mortgage (30-year or 15-year? Fixed or adjustable rate?) is best for you. Also, gather the documentation a lender will need to preapprove you for a loan, such as W-2s, pay stub copies, account numbers, and copies of two to four months of bank or credit union statements. Don’t forget property taxes, insurance, maintenance, utilities, and association fees, if applicable.

Seek down payment help:
Check with your state and local government to find out whether you qualify for special mortgage or down payment assistance programs. If you have an IRA account, you can use the money you’ve saved to buy your first home without paying a penalty for early withdrawal.

What to Know About the Appraisal Process

from the National Association of REALTORS

Residential property appraisals are conducted by licensed residential or certified residential appraisers to help the lender ensure the purchase price is in line with the property's value. An appraisal may or may not require an in-person visit. Appraisers also conduct "desktop appraisals" on homes that don't require an on-site inspection, and hybrid appraisals, in which on-site information is gathered by a third party.

Here are five important things to know about appraisals:

Appraisals help guide mortgage terms.
The appraised value of a home is a crucial factor in the loan underwriting process, helping to determine the loan-to-value ratio—the percentage of the home's price that you'll be borrowing. The balance is your down payment. The amount put down can impact your borrowing terms. For example, with a conventional conforming loan, a down payment of less than 20% will trigger the need to pay a monthly private mortgage insurance premium.

Appraised value is not a concrete number.
Appraisers follow a strict standard for their work and provide a professional opinion of value—but valuing property isn't an exact science. A change in a home's condition, the appraiser doing the work, or market conditions can all alter the appraised value.

Appraised value doesn't represent the whole picture of home prices.
The appraised value is different from the sales price. An owner who needs to sell quickly may set a price below the appraised value; a seller in no hurry may set the price high and wait for a buyer with the cash to make up the difference.

Appraisers use data from the recent past.
Appraisals are often considered somewhat backward looking, because they use sold data from comparable properties (often nicknamed "comps") to help come up with a reasonable price.

There are uses for appraised value outside of the purchase process.

Besides being important to the purchase a a home that's being financed, appraisals are also completed to determine insurance value, replacement value, and assessed value for property tax purposes.

What to Know About the Home Inspection

from the National Association of REALTORSS

You can expect a home inspector to evaluate these nine areas or systems.

Structure
The home's "skeleton" should be able to stand up to weather, gravity, and the earth that surrounds it. Structural components include items such as the foundation and the framing.

Exterior
The inspector should look at sidewalks, driveways, steps, windows, doors, siding, trim, and surface drainage. They should also examine any attached porches, decks, and balconies, as well as detached garages.

Roofing
A good inspector will provide very important information about your roof, including its age, condition of roof draining systems, and the presence of buckled shingles or loose gutters and downspouts. The inspector should also inform you of the condition of any skylights and chimneys as well as the potential for pooling water.

Plumbing
The inspector should thoroughly examine the water supply and drainage systems, water heating equipment, and fuel storage systems. Drainage pumps and sump pumps also fall under this category. Poor water pressure, banging pipes, rust spots, or corrosion can indicate larger problems.

Electrical
The inspector should inform you of the condition of service entrance wires, service panels, breakers and fuses, and disconnects. Also, during the inspection, take note of the number of outlets in each room.

Heating and air conditioning
The home's vents, flues, and chimneys should be inspected, as well as all the central air and through-wall cooling equipment. The inspector should be able to tell you the water heater's age, its energy rating, and whether the size is adequate for the house.

Interiors
Your inspector should take a close look at walls, ceilings and floors; steps, stairways, and railings; countertops and cabinets; and attached garage systems. These areas can reveal leaks, insect damage, rot, construction defects, and more.

Ventilation/insulation
Inspectors should check for adequate insulation and ventilation in the attic and in unfinished areas such as crawl spaces. Insulation should be appropriate for the climate. Without proper ventilation, excess moisture can lead to mold and water damage.

