



BENCHMARK REALTORS, LLC

Raising the bar, one home at a time

Buyer's Guide



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About Us

BENCHMARK Realtors, LLC serves the greater Memphis, Shelby County and North Mississippi areas. We are a full service real estate team striving to exceed the dreams and expectations of our clientele. Whether you are looking for a Bank Owned/REO home, investment property, or new home community, the BENCHMARK Team will work diligently to meet your needs.

In today's real estate market, there is simply no substitute for a good Realtor. Whether you're aiming to buy or sell property, a Realtor can mean the difference between a smooth transaction or an unsuccessful one. All of our agents are members of the National Association Realtors. With that, each Realtor is held to the highest in ethical standards. We pride ourselves in our honesty, dedication and hard work. We have the knowledge and expertise to treat our clients with the highest level of quality service available. It's the combination of our unique market-knowledge and excellent negotiating skills that enable our agents to get you the optimal price for any property you plan to sell or buy.

We promise you that your experience with BENCHMARK Realtors, LLC will be special and unmatched by any competitor. Whether you are looking to buy or sell, our team will work closely with you to cater to your every need and make your experience pleasant and stress free.

The BENCHMARK Team is dedicated to creating exceptional real estate experiences for our clients through the delivery of true classic service and personalized attention. We look forward to serving you with the integrity and class you deserve.

EIGHT REASONS TO BUY A HOME

If you're like most first-time home buyers, you've probably listened to friends', families' and coworkers' advice, many of whom are encouraging you to buy a home. However, you may still wonder if buying a home is the right thing to do. Relax, having reservations is normal. The more you know about why you should buy a home, the less scary the entire process will appear to you.

Here are eight good reasons why you should buy a home:

1. Pride of Ownership

Pride of ownership is the number one reason why people yearn to own their home. It means you can paint the walls any color you desire, turn up the volume on your CD player, attach permanent fixtures and decorate your home according to your own taste. Home ownership gives you and your family a sense of stability and security. It's making an investment in your future.

2. Appreciation

Although real estate moves in cycles, sometimes up, sometimes down, over the years real estate has consistently appreciated. The Office of Federal Housing Enterprise Oversight tracks the movements of single family home values across the country. It's House Price Index breaks down the changes by region and metropolitan area. Many people view their home investment as a hedge against inflation.

3. Mortgage Interest Deductions

Home ownership is a superb tax shelter and our tax rates favor homeowners. As long as your mortgage balance is smaller than the price of your home, mortgage interest is fully deductible on your tax return. Interest is a component of your mortgage payment.

4. Property Tax Deductions

IRS Publication 530 contains tax information for first time home buyers. Real estate property taxes paid for a first home and a vacation home are fully deductible for income tax purposes. In California, the passage of Proposition 13 in 1978 established the amount of assessed value after property changes hands and limited property tax increases to 2% per year or the rate of inflation, whichever is less.

EIGHT REASONS TO BUY A HOME (*cont.*)

5. Capital Gain Exclusion

As long as you have lived in your home for two of the past five years, you can exclude profits from capital gains up to \$250,000 for an individual or \$500,000 for a married couple. You do not have to buy a replacement home or move up. There is no age restriction, and the "over-55" rule does not apply. You can exclude the above thresholds from taxes every 24 months, which means you could sell every two years and pocket your profit--subject to limitation--free from taxation.

6. Preferential Tax Treatment

If you receive more profit than the allowable exclusion upon sale of your home, that profit will be considered a capital asset as long as you owned your home for more than one year. Capital assets receive preferential tax treatment.

7. Mortgage Reduction Builds Equity

Each month, part of your monthly payment is applied to the principal balance of your loan, which reduces your obligation. The way amortization works is the principal portion of your principal and interest payment increases slightly every month. It is lowest on your first payment and highest on your last payment. On average, each \$100,000 of a mortgage will reduce the balance the first year by about \$500 in principal, bringing that balance at the end of your first 12 months to \$99,500.

8. Equity Loans

Consumers who carry credit card balances cannot deduct the interest paid, which can cost as much as 18% to 22%. Equity loan interest is often much less and it is deductible. For many home owners, it makes sense to pay off this kind of debt with a home equity loan. Consumers can borrow against a home's equity for a variety of reasons such as home improvement, college, medical or starting a new business. Some state laws restrict home equity loans.

