

How to Benefit from the Federal Housing Tax Credit

First-Time Homebuyer's Guide

GOT REPRESENTATION?

**HOW TO
CHOOSE
THE RIGHT
REAL ESTATE
AGENT**

FROM HUH? TO HOME:

**A Buyer's
Spring
Timeline**

PLUS

**The Best Tips
for Beginners**


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Why Rent When You Can Buy?

Are you unsure about becoming a Homeowner? Thinking that you can't afford to buy a home? Are you worried about whether home buying is a good investment? Buying a first home can be an intimidating process. But the first step is making those first decisions:

- I want to own my own home
- I can afford to own my own home
- Owning my own home makes sense for me financially and emotionally

If you are still struggling with those first decisions, here are some facts that might help you make that first step towards becoming a homeowner.

You can't afford NOT to buy a home!

Over the last ten years, the cost of rental housing in the U.S. has increased an average of 3 percent per year. That means that an apartment or home renting for \$1,000 per month will cost more than \$1,300 a month in ten years. If you rent the same home for ten years, the total amount you would pay for rent will equal \$137,567.

Year	Monthly Rent	Total Annual Rent
(Average increase 3% per year)		
1	\$1,000.00	\$12,000
2	\$1,030.00	\$12,360
3	\$1,061.00	\$12,731
4	\$1,093.00	\$13,113
5	\$1,126.00	\$13,506
6	\$1,159.00	\$13,911
7	\$1,194.00	\$14,329
8	\$1,230.00	\$14,758
9	\$1,267.00	\$15,201
10	\$1,305.00	\$15,657
Total rent paid over ten years		\$137,567

Tax advantages of owning a home result in savings

None of that \$137,567 is returned to you, either through savings or as an investment. Homeownership, on the other hand, has tax advantages over renting a home, and those advantages can help you save money. Unlike your monthly rent, part of your monthly mortgage payment “comes back to you” in tax savings. Here’s an example:

You purchase a home that costs \$210,000. Your down payment is \$10,000 (plus closing costs – expenses incurred to actually process the transaction). You finance the balance with a 30 year fixed rate mortgage at 6.5 percent interest. Your monthly payments (not including utilities, maintenance, insurance, etc.) are:

Monthly Mortgage & Tax Payments

Mortgage	\$1,264
Property tax (@1.25% tax rate*)	\$230
Total Monthly Payment	\$1,494
Tax savings per month (assuming a 30% tax bracket)	
Mortgage interest tax deduction	\$322
Tax deduction for property tax	\$68
Total Monthly Tax Savings	\$390
Total Monthly Cost After Tax Savings	\$1,104

*property tax rates vary by city and county

You actually save \$390 a month by owning your own home. On a yearly basis, the savings is even more dramatic:

Total Annual Costs		
	Homeowner	Renter
Annual mortgage/rental payment	\$15,168	\$12,000
Real estate taxes	2,760	0
Mortgage interest tax deduction	-3,864	0
Tax deduction for property tax	-816	0
Mortgage principal accumulation	-2,232	0
Appreciation*	-9,450	0
Total Annual Cost	\$1,566	\$12,000

*Based on 4.5% (average national annual appreciation rate). In fact, property values went up last year an average of approximately 17% in Davis County and 10% in Weber County.

Homeownership is a Good Investment

For the majority of Americans, their home is their largest financial asset and a major player in their investment portfolio. It’s a good thing, too, since stock market value has declined since 1998, while home price appreciation has increased. Home ownership has consistently provided a steady return on investment; one’s own home is a much less volatile asset than stocks, bonds or mutual funds. As an example, let’s look again at that \$210,000 home. Unlike your rental unit, your home should appreciate over time. Assuming a very conservative appreciation rate of 4.5 percent*, your home will be worth \$219,450 in the second year of ownership, \$229,325 in the third year of your owning it, etc. After ten years, your \$210,000 home will be worth \$312,080. Not only do you earn a rate of return on your original purchase price, but you also get a return on any subsequent appreciation.

