

**ABBE J FLYNN, MS**

# **HOW TO BUY A HOME**



**Tips to Save You Time, Money, and  
Avoid Heartache When Buying Your  
Tallahassee Home**



# HOW TO BUY A HOME:

## Tips to Save You Time, Money, and Avoid Heartache When Buying Your Tallahassee Home

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<https://livingintallahassee.com/>

# DEDICATION

This book is dedicated to those who like to look before they leap, test the water before they dive in, and err on the side of caution. This book is also dedicated to those who jump first and ask questions later, who despise being taken advantage of, and won't listen to what to do and how to do it without a reason why. You are my people.



# ACKNOWLEDGEMENTS

Like most projects, this book was a product of teamwork. Thank you, Dan, for believing in me even when I didn't have time to believe in myself. Thank you, Patti Ketcham, for being an awesome broker and teaching me how to be the businesswoman I aspired to become. Thank you for all those haters who gave me fuel to cross the finish line. Without you, this book would not exist.



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## WHO SHOULD READ THIS BOOK?

**Y**ou. If you are a renter and want to buy a home, or if you are a homeowner and want to ‘right size’ your house and it has been a while since you have bought, this book is for you.

I have designed this to be a short book because I do not believe in wasting your time or mine. So let me get straight to the point. There is not a lot of fluff in this book, and you should be able to read it in less than two hours. It is by no means close to everything I know about real estate, nor is it intended to be a comprehensive guide. If you have additional questions, please know that every person’s and family’s situation is unique, and you deserve advice tailored to you for your needs. Please feel free to contact me and set up a time to chat.

I cover three main topics in this book, including:

1. The process of buying a home in Tallahassee.
2. Answers to the questions buyers most frequently ask.
3. Tips that could save you time and money.

Most people who know me say that I am a ‘tell it like it is’ kind of person and I have been accused of being too blunt on occasion. So, I am not going to hide the fact that I am also interested in earning your business. There are unscrupulous and dishonest real estate agents everywhere, including Tallahassee and it hurts my heart when someone local gets burned by someone in my

profession. I want readers to have some protection against those dishonest agents, some red flags to look for, resources to use and someone to call for answers.

The main things I would like to offer to you in exchange for reading this book include:

1. Taking the mystery out of the home buying process.
2. Provide questions to ask and red flags to watch for when buying a home.
3. Information that will help you to negotiate with confidence.
4. An invitation for you to take the next step to homeownership with me.

Today people seek information on the internet first. I often cringe when buyers tell me that they ‘Googled’ the answer. No judgement. I do it daily too and can’t imagine not having the search engine handy to answer every silly question that pops into my head. One thing for certain is that fact that working in a career every day for years gives insight and specialized knowledge that even several hours of Googling never could. (Word of caution here: Tallahassee has its own quirks, including the fact that our Board of Realtors has its own purchase contract unique to our members. Because of this, the generic information available on Google may not apply.)

An older agent told me when I started this career that people want to do business with someone they know, like, and trust. While no one wants to be ‘sold,’ we do love to shop with friends! Many buyers choose their Realtor by accident and take the recommendations of Google or use that friendly girl you met at the open house. It is a huge investment to leave to chance. By the end of this book, you will know my philosophy and will be able to determine if working together to buy your home is the best next step for you and your family.

While I think everyone should buy a home, there are four types of buyers I am focused on in this book.

**Young professionals and recent graduates who have settled into their new careers and are ready to take on a new home.** First time home buyers often have more concerns than those who have been through the home buying process before, and they have different questions and unknowns that keep them awake at night. You will find most of the answers here in this book. If you have more questions or your situation is unique, reach out to me

**Professionals who are relocating to Tallahassee for a new job and wondering where to live and whether it is better to rent for the first year or two.** My first move in Tallahassee was from Ohio with my husband and two school-aged sons. There were no free resources available at that time, and it was hard figuring out where to start from thousands of miles away. This book provides a starting spot, and you will find detailed information available on my website for each of the zip codes, including lifestyle, social-demographic data, housing comparisons, and school grades.

**Adult students and parents of students who wonder if buying is a more desirable alternative than renting.** Mortgages are lower than rents in most areas of Tallahassee and we have seen steady growth in our real estate values. While COVID has made many changes to our world, more people than ever are moving to Florida and with increased demand comes increases in prices. That steady increase means that most buyers today will be able to sell their home within 3-5 years and see a profit.

**Those who are tired of their Tallahassee landlord.** I know it is not just Tallahassee and that there are horrible rental tales everywhere. Some apartment complexes are pleasant, clean, updated, and responsive to maintenance requests, but I've also helped a buyer move out of a rental house that had sewage backing into the basement. The owner knew. He said it was a city issue. The city disagreed.

While I may believe that homeownership is for anybody, not everyone agrees with me. So, this book is not for:

- Those who are not interested in, or able to, grow their investment over time. Owning a home does tie up assets for several years and the return on investment takes time to grow.
- Those who are not interested in being responsible for repairs or maintenance. If you rent, you have one person to call when things break down. If your landlord is anything like mine was, you may still have to call many times.
- For those who do not mind giving up privacy. Just a note here about renting near the universities. Many of the rental rates posted online look great, until you realize you are renting a room and not an apartment.
- For those who want and don't mind moving yearly. Owning a home does make it hard to pick up and move to Europe for a couple years and being a landlord is not for everyone.

If you are still with me and believe that homeownership is a good choice for you and your family, then I wrote this book for you. Please keep reading.

# MY PROMISE TO YOU

If you are still here, I promised not to waste your time. Whether we meet in person or not, you can trust me to tell you the truth. I am going to share with you some of the mistakes I have made, and have seen made, and what you can learn from others bad luck and misfortune. In this book, I'm going to tell you what to expect, how things can go sideways, and what you can do to protect yourself and your family.

I tend to be direct and rely on experts, research, and experienced professionals to tell me what I need to know to protect those I work with and myself. My superpower, honed while teaching research methods at FSU and FAMU, is to take complicated stats, trends, and reports and help you understand how they impact you.

Almost every buyer I have met has told me that they want a 'good deal.' What that looks like for each family varies hugely. My final, and biggest goal, for this book is to give you an idea on how to get that 'good deal' for you and your family. You will also find more tools and resources that you can use on my website. [LivingInTallahassee.com](http://LivingInTallahassee.com)

# WHY DID I WRITE THIS BOOK?

My detailed bio is at the end of this book, but I feel it's important for me to share some details about myself so you know can trust the information in this book.

**M**I grew up the youngest of five, on a farm, in Ohio. That has impacted me in three main ways. First, I love challenges and thanks to older siblings and farm animals, not much scares me. Besides that, I raised teenagers and I am fearless now. Second, I hate being laughed at or made to feel silly for not knowing something or asking questions. So, I will never intentionally do this to you. Lastly, as the youngest in a large family, I am a born negotiator and wheeler-dealer. The best tool a negotiator has is her ability to pay attention and ask important questions. Throughout this book, I'm going to share the most important questions you need to ask when buying a home.

I have helped hundreds of people in the Tallahassee area buy and sell their homes. I'll be honest. I've made mistakes that I wish I could go back and change. I have also mentored many new agents and seen the mistakes they have made that have impacted customers. Your agent's experience matters. There. I said it. Research backs it up. This book will help you avoid some of those rookie mistakes even if you decide not to work with me.

Being a Realtor has been the best job ever. I live in one of the most beautiful places on the planet and I get the honor of helping others achieve their goals! I love the investigation, the search, the cyber sleuthing, the negotiations, and inspections of the home buying journey. Every family is unique, and I love the puzzle of meeting a family's needs. It is fun for me, and customers tell me that

my confidence and enthusiasm makes the buying process a positive experience for them.

Finally, let's talk about my view of negotiations. Not everyone is going to agree with me here and I can live with that. My rules to negotiating real estate in Tallahassee:

1. The answer is always no if you don't ask.
2. Almost every issue or problem that pops up can be solved by time or money.
3. Everything in real estate is negotiable.

I'm going to be sharing other buyer's stories in this book. Sometimes I have changed details to protect the innocent.

I want to help you avoid becoming a story I tell to warn other customers about what not to do when buying a house in Tallahassee. I would love to hear from you. My email address is: [abbe@LivingInTallahassee.com](mailto:abbe@LivingInTallahassee.com)

Thanks for downloading!

Enjoy!

