

STEP FOUR

HOUSING SEARCH

Once you are NACA Approved, you are almost ready to begin searching for a home. You should not begin this step until you receive your NACA Approval Letter and Form at the Purchase Workshop or directly from a designated NACA staff person. In each office, NACA has a designated person to coordinate the Purchase Workshop or to provide one-on-one counseling concerning the home buying process. Since NACA wants you to find a home appropriate to your needs, it is important that you have not already committed to a particular property.

While the main Homebuyer Workshop provides you with an immense amount of information, you may not be NACA Approved until months later. Therefore, NACA provides either a weekly Purchase Workshop or individual sessions where you receive important information on the housing search. This session will help prepare you to deal with the many real estate professionals, some of whom will attempt to exploit your lack of experience. Once you receive this information, you will be much better prepared for one of the most important decisions of your life. You can now begin the housing search to find a good home at a fair price.

At the Purchase Workshop or Purchase Session, you should identify the real estate agent you want to work with throughout the housing search. If you were referred to NACA by a real estate agent prior to your involvement with NACA, NACA will notify the agent once you are NACA Approved with the expectation that you will work with the agent. If that is not the case, NACA can refer you to a NACA Buyer's Agent or an agent who is familiar with the NACA program. You always have the option to work with a real estate agent of your preference and are under no obligation to work with any particular agent or continue to work with an agent even if he or she referred you to the NACA program. You will need to provide written notice of your desire to discontinue your working relationship with a real estate agent. There are a few real estate agents who are prohibited from working with the NACA program due to their unprofessional practices or actions that are counter to NACA's mission. You may want to verify if your buyer's agent of choice is approved to work with the NACA program.

In the previous step, you were qualified for a Maximum Mortgage Payment. The Maximum Mortgage Amount that you can afford is determined by the Maximum Payment in conjunction with the current interest rate, local taxes and insurance, and funds available for interest rate buy-downs. As you conduct your search, you may decide that you would be more comfortable spending less than your maximum. Remember, you will be making the mortgage payments for years to come.

NACA BUYER'S AGENT or REFERRAL AGENT

One of the best ways to ensure you are getting a good deal on your home is to work with a NACA Buyer's Agent or an agent referred by NACA. Unlike other real estate agents or brokers, NACA Buyer's Agents are compensated by a flat fee, regardless of purchase price. Therefore, they have no incentive not to negotiate the lowest possible price. NACA Buyer's Agents are required to represent you—almost all other realtors work for the seller. Moreover, you will not be charged for this service.

If a NACA agent is not available, NACA could refer you to an outside agent who is intimately acquainted with both the real estate market and the NACA Program. They can help you locate a suitable property and negotiate a deal that best utilizes the NACA Program. For example, the NACA Buyer's Agent or Referral Agent may obtain buy-down funds from the seller or suggest government assistance funds. They will provide invaluable assistance in the housing search and purchase process.

They will use their expertise to:

- Promote and protect your interests.
- Research the market to identify properties.
- Arrange property showings with all other brokers and sellers.
- Assist in writing the offer with your best interests in mind.
- Provide you information that may enhance your bargaining position.
- Keep your bargaining and financial positions confidential.
- Negotiate the price and terms on your behalf.
- Coordinate and assist you with the inspection.
- Attempt to negotiate with the seller to make all required repairs.
- Communicate with and provide required documents to your NACA housing consultant.
- Assist you through the mortgage process.
- Coordinate the closing and address last minute issues.
- Give you general advice and counsel.

If you wish to take advantage of the tremendous services offered by NACA Buyer's Agents, you will need to sign the Representation Agreement, wherein you agree to work exclusively with that agent for the time period specified. You must refer any leads on properties to your Buyer's Agent and should not see a property before contacting him or her. Working around your agent violates the terms of the agreement that allows NACA to provide this great service at no cost to you. You may, however, terminate the Representation Agreement at any time, by submitting written notice.

NACA Buyer's Agents have an extensive knowledge of the housing market and the NACA program, but like other real estate agents, they cannot provide you with legal advice. If you use a NACA Buyer's Agent, NACA will often be able to provide you with free legal representation for the purchase contract. If you work without a NACA Buyer's Agent, you may be required to obtain and pay for such legal review yourself.

