

Are You a Savvy Home Buyer?

Print out and take the following test. Then check the answers that follow and add up your score counting 1 for each correct answer. Questions? Suggestions? [Email](#) or call (800.383.8322 - 518.524.8875) Tom Wemett.

- 1) Is buying a home easy enough for a cave man to do it? Yes No

- 2) When is the best time to review your credit history?
 After getting a property under contract, as part of the mortgage application.
 Just before submitting an offer on a property.
 As early in the home buying process as possible.

- 3) How many major national credit repositories are there that have information about your credit?
 1 2 3 4

- 4) Will your credit score be negatively affected if you apply for a mortgage pre-approval at more than one lending institution? Yes No

- 5) Which is the better credit score? 640 750

- 6) If the home you are buying needs repairs which is better?
 Have the seller do the repairs at their expense prior to closing.
 Get a repair credit at closing from the seller and do the repairs yourself.

- 7) When making an offer on a home, offering 10% less than asking price is a good rule of thumb?
 Yes No

- 8) When is the best time to do home inspections?
 Before writing an offer. After your offer is accepted.

- 9) Are appraised value and assessed value the same thing? Yes No

- 10) Who should you use to conduct the home inspections?
 A Contractor friend
 A Relative
 A Professional Home Inspector
 Someone referred by the listing agent or seller

- 11) Lead was used in paint to help with the drying process and to inhibit the growth of mold until what year when it was no longer legal to include it in residential paint?
 1972 1978 1980

- 12) The closing date stated in a purchase and sale contract is a target date and not necessarily the actual date your home will close on. True False

- 13) The NY State STAR (School Tax Reduction) program is only for seniors (age 65+) who make less than \$60,000 per year. True False

Are You a Savvy Home Buyer? (continued)

- 14) It's a good idea to do a walk-thru inspection of your new home a week before the closing.
 True False
- 15) When comparing renting vs. buying a home one advantage of renting is that the rent is tax deductible on your income tax return. True False
- 16) The FACT ACT (Fair and Accurate Credit Transactions Act of 2003) contains a provision that allows everyone to obtain a free credit report and credit score from all the credit repositories once every 12 months. True False
- 17) All of the following generally will improve your credit score except:
 Paying bills on-time.
 Applying for lots of credit cards in a short time period.
 Keeping credit card balances below 70% of their maximum credit line.
 Canceling excess unused credit cards.
- 18) Bankruptcy, judgments and collections stay on your record for 7 years before they are removed.
 True False
- 19) Money can be withdrawn from an IRA "penalty free" if used to purchase a home.
 True False
- 20) PITI Stands for:
 Principal, Income, Taxes, Insurance
 Payment, Interest, taxes, Insurance
 Principal, Interest, Taxes, Insurance

Time to see how you did. Review the answers and discussion on the next several pages. Add up your score. If you score below 12, you definitely could benefit by reading the eBook titled, [Savvy Home Buying Made Simple](#) - "An Insider's Guide to Avoiding Costly Mistakes When Buying a Home" and attending a home buying seminar (check with Tom Wemett - [email](#) or phone: 518-524-8875 - for a list of home buying classes he is giving in the future). If you score between 12 and 16, not bad but you still need to hone your skills. You also could benefit from attending a seminar and reading "[Savvy Home Buying Made Simple](#)". Between 16 and 20, congratulations, you appear to be a "Savvy Home Buyer".

I'm available for a FREE no obligation home buyer consultation whenever it is convenient for you at my office or your office or home. **Have other friends and associates interested in buying a home? Let's have a home buying party.** You provide the place and refreshments and I'll provide the 90 minute home buying seminar and answers to all your home buying questions. If you are interested in a **free no obligation credit report and mortgage pre-approval** please contact Joanne Russell, broker/owner of Home Mortgage Network at 518.573.2012. Tell her Tom Wemett sent you. I can be reached at 518.524.8875 if you would like to speak to me directly.