Home Buying Path A to Z

The Complete Home Buying Process

Every state requires slightly different steps to buying a home, although they are basically very similar. Here is the path to home ownership in Tennessee, broken down into simple steps:

Retain a Realtor with *BenchMark Realtors, LLC.*

- Your agent will represent only you and have a fiduciary responsibility to look out for your best interests.
- Your agent will ask you to sign a Buyer's Representative Agreement, but it is the seller who pays the commission.

Get Pre-Qualified / Pre-Approved

- Your agent will refer you to a mortgage broker, but also compare rates offered by your own bank and/or credit union.
- Ask the lender to give you a loan pre-approved letter, which means it will verify your income and pull a credit report.
- Determine your maximum loan amount, but choose only a mortgage type that you understand and a payment level with which you feel comfortable, which may very well be less than the maximum for which you are approved.

Look at Homes for Sale

- Ask your agent to screen the homes for you before showing them to you.
- Narrow your search to those homes that fit your exact parameters to find that perfect home.
- Ask your agent to give you MLS print-outs of comparable sales in your targeted neighborhood.
- Observe open house etiquette.
- Tell your agent which online home listings you are interested in previewing and ask for additional input.

Approve Seller Disclosures

- Read and question items you do not understand on the Seller Property Disclosure, pest inspection and/or other documents.
- Read every document in its entirety; ask questions about all seller disclosures.

Write a Purchase Offer

- Select a home offer price based on the amount you feel a seller will accept or counter. If you are considering a “lowball” offer, ask your agent to substantiate this price for you.
- Prepare for multiple offers if the home is considered desirable in a hot location.
- If your offer is rejected, ask your agent to explain why and don’t repeat that mistake with your next offer.

Negotiate and Write Counter Offers

- Expect the seller to issue a counter offer.
- If the seller counters at full price, continue to negotiate.

Make an Earnest Money Deposit

- When your offer is accepted, deposit your earnest money check with the appropriate party.
- Do not ever make your check payable to the seller.
- Your offer should contain contingencies that will return your earnest money to you if you cancel the contract.

Conduct a Home Inspection

- Hire a reputable home inspector.
- Bring a home inspection checklist with you.
- Attend the home inspection.

Issue a Request for Repair

- If the home inspection turns up health and safety issues, issue a request for repair by asking the seller to address those issues or give you a credit for them.
- Realize no home is perfect, and the inspector will find faults.
- Be reasonable.

Order an Appraisal

- Your lender will require an advance payment for the appraisal.
- If you receive a low appraisal, discuss options with your agent.
- Ask for a copy of the appraisal.

Comply With Lender Requirements

- Lenders may ask for additional information.
- Do not make home buying mistakes such as altering your financial situation while in escrow.
- When the file is complete, the lender will submit it for final underwriter approval.

Order Homeowner's Insurance Policy

- Order your homeowner's insurance early.
- Get replacement coverage.

Remove Contingencies

- Make sure your loan is firm and the appraisal is acceptable before removing your loan contingency.
- If you do not remove contingencies, the seller can issue a request to perform and then cancel the contract, on top of demanding your deposit.

Do the Final Walk-Through

- Do not pass up doing a final walk-through.
- Inspect the property to make sure it's in the same condition as when you agreed to buy it.
- If you find a serious issue, address it now before you close.

Sign Loan Documents at Closing

- Bring a certified check payable to escrow.
- Bring a valid picture ID.
- You will sign escrow documents along with your loan documents at closing.
- Once the loan has funded the sale is complete.



Top 10 Reasons to Hire a Real Estate Agent

With so much information readily available online, clients sometimes ask me, "Why should we hire a real estate agent?" They wonder, and rightfully so, if they couldn't buy or sell a home through the Internet or through regular marketing and advertising channels without representation, without a real estate agent. Some do OK, many don't. So if you've wondered the same thing, here are 10 reasons why you might want to consider hiring a BenchMark Realtors, LLC

1. Education & Experience

You don't need to know everything about buying and selling real estate if you hire a BenchMark Realtors, LLC professional who does. Henry Ford once said that when you hire people who are smarter than you are, it proves you are smarter than they are. The trick is to find the right person. For the most part, they all cost about the same. Why not hire a person with more education and experience than you?

2. Agents are Buffers

If you are a buyer, our agents take the spam out of your property showings and visits. If you're a seller, our agent will filter all those phone calls that lead to nowhere and try to encourage serious buyers to immediately write an offer.

3. Neighborhood Knowledge

BENCHMARK agents either possess intimate knowledge or they know where to find the industry buzz about your neighborhood. They can identify comparable sales and hand these facts to you, in addition to pointing you in the direction where you can find more data on schools, crime or demographics.