"Appreciating" Returns		
Year	Home Value	Yearly Appreciation
1	\$210,000	\$9,450
2	\$219,450	\$9,875
3	\$229,325	\$10,320
4	\$239,645	\$10,784
5	\$250,429	\$11,269
6	\$261,698	\$11,776
7	\$273,475	\$12,306
8	\$285,781	\$12,860
9	\$298,641	\$13,439
10	\$312,080	\$14,044
Total Appreciation After Ten Years		\$116,124

*Average national price appreciation from 1970 to 2005 was 6.7%

Homeownership Builds Wealth for Households

The Federal Reserve Board estimates that homeowners have a net worth almost 36 times more than that of renters. In 2004, the median net worth for homeowners was \$184,400 compared to \$4000 for renters. How do you build up your net worth? Through those “appreciating returns” on your home.

We’ve already seen how your \$210,000 home is worth \$312,080 in ten years. In addition, you are paying down the principal on your mortgage. Remember that \$200,000 you borrowed at 6.5 percent over 30 years – that debt amount is decreasing every month and every year.

Year	Home Price	Mortgage Debt	Net Worth
1	\$210,000	\$200,000	\$10,000
2	\$219,450	\$197,765	\$21,685
3	\$229,325	\$195,379	\$33,946
4	\$239,645	\$192,834	\$46,810
5	\$250,429	\$190,119	\$60,310
6	\$261,698	\$187,222	\$74,476
7	\$273,475	\$184,131	\$89,344
8	\$285,781	\$180,832	\$104,948
9	\$298,641	\$177,313	\$121,328
10	\$312,080	\$173,559	\$138,521

After the first year, you now only owe \$197,765 on a home that is worth \$219,450. You have “netted” a \$9,450 increase in the value of your home, plus \$2,235 a year that previously you owed as part of your mortgage debt. As your debt decreases and the home value increases, you accumulate wealth from the value of your home. In addition, over this ten-year period, you will have a significantly lower after-tax payment for housing. Each year as your home appreciates and you continue to pay down your mortgage debt, you increase your own net worth.

Homeownership – It’s NOT Just About Money

The “numbers tell the story” should ease your mind about the financial aspects of becoming a homeowner. But there are other, less monetary, benefits to homeownership. Several research studies indicate homeownership adds to the value of communities, decreases crime, has positive effects on children, and even contributes to increased voter participation rates.

Homeownership: The American Dream

More than two thirds of American households own their own home. In Utah, more than 74% of households own their own home. They know the benefits of homeownership from the accumulation of home equity, tax incentives, and the pride of owning a place of their own. They also had to take that first step of deciding “I’m ready to be a homeowner.” REALTORS® assisted many of those more than 71 million homeowners in both their decision to buy and their first home purchase. REALTORS® are real estate professionals who are members of the NATIONAL ASSOCIATION OF REALTORS® who abide by the Association’s strict Code of Ethics and Standards of Practice. They can help guide you to first-time homebuyer programs in your area, as well as assist you in searching for and buying your home.



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Time is Right for First-Time, 'Move Up' Homebuyers

Is now your moment to buy a home?

The warm prospect of more affordable home prices, attractive mortgage rates and a stable economy will likely draw more real estate shoppers to the market this spring. But it's the opportunity for cash back in their pockets that will turn many shoppers into buyers – and quickly. The potential benefit is huge: as much as an \$8,000 tax credit for first-time buyers and a \$6,500 credit for move-up buyers.

First-timers who intend to make a move should act promptly, do their homework and proceed with caution. Review the guidelines closely. Consult a tax professional if you have questions. And use the info in this guide to help clarify steps you need to take on the journey to owning a home.

or before April 30, 2010. In cases where a binding sales contract is signed by April 30, 2010 a home purchase completed by June 30, 2010 will qualify.

- For homes purchased after Nov. 6, 2009, and on or before April 30, 2010, single taxpayers with incomes up to \$125,000 and married couples with incomes up to \$225,000 qualify for the full tax credit.

