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Evaluate finances, set timetable when in the market for a home

If you're planning to buy a home in the new year, you may want to make some New Year's resolutions that will help pave the way for a smooth, successful real estate transaction.

"It is important for home purchasers to approach this transaction in a thoughtful, professional manner because, for most people, buying a home is a huge financial commitment," said Peter J. Birnbaum, president and chief executive officer of Attorneys' Title Guaranty Fund Inc.

To ensure happy — and less stressful — house-hunting, ATG offers these guidelines.

Evaluate your finances and set a timetable for purchase. The first step to buying a home before you even begin looking at houses — is to examine your personal finances and evaluate your present financial obligations. This will enable you to determine the price range of a house that you feel comfortable purchasing.

"First-time buyers should eliminate as much debt as possible in order to make a favorable impression on a lender," said Birnbaum.

Furthermore, he advises buyers not to overlook the less obvious costs: real estate taxes, closing costs, homeowners insurance. Hiring an attorney early on in the process can help ensure that you understand all the possible costs and that these fees are reasonable and necessary.

Make a wish list. This list should take into consideration new construction versus an existing home, the amount of square footage you require, a particular school district or neighborhood where you want to reside, the most important features inside the house, as well as how much outdoor maintenance you want. Answering these threshold questions will help target your search.

Pre-apply for a mortgage loan. Not only will obtaining a specific dollar amount from a qualified lender allow you to know exactly what you can afford, it will help speed up the process if you find a house you really want. "Being pre-qualified tells a seller you are serious when you make an offer and he

or she may accept your bid over another, even higher bid, if that person is not as credit-worthy," said Birnbaum.

Hire a qualified real estate attorney before you make an offer. A good real estate attorney should be involved from the beginning to serve as your advocate, evaluate your finances, ensure clear title to the house, and navigate the paper maze. Far more people are involved in a home purchase transaction than just a buyer and a seller. Participants in the process include a real estate sales person or two, a lender, an appraiser, an inspector and a title insurance company. If it is a new construction, a builder and contractors also enter the picture.

Do your homework. Arm yourself with information before you jump into the process. Check to see what homes cost in the neighborhood you would like to move. Research the property taxes in those areas. Consult your local library or use the Internet to check out listed properties.

Realtor.com has many multiple listing service properties on-line and the Owners Network (owners.com) lists for-sale-by-owner properties nationally — this is especially useful if you are relocating to another part of the country. Many organizations also have web sites full of invaluable information to help steer buyers through the real estate transaction, including ATG (atg.com).

Decide whether you want to work with a real estate agent. If you plan to work with a Realtor, be clear on your relationship up front. A listing Realtor represents the seller's property. A cooperating broker is engaged by a potential home buyer to help shop around for a new house. That broker may or may not be the buyer's representative. If you decide to use a Realtor, seek recommendations from friends and family and interview a few before you select one. Look for an agent whose philosophy and style is one you're comfortable with.

"The broker is someone with whom you will invest a great deal of trust," said Birnbaum. "It is important that you hire someone who

is dedicated to meeting your price and timing objectives. This is one of the reasons it is important to engage the services of an attorney who is the only true advocate of the buyer in the entire process."

Review the seller disclosure document carefully. Every seller must provide a disclosure document that reveals any material defects such as water damage or electrical problems. It is important to review this document completely with your attorney at your side. Although it does not take the place of an inspection, it provides important information, according to Birnbaum.

Hire a home inspector. After you have made an offer, hire a qualified inspector to go through the house to uncover any potential defects. If any problems arise, your attorney can help renegotiate your contract, or, if the damages are too extensive, the inspection may break the deal completely.

Have a contingency plan if your expectations are not fulfilled. What if you have to close on your buy before you close on your sale? What if you are purchasing a newly constructed home and a labor strike or materials shortage delays your closing? What if your home sells before you have the time to locate a new home? "These are all questions you need to ask yourself at the outset," Birnbaum affirmed.

For a free brochure on "Buying a Home: What You Need to Know" or "Selling a Home: What You Need to Know," write to ATG at P.O. Box 9136, Champaign, Ill., 61826-9136; call them at (800) 252-5206, Ext. 248; or e-mail them at brochure@atg.com.

ATG is a lawyer-based service organization that provides title insurance to homeowners and lenders through a network of 3,000 attorney-members. Title insurance protects against loss if a defect is found in the title to property. Through its attorney-members, ATG strives to keep lawyers involved in real estate transactions for the benefit of the client. ATG works with lawyers in Illinois, Indiana, and Wisconsin through its offices in Champaign, Chicago, Oak Brook Terrace, Mount Prospect, Lombard, and Madison, Wis.