4. Price Guidance

Contrary to what some people believe, our agents don't select prices for buyers to offer. However, our agents will help guide clients to make the right choices for themselves. BENCHMARK agents will ask buyers to weigh all the data supplied to them and to choose a price. Then based on market supply, demand and the conditions, the agent will devise a negotiation strategy.

5. Market Conditions Information

BENCHMARK agents can disclose market conditions, which will govern your buying process. Many factors determine how you will proceed. Data such as the average per square foot cost of similar homes, median and average sales prices, average days on market and ratios of list-to-sold prices, among other criteria, will have a huge bearing on what you ultimately decide to do.

Top 10 Reasons...(cont.)

6. Professional Networking

BENCHMARK agents network with other professionals, many of whom provide services that you will need to buy or sell. Due to legal liability, our agents may hesitate to recommend a certain individual or company over another, but they do know which vendors have a reputation for efficiency, competency and competitive pricing. BENCHMARK agents can, however, give you a list of references with whom they have worked and provide background information to help you make a wise selection.

7. Negotiation Skills & Confidentiality

Our agents negotiate well because, unlike most buyers, they can remove themselves from the emotional aspects of the transaction and because they are skilled. It's part of their job description. Our agents are not messengers, delivering buyer's offers to sellers and vice versa. They are professionals who are trained to present their client's case in the best light and agree to hold client information confidential from competing interests.

8. Handling Volumes of Paperwork

One-page deposit receipts were prevalent in the early 1970s. Today's purchase agreements run 10 pages or more. That does not include the federal- and state-mandated disclosures or disclosures dictated by local custom.

9. Answer Questions After Closing

Even the smoothest transactions that close without complications can come back to haunt. For example, taxing authorities that collect property tax assessments, doc stamps or transfer tax can fall months behind and mix up invoices, but one call to your agent can straighten out the confusion. Many questions can pop up that were overlooked in the excitement of closing. BENCHMARK agents stand by ready to assist. Our agents don't leave you to fend for yourself.

10. Develop Relationships for Future Business

The basis for our agent's success and continued career in real estate is referrals. Few agents would survive if their livelihood was dependent on consistently drumming up new business. This emphasis gives agents strong incentives to make certain clients are happy and satisfied. It also means that our agents stay in the business and will be there for you when you need to hire an agent again.



Top 9 Agent Protocol Tips

Rules for Working With Agents

One of my clients knows how to safely remove a brain tumor from the base of her patient's neck, but she doesn't have a clue about real estate agent protocol. Nor does she understand why some listing agents have yelled at her. In her mind, she hasn't done anything wrong. She is only trying to find out information about a house for sale.

It's not that difficult once you know a few simple rules. Here are protocols you can use while shopping for a home that will keep you out of hot water:

1. Understand Real Estate Agents Work on Commission-

Very Few Agents Work on Salary

- Most real estate agents are paid commission. If an agent does not close a transaction, he/she does not get paid.
- Agents are not public servants and do not work for free. Do not ask an agent to work for you if you intend to cut the agent out of your deal.

2. Keep Appointments & Be On Time

- Be respectful, use common courtesy and don't expect an agent to drop what she/he is doing to run out to show you a home. You are probably not that agent's only prospect/client. And if you are, Lord help you.
- Do not make an appointment with an agent and then forget to show up.
- If you are going to be late, call and let your agent know when you expect to arrive.

3. Do Not Call The Listing Agent if You Are Working With a Buying Agent

- Listing agents work for the seller, not the buyer. If you hire the listing agent to represent you, that agent will now be working under dual agency.
- If listing agents show you the property, the listing agent will expect to represent you.
- Listing agents do not want to do the buying agent's job. Let your buyer's agent do her/his job.

4. Practice Open House Protocol

- Ask your agent if it's considered proper for you to attend open houses alone.
- In some areas, it is frowned upon to go to open houses unescorted.
- Hand your agent's business card to the agent hosting the open house. Some times this agent will be the listing agent, but often it is an agent also looking for unrepresented buyers. Announcing you are represented protects you.
- Do not ask the open house host questions about the seller or the seller's motivation. Let your agent ask those questions for you.

Top 9 Agent Protocol Tips (cont.)

Rules for Working With Agents

5. Sign a Buyer's Broker Agreement with a Buying Agent

- Expect to sign a buyer's broker agreement. It creates a relationship between you and the agent, and explains the agent's duties to you and vice versa.
- If you're not ready to sign a buyer's broker, do not ask that agent to show you homes.

