

This information was provided by the following agent of Attorneys' Title Guaranty Fund, Inc.:

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Offices throughout the Chicago area, Champaign and Belleville, Illinois, and Waukesha, Wisconsin.



Consult your attorney about title insurance.

There are two types of title insurance, owner's and lender's. Sellers typically pay for owner's coverage, buyers typically pay for lender's coverage.

Title insurance is the only insurance that looks back in time. That is, it protects against financial loss based on events of the past that may have led to defects in the title. Examples of risks that are typically covered by title insurance include the following:

- » *Mistakes in the public records;*
- » *Forged documents (by a disgruntled spouse or heir);*
- » *Legally insufficient deeds; and*
- » *Liens against the property or the seller that become the new owner's responsibility.*

Title insurance also protects against hidden defects that would not be revealed in a title search. Examples include missing signatures from required parties and amounts owed to contractors who worked on the property. Your attorney will examine the status of title and negotiate the type of coverage you need.



Schedule and plan for the closing.

Ownership of the property is officially transferred at the closing, a meeting that includes buyers, sellers, their respective attorneys and real estate salespeople, and a representative who acts as the closing agent (typically an agent or employee of the title insurance company). There are many documents and fees associated with this transfer, all of which have serious financial and legal implications. Before you walk into the closing, it's important that you have a clear understanding of the documents, the financial obligations, and your role. Your attorney is the best source of this information.

In addition to reviewing the financial aspects of closing with your attorney, make sure you understand all the information revealed on the home inspection, seller disclosure, and lead paint hazard disclosure forms. Clear up questions and outstanding issues with your seller before the closing. Review the settlement statement, termite report, and survey (if any); review

what documents are to be recorded at or after closing, and what you need to keep. As a general rule, keep a copy of any document with your signature and any document that contains specific information about your property, such as the property address, permanent index number (PIN), and legal description.



Figure out your closing costs.

Prior to the closing, the responsible party will inform you of the amount of money needed (usually in the form of a cashier or certified check or wire transfer) to cover your closing costs. Buyer's charges typically include but are not limited to the following:

- » *Closing fee;*
- » *Loan application/origination fees;*
- » *Points on loan;*
- » *Lender's title insurance policy;*
- » *Appraisal fee;*
- » *Home inspection fee;*
- » *Escrow payments for taxes and insurance;*
- » *Attorney's fees; and*
- » *Recording fees for deed and new mortgage.*

Make an effort to settle outstanding matters before the closing. The last thing you want is to discover a problem at the closing table and have an unresolved issue delay the transfer of ownership.



Enjoy your new home.

The care you take in preparing for the home-buying process is important before the sale, but it pays even greater dividends later. Your attention to the legal and financial details allows you the peace of mind that comes with knowing your home is protected. Your investment of time now means you'll be able to enjoy your home for years to come.

Buying a Home



What You Need to Know



Getting Started

Owning a home is part of the American dream. Along with the dream comes the reality of how that purchase will affect your financial future.

There are many complex issues surrounding the home-buying process. Knowing what those issues are and how to address them is vitally important to ensuring a successful transaction—one that results in a comfortable home and a financial commitment that fits your lifestyle.

Inside:

- When to pre-apply for a mortgage loan
- How to select an experienced real estate attorney
- How to choose a competent, reputable real estate agent
- Why it's wise to estimate your closing costs



Determine your price range and timetable for purchase.

Before you begin looking for a home, it's important to examine your personal finances. What can you afford? What are your present financial obligations? Are there future or past financial considerations that impact when you should make a purchase? As you examine your financial position, look for ways to eliminate personal debt. Check your credit rating so you have no surprises during the loan approval process. There are many online tools and affordability calculators available to help with this step. Don't forget to include real estate taxes and insurance when determining your price range.



Pre-apply for a mortgage loan.

If you have been pre-approved for a loan before you begin looking for a home, you have more control over the home-buying process. Sellers know you are a serious buyer, and you have the peace of mind of having an important hurdle behind you.

When selecting a mortgage product, seek your attorney's advice. There are many financing options available, your attorney can explain the terms of each and help evaluate which one is best for you. One of the most traditional loan types is a fixed-rate mortgage. It provides a fixed monthly rate, guaranteed to remain the same throughout the duration of the loan. These are the two most common:

- » **30-Year Fixed-Rate Mortgage** — Ideal if you're looking for a predictable monthly payment and you plan to remain in your home for a long time.
- » **15-Year Fixed-Rate Mortgage** — A good option if you plan to stay in your home at least five years and can afford payments that are slightly higher than those for a 30-year mortgage. It costs you only about 20% more per month to reduce the length of your loan by half.

There are other types of mortgage loans:

- » **Adjustable Rate** » **Balloon**
- » **Interest-only** » **Reverse**
- » **FHA**

Note that certain restrictions apply. Ask your lawyer to help you determine which option is best for you.



Create a "wish list" of what you're looking for in a new home.

Are you interested in new construction or an existing home? How much room do you need? Do you have a special neighborhood or a specific school district in mind? What features of a home are most important to you? As you develop your list, consider which options are available within your price range.



Select an experienced, knowledgeable real estate attorney.

Having your legal representation lined up ahead of time is a really good idea. There are several ways to find a qualified attorney:

- » **Ask for recommendations from friends, business contacts, and others in your area;**
- » **Check with the state or local bar association to see if it offers a referral service; or**
- » **Contact a bar-related® title company like ATG.**

Timing is key, and it's in your best interest to engage the services of an attorney before you get too far along in the process. Your attorney can explain the terms and legal consequences of each aspect of the transaction and can make suggestions that will protect you and your investment



Choose a competent, reputable real estate agent.

An experienced real estate agent brings a wealth of information to the home-buying process. Be sure you understand the real estate agent's role so that your interests can be protected. Ask your real estate agent to disclose in writing his or her role and method of compensation. Think about contacting a real estate agent who's active in the neighborhood you're investing in.



Determine what services the attorney will provide and what the charges will be.

Once you've selected an attorney, set up a preliminary meeting or phone call to discuss exactly what services he or she will provide and the fee structure for those services. Some attorneys charge an hourly rate, while others establish set fees for real estate transactions. Remember: A good lawyer can save you many times his or her fee by protecting your investment and negotiating terms that are favorable to you. The more you know about what services and fees to expect, the more likely your real estate transaction will be a smooth one.



Consult your attorney before you make an offer or sign a contract.

Once you find your dream home, ask your attorney to review the contract before you sign it. The attorney is your legal advocate and will examine the contract with your best interests in mind. Address concerns regarding home inspection contingencies and contents of the seller disclosure form at this time to avoid delays and misunderstandings later. Remember, the contract for sale becomes the blueprint for the entire real estate transaction. Once it is signed by all parties, it is legally binding.



Finalize your mortgage financing.

If you have been pre-approved for a loan, consult with your lender to determine what steps to take to complete the financing process. Your lender may require that your monthly payments include the estimated costs of real estate taxes and insurance.