

Honolulu, Hawaii Real Estate

Buy Right GUIDE™



How to **Buy** the **Right** Home, in the
Right Area, at the **Right** Time,
for the **Best** Price.

Albert Joy

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Hawaii Real Estate Professionals

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How to Pick the Hardest Working Real Estate Agent in Honolulu Hawaii

You've probably heard a family member or friend say, "I'm going to get into Real Estate and make a pile of money!" That's probably why there are so many "Real Estate Agents". In some cities, almost one percent of the population either has, or at one time had, a Real Estate license. Honolulu, Hawaii is no exception.

The truth is, you can make excellent money selling Real Estate – but few Agents actually do. Most Agents in Honolulu are part time, and **only a small percentage of Honolulu Real Estate Agents do the majority of the business.**

If you want to Buy Right, you need a full-time Real Estate Professional who loves to sell Real Estate. For her or him, it isn't work... it's a pleasure. So much so that they've become an Expert in Buying and Selling Real Estate of all shapes and sizes.

They're up by seven every morning, out in the field, and going to preview other Agent's Real Estate Listings. They know the Real Estate Inventory in Honolulu and the surrounding areas like the back of their hand.

When it comes time to buy your home, your Agent has mastered the buying process and can help you find the **best property and the best financing to meet YOUR needs.**

Not only do they know the process inside out and upside down, they've assembled a team of professional *Appraisers, Inspectors, Loan Officers, Title Officers, Escrow Agents, and Insurance Agents* that know the answers to all the questions that you must know to ensure a **smooth home buying experience.**

Preferably, your Agent is at local board meetings, open houses, etc. finding the best possible deals in the Honolulu area. They'll often know of deals before they even hit the MLS or Internet listings. A great Agent can be a great source for the best deal in town.

Did you know that many Real Estate Offices have in-house lists of available properties they market to each other, that aren't even public knowledge yet?

You need that kind of Real Estate Professional on your team... after all, if you have a \$20,000 tax question, you would seek an accountant's advice, right? If you have a \$275,000 Real Estate question, you need a great Real Estate Professional!

A great Real Estate Agent must know 1 Honolulu and its surrounding areas. This

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takes years of studying the markets and continually staying apprised of what homes are for sale. While you are concerned about how much you can afford and whether or not it will meet you and your family's needs, your Agent is looking for **structural soundness, resale ability, appreciation potential of the property, and many other factors** that will be important to you and your future.

This Buy Right Guide, along with the expertise of your Real Estate Agent, will put you ahead of the pack and help you get the most home or property for your investment.

There are forms included to help you determine how much you can comfortably afford and how to work with your Agent to find the best financing options.

There are also tips on **when and how to make offers** on the home you're most interested in and how to gather the information you need from prospective sellers.

Do your research and build a good relationship with your Agent, and your home buying process will be a positive and successful one.

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Real Estate Terminology Quick Reference Guide

Adjustable-Rate Mortgage (ARM): Also known as a variable-rate loan, an ARM usually offers a lower initial rate than a fixed-rate loan. The interest rate can change at a specified time, known as an adjustment period, based on a published index that tracks changes in the current finance market. Indexes used for ARMs include the LIBOR index and the Treasury index. ARMs also have caps or a maximum and minimum that the interest rate can change at each adjustment period.

Amortization: Paying off a loan over the period of time and at the interest rate specified in a loan document. The amortization of a loan includes the payment of interest and a part of the amount borrowed in each mortgage payment.

Balloon Mortgage: A mortgage with monthly payments based on a 30-year amortization schedule, with the unpaid balance due in a lump sum payment at the end of a specific period of time (usually 5 or 7 years). The mortgage contains an option to "reset" the interest rate to the current market rate and to extend the due date if certain conditions are met.

Closing (Closing Date): The completion of the real estate transaction between buyer and seller. The buyer signs the mortgage documents and the closing costs are paid. Also known as the settlement date.

Closing Costs: The costs to complete the real estate transaction. These costs are in addition to the price of the home and are paid at closing. They include points, taxes, title insurance, financing costs, items that must be prepaid or escrowed and other costs. Ask your lender for a complete list of closing cost items.

Earnest Money Deposit: The deposit to show that you're committed to buying the home. The deposit will not be refunded to you after the seller accepts your offer, unless one of the sales contract contingencies is not fulfilled.

Escrow: The holding of money or documents by a neutral third party before closing. It can also be an account held by the lender (or servicer) into which a homeowner pays money for taxes and insurance.

Points: 1% of the amount of the mortgage loan. For example, if a loan is made for \$50,000, one point equals \$500.