6. Always Ask For and Sign an Agency Agreement

- By law, agents are required to give buyers an Agency Disclosure form.
- Signing this agency disclosure is your proof of receipt. It is solely a disclosure. It is not an agreement to agency. Read it.
- The best and most practiced type of agency is the single agency. This means you are represented by your own agent who owes you a fiduciary responsibility.

7. Make Your Expectations Known

- Let your agent know how you want her to communicate with you and how often. Do you want phone calls, e-mails, text messages, IM's or all of the above?
- Set realistic goals and a time frame to find your home. Ask your agent how you can help by supplying feedback.
- If you are displeased, say so.

8. Do Not Sign Forms You Do Not Understand

- Do not feel silly asking your agent to explain a form to you. It is her job. Many forms are second nature to agents but not to you, so ask for explanations until you are satisfied you understand.
- Realize agents are not lawyers and cannot interpret law.

9. Be Ready To Buy

- If you aren't ready to buy, don't waste the real estate agent's time. Don't schedule showings -- but be honest, say you are "only shopping"; look at homes online; but don't waste an agent's time if you aren't ready to act.
- If possible, hire a babysitter to care for children who are too young to stay out all morning or afternoon touring homes.
- Bring your checkbook. You'll need it to write an offer because earnest money will be required to accompany your purchase offer.

Types of Mortgage Loan Programs

Popular Types of Mortgage Loan Programs

Fixed-Rate Mortgage Types

This is the granddaddy of them all. Now you can choose from 10-year, 15-year, 20-year, 30-year, 40-year and even 50-year fixed-rate mortgages, all of which are completely amortized.

FHA Loans

FHA mortgage loan types are insured by the government through mortgage insurance that is funded into the loan. First-time home buyers are ideal candidates for an FHA loan because the down payment requirements are minimum and FICO scores do not matter.

VA Loans

This type of government loan is available to veterans who have served in the U.S. Armed Services and, in certain cases, to spouses of deceased veterans. The requirements vary depending on the years of service and whether the discharge was honorable or dishonorable. The main benefit to a VA loan is the borrower does not need a down payment. The loan is guaranteed by the Department of Veteran Affairs, but funded by a conventional lender.

Mortgage Buydowns

Borrowers who want to pay lower interest rate initially often opt for mortgage buydowns. The interest rate is reduced because fees are paid to lower the rate, which is why it's called a buydown. Buyers, sellers or lenders can buy down the interest rate for the borrower.

Adjustable-Rate Mortgage Types

Adjustable-rate mortgages (ARMs) come in many flavors, colors and sizes. The interest rate fluctuates. It can move up or down monthly, semi-annually, annually or remain fixed for a period of time before it adjusts.



Documents Typically Needed to Obtain a Mortgage

Lenders go to great lengths to reduce their risks. They like to have hard proof of as many things as possible. This is actually better for you since more hard proof tends to mean better terms for your loan. Either way, hard-to-obtain documents are often requested - sometimes at the last minute - putting your loan & your home purchase at risk. Having these on hand will reduce your headaches and worries & speed up your approval. By the way, never let go of your originals. Provide copies!

Here's a list of the more commonly requested information and documents, your lender may ask for other documentation as well:

1. Credit information

How much do you owe and to whom? This information will be found on your credit report, but tell your loan advisor up front during the application process. More complete information will increase the accuracy of a match between pre-qualification and final approval. You will need to provide individual letters of explanation for each account that has problems, e.g. why was this or that payment late, etc. It's not required but it would be in your best interest to check your credit report before you apply for the mortgage to make sure there are no errors.

2. Recent paycheck stubs

Most lenders require the last 2 stubs or those covering the last 4 weeks. This will show that you haven't taken any advances on your pay or that you are not re-paying a loan against your retirement account (both of which effectively reduce your income) and are getting paid what you said you are. As you might imagine, it also serves as strong proof of current employment, too! It may take a few more pay cycles to get to the closing table, so keep track of your pay stubs because a lender just might ask to update your file with the most recent two stubs, just a day or two before you go to the closing.

3. Tax returns and/or W-2s

Have your tax returns and W-2s from the past two years handy. They may only actually need your W-2s and not your whole tax return at all, but it's better to be fully prepared.

4. Employer's address and phone number

It's not a document but they'll need this information for employment verification later on. Your loan officer will get this information as part of the official loan application.

Documents Typically Needed (cont.)

