

My Florida Home Book 1.4: Working with Housing Professionals¹

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Important Questions to Ask

In My Florida Home Book 1.3, we talked about the home purchase process. In each stage of the process, you may select to get professional helps rather than dealing with every situation by yourself. Table 1 explains possible housing professionals you may consider hiring during the home purchase process.

In the minds of many people, a big difference exists between professionals who can help you buy a house and home contractors who can fix it up. People who would not hesitate to question the qualifications or methods of a carpenter, plumber, mason, or landscaper are often reluctant to question the expertise or skill of those housing professionals whose work is done on paper and not on the home, such as attorneys, appraisers, architects, or brokers.

Often, homebuyers are intimidated and avoid asking even obvious questions for fear of insulting the professionals' intelligence. Remember, the only dumb question is the one that has not been asked. If a home professional will not give a straightforward answer to your questions, or appears offended by your inquiring, look elsewhere. If he or she is put off by preliminary questions, imagine what will happen when you get to the complicated ones! Compare services and prices. Beware of the "white-coat, blind-faith" syndrome — the tendency to be in awe of certain professionals such as doctors.

Keep in mind that most home contractors deal with physical products. When a carpenter builds a deck, you can examine the joists; a roofer installs the roof and you can check the flashing. However, most home professionals produce paperwork and opinions. There are no physical tests of quality. Without a questioning attitude, crucial decisions about your house purchase may rest on little more than appearances of expertise and authority. All housing professionals should be able to give you a clear idea

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Table 1. Housing Professionals in the Home Purchase Process

Home Purchase Process	Housing Professionals
Stage 1: Pre-Purchase Preparation	—
Stage 2: Mortgage Pre-Approval	Mortgage Lender
Stage 3: Home Selection	Real Estate Agent
Stage 4: Purchase Offer	Attorney, Real Estate Agent
Stage 5: Mortgage Financing	Mortgage Lender, Appraiser
Stage 6: Home Inspection	Home Inspector, Surveyor
Stage 7: Title Search	Title Company
Stage 8: Closing	Attorney, Title Company

of what they will do for you and how they will proceed. Some will put it in writing before you hire them.

Ask these important questions when interviewing:

- Exactly what will be included in your services?
- What will it cost?
- Who pays the bill?
- When will the work begin and how long will it take?
- What kind of guarantee will you provide?

Real Estate Agent

The most efficient method of shopping for a house is to consult a real estate agent. How do you select an agent, and what services can you expect?

Try to find an experienced agent who works primarily in the area in which you are interested and who has access to a computerized multiple-listing service (MLS), an automated system for generating a list of houses that match your requirements.

The basic definition of a real estate agent is "one who acts for another to negotiate the sale, purchase, or rental of real estate in return for compensation." In some cases, real estate agents represent sellers—not buyers. However, under new Florida legislation, brokers and realtors can represent either sellers or buyers. In return for representing them, agents receive a commission from the seller when the house sells. Commissions usually are a flat percentage of the home's sale price, usually 6–7%. Because of the

way the commission system works, real estate agents want to sell homes quickly and at the highest possible prices.

A real estate agent can:

- prequalify you so you know what price range you can afford;
- use your wish list to generate a computer printout of houses that meet your specifications;
- show you houses that meet your requirements (by all means, let the agent do the driving);
- provide you with information about a community, including the prices and characteristics of houses in the area, the location of schools, property tax rates, unusual building code regulations, and availability of community services;
- present your offer to the seller; and,
- advise you regarding mortgage lenders, real estate attorneys, professional home inspectors, and title companies.

Here are some tips for working successfully with a real estate agent:

- Interview at least three agents before choosing one. Find one who understands your needs.
- Never let a second agent show you a house that another agent has shown you previously.

- If you are seriously interested in buying a house, don't worry about wasting an agent's time by looking at too many houses. It's in your best interest to look at as many houses as possible, and an agent should not push you to "make up your mind" or make an offer on a house before you are ready.
- Assume that anything you say to the agent will be communicated to the seller. You can put yourself at a disadvantage in negotiating a price if you have been too enthusiastic about a house on which you decide to make an offer. If the agent you are working with shows you homes that they have listed, you should know that the agent represents the seller first and is legally obligated to represent his interest.
- If you feel you are being "steered" to (or away from) particular neighborhoods, you should report your grievance to the U.S. Department of Housing and Urban Development (HUD), the agency in charge of enforcing the Fair Housing Act. The Fair Housing Act prohibits discrimination based on race, religion, age, color, nationality, receipt of public assistance funds, sex, or marital status. (You may also want to file a complaint concerning that agent with your local Board of Realtors and your local HUD office.)
- Once you have decided to make an offer on a house, remind yourself again that the real estate agent, no matter how friendly and helpful, may also represent the seller. You should not discuss your negotiation strategy with the agent, any more than you would do so with the seller. No matter how anxious you are to buy the house, you need to keep your enthusiasm to yourself.
- As soon as you express interest in buying a particular house, the real estate agent will be eager to get you to sign an "offer to purchase," setting forth the basic terms of your offer. Do not sign anything without first reading this document carefully.