THE PROPERTY SEARCH

When you first meet with your real estate agent, you will discuss what type of house you want to buy (single-family, multi-family, condo, etc.), how many rooms you want, where you want to look and how much you want to pay. The agent can also advise you on neighborhoods that best meet your needs. The agent can then access traditional listing services and some may also be able to access listings of lender-owned and foreclosed properties.

Once you have a list of properties, you and your agent will visit the homes. After you have narrowed down the selection, the agent can retrieve Multiple Listing Service (MLS) printouts for you, conduct further research on those homes and neighborhoods, and arrange a second showing. Together, you should prepare a list of questions for the seller or listing broker. If you are interested, your agent will assist you in making the offer, negotiating the Purchase and Sale contract, arranging the inspection and completing the mortgage process. *Remember: If you have identified a property on your own, do not contact another broker/agent. Please notify your agent who will work with you. NACA Buyer's Agents are obligated to represent your interests.*

EVALUATING A HOME

When you look at a property, you will have many important questions that need to be answered. To avoid forgetting anything, you should bring a list with you. If the house seems like a potential buy, you should record the answers because you will need to review them later when comparing different options. The information you collect can affect the price you are willing to pay. Take as much time as you need to consider a property—the biggest tragedy would be buying a home that had serious unanticipated problems.

Questions you might ask about the neighborhood include:

- What is the condition of the nearby homes?
- What do neighbors think about the area?
- Is there a neighborhood association? What are their restrictions?
- Is there on-street or off-street parking, and is it safe?
- Are there bus or train stops nearby?
- Are there parks or playgrounds?
- Are there grocery stores, restaurants and other shops nearby?
- Where are the local schools and how good are they?
- Do you have other local needs?

As you turn your attention to the property itself, consider whether you will be content living there for a long period of time. Are there enough rooms, closets, and storage? Do you like the layout? Examine the condition of the property thoroughly and ask about the life expectancies of existing systems. While you may not be an expert, you may discover enough problems to prevent you from making an offer and having to spend money on a home inspector. Keep in

mind, however, that if you like the property there are remedies for problems. You can ask the seller to make repairs or you can finance repairs through the NACA Rehab Program.

Structure/Exterior: Walk around the outside of the house scanning the chimney, roofing, gutters, siding, driveways, retaining walls and landscaping. Look for deterioration or recent repairs that might indicate problems. See if the rainwater is channeled away from the house foundation via the gutters, downspouts and leader pipes. Observe whether yard runoff is also drained away from the house. Water collecting around the foundation can cause flooding in the basement or structural problems with the foundation. Look for signs of cracking or movement in the foundation. Look for signs of spoiling masonry, flaking and peeling paint, or paint cover-ups. Look for cracks in tiles and retaining walls and note any large trees where falling branches could damage roofing or where roots could push against foundations.

Electrical: Look for extension cords and other signs of inadequate circuitry. Ask what kind of circuitry the house has. Knob and tube circuitry in pre-1920 homes may have to be completely replaced if you do any electrical upgrades. Find out if the circuit breakers, wiring and receptacles will support the modern appliances you intend to have.

Mechanical: Make sure that comfortable amounts of heat and/or air conditioning are delivered to all living spaces. Compare the approximate age of all systems to their average life; systems like the furnace, air conditioning and hot water heater can be expensive to replace. Look for and ask about buried oil tanks, asbestos and other environmental concerns.

Plumbing: Ask whether the house is serviced by municipal water and sewer systems. Ask whether the incoming pipes are made of lead, since you may want to replace them. Make sure that all areas receive water and the drains work. Turn on the faucets and flush the toilets. Look for evidence of leaks around the tubs, showers, sinks and toilets, and ask if there is any history of such leaks. Look at the tiles and caulking around the shower and tub to see if they are firm or if they have been repaired.

Basement: Ask if there is any history of water seepage in underground areas and look for any sign of water stains or other damage. Water seepage and dampness could indicate problems with the foundation.

Kitchen: Ask how old the appliances are and make sure they all work. Look under sinks and around dishwashers and refrigerators for problems in the flooring due to water seepage. Look for adequate electrical outlets above the counter top to run your smaller kitchen appliances.