5. Bank statements from the last two months

If your income is difficult to document, for whatever reason, you may need to provide up to 2 years of bank statements. If you don't have them on hand, know how to get them and how long it will take to get them. There are banks that take weeks to provide copies of bank statements and some charge hefty fees, too.

6. Documentation of funds

Have account statements for the last three months from any brokerage/savings/investment account that you intend to withdraw money from for your down payment. Be prepared to explain and even document any large deposits, e.g. divorce settlement, inheritance, cashed out investment, big win at the track or casino.

7. Financial paper trail

Keep records/paperwork on any and all funds you move around, such as stocks cashed in, etc. You need to be able to prove to the lender that you didn't borrow the money under the table.

8. A copy of the sales agreement for the house that you are buying

9. A copy of the sales agreement for the house that you sold

If this applies.

10. Offer letter

This may not apply to very many people, but if you are relocating to a new location and job, have a copy of the offer letter, plus - ideally - a letter saying you've begun work at that location. Your salary needs to be included in the letter. This may not be as critical since a verification of employment could be completed by the new employer verifying your salary, bonuses and expectation of continued employment.



Home Inspection Checklist

A home buyer does not close escrow without hearing about the need for a home inspection. But what does a home inspection report disclose? Home buyers are often clueless about home construction and its components, and have difficulty deciphering home inspection reports. Many don't know how to figure out which types of defects are serious or whether their home inspector checked all the essentials. But, by George, they got that home inspection!

Home Inspection Checklist Comparisons

All home inspections are different and can vary dramatically from state to state, as well as across counties and cities. Much depends on the home inspector and which association, if any, to which the home inspector belongs. Because I am most familiar with home inspections conducted in accordance with the standards of practice established by the National Association of Certified Home Inspectors, the following information is based on NACHI guidelines.



General Home Inspection Checklist Items

- ✓ **Structural Elements:** Construction of walls, ceilings, floors, roof and foundation.
- ✓ **Exterior Evaluation:** Wall covering, landscaping, grading, elevation, drainage, drives, fences, sidewalks, fascia, trim, doors, windows, lights and exterior receptacles.
- ✓ **Roof and Attic:** Framing, ventilation, type of roof construction, flashing and gutters. It does not include a guarantee of roof condition nor a roof inspection.
- ✓ **Plumbing:** Identification of pipe materials used for potable, drain, waste and vent pipes. Including condition of toilets, showers, sinks, faucets and traps.
- ✓ **Systems and Components:** Water heaters, furnaces, air conditioning, duct work, chimney, fireplace and sprinklers.
- ✓ **Electrical:** Main panel, circuit breakers, types of wiring, grounding, exhaust fans, receptacles, ceiling fans and light fixtures.
- ✓ **Appliances:** Dishwasher, range and oven, built-in microwaves, garbage disposal and, yes, even smoke detectors.
- ✓ **Garage:** Slab, walls, ceiling, vents, entry, firewall, garage door, openers, lights, receptacles, exterior, windows and roof.

Home Inspection Checklist Items Needing Service

- ⇒ Health and Safety Issues
- ⇒ Roofs With a Short Life Expectancy
- ⇒ Furnace and/or Air Condition Malfunctions
- ⇒ Foundation Deficiencies
- ⇒ Moisture or Drainage Issues

Home Inspection Checklist Items Sellers Should Fix

If you have a choice, it is smarter to hire your own contractors and supervise repairs. Before issuing a formal repair request, consider the seller's incentive to hire the cheapest contractor and to replace appliances with the least expensive brands.

Although home inspectors are reluctant to and, in many cases, refuse to disclose repair costs, call a contractor to determine the scope and expense to fix minor problems yourself. No home is perfect. Every home will have issues on a home inspection, even new homes.

A repair issue that will be a deal breaker for a first-time home buyer, causing the buyer to cancel the contract, will not faze a home buyer versed in home repair. Talk to your agent, family, friends and call a few contractors to discuss which types of defects are minor. Perhaps a simple solution is available such as replacing a \$2.99 receptacle, which can resolve many outlet problems.

Pat yourself on the back, too, for getting a home inspection. Some buyers feel a home inspection is unnecessary, especially if they are buying new construction. If a light switch doesn't work or the air conditioner blows out hot air, those problems you can see and test. The problems that aren't readily identifiable to you such as code violations, a furnace that leaks carbon monoxide or a failing chimney, are the types of defects a home inspector could identify in a new home. Builders' contractors make mistakes too.