Tom Wemett

Are You a Savvy Home Buyer?

Answers and Discussion

1) Is buying a home easy enough for a cave man to do it? ___ Yes No

This is a nice phrase for Geico Insurance and certainly buying insurance over the phone or online is a fairly simple process. But buying a home is anything but simple. It is a very complex and at times daunting experience. After all, it probably is the largest purchase you will ever make. Having a professional buyer agent acting as your guide through the process is a must, especially for first time home buyers.

2) When is the best time to review your credit history?

___ After getting a property under contract, as part of the mortgage application.

___ Just before submitting an offer on a property.

As early in the home buying process as possible.

You really want to know right up front if you have any problems with your credit. 80% of all credit reports have errors on them and 25% of credit reports have errors that are serious enough to result in being declined for a loan.

3) How many major national credit repositories are there that have information about your credit?

___ 1 ___ 2 3 ___ 4

There are three: they are Equifax (www.equifax.com); Experian (www.experian.com); and TransUnion (www.transunion.com)

4) Will your credit score be negatively affected if you apply for a mortgage pre-approval at more than one lending institution? ___ Yes No

As long as each lending institution pulls mortgage reports applying at several lending institutions within a short time period shouldn't cause a problem. You are only getting one mortgage and the credit scoring software is designed to take that into account and not penalize you for shopping for a loan.

5) Which is the better credit score? ___ 640 750

The higher your score the better. A score of 640 or less is considered fair and may result in increased down payment or interest rate. A score of 640 to 700 is considered good. A score above 700 is considered very good and may result in a lower down payment and interest rate.

6) If the home you are buying needs repairs which is better?

___ Have the seller do the repairs at their expense prior to closing.

Get a repair credit at closing from the seller and do the repairs yourself.

You want to have control over who does the repairs, the quality of the repairs and the ability to sue the repair company if repairs aren't done right. A seller is going to get the work done as cheaply as possible. If the work doesn't hold up you can't sue the repair company as you didn't hire them. Play it safe, get an estimate and have the seller give you money at closing so you can pick your own contractor.

Are You a Savvy Home Buyer? Answers and Discussion (Continued)

7) When making an offer on a home, offering 10% less than asking price is a good rule of thumb?

Yes No

Many homes are priced way over market value and a starting price might be closer to 20% or more below asking price. Other homes are priced right at market value and some even below market value in order to get a quick sale. Using a rule of thumb without checking other factors usually doesn't make sense and could result in your overpaying for a home or making the seller angry as your offer might be considered "low-balling", resulting in your not being able to buy the home at any price

8) When is the best time to do home inspections?

Before writing an offer. After your offer is accepted.

A provision is placed in the offer stating that the offer is subject to having inspections done and that they need to be satisfactory to you. Provided the repairs are legitimate, the buyer can get out of the offer or negotiate with the seller to have the repairs taken care of. If the inspections are done prior to the offer being accepted you are running the risk of paying out several hundred dollars and then not come to terms with the seller over price or other matters. Play it safe, make the offer subject to inspections.

9) Are appraised value and assessed value the same thing? Yes

No

Appraised value is determined by a licensed professional appraiser as part of the mortgage process to determine a precise value for the property to make sure the price you are agreeing to pay is in line with true market value. Assessed value is a value placed on the property by the local assessor for real estate tax purposes. It is supposed to have direct relevance to true market value but often times doesn't. The assessor is more or less guessing at the value based on square feet and general neighborhood sales rather than focusing in specifically on one property. Assessed value also generally is a fraction of market value based on an established "equalization rate" for that municipality.

10) Who should you use to conduct the home inspections?

A Contractor friend

A Relative

A Professional Home Inspector

Someone referred by the listing agent or seller

Use a contractor friend or a relative to look at the property prior to making an offer as an extra pair of eyes doesn't hurt. However, when it comes to the actual formal home inspection, you should only use someone trained to conduct them. The professional home inspector will use a systematic approach to viewing a property's mechanical and structural components. Be careful with regard to referrals from listing agents and sellers. They have a conflict of interest in that they don't want the transaction to end due to a home inspection.