Ratified Sales Contract: A contract that shows both you and the seller of the house have agreed to your offer. This offer may include sales contingencies, such as obtaining a mortgage of a certain type and rate, getting an acceptable inspection, making repairs, closing by a certain date, etc.

More term definitions can be found at the source of this information: Freddie Mac
<http://www.freddiemac.com/>

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Is Buying a Home in Honolulu Right for You?

Buying a home is a major financial investment decision... a decision that can be filled with much worry and sleepless nights.

Buying the right home, at the right time, and for the right price can strengthen your financial situation significantly. Buying at the wrong time however, could hurt you financially. So, the Universal Law of risk and reward proves true yet again.

Before you begin the process of buying your home consider the following:

1. **How long do you plan on living in the home you purchase?** If you're unsure about your future job situation, maybe the company is unstable, or if you're unhappy in your current job this might not be the right time to buy. If you buy now and end up moving before your home has had time to appreciate in value, it could cost you to sell. Check the appreciate rate in your area by contacting your agent. The national average is between 3% and 5% per year. At this rate, it's a general rule that you should plan on being in your home at least 3 years in order to recoup your investment and cover the selling costs of your home and buying costs of a new home. The higher the appreciation value in your area, the less time you'll need to be on the positive side buying/selling process. Pay close attention on the average over time and not to the spikes in the market.
2. **Will the home you're considering meet your needs in the future?** If you're planning on staying in Honolulu for five years, consider what your needs will be for those five years. Are you planning on growing your family? What will your children's needs be as far as space in three years. If you have three children and two are sharing a room now at ages 10 and 8, will they still be friends at ages 15 and 13 in five years if they're still sharing a room? Will you need an office space of your own to have a little privacy? Plan for growth!
3. **What is your credit situation?** Take some time and get a credit report from a credible reporting agency. The better your credit is, the more options you'll have when choosing a lender. If your credit is questionable you will probably still be able to find a lender, but your interest rates may be high and simply get you into more debt. Don't rush into a purchase. Get credit healthy first.

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The Home Buying Process

At times, most of us are reluctant to get a map before we travel on vacation or a trip. We say to ourselves, "We'll just wing it and if we get lost we'll ask for directions". Even with a map we may get lost, but we are a whole lot less likely to veer way off our intended course if we have one.

Well, the home buying process is similar to any other journey you might take. If you have a map, you are less likely to get lost.

We provided **a map of the entire home buying process** to help ensure that you won't get lost when you start your journey. Please feel free to stop and ask us for directions during your home buying journey.

See Figure 1.