Fireplaces
They’re charming, but fireplaces create risk. Inspectors should examine the vent, flue, and chimney stack, as well as installed fuel-burning appliances. In an older home, the inspector should look for the buildup of soot in the flue, known as creosote, which can catch fire.

Before Making a Short Sale Offer

from the National Association of REALTORS

If a home is being sold for less than what the current owner owes on the property—and the seller does not have other funds to make up the difference at closing—the sale is considered a short sale.

A short sale is different from a foreclosure, which is when the seller's lender has taken title of the home and is selling it directly. Home owners often try to accomplish a short sale in order to avoid foreclosure. But a short sale holds many potential pitfalls for buyers. Answering these questions will help you determine if a short sale is a good fit for you.

Are you very patient? Even after you come to agreement with the seller to buy a short-sale property, the seller’s lender (or lenders, if there is more than one mortgage) still has to approve the sale. When there is only one mortgage, lender approval typically takes about two months. If there is more than one mortgage with different lenders, it can take four months or longer. If you make an offer tremendously lower than the fair market value of the home, the lender could make a counteroffer, which will lengthen the process.

Is your financing in order? Lenders like cash offers. But even if you can’t pay cash, it’s important to show you’re well qualified. If you're preapproved, have a large down payment, and can close at any time, your offer will be viewed more favorably than that of a buyer whose financing is less secure.

Do you have any contingencies? Lenders like flexible terms. If you must sell a home before you can close, or you need to be in your new home by a certain time, a short sale may not be for you. Also, you will most likely be asked to take the property “as is.” Lenders are already taking a loss on the property and may not agree to requests for repair credits.

Can you take rejection? Even when a lender approves a short sale, it could require that the sellers sign a promissory note to repay the deficient amount of the loan, which may not be acceptable to some financially strapped sellers. Lenders also can change any of the terms of the contract that you’ve already negotiated, which may not be agreeable to you.

How To Buy in a Tight Market

from the National Association of REALTORS

Here's how to increase your chances of getting your dream house in a competitive housing market. Get prequalified for a mortgage. You'll be able to make a firm commitment to buy, and your offer will be more desirable to the seller.

Get prequalified for a mortgage.
You'll be able to make a firm commitment to buy, and your offer will be more desirable to the seller.

Stay in close contact with your real estate agent.
Your agent will be on the lookout for the newest listings that meet your criteria. Be ready to see a house as soon as it goes on the market. If it's a great home, it will go fast.

Scout out new listings yourself.
Browse sources such as realtor.com and local real estate listing sites. Set up alerts for the neighborhoods and characteristics you're looking for. Drive through your target neighborhoods, and if you see a home you like for sale, send the address and listing agent's name to your agent, who can schedule a showing for you.

Be ready to make a decision.
Spend plenty of time in advance deciding what you can afford and must have in a home so you won't hesitate when you have the chance to make an offer.

Bid competitively.
Your first inclination may be to start out offering something less than the absolute highest price you can afford, but if you go too low in a tight market, you will likely lose out.

Keep contingencies to a minimum.
Restrictions such as needing to sell your home before you move can make your offer unappealing. Remember that, if the market is tight, you'll probably be able to sell your house rapidly. You can also talk to your lender about getting a bridge loan to cover both mortgages for a short period.

But don’t get caught in a buying frenzy.

Just because there’s competition for a home doesn’t mean you should buy it. And even though you want to make your offer attractive, don’t neglect inspections that help ensure the house is a sound investment.

How to Lower Homeowners Insurance Costs

from the National Association of REALTORS

The first step is to shop around. Quotes on the same home can vary significantly from company to company.

Review the Comprehensive Loss Underwriting Exchange (CLUE) report.
CLUE reports detail the property's claims history for the last five years, which insurers may use to deny coverage. Your insurance agent should be able to help you obtain the report. Make the sale contingent on a home inspection to ensure that problems identified in the CLUE report have been resolved.