11) Lead was used in paint to help with the drying process and to inhibit the growth of mold until what year when it was no longer legal to include it in residential paint?

1972 1978 1980

Lead was outlawed in paint starting in 1978. Ask for a "Lead Disclosure Form".

Are You a Savvy Home Buyer? Answers and Discussion (Continued)

- 12) The closing date stated in a purchase and sale contract is a target date and not necessarily the actual date your home will close on. True False

The seller and the buyer, in particular, must understand that there is a lot of things that have to take place prior to an actual closing date even being set. Many times sellers and buyers make plans based on the date stated in the contract. Someone needs to monitor the transaction closely to make sure a closing can take place on the date noted.

- 13) The NY State STAR (School Tax Reduction) program is only for seniors (age 65+) who make less than \$60,000 per year. True False

There is an additional reduction for seniors who make less than \$60,000 per year. However, the “basic” STAR exemption is available to anyone on their principle residence regardless of age or income.

- 14) It’s a good idea to do a walk-thru inspection of your new home a week before the closing.
 True False

This is a trick question in a sense. You absolutely should do a pre-closing walk-thru of the home. However, it should be done 24 to 48 hours before closing, not a week before. Lots of things can happen within a week, like a water tank going or a tree falling on the home. Wait until just before closing before doing your walk-thru. It still leaves you time to negotiate problems, if there are any.

- 15) When comparing renting vs. buying a home one advantage of renting is that the rent is tax deductible on your income tax return. True False

Interest on a mortgage and real estate taxes are tax deductible, rent is not. Tax deductibility of mortgage interest and real estate taxes are two of many advantages to owning a home vs. renting.

- 16) The FACT ACT (Fair and Accurate Credit Transactions Act of 2003) contains a provision that allows everyone to obtain a free credit report and credit score from all the credit repositories once every 12 months. True False

The FACT ACT provides a free credit report annually but not the credit scores. You have to pay extra to get your credit scores from each repository.

- 17) All of the following generally will improve your credit score except:
Paying bills on-time.

Applying for lots of credit cards in a short time period.

Keeping credit card balances below 70% of their maximum credit line.

Canceling excess unused credit cards.

Having a lot of credit activity in a short period for unsecured debt will cause a drop in your credit score. Don’t apply for other credit at the same time you are in the process of buying a home. It could cause a negative impact on your ability to get a mortgage. That includes car loans as well. Wait until after you close on your home before applying for any other credit.

Are You a Savvy Home Buyer? Answers and Discussion (Continued)

18) Bankruptcy, judgments and collections stay on your record for 7 years before they are removed.

True False

Bankruptcy stays on your record for 10 years from the date of discharge. Other negative information stays on for 7 years.

19) Money can be withdrawn from an IRA “penalty free” if used to purchase a home.

True False

Using a withdrawal from an IRA for the purchase of a home is an exception to IRA rules that make early withdrawals subject to a penalty. The withdrawal is still taxed as ordinary income in the year received. Money may also be “borrowed” from a 401K or other retirement plan, generally tax and penalty free, depending on the requirements of the plan. Check with your plan administrator for details.

20) PITI Stands for:

Principal, Income, Taxes, Insurance

Payment, Interest, taxes, Insurance

Principal, Interest, Taxes, Insurance

PITI stands for principal, interest, taxes and insurance. It represents the total mortgage payment including the escrow payment for real estate taxes and home owners insurance.

I hope you found this little test and the answers and discussion helpful. Please check out my web site at www.savvyhomebuying.com. There is a lot more detailed information about buying a home at that site, including the eBook, “Savvy Home Buying Made Simple”. I’m always available for a consultation if you are located in the Albany, NY area or by phone if you are out of the area. Thank you for visiting.

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