Abbe

P.S. – Please call me if you have any questions! 850-203-0209

# HOW MUCH DOES IT COST TO BUY A HOUSE?

**I**t depends. Don't you hate that answer? I know I do. Here is the thing though – it really does depend on your characteristics as a buyer, the houses location and characteristics, and the type of financing you choose to use. I've seen buyers walk away from the closing table with their earnest money check in hand and I've seen buyers wire over half a million dollars to the closing agent. Most buyers fall somewhere in between. The buyer characteristics that affect the costs of buying a house include credit score, debt to income ratios, and the amount of money you can document in savings. The characteristics of the house can also impact the costs of closing (and ownership) including inspections, insurance premiums, homeowners' association dues and fees, and the type of financing.

One of the biggest and first decisions you will have to make when you have decided to buy a house is how you pay for it. If you are like most buyers, you will need to borrow money and promise to pay it back to move into your new home. We have local lenders we recommend posted on our website [LivingInTallahassee.com](http://LivingInTallahassee.com).

## **Credit Score**

Although it is not the **ONLY** way banks decide whether you are a good credit risk, this score **GREATLY** impacts how much you will pay at closing and over the life of the loan. There are three main credit reporting agencies used by most lenders (Experian, Equifax, and Transunion). These companies compute,

report, and store the credit histories of consumers. Each company varies slightly on the information they collect and how they calculate your credit score. Each lender has their own rules about how they will handle these three numbers. As a consumer, you are entitled to a free credit report yearly. **Get a copy and review it for accuracy.**

### **What Goes Into a Credit Score?**

While the exact ‘secret sauce’ calculation behind your credit score is a trade secret, we can tell you the main factors all three of the companies evaluate when they calculate your score.

**Payment history** – Do you pay on time? Payment history makes up the biggest part of a credit score (35%).

**Total amount of debt** – How much revolving debt do you owe monthly, and do you use it all? This is approximately 30% of the score. It also takes into consideration the total amount of credit available and how much has been used, also known as credit utilization. If you have used all the credit available to you (100%) then the banks may feel you are not using credit wisely.

**Length of credit history** – How long you have been responsibly managing your debts? This is approximately 15% of the credit score. If you have held the accounts for years, and you have a longer history of paying as promised, you are less credit risky than if you have just opened most of the accounts. Do NOT close old accounts that you have paid off as this may hurt your score.

**Types of credit** – What kinds of accounts do you have open? This is 10% of the credit score and takes into consideration whether you have only credit cards, or a mix of installment loans (like a car loan) and other credit debt.

**New credit** – How many new lines of credit have you opened recently? This also counts for 10% of a person’s score. This part of the score also takes into consideration the number of inquiries.

## How Your Credit Score Affects Home Buying

Lenders use your score to decide the likelihood that you will pay them back the money they are lending you. People with credit scores below 640 will have a challenging time qualifying for a mortgage. Those with a credit score of 700 or above are generally considered good risks for lending money, and they will receive lower interest rates. The lower interest rates means that borrower will spend less over the life of the loan. Scores over 800 are considered excellent and we have seen banks compete over these buyers by sweetening their offers. There are federal rules for lending that each bank, using federally insured or guaranteed funds, must follow. There are also lender specific rules on top of these rules – called overlays. Overlays vary from lender to lender. How banks use your credit score can also vary and this too can change what a lender can offer you in the terms and conditions of your loan.

If you do not have a credit score, you are an unknown risk to the bank, and they will not lend you money. If you think you may be buying a home in the next few years, start establishing your credit score now and use it wisely.

Credit Score Range	
800-850	Excellent
740-799	Very Good
670-739	Good
580-669	Fair
300-579	Poor

## How to Increase Your Credit Score

Sometimes credit can be established and/or corrected in a matter of months. Sometimes it will take years for a borrower to straighten out and raise their credit

score. I've seen many customers come back to me within six months with their credit scores significantly higher. It is fairly easy to accomplish.

A word about credit repair companies. Read the fine print carefully. Some companies can only guarantee a temporary improvement in your score, and most of what these companies provide, you can do for yourself – free of charge. If you are interested in talking to a credit repair specialist, please check our website for recommendations.

If you want to try it on your own first, here's what you need to do:

1. Pull a copy of your credit report and read over it carefully. If there is anything on there that is not your charge, contest it right away. Fraudulent charges can lower your credit score and removing them is a straightforward way to raise your score. If you have student loans, make sure the information is correct.
2. Pay your bills on time for at least six months. Timely payments are one of the biggest parts of your credit score and with six months of no late payments, your score will be significantly and positively impacted.
3. Check with your credit card account holders about a credit increase. It is important NOT to spend this amount so that you can benefit from a lower credit utilization rate.
4. Do not close credit card accounts, even if you have paid it off and are not using it. Depending on the age of the account and the credit limit not used, you may hurt your credit score if you close that account. Pay down debt, but do not close accounts.

Credit repair companies will negotiate with your creditors to lower your monthly obligation or even your entire debt. This is something that you can do for yourself, for free. If you do not have the time, or just prefer someone else to guide you through it, make sure you thoroughly investigate the company you choose.

## **Debt-to-Income (DTI) Ratios**

You will likely hear your lender mention DTI at some point during the process of buying a home. It is one way of the ways the lender will measure the risk in lending money to a buyer. The DTI is the total of all monthly debt payments divided by gross monthly income. The lower this percentage (or rate, or ratio) is the less likely the buyer will be to struggle making monthly mortgage payments. Research has shown that borrowers with high DTIs have more trouble meeting their monthly debt obligations.

Personal loan providers will usually be laxer on this ratio and allow a higher DTI ratio than mortgage lenders. Each lender can set their own requirement for the DTI ratio. While a DTI of 20% or less is considered low, the Federal Reserve considers a DTI above 40% a sign of financial stress. Most lenders want a DTI lower than 43% to qualify a buyer for a home loan.

As a rule, keep your debt-to-income ratio at less than 36%. In this range, new lines of credit will be easy to obtain. If your DTI is between 36% and 42%, lenders may be concerned about your ability to repay. Consider paying down your debt. At this level, you can likely do this yourself. If your DTI is over 43%, paying off debt may be extremely difficult. At this level, it may be worth looking into a debt management or a nonprofit credit counseling agency. There are also online and local options available.

## **Private Mortgage Insurance**

If you put down less than 20% of the sales price of the home, you will have to pay for private mortgage insurance (PMI). PMI protects your lender in case you default on your loan. The cost varies based on your loan type, your down payment size, and your credit score. Usually, the cost of the PMI is added to your monthly mortgage payment (along with insurance, taxes, and interest). Some buyers will pay it as an upfront fee at closing and others will agree to a higher percentage rate in lieu of PMI. How a buyer chooses to pay for PMI is a matter of running the numbers and deciding what works best in your situation.

You can ask your lender to give you some options and review them with your accountant to help you decide.

Once you have reached at least 20% equity in your home, you can contact your lender to start the process to drop the PMI from your monthly payment. You may need to pay for an appraisal for the bank to confirm your home's current market value.

### **Pre-Approval vs Pre-Qualification**

It is possible to receive a mortgage prequalification letter with a lender relatively easily. It is a quick estimate of what mortgage you will qualify for based on what you tell them about your income and debt. These are relatively easy because generally, the lender is not going to double check your numbers or verify the accuracy of your income or debt.

Sellers will prefer to see a preapproval letter over a prequalification letter. A mortgage preapproval generally ensures the seller that the lender has looked at and verified income, assets, credit history, rental history (if applicable) and debts. These letters usually take the banks a couple of days to get back to you. It also helps prevent surprises when it comes to mortgages. There is enough stress selecting and negotiating your next home, without wondering whether the bank is going to find something unexpected that blows up the deal AFTER the contingency period. This happened to one young lady that tried to hide a previous mortgage she had co-signed for her sister and she lost her \$5,000 deposit and her house.

Just a note here. It is in your best interest to figure out the financing part of your home purchase BEFORE you visit any homes (even on-line). I say this, but I know that not everyone will believe me so let me tell you a story.

I worked with a couple that knew their credit scores and income were high. Even though I encouraged them to figure out their financing before we toured homes, they knew they would be qualified and as busy professionals, they didn't have time to fuss with the lenders until they had the contract negotiated. So, we

set up a tour on a Saturday and they fell in love with a home in the Southwood area. We sent an offer without a lender letter, but the buyers wrote a heartfelt letter to the seller about how much they loved the house and the neighborhood and that they knew they would qualify for a mortgage and promised to send a preapproval lender letter on Monday.