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Home Buying Process Map

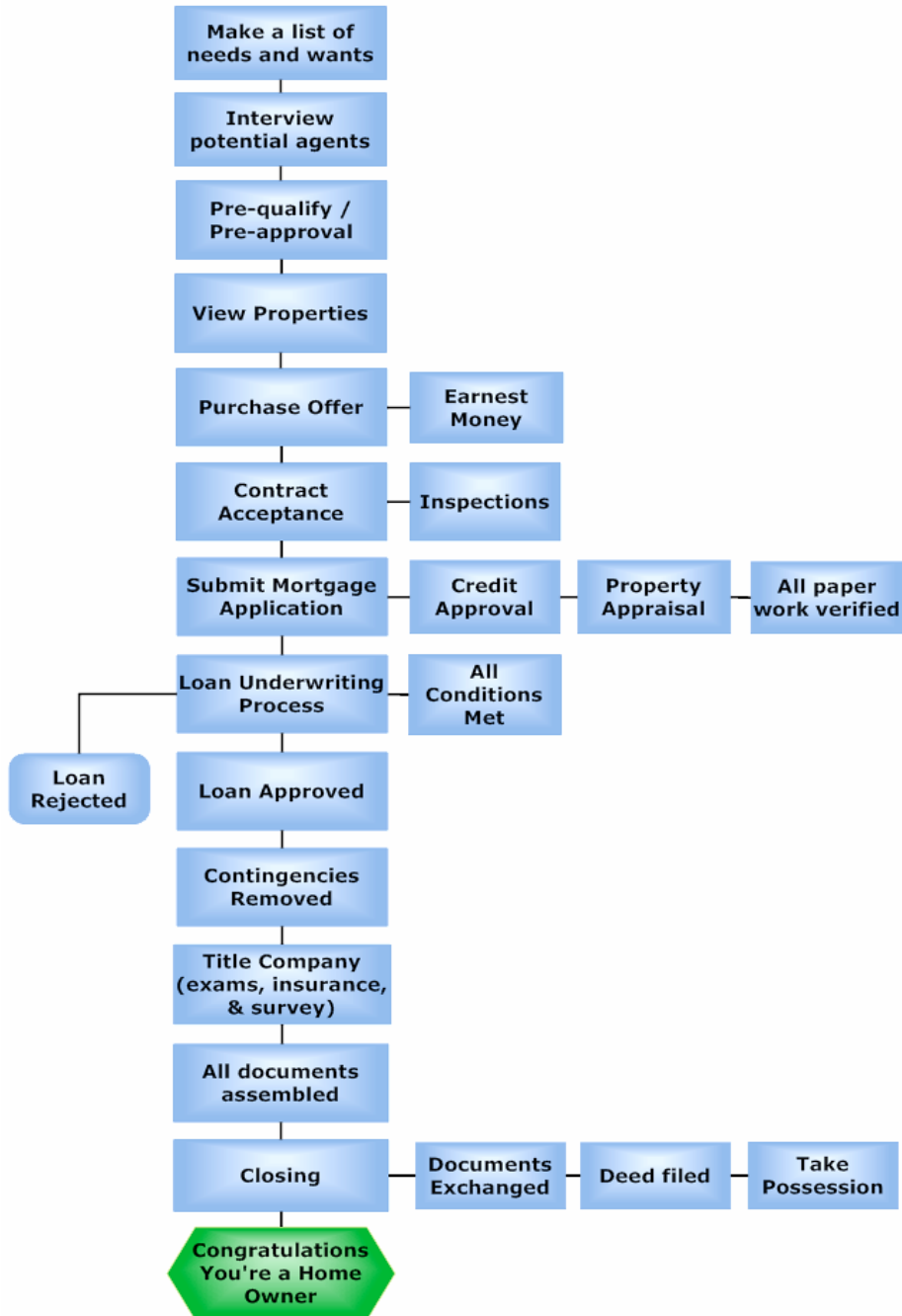


Figure1

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The Perfect Home Checklist

Often the decision to buy a home is brought about by circumstance. Even if the circumstance that helped spark the need & desire to purchase real estate may or may not have been in your control, buying a home certainly is.

The problem that a lot of Honolulu Home Buyers encounter is that they have not properly established what the perfect home is.

We'd like to help you do so early on in the home buying process so you can save yourself countless hours looking that may equate to dollars in lost opportunity.

We've provided the following Perfect Home Checklist as a guide to help you determine your specific needs and wants. Equipped with the answers to these questions, **you'll be one step ahead of 99% of the rest of the Honolulu Real Estate Buyers today.**

Before you start seriously shopping for an Honolulu Home you should develop a list of what you want vs. what you need in your new home. Your needs are the minimum features that any home you look at should have. Your wants are all those little extras that give you the satisfaction that the home you purchase is one that will make you happy.

Fill out the form on the next page and you'll be prepared when your Agent starts asking you questions about what you're looking for in a home.



The Perfect Home Checklist

Needs	vs.	Wants
Minimum # of bedrooms: _____		Preferred # of bedrooms: _____
Minimum # of bathrooms: _____		Preferred # of bathrooms: _____
Garage: Yes _____ No _____ Size _____		Garage: Yes _____ No _____ Size _____
Office/Study _____		Office/Study _____
Minimum Square Footage: _____		Preferred Square Footage: _____
Minimum Acreage: _____		Preferred Acreage: _____
Basement: Yes _____ No _____		Basement: Yes _____ No _____
Location: _____		Location: _____
School Zone: _____		School Zone: _____
Other: _____		Other: _____
_____		_____
_____		_____
_____		_____
_____		_____

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How Much Home Can You Afford?

Once you have your minimum needs and your desired features of your home in mind and jotted down, the next step is to determine how much you can comfortably afford.

This is determined by your **debt-to-income-ratio**, which is the percentage of your gross monthly income divided by your fixed liabilities (monthly living expenses, car payments, alimony, credit cards, loans, and other installments). Don't forget to give yourself some cushion for entertainment and other unexpected expenses.

There are two quick ways to get a good ballpark figure on how much you can afford according to **FHA Guidelines**.

1. Mortgage payment to income ratio must not be more than 29%

Gross Monthly Income = \$ _____
x .29

Maximum Monthly Mortgage = \$ _____

This is the maximum amount your monthly mortgage can be to qualify under FHA rules.