\$6,500 REPEAT BUYER TAX CREDIT

- To be eligible to claim the tax credit, buyers must have owned and lived in their previous home for five consecutive years out of the last eight.

- The tax credit does not have to be repaid unless the home is sold or ceases to be used as the buyer's principal residence within three years after purchase.

- The tax credit is equal to 10 percent of the home's purchase price up to a maximum of \$6,500.

- The tax credit applies only to homes priced at \$800,000 or less.

- The credit is available for homes purchased after Nov. 6, 2009 and on or before April 30, 2010. However, in cases where a binding sales contract is signed by April 30, 2010, the home purchase qualifies provided it is completed by June 30, 2010.

- Single taxpayers with incomes up to \$125,000 and married couples with incomes up to \$225,000 qualify for the full tax credit.

Source: National Association of Home Builders
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\$8,000 FIRST-TIME TAX CREDIT

- The \$8,000 tax credit is for first-time homebuyers only. For the tax credit program, the IRS defines a first-time home buyer as someone who has not owned a principal residence during the three-year period prior to the purchase.

- The tax credit is equal to 10 percent of the home's purchase price up to a maximum of \$8,000.

- The tax credit applies only to homes priced at \$800,000 or less.

- The tax credit does not have to be repaid unless the home is sold or ceases to be used as the buyer's principal residence within three years after purchase.

- The tax credit now applies to sales occurring on or after Jan. 1, 2009 and on

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NATIONAL ASSOCIATION OF REALTORS HOMEBUYER TIPS

www.realtor.org/

IRS FIRST-TIME HOMEBUYER TAX CREDIT INFORMATION

Web: www.irs.gov

YouTube: www.youtube.com

(Search "IRS homebuyer credit")

HUD TIPS ON BUYING A HOME

Web: <http://portal.hud.gov>

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FREE FIRST TIME HOMEBUYER REPORT

Robert and Mary wanted to buy their first home and did the usual things all home buyers do, looked in magazines, on the Internet, and drove around neighborhoods.

Then one day Mary saw an ad for a FREE First Time Homebuyer Report that would show them how to avoid the most common mistakes and traps that could cost them thousands of dollars. Mary called the 800# and listened to the recorded message and decided to order the report.

In a couple of days the report was delivered to their e-mail and they began to look it over. The first thing Robert noticed was that they had already made the first two most common mistakes and weren't even aware of it. They read the entire report and found that by using the information in the report they could really save money and make the entire process run smooth and stress free.

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First-Time Buyers' Burning Questions

BY PETER G. MILLER | PETER@CTWFEATURES.COM

CTW Features

Q: I'm a first-time buyer. I've heard that I can use the \$8,000 first-time buyer credit in place of cash for a down payment. I've also heard that I can't. Which is it?

A: Both. On May 29, 2009, HUD came out with a revised "mortgage letter" regarding the tax credit that made two main points:

1. "Buyers financing through state Housing Finance Agencies and certain non-profits will be able to use the tax credit for their down payments via secondary financing provided by the HFA or non-profit."

2. "Current law does not permit approved lenders to monetize the tax credit to meet the required 3.5 percent minimum down payment, but, under the terms of today's announcement, lenders can now monetize the tax credit for use as additional down payment, or for other closing costs, which can help achieve a lower interest rate."

So if you're a first-time buyer and qualify for the \$8,000 credit you can apply the money to the FHA down payment, provided that the credit advance comes from an approved nonprofit or government agency, such as a state housing program. However, if your financing comes from a private lender – say a bank – then the deal is different. You cannot get an advance on the tax credit to pay the FHA down payment. You must still come up with the 3.5-percent down payment from your own funds or from a gift. However, you can get an advance to pay off other closing costs or to increase your down payment.

Q: I want to borrow \$150,000, but the lender says I qualify for \$175,000. Why is the qualifying amount higher than what I can realistically afford?