On Sunday night I had to call and give the buyers the unwelcome news that the sellers had accepted another offer. One that had sent a preapproval letter with their offer. In some ways, it ended up being a blessing in disguise. Although they always referred to this house as 'the one that got away,' they were also a little glad. They were surprised to find out how much that monthly payment was going to be when the taxes, insurance, CDD fees, and homeowners' dues were added. If they had bought the home, it would have forced them to give up their yearly vacation to the islands. Once they looked at homes that were more financially comfortable for them, they were disappointed with their options. It took them over a year to find a home they could both agree on and they still talked about that Southwood house at closing.

### **Types of Loans**

There are many different loan options out there. Talk to 2-3 lenders to see what they suggest for your situation. Here's a quick overview of the most common types of loans your lender will likely cover with you.

#### **Conventional Financing**

A conventional mortgage is not guaranteed or insured by the federal government, and these types of loans often offer the bank and the consumer (buyer) more options. Because they do not need to conform to federal guidelines, there is no single set of requirements for borrowers to meet. In general, conventional loans require a higher credit score than government backed loans like FHA or USDA loans. In most cases you need at least a 700 credit score and a DTI less than 45% and down payments start at 3% of the loan.

## **FHA Financing**

The Federal Housing Administration insures mortgages at the federal level. These mortgages are intended to help more people live in their own home. Strictly speaking, these loans are not available for ‘investment properties.’ However, you may use an FHA loan to purchase a four-unit quadplex and live in one of the units. These loans start with a minimum down payment of 3.5% and if you put down less than 20% you will have to purchase private mortgage insurance (PMI) to protect the lender from loss in case you default.

### **203K (FHA) Financing**

The loans are the same as above, except they are designed to allow the buyer to borrow money for repairs, rehabilitation and/or remodeling. This allows the buyer to make those changes to the home they wish and roll those costs up in the monthly mortgage payments. These loans have a slightly higher interest rate than regular FHA financing.

## **USDA Financing**

While conventional and FHA loans are available for all properties. USDA loans are only available for properties considered to be rural. In Tallahassee, that generally means outside of Capital Circle. These loans also have income limits, and the lender will consider the income of all individuals in the household (not just the ones whose names is on the loan application). USDA loans DO NOT require a down payment and they do not require the borrower to buy private mortgage insurance. They do require a guarantee fee that is similar to PMI. This fee can be paid at closing, and it is generally 1% of the loan amount, or it can be paid monthly with the mortgage payment. This fee is generally less than the PMI for an FHA loan.

## **VA Financing**

These loans are the golden ticket for our military members. VA loans are only available to veterans, active-duty military members, and their surviving spouses. These loans do not require a down payment nor private mortgage

insurance. You cannot use a VA loan for a second home or investment property. There are also limits on the amounts a veteran can borrow, as well as funding fee. This funding fee is often paid by the buyer in Tallahassee and rolled into the mortgage payment. The funding fee, which ranges from 1.25% to 3.3%, helps keep the program alive for other veteran borrowers and is not needed for all veteran borrowers. Certain groups are exempt from paying the fee, depending on branch, down payment, and loan amount. Those groups include Purple Heart recipients in active duty, surviving spouses, and those on VA disability. There is also the requirement that the seller supply a 'clear' WDO report for the veteran borrower. This can give sellers heartburn in multiple offer situations. Not asking for the WDO report on the offer is a common newbie agent mistake and has killed more than one veteran's deal.

### **Hard Money Loan**

This possibility is most often seen for investor buying investment properties. The 'hard money' is a loan that is lent from a private company or interest for a short-term investment. These loans are typically closed within 3-6 years and used primarily by investors 'flipping' homes. The house is the collateral for the loan and these loans can be obtained relatively quickly for the experienced investor. These loans also have higher interest rates than the typical mortgage packages, sometimes even double the going interest rate.

### **Private Mortgage**

Like the hard money loans, these are private companies or people supplying the money for the mortgage. The last two we closed was a great deal for all involved. The parents paid cash for the house and the closing attorney set up the mortgage and payment agreements for the buyers. These are relatively quick and easy to work out and the lender is usually family. The closing attorney can help you get all the details ironed out in writing before the house is closed on.

### **Home Equity Loan**

If you already have equity in a piece of real estate, it may be quicker and easier to use that as collateral for your next mortgage rather than taking out a whole new loan. The bank will usually lend up to 90% of the value of your existing property, minus the current mortgage.

### **Owner Financing and/or Lease Purchase**

This question comes up often. Buyers may be having trouble coming up with a down payment or they do not qualify for a mortgage, or they are expecting a payout from a settlement. In this seller's market, most sellers do not want to mess with the details and risks that come from owner financing. The lease purchase is different in that the buyer agrees to rent the home for a year or possibly two and then obtain a mortgage and pay the seller off. Usually the buyer/renter, pays a higher than market value on the rent to build up a down payment and/or closing costs that the seller will pay for them at closing. The downsides are that there are two contracts in play, and it can be easy for a buyer to default and lose not only the down payment they were building, but also the roof over their head.

### **Cash**

Last on the list, since it is not a financing choice, is cash. There are areas of Florida where multiple cash offers are the norm and outnumber the sales that involve a mortgage. Tallahassee is not one of those places, but cash offers are on the rise in Tallahassee. Buyers will find themselves competing against cash offers in most price points. The beauty of cash for the seller is the lack of a financing contingency. This often means closing can be completed within two and half weeks and after the inspections are completed. These buyers will often opt out of an appraisal which can also help ease a seller's mind.

### **Contracts and the Money You Agree to in the Offer**

We will cover the obligations of the contracts in more detail further along. However, let's discuss how your offer directly impacts the amount of money you must bring to the closing table.

On the Tallahassee home buying contracts, the buyer tells the seller what type of financing they will be using, how much down payment on the loan they will make, and how much money they are willing to put in escrow with closing agent. The financing type impacts the seller as noted above.

You can request that the seller pay some, or all, of your **closing costs**. Closing costs are on top of the down payment on the loan. This is the cost for you to transfer the ownership of the home from the seller to you and includes the fee to the title agent, the survey, title insurance, homeowners insurance, escrow, etc. The amount the seller can pay is limited by the type of financing and is more common in some areas than others. This is information an experienced Realtor will provide to you when you are ready to make an offer. With limited inventory of houses, and more buyers than sellers, this strong seller's market has seen less agreement from sellers to pay closing costs unless the offer is increased to cover the seller's contribution.

The **down payment** on the loan is an indication of how strong of a buyer you are to the seller. The larger the down payment, the more confident the seller can be in your ability to get to the closing table. This amount is partially determined by the type of financing you choose as noted above and the agreement you make with the lender.

The **earnest money deposit** has many names and is the buyer's money that is put in escrow with the closing agent within three days of signing the offer. If the buyer follows the contract, the money belongs to the buyer. HOWEVER, if the buyer is unable to close on the house and notifies the seller after the contingency period has ended, this money belongs to the seller. There are few exceptions to this. Watching this money is a primary priority for me. I have never had a buyer lose their deposit on my watch.

### **Costs Included in Closing**

You can download a closing cost checklist on our webpage. Some of the items are more negotiable than others, and some can and should be shopped

around. These costs include: down payment on the loan, loan origination fee, underwriting fee, discount points, credit report, appraisal report, property taxes, insurance premium, flood certificate, VA water test, prepaids (interest, premiums, etc.), survey, owner and lender title insurance policies, recording fees, transfer fees, document stamp on mortgage, intangible tax, closing fee, courier and mailing fees.

You will notice that I have not included the Realtor's commission. This is often a seller's closing cost. Before the house is put on the market, the seller negotiates the buyer's agents commission with the listing agent. New rules in our industry now makes that information public.

### **Costs You Must Pay Even if You Do Not Buy the House.**

There is little that is more heartbreaking than having a buyer find out that the house will not work after having paid several hundred dollars for inspections. HOWEVER, that is the purpose of the inspections. The inspector gets paid for his or her work, even if you decide that the house is not for you.

The appraisal is required to be ordered quickly per most offer contracts. If you decide to terminate the contract after the appraiser has gone to the house, you may be required to pay the appraiser for his report even if you will not be using it.

This goes for the surveyor too. I do not recommend ordering the survey until after the inspection period ends. However, if the survey is ordered and performed, you may be required to pay the surveyor for the pink flags on a lot you will not own. This is rare, but sometimes when it happens, we can have the next buyer cover most of the surveyor's cost.