Seek insurance coverage as soon as your offer is approved.
You must obtain insurance in order to buy your home. And you don't want to find out at closing time that the insurer has denied you coverage.

Maintain good credit.
Insurers often use credit-based insurance scores to determine premiums.

Buy your homeowner's and auto policies from the same company.
Companies will often offer a bundling discount. But make sure the discount really yields the lowest price.

Raise your deductible.
If you can afford to pay more toward a loss that occurs, your premiums will be lower. Also, avoid making claims for losses of less than $1,000.

Seek group discounts.
If you belong to any associations or alumni organizations, check to see if they offer deals on coverage.

Ask about other discounts.
For example, retirees who tend to be home more than full-time workers may qualify for a discount on theft insurance. You also may be able to obtain discounts for having smoke detectors, a security system, and smart locks.

Conduct an annual review.
Take a look at your policy limits and the value of your home and possessions every year. Some items depreciate and may not need as much c

Investigate a government-backed insurance plan.
In some high-risk areas, there may be a government-backed plan to lower rates; in some cases, that plan may be the only option. Ask your insurance agent what’s available.

Insure your house for the correct amount.
Remember, you’re covering replacement cost, not market value.

Vocabulary: Transaction Documents

from the National Association of REALTORS

You'll walk away from the closing table with a big stack of papers. Know what to file away for future reference.

Loan estimate

Your lender is required to provide you with this three-page document within three business days of receiving your loan application. It will show estimates for your interest rate, monthly payment, closing costs, taxes, and insurance. You'll also learn how your interest rate and payments could change in the future, and whether you'll incur penalties for paying off the loan early (called "prepayment penalty") or increases to the mortgage loan balance even if payments are made on time (known as "negative amortization").

Closing disclosure

Your lender is required to send this five-page form—which includes final loan terms, projected monthly payments, and closing costs—three business days before your closing. This window gives you time to compare the final terms to those in the Loan Estimate and to ask the lender any questions before the transaction is finalized.

Mortgage and note

These spell out the legal terms of your mortgage obligation and the agreed-upon repayment terms.

Deed

This document officially transfers ownership of the property. In a cash deal, it goes to you, but otherwise you won’t get the deed until you pay off the mortgage.

Affidavits

These are binding statements by either party. For example, the sellers will often sign an affidavit stating that they haven’t incurred any liens on the property.

Riders

This word describes any amendments to the sales contract that affect your rights. For example, the sellers may arrange to retain occupancy for a specified period after closing but agree to pay rent to you during that period.

Insurance policies

These documents provide a record and proof of your property coverage, be it insuring the title or the property itself. Homeowners insurance documents will generally be your responsibility, while proof of title insurance will be given to you at the closing table.

What to Know About Homeowners Insurance

from the National Association of REALTORS

A homeowners insurance policy protects you against certain losses your new home may experience. Coverage is generally required by lenders prior to closing. Some lenders collect the insurance premium as part of your monthly mortgage payment, place it in an escrow account, and pay the insurer on your behalf.

Coverage exclusions:
There are two types of coverage provided by a homeowners' policy: 1) Named Peril coverage; and 2) "Open" Peril coverage. Coverage provided on a "Named Peril" basis responds and pays only if the damage is caused by a listed peril (cause of loss) such as fire, wind, or other specifically named causes of loss. Coverage provided on an "Open Peril" basis pays when the damage is NOT caused by a specifically excluded event.

Coverage for damage to your house is most commonly provided on an "Open Peril" basis. However, coverage for your contents (your personal property) is often provided on a "Named Peril" basis.

Most insurance policies exclude damage caused by flood or earthquake. You may need to buy these types of coverage separately. If you are in a "high hazard" flood zone, you may be required by the lender to purchase flood insurance.

Dollar limitations on claims:
Even if you are covered for a risk, there may be a limit on how much the insurer will pay. For example, many policies limit the amount paid for stolen jewelry unless items are insured separately.