A: Lenders have traditional guidelines that suggest what's affordable based on your income,

credit and monthly costs. The lender might say that as much as 38 percent of your gross monthly income can go to housing costs and other expenses. That's fine, and such guidelines likely work for most borrowers. But if you're not comfortable with the level of debt then say so. Look for properties where the maximum loan amount will be no more than \$150,000. This is your decision, not the lender's.

Q: We have homes in our community that used to cost \$500,000 and are now selling for \$300,000. Are these houses a good buy?

A: What homes used to sell for doesn't count. Instead, ask yourself some questions regarding the properties:

- If you bought a property for \$300,000 could you resell it now at a higher price? Enough to also cover marketing and closing fees?
- If you bought a \$300,000 property could you rent it for enough to pay the costs of mortgage interest and principal, as well as property

taxes, property insurance, repairs and other costs? If not, can you afford the monthly negative cost?

- Is this a property you want for your personal use? Do you intend to own it for many years?
- Given your local market, could the price fall even further?

All properties are unique. Speak with local brokers and get more information about local housing, population and job trends. Then see what makes sense in terms of your market, your preferences and your financial situation.

Q: I would like to help my son buy his first home. What methods are available?

A: Helping a family member buy a home is not uncommon. A 2008 study by the National Association of Realtors shows that 26 percent of all first-time buyers had help from a relative or friend. However, it's important to say that with the financial meltdown lender standards have tightened and more cash may be needed to acquire a home. The NAR study shows that a typical 2008 first-time buyer put down 4 percent - that's up from 2 percent in the 2007 study. You can bet that down payment averages will rise in 2010.

Here are some strategies to consider:

1. Anyone can make a \$13,000 tax-free gift to anyone else in 2010. For a married couple, that's \$26,000 a year to one person. Gifts can be tricky so get specific advice from a tax professional.

2. You can buy with your son as a co-owner under a concept called "equity-sharing." Established under the Black Lung Benefits Revenue Act of 1981, equity sharing allows a property to be owned by an owner/occupant (the resident) and a non-owner/occupant (an investor). The resident gets to write off a portion of the mortgage and property taxes while the investor gets real estate write-offs plus some depreciation. The investor has income from the resident for use of the investor's portion of the property. To get a proper agreement, speak with a real estate attorney.

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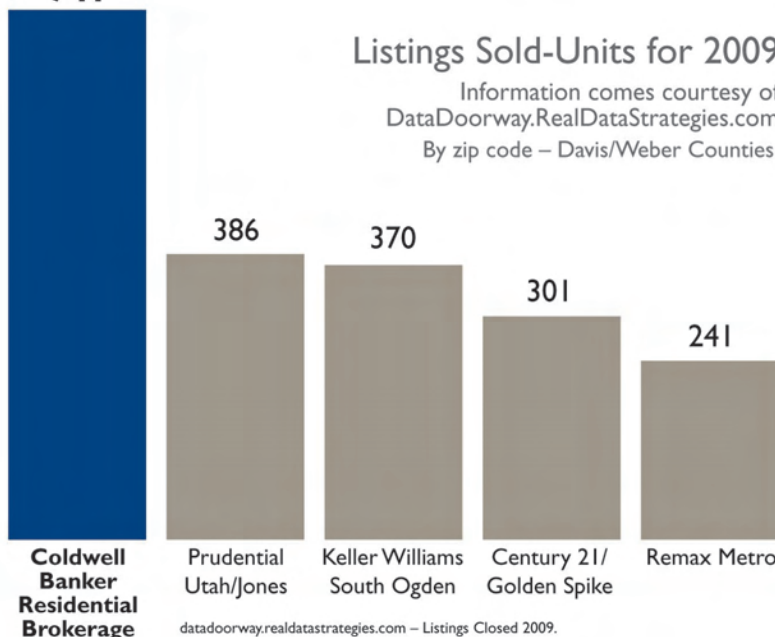
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How to Choose the Right Real Estate Agent

Before beginning a home search, it helps to enlist a pro to guide the way

By ANNA SACHSE
CTW Features

With the government's extension of the first-time homebuyer credit through April, even the most entrenched renters are feeling the urge to become masters of their own domiciles. But like the estimated 1.4 million first-time homebuyers who took advantage of the credit's first incarnation, novices first need to find the right property. Picking the right agent can

make all the difference.