### **How you can lower your closing costs.**

Closing costs for buyers in Tallahassee range from 3-6% of the price of the house. It is not uncommon to ask the seller to cover these expenses in some situations. This is where your Realtor's experience will work for you. If you share with her the budget you want to stick to, she can help you do that.

Some of the closing costs can be shopped around and you may be able to find lower fees. I have a list of Tallahassee good guys available for when you need it. Some of the easiest fees to negotiate (or shop around) include: the survey cost, loan origination fees, credit report fee, insurance premium, title insurance (**must be chosen before you are under contract**) and closing fees. My rule is that the answer is always no if you do not ask. It does not cost you anything to ask, so ask. More on negotiations later.

You are ready to buy. Now what?

Call me. Involve me in the process as early as you feel comfortable. I have met some buyers YEARS before they were ready to buy, and you are not bothering me! I love to hear from buyers and sellers and other Tallahasseeans. I'm often in my office anyway. Come say hi. Also, if you need it, I have resources to help you fix your credit or get ready to buy. Now, let's talk about where you should live in Tallahassee.

# WHERE SHOULD I LIVE IN TALLAHASSEE?

I wish I had a quarter for every buyer who said they were told to live in the northeast. The Tallahassee Board of Realtors divides Leon County homes listed on the Multiple Listing Service (MLS) into one of four quadrants: northeast, northwest, southeast, and southwest. In the MLS, the map is divided by Meridian Road that runs north and south and the Apalachee Parkway that runs east and west. The northeast corner of the city holds 55% of all homes sold in Leon County. More than half, so it makes sense that well-meaning co-workers, friends, and family tell you to focus your home search on the northeast. In my experience, it is a bit simplistic and may not match your goals.

Next, I am NOT going to tell you where in the city you should live. That would violate Fair Housing and anti-discrimination laws and that is not something I would do anyway. I am going to provide you with the information available to help you make the best decision for your family.

Another one of my goals as a buyer's agent is to help you avoid buyer's remorse. Ever heard of the 'Jam Study'? A Columbia Professor, Sheena Iyengar, performed a now classic experiment in 1995. Professor Iyengar presented shoppers with displays of jam and measured how they responded. When the display had twenty-four varieties of jam 60% of the shoppers came to the display, but only 3% made a purchase! When the display was dropped to just six flavors of jam, only 40% of the shoppers came to the display, but almost a third of them bought a jar of jam. This finding is not unique, and making choices is hard! Studies in the real estate field have found that the more homes you look at, the more likely you are to be dissatisfied with the home you eventually chose.

For more information about the research, check out the resources section at the end of this book.

The best way to avoid buyer's remorse is to create a plan and stick to it while still being flexible. Tough huh? This is where your Realtor's experience can help you. Your dream home probably does not exist, and you will likely need to make compromises. Having a conversation about your lifestyle, wants, needs, options, and priorities before you hop in the car will save you time and money.

### **Questions To Discuss Before Beginning Your Home Search.**

1. What have you discovered about the place you are living in now? What do you love? What would you change? Do you wish you had space for a hobby? More storage? Bigger kitchen or dining area?
2. Where do you spend your time when at home? How would you like that to change?
3. Do you have hobbies that require space? Do you like to host special events? Do you have a family heirloom that must be center stage? Do you need to plan for an aging parent?
4. What is your biggest concern about buying a home? Is it closing costs? The monthly payment? Where your mother-in-law will stay when she visits?
5. How comfortable are you with repairs? Keep in mind that sellers' price according to condition. You might get the lowest price per square foot if you are willing to put up with dated countertops.

6. How important is outdoor or garage space? What does that look like for you? Looking for a man cave with power for Sunday (or Saturday) football games, or a patio, or just space under cover to watch the rain.
7. What is the most important thing for you in a neighborhood? Do you want neighbors that celebrate Halloween together? Maybe neighbors that are too far away to see? Maybe you want a neighborhood full of curb appeal and suburbia.
8. What are your deal breakers?
9. What can you comfortably afford?

### **A Word About Condominiums and Townhouses in Tallahassee**

We do not have a substantial number of condominiums in Tallahassee and the few we have are located near the Capitol or the universities. The condominiums were the hardest hit by the last recession and values have increased slower than single family homes. The financing for Tallahassee condominiums is limited because of the tighter lender controls in recent years. An experience Realtor will help you find a lender or another home that works best for you and your loan type. One of the highest condominiums downtown does offer owner financing options since financing is difficult.

There are many townhomes throughout Tallahassee, and most will qualify for FHA and VA financing. The thing to watch for here is the homeowner's association fees. They can be high and not provide much in return. There are new townhouses being built in most Tallahassee zip codes.

One type of home that often overlooked is the multi-family home. In 2013, one of my first customers found a quad (four units) in good condition that he

could afford. He was able to rent out the other three units and cover his housing expenses, including putting money aside for maintenance and repairs. These can be a hot commodity when they hit the market. Make sure your Realtor is ready to jump so you do not miss it!

### **How Do the Tallahassee Zip Codes Compare to Each Other?**

The zip code with the biggest population is 32304 on the northwest side of Tallahassee and includes an estimated 51,300 residents. The densest populations can be found in the student heavy zip code of 32304 (3,150 per square mile) which lays to the west of the Capitol building and 32301 (3,030 psm) which is south and east of the center of Tallahassee. The 32317 zip code includes the smallest population (only 15,100) and the 32310 zip code includes the least dense population (97 people per square mile). While every zip code in Tallahassee has seen an increase in population in the last decade of records, the 32311 zip code saw the biggest increase of population (17.1%) and 32310 saw the smallest gain in population at 3.1%.

The most educated zip codes are 32308 and 32312 with 29.5% and 28.1% of the populations respectively have an advanced or professional degree. The highest median household income (\$97,374) and highest median estimated home value (\$371,000) belongs to the 32312 zip code. More than 60% of the population in the 32312 zip code has an income over \$75,000. This is also true for the 32317 zip code. Personally, I have moved several professors and lawyers into the 32312 zip code and this does not surprise me. The lowest median household income (\$23,659) and the lowest estimated home value (\$120,000) is in the 32304 zip code near the universities.

Population Characteristics by Zip Codes in Tallahassee Florida												
Single Family Homes	32301	32303	32304	32305	32308	32309	32310	32311	32312	32317	Leon County	Florida
Population	28.9K	47.9K	51.3K	20K	22.2K	30.1K	16.2K	21.7K	34.8K	15.1K	288K	20.6M
Population density per square mile	3.03K	1.64K	3.15K	155	1.56K	305	97.3	513	294	350	432	384
Population change between 2010-2020	+3.6%	+5.9%	+6%	+5.8%	+5%	+5.1%	+3.1%	+17.1%	+10.2%	+11.2%	+6.8%	+13%
Percentage of population with graduate or professional degree	19.3%	15.7%	12.1%	7.1%	29.5%	24.7%	6.8%	23.2%	28.1%	24.4%	19.9%	10.6%
Income per capita	\$25,203	\$28,530	\$11,824	\$20,722	\$40,234	\$38,153	\$18,543	\$35,815	\$50,411	\$38,819	\$29,754	\$30,197
Median household income	\$42,805	\$49,118	\$23,659	\$38,701	\$63,580	\$79,681	\$35,820	\$72,779	\$97,374	\$93,116	\$51,201	\$53,267
Percentage with household income over \$75,000	22.9%	30.4%	7.6%	23.9%	42.2%	53.0%	22.7%	48.3%	62.4%	63.2%		

The youngest median age is near the universities (of course) in the 32301 zip code. Several zip codes have the same median age of 41 including: 32308, 32309, 32312, and 32317. The 32309 is one of the largest residential areas with over 30 thousand residents and the median home age in the mid-30s. The Tallahassee zip code 32309 is in the middle is most of the categories in the population characteristics charts covered here. The 32312 zip codes has the largest population that works from home at 7.4%. The youngest median age in the zip codes is in the 32304 area, which also is the least likely to be married at only 8.1%. More than 60% of the population of the 32309, 32312, and 32317 zip codes are married.

The AARP Livability Index is highest for the 32301 zip code and lowest for the more rural 32311 zip code. The highest walkability score in Tallahassee can be found in the 32301 and 32303 zip codes while the least walkable is the rural 32317 zip code.