Attorney

If you choose to purchase a home, you may want legal representation. As part of your home purchase, you will sign a sales contract, mortgage paperwork, and several other binding legal documents. Have an attorney review the documents before you sign them to determine if they protect your interests. If you do not know an attorney, contact your neighborhood legal service office or the Florida Bar Association at 1-800-342-8011, or visit the Florida Bar Web site <http://www.floridabar.org/names.nsf/MESearch?OpenForm> for a referral. Remember, you are looking for an attorney with real estate experience. If you are using a real estate professional, most of these items are taken care of by the title company where you close. However, none of the other professionals is qualified to give you legal advice or legally represent you in a court of law.

A real estate attorney can assist with the following functions:

- Draft and/or review the contract of sale.
- Review the mortgage. Your lawyer represents you—he or she will make sure all documents are correct and fair. In some cases, you may use the same lawyer as the seller if the transaction is not too complex.
- Arrange the title search and survey of the property, making sure there is a clear title and that the home is free of liens.
- Close the sale. The lawyer makes all of the disbursements, has all sale documents prepared and signed, and records the deed and mortgage at the county clerk's office.

If you are purchasing your house through a "sale by owner" transaction, it is highly advisable to use a real estate attorney. Sellers using a real estate agent typically use a standard "Offer to Purchase" contract drafted by the Florida Bar Association. This form contains many standard contingency clauses that protect both the buyer and the seller. A seller without representation may not include some or any of these clauses, or may include clauses that are to the buyer's disadvantage. A real estate attorney can review the

sales contract to make sure the terms are acceptable to you, the buyer, before you sign.

Contractor

Everyone wants the best builder. However, the best builder may not be the best for two different people. Building a home is a highly emotional experience. It is best to choose a builder that fits your personality and needs. Most homebuyers use cost as the number one factor in choosing their builder. Rather than focusing primarily on cost, base your decision on the builder's reputation, competence, professionalism, warranty coverage, and experience.

If you are thinking about hiring a builder to build a home, or remodel a home, you should follow several steps.

Step 1: Interview the Contractor

There are two types of contractors; the general contractor (oversees the entire project) and specialty contractors (hired to perform a single job, such as a roof).

Here are some questions to ask before hiring:

- How long have you been in business?
- Are you licensed and registered with the state and county?
- What type of insurance do you carry?
- Will you be using subcontractors?
- May I have a list of references?

Step 2: Follow up on interview

Once you gather the information, verify contractor information. One way to check for a valid license is to call the MyFlorida License department at (850) 488-6603 (or visit the Web site at <http://www.myfloridalicense.com/dbpr/index.html>). Another way is to contact your local county building department, who will also verify registration to operate officially in the local area.

Ask to see proof of insurance and make sure it is currently active. Look specifically for personal

liability, worker's compensation, and property damage coverage. Avoid doing business with contractors who do not carry the appropriate insurance. Otherwise, you could be liable for any injuries and damages that occur while your home is under construction. If there are any subcontractors involved, ask to meet them, and make sure they have current insurance coverage and licenses as well.

The best way to learn about builders is to ask them for the addresses of their recently built homes and subdivisions. Drive by on a Saturday morning, when homeowners may be outside doing chores or errands. Introduce yourself and say you are considering buying a home from the builder who built theirs. Talk to several owners, and try to get a random sample of opinions. The more people you talk with, the more accurate an impression of a builder you are likely to get. At the very least, drive by and see if the homes are visually appealing.

When you talk to the neighborhood homeowners, take along a notebook to record the information you find. Doing so will help you to make comparisons later.

Some questions to ask the homeowners include:

- Are you satisfied with the way your home was built by the builder in question?
- Did you have good communication from the builder along the way?
- Were there any unexpected costs? If so, what were they?
- If you had any problems, were they fixed promptly and properly?
- Would you build another home with this builder?

Home Inspector

One of the contingencies in your contract should be that you obtain a satisfactory building inspection report. Make sure this is in your contract. Of course,

you will have examined the house to the best of your own ability before making an offer on it. Nevertheless, before you go through with the purchase, you will want an expert to take a critical look at the property for you. Although you will pay for this inspection, it is well worth the cost in peace of mind.

Often, home warranties are offered in lieu of a house inspection. The wise homebuyer will want to know up front if there is a problem rather than discover a whole host of them after the purchase. A home warranty covers certain repair/replacement costs of problems with the house that occur during a specified period, usually a year. If you opt for a home warranty in lieu of a home inspection, know what the policy covers, and what it does not.