There are many benefits to enlisting an expert. Realtors – agents who are members of the National Association of Realtors and who adhere to its Code of Ethics and Standards of Practice – are versed in which homes are a good value in the current market, what locations are most desirable, and how real estate law and contracts work. “If a buyer doesn't have extensive knowledge of all the aspects of a real estate transaction – such as negotiating price terms and conditions of purchase – they can easily be taken advantage of,” says Mark Minnis, a broker/owner and buyer's agent with InSight Real Estate Portland, Ore. “But a Realtor is obligated by law to protect your interests.”

Retaining a Realtor usually requires no out-of-pocket expense on the part of the buyer, says Brady Moore, a Dallas-based Realtor with Dave Perry-Miller & Associates. An agent's commission will depend upon the listing and the contract.

To find a licensed broker or real estate agent, your best bet is to start with referrals from friends or family, says Minnis, especially if they are located where you are looking. If new to a city, use the “Find a REALTOR” function at Realtor.org. Sometimes new buyers are tempted to call listing agents for properties they like, but be cautious. Working with an agent who represents the seller may not be in your best interest. Consider finding a buyer's agent and have that person help you find properties, Moore says.

To ensure this process goes smoothly, the experts agree that it's important to find someone who is a good personality fit. “Buying a house is probably the biggest financial transaction most people will make in their lives,” says Moore.

“You should do it with someone you can trust [and] enjoy spending time with.”

A good way to gauge if you will get along is by interviewing potential agents in person. Ask about their areas of expertise, the neighborhoods in which the majority of their sales occur, if they own any real estate themselves and how long they've been in the business.

Keep in mind that many (not all) agents may require you to sign an exclusive-representation agreement, says Moore, the details of which can vary. In addition to reading over the contract, have a friend who understands real estate also read it over. Keep in mind that a good agent will work hard to meet your needs. They may put in a lot of time helping you search, and they won't get paid until the sale. When they see you are committed, they know they can dedicate their effort to your search.

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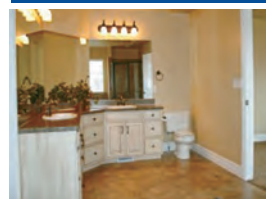
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FROM HUH? TO HOME:

A First-Time Buyer's Battle Plan

By JEFF SCHNAUFER
CTW Features

With tax credits, low interest rates and falling home prices, the number of first-time homebuyers in the market has increased to approximately 47 percent, up by more than 10 percent since 2006, according to the National Association of Realtors.

But even with these incentives, the process of buying a home for the first time hasn't gotten any easier. The following step-by-step guide will help

you get an idea of the ride to come - plus a few tips for making the journey go smoothly.

ARRANGE FINANCING

If you want to buy a house, you need to know what you can afford - and what the bank will loan you. Down payments can range from 3.5 percent for an FHA loan to 20 percent or higher, if buyers are looking to avoid potential mortgage insurance. The remaining funds to purchase the house must come from a bank, credit union or other lender. A mortgage broker may also help compare lenders.

Interest may be paid at either a fixed year rate - usually 30 years - where the interest remains the same over the life of the loan. Adjustable rates, which may start lower than the fixed rate but may rise over the fixed rate within a few years, can create problems for those who do not plan for higher rates or loss of income.

"This is one of the problems that led to the mortgage crisis," says Peter Richmond, author of "The Complete Idiot's Guide To Buying A Home" (Alpha, 2010). "I tell people to sit down and take a realistic look at your financial situation, including what your payment is on the loan and to look at the worst case scenario: if you lost your job and the adjustable rate hit the ceiling. If you can still afford the payment, fine.