Single Family Homes	32301	32303	32304	32305	32308	32309	32310	32311	32312	32317	Leon County	Florida
Median age	27	31	22	34	41	41	29	35	41	41	31	42
Percentage that work from home	5.0%	2.8%	3.6%	1.8%	3.7%	5.5%	2.1%	3.3%	7.4%	4.6%		
Percentage married	27.2%	34.5%	8.1%	43.9%	45.7%	60.1%	34.9%	52.0%	62.3%	62.0%		
AARP Livability Index	58	56	57	56	57	55	56	54	55	55		
Walkability score	2.8	2.8	2.7	1.5	2.7	1.6	2.6	1.9	1.2	0.9		
Median home age	43	40	43	38	37	32	46	23	28	26	35	34
Percentage who own home	32%	51%	14%	62%	55%	78%	47%	61%	81%	90%	53%	65%

Every zip code saw real estate values increase over the last month, last quarter, last year, last two years and last three years. Only the zip code 32310 saw any decrease in values and it has recently posted a gain. Check out our website for updates and more charts: [LivingInTallahassee.com](http://LivingInTallahassee.com)

	Median Estimated Home Value	Change Over Last Month	Change Over Last Quarter	Change Over Last 12 Months	Change Over Last 24 Months	Change Over Last 36 Months
32301	\$179,000	2.00%	7.29%	6.52%	15.96%	12.86%
32303	\$191,000	1.45%	6.12%	15.13%	20.96%	28.52%
32304	\$120,000	2.10%	4.64%	3.99%	13.52%	19.70%
32305	\$149,000	4.00%	0.72%	1.61%	12.61%	32.11%
32308	\$278,000	1.79%	7.89%	14.37%	21.27%	27.58%
32309	\$325,000	1.79%	5.89%	15.31%	20.09%	26.17%
32310	\$131,000	1.07%	1.90%	5.17%	20.88%	25.27%
32311	\$258,000	0.68%	3.57%	12.33%	14.18%	23.30%
32312	\$371,000	1.12%	5.66%	14.26%	22.35%	25.28%
32317	\$335,000	1.35%	4.65%	14.13%	17.67%	22.48%

### School Grades

Tallahassee has approximately 24 elementary schools, nine middle schools and seven high schools. There is more information about each school on our website, including the charts showing school grades, how many students, the student to teacher ratio, and more. I have worked with many teachers over the

years and feel compelled to make a note here about school grades. While the information compiled is as accurate as possible, a single letter grade cannot tell you how committed, talented, or compassionate our educators are, and a single letter grade cannot tell you how well a school can meet your child's needs. I would also add that the Florida Virtual School system is available for any Florida student and has a high marks from students, teachers, and parents as well.

This information, facts, and scores are provided by Niche, which compiles the scores, community reviews, and other data from the US Department of Education, Private School Universe Survey, Common Core Data, and other places. Schools are important to you, and Realtors can provide you with school reports compiled by Niche. Check out our blog for sample reports, updates and more at: [LivingInTallahassee.com](http://LivingInTallahassee.com)

Check what schools your potential residence is zoned for here: [Leon County School Zones](#)

Buck Lake, DeSoto Trail, Gilchrist, Hawks Rise, Roberts, and Killlearn Lakes Elementary Schools are the highest performing **elementary** schools according to the data compiled by Niche. According to Niche, the best performing **middle schools** include Deerlake, Swift Creek, and Montford. Niche's data indicate that the best performing public **High Schools** in Tallahassee include: Lincoln, Leon, and Chiles.

Tallahassee also has a handful of private, charter, and non-traditional schools that performed well on the ratings compiled Niche.

Schools Serving Multi Grade Levels in Leon County													
School	Betton Hills School	Maclay School	Community Christian School	FAMU Developmental Research School	FSU University School	Ft. Braden	Franklin Academy	Governor's Charter School	Holy Comforter Episcopal School	The School of Arts & Sciences	North Florida Christian School	Gretchen Everhart School	Leon County Schools
Level	Any	Any	Any	Any	Any	Elementary, Middle	Any	Elementary, Middle	Elementary, Middle	Elementary, Middle	Any	Any	
Type	Private	Private	Private	Public	Charter	Public	Private	Charter	Private	Charter	Private	Public	
Grades Served	1-12	PK, K-12	PK, K-12	K-12	K-12	PK, K-8	K-12	PK, K-8	PK, K-8	K-8	PK, K-12	PK, K-12	
Students per Teacher	8:1	7:1	10:1	16:1	17:1	16:1	6:1	16:1	13:1	11:1	13:1	5:1	17:1
Total Students	100	996	313	600	1,795	772	44	417	574	457	497	150	33,840
Overall Grade	A-	A+	B	C+	A+	B-	C+	C+	A	A-	B+		B+
Students in Free Lunch	-	-	-	100%	25%	59%	-	68%	-	13%	-	37%	41%
Academic Grade	A-	A+	B+	C+	A-	C+	B-	C	A	A	B+		B+
Average GPA	3.10	3.64	3.62	3.26	3.42	-	3.28	-	-	-	3.64		3.43
Math Proficiency	-	-	-	36%	82%	53%	-	47%	-	74%	-	10%	61%
Reading Proficiency	-	-	-	47%	77%	45%	-	42%	-	82%	-	8%	58%
Gifted Students	-	-	-	-	5%	1%	-	0%	-	8%	-	-	-
AP Enrollment	-	81	-	-	231	-	-	-	-	-	-	-	-
Graduation Rate	-	100%	100%	90%	95%	-	-	-	-	-	100%		92%
Average ACT Score	-	29	24	19	25	-	-	-	-	-	22		25
Average SAT Score	-	1,290	1,140	930	1,160	-	-	-	-	-	1,080		1,180
Teacher Grade	B	A-	C+	C+	B+	B-	C	C+	A	A-	C+	A	B-
Average Teacher Salary	-	-	-	-	-	\$45,791	-	\$45,791		\$45,791	-	\$45,791	\$45,791
Teacher in 1st or 2nd Year	-	-	-	33%	8%	15%	-	56%	-	30%	-	6%	44%
Zip Codes in School Area	Any	Any	Any	Any	Any		Any	Any	Any	Any	Any	Any	

About this data: Facts and proficiency scores are provided by Niche, which compiles scores, community reviews and other data about schools across the United States. Ratings for this school are based on the most recent available facts for each school and district. Data compiled from the U.S. Department of Education, Private School Universe Survey, Common Core Data and others.  
Source: Niche Update Frequency: Quarterly

## Is Tallahassee a Safe Place to Live?

Yes. Although it appears that Tallahassee's crime rate is one of the highest in the state, much of the crime happens near the universities. While the Tallahassee population swells with the influx of tens of thousands of students, these students do not count in our population's statistics. Making our rate higher than it would be if the students were counted in Tallahassee's population numbers. This population is also most likely to be a victim of AND to participate in crime.

Tallahassee has SO MANY law enforcement agencies in the area and with more agencies and certified law enforcement officers, there will be more arrests than expected for our population size. These arrests are crime statistics

(depending on the source) and may make Tallahassee look much more dangerous than it is. Some Tallahassee law enforcement agencies are location-specific and are limited in their jurisdictions, but all can investigate crimes and make arrests. Some of the law enforcement agencies in Tallahassee include the Tallahassee Police Department, Leon County Sheriff's Office, Florida Department of Law Enforcement, Florida State Highway Patrol, Florida State University Police Department, FAMU Police Department, Florida's Fish & Wildlife Commission, Florida Division of Alcoholic Beverages and Tobacco, and the Capitol Police. There are also many offices for federal law enforcement agencies as well in Tallahassee -including the Marshall's Office, Environmental Protection Agency, Secret Service, etc.

There were 28 murders in 2020 in Leon County, up from 21 in 2019 following a national trend. Tallahassee Police Chief Revell says that 10 of those murders in 2020 involved Gadsden county residents. Check out this article in the local news: <https://www.tallahassee.com/story/news/local/2020/12/30/tallahassee-and-leon-county-saw-record-number-murders-2020/6493407002/>

Even though the pandemic brought higher murder rates, the rates and numbers of rapes and robberies have dropped in Tallahassee and nationwide by **double digits**. Tallahassee does have an online crime map. If you are considering a move in Tallahassee, check out your new address and the surrounding area here: <https://www.talgov.com/gis/tops/>

You can check whether any sex offenders have registered to live nearby here: <https://offender.fdle.state.fl.us/offender/sops/home.jsf>

There were 1,805 violent crimes reported on the Uniform Crime Report for Leon County. That gives a violent crime offense rate of 603 per 100,000. This is one of the higher rates in the state. The rate in Miami Dade is higher at 476, Hillsborough's (Tampa) rate is 290. Duval County's (Jacksonville) violent crime offense rate is higher at 678.