Interior: If the walls and floors are not straight, ask if there has been any recent settling. Check the operation of windows. Look for clouded double-pane windows, which could indicate that the walls are damp. Ask about the flooring beneath any carpeting. If the attic is floored and accessible, go up and look for signs of roof leakage. Ask about levels of insulation and utility bills. Ask about lead paint (expect it in houses built prior to 1978) and urea formaldehyde foam insulation.

After you have examined the house you may:

- Decide there are too many problems to merit an offer.
- Decide that despite the problems, you like the house and either want to make an offer conditioned on seller repairs or utilize the Rehab Program (get info from your Housing Consultant).
- Decide that you like the house but still have questions about the condition; you may want to make an offer and ask your inspector to investigate your concerns.

ADDITIONAL QUESTIONS TO CONSIDER

These points may aid you in assessing the property and negotiating an offer. Your agent can help you get this information:

- What fixtures and appliances are included in the price of the house, such as the refrigerator, dishwasher, chandeliers, etc.?
- Has the current owner had any trouble with the property during the last year?
- What were heating and utility expenses during the last year?
- How much are the taxes and hazard/homeowner's insurance? (This information is often contained in the listing your agent gives you.)
- Has the seller de-lead the property, and if so, is there a de-leading certificate from a government entity?
- What improvements, if any, have been made on the property?
- What did the current owner pay for the property?
- How long has the house been on the market?
- How long has the current owner owned the property?
- What have other homes in the neighborhood sold for?
- Get a Multiple Listing Services (MLS) printout of the home.
- If you have children, you may want to visit the schools.

MULTIFAMILY HOMES

If you purchase a multifamily home, you will become a landlord and the owner of a small business. You will have expenses (mortgage, repairs, taxes, etc.) and income (rent and amenities, e.g. coin-operated washer and dryer). The expenses will always be present, but the income may be inconsistent. You will need savings to cover unexpected expenses such as the vacancy of one or more of your units, or repairs to heating, hot water, sewer, etc.

Because you will live in close proximity to your tenants and depend on their rent payments, you need to determine if you are satisfied with the current tenants. You should obtain documentation of their rent payments and determine if their landlord has had any other problems with them. You may need to stipulate in the Purchase and Sale Contract that the units are vacant at the time of closing.

You also need to understand and follow local landlord/tenant laws. There may be rent control/limitations and/or eviction procedures. You should buy a book or go to your local or

state government office to get a pamphlet that explains the laws in your area. Failing to abide by the law could make it difficult to collect rent or evict problem tenants. Indeed, some violations could lead to claims against you. The more prepared you are, the more peace of mind you will have. You may want to consider a property management firm to manage your property.

CONDOMINIUMS

A condominium is usually a unit in an apartment building where units have been sold to separate owners. When you purchase a condominium, you will own the unit from the walls in. You alone are responsible for repairs, changes and utilities for your unit. In addition, you will share in the ownership of all common areas, including the roof, hallways, exterior, landscaping, parking lot, etc. As a result, you are *also* responsible for a share of all expenses pertaining to these common areas. For example, if the roof leaks on someone else's condominium, you will have to contribute to the repairs.

These arrangements are formalized through a "condominium association", which you will become a member of. You pay dues to the association ranging from \$100 to more than \$1,000 per month to cover repairs, common utilities, insurance, amenities, etc. The association will set bylaws for the condominium and may elect officers or contract a management company to handle operations. You have votes in the association, which sometimes depend on the size of your unit. You are bound by the association's decisions. If you do not pay your dues or other funds, the association can place a lien on your unit or even foreclose. Consider how the votes are divided because you may have to contribute funds for improvements that you do not want. You also share the financial obligations of the association, including unpaid utilities, etc.

Because of the joint ownership structure, you have to pay attention to the building and the association when you look at a condominium. You should meet some of the other owners, especially in a small building where they will live close to you and make decisions that affect you financially and personally. Before purchasing, you must do the following:

- Obtain an inspection of the unit and the building
- Have the association complete the Trustee Certification provided by NACA
- Obtain financial documents from the association
- Obtain the Master Deed and Bylaws from the association

If the association does not have reserves for repairs, has trouble collecting fees, and has less than 50% of the units sold to owner occupants, you may want to consider a different property. These issues may also prevent your loan from being approved. Thus, prior to signing a purchase contract for a condo, you should request this information from your real estate agent.