"Also, when you are doing your financing, no matter how much you want the house, don't put yourself in a corner," Richmond says. "You should own the house, not the other way around."

FINDING AN AGENT

Real estate agents work on commission and are responsible for researching available homes, finding comps (comparable home sales in the area) to help you figure out an offer and presenting your offer to the seller.

"You want an agent with many

years' experience in the areas you're searching, but you don't want an agent who may also be getting a commission from the home seller to get you to buy that home," says Bruce Hahn, president of the American Homeowners Foundation, Arlington, Va.

"What you really want to do is interview the agent," says Ron Phipps, president-elect of the National Association of Realtors. "Talk to the person and see if you relate to them. Go online and get evaluations, talk to people who have worked with the agent and look at their professional experience."

FINDING THE RIGHT HOME

While "location, location, location" is important, many people forget to look at the big picture.

"Get an aerial view," Phipps says. "Plug into Google search and see how close the home is to waterways, open spaces ... If you find there is a landfill a couple miles away, that may be something you want to know. In some areas you have a freeway behind your home that may not be visible."

Seek out sellers and neighbors may to answer questions about schools, property taxes, crime, parks and traffic.

When looking at townhomes and condos, Phipps suggests asking about condo fees and the history of special assessments for project such as replacing the roof, where unit owners share the costs. If the roof appears to need repair, find out what reserves are in the repair fund.

George R. Moskoff, a licensed contractor in Sebastopol, Calif., warns against the "shroud of joy" that accompanies buyers, preventing them from looking at the house critically.

"The buyer is thinking 'How can I fit my furniture in living room?', 'Where will the TV go?' and 'Where can we put our kitchen table?' instead of 'Why does it feel so drafty in here?' or 'How come there are brown stains on the ceiling over in that corner?'" Moskoff says.

Robert Irwin, author of "Tips and Traps When Buying A Home" (McGraw Hill, 2008), suggests buyers expand their horizons.

"The biggest mistake new buyers make is to limit themselves to one or two neighborhoods or home styles," Irwin says. "The bigger an area you cover and more varied the type of home you look for, the more likely you are to find something satisfactory."

The most important question, Moskoff says, is to ask yourself: Will the house work for us?

"It's not a bad idea to list your or your family's needs on paper," Moskoff says.

INSPECTION

Buyers are often expected to pay for a professional inspection of the home,

usually between \$150 and \$300. Some real estate experts suggest inspecting the home before making an offer (to see what you might be getting into), while others suggest inspecting it after the offer (to see what fixes you can get the seller to pay for under pressure of losing the sale). Either way, experts suggest hiring your own inspector (not the agent's) and accompanying them during the inspection, asking questions and making a list of your own concerns along the way.

"Because of liability concerns, the written inspection report is often bland and may leave out many important concerns," Irwin says. "But, speaking informally with you on the inspection tour, the inspector may reveal a host of potential problems that never get into the written report."

THE OFFER

Once you've decided upon a home, you make the offer, which includes putting in "skin in the game" money

according to Alethea Smock, a broker with ZAPA Realty in the Denver area. This shows the buyer you are serious about purchasing the home. This sum may be applied toward your down payment. The offer also includes other details - dates of inspection, closing and possession, and may include requiring the seller to make certain repairs on the property or asking for some other property to be part of the deal. You may have to bid against other offers from other buyers, as well. Most offers receive counter-offers from the seller, resulting in a back and forth until the deal is struck - or lost. Some tips:

"Don't fall in love with one property," Irwin warns. "Be willing to lowball the seller and possibly lose the property, in the hopes of getting a bargain."

Michael Schatzki, founder of Negotiation Dynamics in Far Hills, N.J., says, "First-time homebuyers tend to be younger and less experienced as negotiators. As a result, they often pay

more than they should."

Don't be afraid to start low, given the oversupply of houses on the market, Schatzki says. If the house is priced at \$300,000 and similar home have recently sold for \$260,000, in a normal market you would probably offer \$245,000.