Replacement cost:
Your home is insured on a replacement cost basis. This means there is no deduction for depreciation due to the home's age or even condition. But you will never be paid more the amount of coverage you purchased, so be sure your limit is sufficient. Endorsements exist that allow you to purchase additional coverage after a loss if unexpected events increase the cost of rebuilding.

Actual cash value:

Actual cash value applies depreciation to the insurance carrier’s loss payment calculation. Coverage for your personal property is provided on an actual cash value basis. You also only get actual cash value on your house if it is destroyed and you choose to not have it rebuilt.

Your liability:

Generally, your homeowner’s insurance covers your liability for accidents that happen to other people on your property, including medical care, court costs and awards by the court. However, there is usually an upper limit to the amount of coverage provided.

What to Know About Title Insurance

from the Association of REALTORS

Title insurance protects your ownership right to your home, both from fraudulent claims against your ownership and from mistakes made in earlier sales, such as misspellings of a person's name or an inaccurate description of the property. In some states it is customary for the seller to purchase the policy on your behalf.

Your mortgage lender will require it.
Title insurance protects the lender (and the secondary markets to which they sell loans) from defects in the title to your home—which could include mistakes made in the local property office, forged documents, and claims from unknown parties. It ensures the validity and enforceability of the mortgage document. The amount of the policy is equal to the amount of your mortgage at its inception. The fee is typically a one-time payment rolled into closing costs.

There are two different policies to consider purchasing.
The first policy, the one your lender will require, protects the lender's investment. You may also purchase an owner's policy that provides coverage up to the purchase price of the home you are buying.

You have the right to choose your provider.
You can shop around for a lower insurance premium rate at a wide variety of sites online. You should first request quotes from a few companies and then reach out and speak to them. Ask about hidden fees and charges that could make one quote seem more attractive than another. Also, find out if you're eligible for any discounts. Discounts are sometimes available if the home has been bought within only a few years of the last purchase as not as much work is required to check the title. You can also ask your lender or real estate professional for advice or help with getting quotes. Make sure the title insurance company you choose has a favorable Financial Stability Rating with Demotech, a financial analysis firm that provides objective, independent FSRs for insurers.

Even new construction needs coverage.
Even if your home is brand-new, the land isn't. There may be claims to the land or liens that were placed during construction that could negatively impact your title.

Your Short Sale Purchase Team

from the National Association of REALTORS

If you're serious about purchasing a short-sale property, it's important to have expert assistance. Here are some people you'll want by your side:

Experienced real estate attorney.
A real estate attorney who's knowledgeable about the short-sale process will increase your chances getting an approved contract. The attorney will also be indispensable if you want any provisions or specialized language written into the purchase contract.

Qualified real estate professional.
You may have close friends or relatives in real estate, but they aren't truly knowledgeable about short sales, they may hurt your chances of a successful closing. Interview a few practitioners and ask them how many buyers they've represented in a short sale and, of those, how many have successfully closed. A qualified real estate professional will help you find short-sale listings, negotiate the purchase, and have smooth communications with the lender. You might also seek out pros who have the Short Sales and Foreclosure Resource (SFR®) certification, which generally identifies REALTORS®, members of the National Association of REALTORS®, who have learned the skills needed to help buyers and sellers of distressed properties.

Title officer.
It's a good idea to have a title officer do an initial title search on a short-sale property to examine all the liens attached to the property. If there are multiple lien holders (second or third mortgage/lines of credit, real estate tax lien, mechanic's lien, homeowners association lien, etc.), it's much tougher to get the contract to the closing table. Any of the lien holders could put a kink in the process even after you've waited months for lender approval. If you don't know a title officer, your real estate attorney or real estate professional should be able to recommend a few.

The risks of a short sale are considerable. But if you have the time, patience, and iron will to see it through, a short sale can be a win-win for you and the sellers.