2. All fixed debt to income ratio must not be more than 41%

Gross Monthly Income \$ _____

Subtract Monthly Fixed Expenses - \$ _____

= \$ _____

Multiply by .41 x .41

You maximum mortgage payment is = \$ _____

This is only a guide. Other factors such as your credit history, your spouse's credit history, and how long you've been at your current job may effect the lender's decision in granting or denying a loan request.

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Why All Honolulu Real Estate Agents are Not Created Equal

Sure, Real Estate Agents vary by gender, ethnicity, experience, and numerous other parameters. For an Honolulu Real Estate Buyer though, the most important thing for you to be sure of is that you **choose a Buyer's Agent that specializes in Honolulu, but more importantly specializes in you and your interests.**

A **Buyer's Agent** is there to represent **YOUR** interests. Take the time to interview your Agent using the following guidelines. After all, you're the one that will be living in the home!

1. Your Home Buyer Interests Include

- a. **The home you select**
- b. The long-term appreciation you generate through your home
- c. **Your financial position years down the road**
- d. Help you avoid legal pitfalls
- e. **How your offer is presented**
- f. The financing that you receive
- g. **The stress you experience through the transaction**
- h. The timeliness of the closing
- i. **The communication during and after the transaction**
- j. The price you pay for a home

2. Honolulu (or Area) Real Estate Market Knowledge

- a. **How much time they study the marketplace**
- b. Home Buying Process knowledge – are they clear about all the steps involved and can they effectively communicate that process to you

3. Type of financing – What financing option can they offer you assistance with? Do they know a great Mortgage Broker who specializes in Honolulu in the surrounding areas?

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Playing the Offer, Counter Offer Game and Winning!

So you've found an Honolulu Home that you really like and are ready to make a serious offer. What an exciting time in the Home Buying Process this is.

Before you do make a Purchase Offer though, there are some things you should keep in mind. When coming up with an offer and approaching the Seller, it is absolutely critical to have effective communication between you, your Real Estate Agent, and the Seller. It's really the key in **getting the best deal on the house that you want for the price you want to buy it for.**

Real Estate Purchase Offer Tip #1

Start low and come up later.

Real Estate Sellers always counter-offer.

Real Estate Purchase Offer Tip #2

Understand that:

1. The Seller can be insulted and fail to respond.
2. The other Agent's ego could get involved and convince the Seller not to respond.
3. The Seller could get defensive or hostile.
4. The Seller could be harder to negotiate with because of the initial offer.
5. Seller may not care if they sell it to you at all.

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Real Estate Purchase Offer Tip #3

The key questions to ask when a Home Buyer is expecting a Counter Offer coming in too low on their offer:

1. What will it take to be the Seller's best Buyer?

2. What will it take to avoid offending the Seller?

Keep these tips in mind when you reach the Purchase Offer stage of your Real Estate Buying Process. They could literally save you thousands of dollars on your home.

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Know Exactly When Should You Act on a Home Purchase!

So you've found a home you really like but you have some reservations about making a purchase offer. You want to take a few days or a week to see how you feel about it before acting. Before making the decision NOT to act right away, here are some thoughts to ponder.

“The most disappointed Buyers are the Buyers who lose the Home they want by not taking action and being competitive when they do.”

~ Dirk Zeller, 3 Time Best Selling Real Estate Author

3 Key Reasons Why to Act Now!

1. **Good properties in Honolulu sell fast**
2. **If you wait, you may lose it**
3. **If you sleep on it . . . you may not sleep in it**

How will you feel if you lose it? What's your disappointment value?

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How to Save Yourself Thousands of Dollars with a Home Inspection

Finding a Great Home Inspector in Honolulu

It is very important that you choose a qualified Home Inspector who has plenty of experience with residential homes in the Honolulu area. It can literally save you thousands of dollars by helping you avoid the common pitfalls of purchasing a home.

Are there termites? Is there a mold problem? Will my kids be safe from lead-based paint and other hazardous materials? These questions and hundreds more will be answered by hiring a great Home Inspector to evaluate the home your considering for purchase.

Contact a national or state association of Home Inspectors to find out what certifications it requires for membership, and if there are any members in Honolulu that they'd recommend. You may also want to ask your Real Estate Agent for a list of reputable companies.

An inspection by a qualified inspector should cost between \$300 and \$500 and give you a good idea of what future repairs will be needed. You can make your Purchase Contract Offer contingent on a favorable inspection.