Anyone can get a license to serve as a home inspector. Therefore, it is important to look for an inspector who is:

- certified by the American Society of Home Inspectors (<http://www.ashi.org> or 1-800-743-2744), and
- preferably one who has a PE (Professional Engineer) designation after his or her name.

You may consult with an organization that is reputable and certifies home inspectors like the National Institute of Building Inspectors (<http://www.nibi.com> or 1-888-281-6424).

The home inspection is not the same as an appraisal. If possible, you should plan to accompany the inspector on the inspection, which usually takes about two hours. You will undoubtedly pick up some valuable maintenance tips along the way, get a chance to ask questions, and learn more about the extent of possible problems. You will also be in a better position to understand the written report.

Every inspection should include an evaluation of at least the following: foundations, doors and windows, roof, plumbing and electrical systems, heating and air conditioning systems, ceilings, walls, floors, insulation, ventilation, septic tanks, wells or sewer lines, and common areas (in the case of a condominium or cooperative). In addition to these, a

termite inspection is also in your best interest. All inspections should be completed within the time limit set forth in the contract.

The purposes of the inspection report are:

- to identify problems before you purchase a home to prevent unpleasant surprises later;
- to enable you to get out of a purchase agreement and get your deposit refunded if serious problems are identified;
- to help you negotiate an adjustment in the purchase price if you want to buy the house in spite of the problems;
- to get the seller to agree to pay for needed repairs, either before the sale or after the sale using escrowed funds; and,
- to make you feel confident about going ahead with the purchase.

When you arrange for an inspection, insist on a detailed report that includes:

- major problems and estimated costs to correct;
- minor problems and estimated costs to repair; and,
- estimates of the expected life of various items such as the roof, furnace, electrical system, air conditioning, appliances, and costs of maintenance.

Appraiser

When you apply for a house loan, the lender will require a professional appraisal of the market value of the property. The appraised value of the house determines how large a mortgage the lender will be willing to give you. If the appraised market value is lower than the agreed-upon purchase price, this contingency gives you the right to withdraw your offer or renegotiate the contract. The cost of this appraisal, usually between \$250 and \$300 for a conventional loan on a three bedroom, two-bath house, will be included in your closing costs when you sign the final papers.

Surveyor

A property survey defines the property that you are purchasing. The survey is written in terms of chains, rods, and quarter sections, using a complicated, but safe and accurate method of recording property boundaries.

A typical four-corner residential lot survey averages from \$150 to \$300, and you may need to pay for it out-of-pocket at the time of the survey. Large, irregularly shaped lots can cost more. Still, it is a small price to pay for knowing the true and legal boundaries of your property. Homeowners have sometimes had to move fences or make other expensive revisions because their property line was not where they thought. If you wish to have stakes placed in the ground to delineate your property line, you will probably pay a bit more, but sometimes having the visual markers is helpful in finalizing the deal.

Mortgage Lender

Homebuyers should shop for financing just as carefully as for the house itself. Begin comparison-shopping at the bank where you have been doing business. You can shop for mortgage lenders by going online to Web sites like <http://www.bankrate.com>. Also, get recommendations for the other mortgage sources from friends, your attorney, sales agent, or the real estate section of the local newspaper. Additional lenders to investigate are mutual savings banks, savings and loans, commercial banks, credit unions, mortgage brokers, and private investors.

Look in your local newspaper for the list of home lending agencies. This list is probably printed once a week and gives the interest rates for homes and the points required for a loan for both conventional and adjustable rate mortgages (ARMs) for different loan periods (15, 20, or 30 years). Select several agencies and make appointments to find out about the loans available.

Remember these guidelines:

- Shop for services as well as rates.

- Compare the total points charged by each lender as well as the total fees (application, origination, credit report, survey, appraisal, and attorney as well as "miscellaneous" fees which can include such extras as an underwriting fee, set-up fee, and tax service). See My Florida Home Book 1.5: Finding a Mortgage for more details about mortgages and lenders.
- Factor in the years you expect to stay in the house before you might be selling it.
- When interest rates are trending upward, it's usually a good idea to look for a lender who will lock in a mortgage interest rate in writing at the date of the application. If interest rates are falling, go ahead and lock-in the promised rate at the time of the commitment, but get written insurance that if rates go down by the time your purchase is finalized, you will get the lower rate. You will also need to determine what it will cost you to lock in at the current rate. Remember that once you have locked in a rate with one mortgage lender, you can no longer shop around for rates.

Once you select a lender, you will need to fill out an application and take the following with you:

- Last two paycheck stubs
- Last two months bank statements
- W-2's from last two years
- Social security number
- A reasonable idea of what you want to spend