Don't expect the seller to agree with your offer, Schatzki says.

"What you are looking for is a counter-offer," Schatzki explains. "If you don't get a counter-offer, you can increase your offer if you want to. If you do get a counter-offer, then the game is on. Concede slowly, be patient and take your time."

Richmond says he likes to have his clients write a cover letter, explaining to the seller why the buyer loves this house along with other comments that reinforce their interest.

"This is especially important if there are multiple offers," Richmond says. You are essentially trying to make them feel like you are a member of the family."

Negotiating an offer may take weeks or months, but critical comments can sink a sale fast, Phipps warns.

"I had a house several years ago," Phipps recalls. "The woman who owned it painted the house the same color of the 1956 Valiant she had. She loved that car. One of the buyers I had said this was the worst color he had ever seen. Said it in front of the buyer. The buyer said she would not sell to this person."

"Don't give the seller a reason to be offended," Phipps says.

CLOSING THE DEAL

To get to this point, the seller must accept the offer. One of the most important tips is to humanize the deal whenever possible. Sellers take pride in their homes and want to see a buyer who appreciates the home.

"The warmer and fuzzier you can make it feel, the more likely you are to make something work out with the seller," Richmond says.

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Meet Your Team

Here's the lineup of people you need to know to hit a home-run real estate deal

BY JESSICA ABELS
CTW Features

Sure, you'll be the one unpacking the boxes, grilling on the patio and hanging portraits on the walls, but buying a home is a team effort. Here are the key players you'll work with throughout the process:

THE LENDER

The mortgage lender is the first person you should seek, says Sid Davis, author of "A Survival Guide for Buying a Home" (AMACOM, 2009).

Davis suggests talking to at least three lenders, choosing the ones you think you could work with the best and asking each for a Good Faith Estimate. Once you've made a final selection based on which lender has the best annual percentage rate, you'll fill out a formal application, and the lender will run your credit. The lender then comes back with a figure of how much you can afford. Be careful though, warns Davis. "Even though lenders will let you borrow more than you can afford, you have to take some responsibility and know your own limitations," he says.

THE REALTOR

"The Realtor is there to guide you through the process from end to end," says Stephanie Singer, manager of media communications for the

National Association of Realtors. A Realtor can help you speak with mortgage lenders, recommend home inspectors and act on your behalf when dealing with the seller's broker. But the Realtor's most important job, says Davis, is to sit down with you and listen to your needs, and then find you a good deal on a great home. "This is where the agent's expertise really becomes important," Davis says.

THE HOME INSPECTOR

Once you've found that dream home and your offer has been accepted, it's time to find a home inspector. Often, your Realtor can recommend one, but Davis cautions against using an inspector that a Realtor pressures you to hire. "If an inspector comes back with a bad inspection report it can kill the deal," Davis says. A good place to look is the American Society of Home Inspectors Web site, www.ashi.com. When you've found an inspector, Davis recommends going with him or

her during the inspection. "You want to have him explain what the problem is, how serious it is, how much it'll cost you to fix it and what you can do with it," Davis says.

THE APPRAISER

Hired by your lender, the appraiser assesses the home's value to be sure you're not overpaying. If the appraiser's value comes in at or above the sale price, you're on your way to closing.

THE CLOSING AGENT

The closer can be an attorney, a title company or the real estate broker. No matter who it is, they will put together the final pieces of your home purchase. "All the closer does is just escrow funds, accept funds and provide a place to come in and sign the paperwork. They don't make any decisions on your behalf," Davis says.

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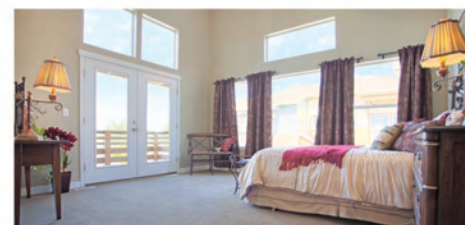
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