If the Home Inspection results do not meet your approval, you can get out of the contract. **A great Home Inspection can not only help you avoid pitfalls, it can also help arm you with items you and your Real Estate Agent can use to your advantage to negotiate a better deal.**

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How to Save Yourself Thousands of Dollars with a Home Inspection (cont)

What the Home Inspection Should Cover

At a minimum, the Home Inspector should examine the following:

- **Exterior structural components including the foundation, roof, siding, and chimney**
- Interior structural components including the basement or crawlspace, attic, flooring, and ceilings
- **Major systems including heating, cooling, plumbing, and electrical**

You should make every effort to be present during the Home Inspection so that you will have an opportunity to ask questions and see first-hand what the Home Inspector looks at. You **should receive a Comprehensive Home Inspection Report** with descriptions, and possibly photographs, of any problems with the home.

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"Why You Shouldn't Waive Your Rights to the Final Walk-through Inspection!"

The final walk-through inspection is a very important part of the Home Buying Process that many buyers forego, most often because they are pressed for time. **Don't skip this step!**

This walk-through is usually conducted within five days to a few hours of closing. It's not to negotiate any new contract changes but simply to make sure that the agreed-on repairs and condition of the property is in order.

Homes that sit vacant for any length of time **could have a variety of things happen** since you last were in the home. Many people such as home inspectors, exterminators, plumbers, electricians, other Real Estate Agents, or even other Home Buyers may have been in the home.

Sometimes drains are plugged during extermination and could have been left that way with a dripping faucet, and you may find that your bathroom or kitchen has flooded. Lights, heat, or A/C might have been left on, door and windows open, toilets running, etc.

If the home is still occupied right up to closing, do a walk through with your Real Estate Agent & the Seller. **The Seller can inform you on any quirks about appliances, electricity, plumbing, the neighbor's dog, etc.** Ask the Seller for a forwarding address in case you need to contact them about the property for some reason in the future.

Please be sure to go through the final home checklist on the next page:

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Final Home Inspection Checklist

- Make sure all debris and garbage is removed from the property
- Check the working condition of all appliances (over, stove, refrigerator, garbage disposal, microwave, washer/dryer, etc.)**
- Check bathrooms (ventilation fan, hot/cold water, faucets, toilets flush)
- Check all light fixtures (go through every room turning them on and off)**
- Check for any holes or cracks in walls or ceilings
- Check that garage door openers work**
- Check heating and air conditioning
- Check that all doors and windows are closed and locked, including any out-buildings. You never know what might have taken up residence in a garage or storage building.**
- Check that all agreed-on repairs have been dealt with

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Details of Escrow & Closing

You're finally here. Congratulations! You're at the last step to becoming a new home owner. It's time to close the deal, pay the check, and take possession of your home. This is called the closing or settlement process, and it includes the following four items.

Utilities – A reading is taken on the day of closing of the property's water, gas, and electric meters. The Seller is responsible for paying all utility bills up to the day of closing. Ask your Real Estate Agent or check with the local utility companies beforehand to find out if you need to make any deposits for uninterrupted service.

Service Contracts – If your property is of the type that requires service contracts for pool maintenance, lawn care, animal housing facilities, or home maintenance and you are taking over service contracts from the Seller, be sure to make arrangements to pay the Seller for the remaining contract fees from the closing date on.

Home Warranty – Just like any purchase, you don't want to be saddled with repair expenses right after you purchase your home. Get a home warranty to give yourself peace of mind that you won't be dishing out more money right after you move in because your roof has sprung a leak.

Making out the check – They are due at closing and typically require a cashier's check, as personal checks are not usually accepted. Your escrow Real Estate Agent will inform you ahead of time on how much the check is and who it should be made out to.

The closing process will be conducted by the Escrow Agent that is typically affiliated with the title insurance company. They will prepare what's called a closing statement which you should ask for and review prior to closing if it's not offered by your Real Estate Agent.

The Escrow Agent is responsible for making sure that all paper work is in order, the Mortgage is handled properly for the Lender, and that all monies are collected from the Buyer and distributed to the Seller after all required conditions of the contracts have been met.

CONGRATULATIONS - YOU'RE NOW A HOME OWNER!!!

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Thank You - Honolulu Buy Right Guide

Thank you for your patronage to our website and for participating in the Buy Right Guide Lessons. We sincerely hope that the information that we've provided is a blessing to you and has a positive impact on your Buying Experience.

The Buy Right Guide is limited in scope in providing you with some crucial details, hints, and tips. We could never convey to you all the necessary information that you'd need in order to be an Honolulu Real Estate Expert.

We'd like to offer our services to you and ask that you at least **investigate our firm and how we can aid you in Buying the Right Home, in the Right Area, and for the Right Price** for you and your family.

Sincerely,

Albert Joy