Florida City Information										
	Leon County Tallahassee	Jacksonville	Miami-Dade	Hillsborough County Tampa	Orlando	Pinellas County St Petersburg	Sarasota	Port St Lucie	Lee County Cape Coral	Ft Lauderdale
Total Population	288K	879K	2.72M	1.38M	276K	958K	56.1K	306K	179K	179K
Population density per square mile	432	1.18k	12.6K	1.35K	2.69K	3.5K	3.83K	534	1.69K	5.14K
Population change since 2010	+6.8%	+12.6%	+14.7%	+18.3%	+22.2%	+7%	+9.5%	+12.8%	+17%	+9%
Median household income	\$43,799	\$52,576	\$48,982	\$56,137	\$48,511	\$51,454	\$47,884	\$49,373	\$57,125	\$55,269
Income per capita	\$26,787	\$28,793	\$26,838	\$31,173	\$29,930	\$33,478	\$37,220	\$25,736	\$28,746	\$41,887
Unemployment rate	5.2%	4.7%	6.7%	4.7%	5.30%	4.2%	4.1%	5.3%	4.5%	5.5%
Median age	31	36	40	37	34	48	48	45	47	43
Travel to work (minutes)	19	25	29	25	26	24	21	27	28	26
Percent female	52.3%	51.5%	50.1%	51.0%	50.7%	51.9%	51.2%	51.2%	51.2%	47.7%
Percent married	31.2%	45.3%	38.0%	39.30%	38.3%	46.2%	40.6%	51.4%	53.0%	39.2%
Less than 9th grade education	1.9%	3.2%	9.2%	4.7%	3.8%	2.8%	4.3%	5.6%	2.5%	5.1%
Grad/Professional degrees	22.7%	9.0%	10.8%	14.9%	12.4%	10.8%	12.1%	7.1%	7.5%	14.1%
Percent who own home	40%	56%	30%	48%	35%	66%	57%	73%	72%	53%
Median estimated home value (city)	\$247K	\$259K	\$399K	\$314K	\$303K	-	\$380K	\$182K	\$332K	\$395K
Median home value (county)	\$247K	\$268K	\$383K	\$310K	\$323K	\$338K	\$369K	\$304K	\$323K	\$345K
Estimated home value 12 Mo Change	+9.9%	+17.7%	+13%	+17.5%	+16.1%	+18.2%	+27.6%	+175.6%	+29.6%	+11.4%
Voted Democrat Pres Election 2012	61.3%	47.8%	61.7%	52.8%	58.7%	52.5%	45.8%	53.5%	41.4%	67.2%

Tallahassee has Facebook, Reddit and NextDoor groups dedicated to Tallahassee, neighborhoods, homeowners' associations, and subdivisions. When considering a new neighborhood, reach out to these groups to ask for neighborhood reviews.

# WHO DO I NEED TO KNOW?

If I'm being honest, all you really need to do is to call me. I will always give you at least three options when it comes to someone else you need to bring onto the home buying team. Let's cover what you should expect from each member of your home buying team and questions to ask when interviewing team members.

## **Realtor**

Even if you are not buying in the Tallahassee area, have a Realtor help you. They can help you find the neighborhoods that are the best fit for your lifestyle and family needs. They also negotiate contracts daily, have experience to get you what you need, know who to call to solve issues, and what warning signs to watch for when touring homes and buying. Because it can be difficult to know who to trust, here are the questions you can use when interviewing agents.

**How long have you been an agent?** We cringe when sellers tell us they are going to list their house with a family member who just got their license. They say it takes at least a thousand hours of practice to become proficient in any activity. Do you want to be part of an agent's learning curve?

**How many homes do you sell each year?** This is a question to really get at that experience you want to represent you. Agents could have had their license for years and not actually sold any homes. The average agent sells approximately 12 homes a year. If the agent sells way more than this, they may not have the time to give you and your contract the attention it needs or, you may be handed off to someone you haven't even met. If they sell way less, they may not have the experience to stay current with contract changes and the market conditions.

**Do you work with both buyers and sellers?** Negotiations should not be a zero-sum game with a clear winner and clear loser. Negotiations should be about finding mutually satisfying terms and conditions. An agent who works with both will be able to help you ‘get into the head’ of the other side and offer perspective and have alternative approaches that have worked in the past.

**Are you a full-time or part-time agent?** Many part-time agents are great people and have wonderful hearts and intentions. However, it is frustrating as an agent to have to wait for part-timer to have a break at work so I can ask a question or present an offer. As frustrating as this is to a fellow agent, I imagine it is more nerve wracking and anxiety creating for customers. If being able to get in touch with your Realtors quickly is important to you, think about hiring a full-time agent.

**Do you have references I can call?** Beware hiring anyone that cannot offer references. I once interviewed for a job that required 25 references and at least two sets of references had to be five deep – meaning they know at least five of your other references and three people had to know me for at least half of my life. WOW! That was fun, and while you do not need or want to talk to that many references, beware the agent that does not have any to offer. Funny thing, we hire people for what they know and then want to fire them for who they are... pick someone you can trust and talk to and feel comfortable around.

**Will you be handing me off to a team member at any point?** Every agent needs a team they can rely on to help get customers to the closing table. I’ve worked for and with productive teams in Tallahassee, and from experience, I can say it gets confusing quickly trying to figure out who you need to ask what questions to and who gets what email. I find that confusing and would spare you that drama. There is a team at my back, but I will be your first and only go-to during the whole process and afterwards.

**How do you help buyers compete in this strong sellers’ market?** This comes from experience. There is no one single answer to this one. Each buyer

and family are unique, as is each house and seller. The things that work in one situation may hurt you in another. What you should look for is that your agent has an idea of what your strengths are and how to help address any issues that concern you.

**Do you work evenings or weekends?** There are agents that do not answer their phones outside of regular business hours. It seems to me that agents not working nights and weekends is the equivalent of tax accountants vacationing during the first two weeks of April. In this super competitive market, even waiting an hour can make a difference in whether you have a chance to see a house or lose it to another buyer.

**How do you get along with other agents? How many of your friends are also Realtors?** There was a Facebook post on a private real estate agent training page (with thousands of experienced agents across the country) asking whether the relationship between the listing agent and selling (buyer's) agent matters. Within a couple hours there were HUNDREDS of responses and every single one said that the relationship impacts the outcome. Tallahassee is a laid-back town, but even the locals have their limits. Those agents who approach negotiations as a winner take all game get punished in the long run. It may seem like a good idea to choose the young ambitious maverick Realtor, until you get beat out in the offer process three times in a row. You do not want to get hit in the crossfire between long running feuds. Pick an agent that gets along with most everyone and who serves their community.

### **Lender**

Not only do you need a good rate to save you money over the life of the loan, but you also need an experienced lender that can get you to the closing table. Please, if you take anything from this book, please hire an **EXPERIENCED local** lender. I like working with local lenders because they care more than the officers I have worked with at the national franchises. Local

lenders can almost always meet or beat any national chain AND they know the quirks of our sleepy town.

In my experience national chains are more likely to need an extension and more likely to miss something that causes the buyer money. There are a handful of locations in Tallahassee that are not eligible for federally back financing because of the homeowners association structure. One buyer a new agent worked with lost their \$2,500 deposit when they found out they could not finance their home AFTER the financing contingency had ended. Who you work with is a personal decision and Realtors should not push you to use 'their' lender. We do have recommendations, and we also recommend talking to at least two-three lenders. There are federal and bank rules when it comes to lending and those can mean that one lender will approve you when another could not.

When talking to lenders, here are some questions to ask:

1. Can you explain your fees and closing costs for me?
2. Are you going to hold this loan or sell it?
3. How long have you been working as a mortgage professional?
4. What kind of mortgage do you think is best for me?
5. Who can I call when I have questions? Do you have a team member as a gatekeeper?
6. How can you help me win multiple offer situations?

Question to ask about the loan:

1. What is the interest rate you are offering, and how much will I pay over the life of the loan?
2. If an adjustable-rate mortgage (ARM), what is the worst-case scenario I could face when the rate resets?
3. Are you locking in my rate? For how long? What does the lock cost me?

4. Could you estimate my monthly payment and closing costs for my loan?
5. What am I paying in points?

### **Insurance agent**

You will need to have insurance in place at the closing table. The choices behind hazard insurance can make your head hurt. Make a list of any possessions you may want to cover and decide what your monthly budget can manage. When they estimate your monthly mortgage payment, they will give you an idea of what they expect your insurance to cost. Insurance is all about risk. Not only do you decide what you want to cover, but also what you want protection from, and the more hazards, the more perils, the lower the deductible, the higher the cost of coverage.

My recommendation here is to speak to two to three agents and get a feel for how they guide you through the process of selecting insurance. Check reviews and see what current customers say about their claims handling.

Once you select your insurance, the company may send their own inspector out to the property to check for risks, hazards and perils. More than once, I have had buyers call me MONTHS after closing and say that their insurance is going up or being cancelled because of the inspector's report. This is a conversation to have with your agent before the closing table.

1. What possessions do you recommend I cover and from what perils?
2. How much of a deductible do you recommend I choose?
3. Does your quote cover the replacement cost of my home?
4. Will my family or the house require additional coverage?
5. Does your quote cover the replacement costs for the contents of my home?
6. How much personal liability coverage is included?
7. How can I lower this premium?

8. What discounts can you offer for characteristics that make my home less of an insurance risk?
9. Within a given policy, are there different deductibles for different types of claims?
10. What is not covered by this policy?

### **Title / closing agent**

Although you will not meet this agent until closing day, you choose who you are going to work with **before** you write your offer. This matters to you because the closing agent is responsible for making sure the ownership transfers successfully and everything gets paid according to the contract. They are a neutral third party and they will be the ones holding your earnest money deposit and executing the contract. Remember, the earnest money is deposited in the closing agent's escrow fund within three days of the last signature on the contract. The closing agent also binds the title insurance that the lender requires. This policy protects the lender from any missed claims that involve the house or real property. This policy will terminate when the loan is paid off unless you choose an owner's policy too. There are many excellent title/closing companies in Tallahassee and only one my broker has ever advised against using. Some of best service they can offer you is to explain what you are signing at the closing table.

Personal preference, I prefer closing with an attorney. They can help you figure out how to hold the deed, or structure a private mortgage, answer legal questions, etc. Please know that even though they are attorneys, they are a neutral third party. They will not represent you in court or give you legal advice regarding your offer.

### **Inspectors**

Once a contract is negotiated, the buyer has an inspection period to investigate the property and agree to its condition or negotiate repairs. This is called the contingency period or inspection period. During this time, the

property is marketed as active-contingent on the MLS and the internet. The seller can still receive requests for showings and other offers during this time. If the buyer finds the property unsatisfactory, FOR ANY REASON, the buyer can terminate the contract and receive their earnest money deposit back. A recent change to the Tallahassee Board of Realtor's contract requires that the buyer provide copies of any inspection report to the seller with the termination.

The lender will have an inspection of their own when they send the appraiser to evaluate the house. You are not required to have an inspection done, but I STRONGLY encourage it. Some inspectors have the bare minimum qualifications, and some inspectors have many credentials and initials behind their name. They charge accordingly. Remember that the inspection is a visual one. If there is a hidden wall (behind loads of boxes) something major may be missed. This also applies to some crawlspaces, attics, inside walls, under carpets, etc. Inspections are important enough to dedicate an entire chapter to them. Stay tuned for more.

### **Appraiser**

Unless you are paying cash for your home, the bank hires the appraiser and will send you a copy when the report is filed. The appraiser is looking for the fair market value of the home and most appraisers will use the Uniform Residential Appraisal Report from Fannie Mae. The report requires the appraiser to describe the interior and exterior of the property, the neighborhood, and nearby sales of similar homes. The appraiser then provides an analysis and conclusions about the property's value. The appraiser might ask for an additional professional inspection if they see something that concerns them or to verify conditions of the loan were met. Just a reminder that each loan has different conditions. The VA loans have more requirements than other homes, including the clear Wood Destroying Organism report, and the appraiser may ask for a copy of it or other documentation.

### **Surveyor**

A survey is required by the title agent for the lien search and the title insurance (which is required by the lender). There are several types of surveys, and usually you are only going to need a boundary survey. There is a fee paid to the surveyor and included in closing costs. Sometimes the closing agent will use an old survey of the sellers and save the buyer some closing costs. Most closing agents will require a new survey. The surveyor will verify the property lines and identify any encumbrances and provide boundaries for title lien searches. Boundary surveys cost around \$400 in Tallahassee and take about 2-3 weeks to complete. The surveyor will mark the property lines and bring the certified copies of the survey to the closing agent before the closing date. They will also provide the closing agent their invoice to be paid at closing. At the final walkthrough the buyer should find the pink flags marking the corners of the property.

Depending on the house and its location, you may need to order an elevation study. Unlike boundary surveys, the elevation certificate will be valid for the life of the home.

# WHAT DO I NEED TO KNOW TO NEGOTIATE SUCCESSFULLY?

**Y**ou found the house you think you want to buy – now what?  
**READ THE CONTRACT!!!!**

First step and rule number one. If I could require this, and make every buyer read the 6-9 pages in front of me, I would. You are making promises to perform to the seller when you sign your name to the offer contract. Please read this document before you ever make an offer. If you have a friend or family member that is an attorney, have them explain the terms to you so you are clear on what you are committing to when you sign.

In Tallahassee, we have two main contracts we see most often. One is the TBR Contract for Sale and Purchase. This was copyrighted and vetted by the Tallahassee's Board of Realtors and their attorneys. The other is the FAR-BAR 'as-is' contract copyrighted and vetted by the Florida Association of Realtors and the Florida Bar attorneys. Even with an as-is contract you can still ask for repairs – IF you find something unexpected or undisclosed during inspections. Do not sign the as-is contract expecting the seller to renegotiate repairs later. They will feel you have not acted in good faith and the sellers are not obligated to complete ANY repairs. Most attorneys that I have worked with as customers, prefer the FAR BAR contract; however, some Realtors in Tallahassee refuse to submit offers to sellers when presented on this contract. (Which is against the law, our ethics agreement, and is just plain stupid and they are one of the reasons I wrote this book.)

### **Make your offer through your agent.**

It can be tempting to use the listing agent. There are rumors that they can make sure you beat any other offers that are presented – especially if they have a reduced commission for bringing the buyer to the seller. Consider the interplay of loyalty and emotions before you go this route. The listing agent knew the seller before you ever called to make that offer. When things get tense (and they often do - especially if there are repair negotiations to be done) who is the agent going to be working harder for – you or the seller? Also, your agent can advocate for your offer. Before I write up an offer, I call the listing agent to find out what the seller is looking for in an offer and what it would take to win the bids. When there is a question of whether a buyer's offer will be accepted, I will often write the listing agent a letter telling them (and the seller's) what awesome people the buyers are and how perfect the house looked, etc. Whatever I can do to tug at heart strings and win the offer.

### **Be careful what is said inside and near the house.**

While it is not legal to record someone without their knowledge in the state of Florida, it happens. All. The. Time. Once in a highly sought-after neighborhood, in a gorgeous house, the buyers and I stepped outside to have a conversation about what to offer. The house was selectively updated and tastefully staged, and we could tell the house would not be on the market long. While standing behind the pool, we discussed the wood rot, the torn screens, missing carpet on the stairs, etc. and how those things would impact what they are willing to offer. A few minutes later as we were leaving, the listing agent calls to tell me that the sellers would be willing to address the wood rot, and torn screens, and remove the carpet if that would make a difference to the buyers. It was then that we walked around the house and noticed the camera hidden near the pool (they were all around the house too – which is why we had gone outside). The buyers decided against making an offer on that house.

### **Include a lender letter with your offer.**

Anything from your lender that indicates your financial strength will appeal to the seller. Some lenders offer seller guarantees for qualified buyers or will offer to write a personal letter on behalf of the buyer. Check with your lender to see what they can offer to help you in a multiple offer situation. If you have done your financing homework, you will know your numbers and know what the mortgage, down payment and closing costs will look like before you ever make an offer.

**Look at the comparable sales and do not low-ball.**

Usually, buyers know the market better than sellers. It is buyers that set the market after all, not sellers. Before making the offer, look at all the active and sold homes that are comparable to the one you are considering. Anything in the same subdivision within the last six months is going to be the best bet for finding a comparable property. Price per square foot is not always a good tool for deciding what to offer. Large homes will have a much lower price per square foot and small homes will have a higher one. Look at the houses that sold closely. Do they match in size, number of bedrooms and bathrooms, garages, fireplaces, pools, age of roof and HVAC, etc.? The more similar the more they can be relied on as indicating the value of the house you are interested in making an offer on. The caution against low-balling here comes from experience. Sellers may be angry and not come down as far for someone that low balls their first offer. If you are having trouble finding similar properties, have your agent look at any expired or withdrawn listings in the neighborhood. What did not sell also tells a story and gives you more information on what the market has rejected.

**Consider the contingencies in the offer contract.**

Some buyers remove financing or inspection contingencies from the contract to entice the seller to choose their offer. I do not recommend that. Contingencies are there to protect the buyer in most circumstances. Waiving those contingencies should be carefully considered before being put in writing.

You can also ask your lender to shorten the amount of time they need to close on a home loan. Most mortgages can close in 30 days in Tallahassee.

**Do not squabble with the seller before you are under contract.**

It is not uncommon in this crazy seller's market to find sellers have priced too high considering the condition of their property. If there are small questions hanging over the home you have chosen, now is not the time to complain to the seller about the dirty stove. If there are big things to be done and signs of neglected maintenance, and the seller has refused to address them or price the home with the repair in mind, carefully consider making that offer. No matter what the issues (or nonappearance of issues) once you are under contract (and not before) get an inspection and then decide if whatever is found is a deal breaker. In this seller's market, if you want the house, put it under contract quickly.

**If at first you do not succeed, try, try again.**

Try not to be too disappointed if you lose the bidding on the first couple homes you make an offer on. Talk to your agent about what you can do to entice the sellers to accept your offer. If there are any terms or conditions in the contract that you feel tempted to waive, please contact an attorney. If you do not understand any of the promises you are making to the seller in that contract, please contact an attorney. Your real estate agent is not allowed to interpret contract clauses for you. While licensed real estate agents have been trained in the real estate related statutes and legal cases, most Realtors are NOT attorneys and they cannot advise you on contractual terms. Often there is an attorney available in the title agent's office that will be able to answer your real estate questions.

**Inspections can change everything.**

Repairs can be negotiated even with AS-IS contracts. If you have an inspection and it reveals previously undisclosed damage or deferred maintenance that will require a significant amount to correct, then buyers can

and should share this information with the seller. While the seller is rarely required to perform any maintenance or repairs, if they were unaware of the problem, they will likely want to negotiate it. Even if the seller refuses to complete any repairs, they may be willing to provide a concession to cover the cost of the repairs. Some repairs may be required for homeowner's insurance and therefore required by the lender before closing. Even if required by the lender and the seller will not complete the repair, some lenders will allow a repair holdback at closing. This is especially common with roofs in Tallahassee. Some homeowners' insurance companies want at least 7 years left on a roof. They will send their own inspectors to check. In the case of a repair holdback, the title agent will hold the money for the roof from the seller's proceeds. Once the permit is closed and the buyer is satisfied, the contractor is paid by the title agent.

### **Get all agreements in writing.**

I once had a buyer I was working with make an offer on a home in the northeast side of Tallahassee. In the sellers' disclosures, seller had written that she was replacing the windows in the living room. The house sat on the market for a while, and the seller changed her mind about the windows and instead opted to remove the shag green plush carpeting for about the same price as the new windows. When the buyer made an offer, she had sent the signed the sellers' disclosures that stated the seller would replace the windows. The seller had forgotten about the window replacement she put on the disclosures and was blindsided by the invoice the buyer sent for her for the new windows they picked out. If your offer is contingent on the sellers making the repair or update, put it in the offer and make it obvious. Receipts for repairs are shared with you the buyer and must be performed by appropriately licensed contractors. We often recommend taking the concession from the seller and hiring your own

contractor after closing if possible. That makes the contractor responsible to you for making the repair correctly.

**Find out why the seller is selling.**

If the seller is downsizing but staying local, giving them more time to move might help win you the contract. If sellers do not have a place to land next, offering a lease-back can sweeten the offer, or an extended closing date. Sometimes savvy listing agents will not provide this information when requested. Most listing agents though are looking for a win-win and will give clues on what the seller wants to see.

**The answer is always no if you do not ask.**

Keeping in mind the caution not to low-ball and make the sellers mad, sometimes sellers are just testing the market and will consider a crazy offer. In the end, when working with me, I do what you ask me to do. I offer advice and suggestions, but this will be your home and I will ask for whatever will make your heart happy. I have done this long enough to know you cannot predict people's actions, so it is better to ask and be told no than to wonder if you could have gotten that deal you wanted.

**Do not be afraid to walk away.**

Sometimes sellers are unreasonable, and you just have to walk away. Some folks must learn things the hard way. I trust you have already discussed the deal breakers before you have even started viewing homes. If you feel the seller is not being reasonable, or the price is not worth the value, walk away. There will be other homes come to the market. I have also had sellers change their minds after a cooling off period and call the buyers back to the negotiations table ready to make concessions.



# WHAT INSPECTIONS DO I NEED TO ORDER?

**M**ost contracts used in Tallahassee allow the buyer 15 days to inspect the property and agree to its condition or negotiate repairs. If the buyer finds the property unsatisfactory, FOR ANY REASON, the buyer can terminate the contract and receive their earnest money deposit back (usually within 24 hours). The buyer agrees to share the inspections report with the seller on the purchase contract. The buyer is not required to have an inspection, nor is inspection report required to be shared with anyone other than the seller (and involved Realtors).

## **After Making an Offer**

Inspections is just one of the things that happens right after the contract offer is signed by both sides. This is an exciting time, and the buyer has 15 days to determine if this house is THE ONE.

## **Research the area.**

Often buyers will see a home for 15 minutes or half an hour during a tour with several other homes. They may not remember every detail of the house or the neighborhood clearly. We recommend you drive the route from the house to your office at your regular commuting time to check out what traffic will look like to you on a regular basis. There is nothing quite like a Tallahassee afternoon rain shower, when about 3pm the Gulf of Mexico in the form of dark clouds dumps its contents on your roof. If you are not prepared, it can sound like your roof is coming down. Worry not. This too will pass in about 20 minutes. It will be a sauna until the sun goes down and this weather can be hard on a house. Check for water retention and soggy ground areas. Check for local retention

ponds and whether they are a mosquito breeding pool. Check out the local schools, the proximity to your favorite weekend activities, and place of worship. Talk to the neighbors what they love about the neighborhood. There are many social groups set up around neighborhoods, homeowners associations, and subdivisions. The Tallahassee Police Department keeps a historical record of calls made to a neighborhood publicly available through the city's website.

### **Research the house.**

There are a lot of public records available through the Leon county property appraiser's website. Including the permits that have been applied for (or not) and whether they had their final city inspection (or not). Some buyers want to know whether a murder has taken place at the house. This is not a required disclosure. The seller may not even know if it happened before they owned it. If this is important to you, Florida has a very liberal open records policy. You can go to the Tallahassee Police Department on Seventh Street or the Leon County Sherriff's office off Appleyard Road and submit a request for any police reports filed at the address. When buying our first home in Tallahassee, the neighbor let every potential buyer know that the house had been the scene of a murder suicide. We obtained the police reports and purchased the home anyway. We did have our spiritual leader bless the house before we moved in though. Many buyers want to know how much the seller paid for the house (it is public record usually). To be honest, this does not matter as much as what the house down street sold for last month. If you cannot find the house in the public records, the house may be owned by someone in law enforcement. Those records are excluded from the open record law of Florida for the officer's safety. If it has not been asked before you wrote the offer, have your agent ask whether the seller has accepted any other offers before yours and what happened to make the offer fall through.

### **Check the cost of homeowners insurance.**

The bank has likely already given you an estimate of your monthly payment and closing costs, that include an insurance estimate. The estimates are usually close, but this is one of the items that can vary greatly from actual costs. Check your options carefully and make sure you are fully covered and understand what is covered (or not). If the home has outbuildings (like a barn), you may want to add an additional rider to your policy to cover the building or its contents (like boats or bikes).

### **Finish your financing.**

If you have not done so before now, finish picking a lender and getting them EVERY document they ask for, whether you feel like they should need it or not. It may feel like they ask for the same documents again and again. If this is the case, call them and ask questions about what they really need. Important note here – DO NOT PICK A FIGHT WITH THE UNDERWRITER. You may win the fight and lose the financing. It is not worth it. Be Thumper from Bambi, “If you can’t say something nice, don’t say nuttin’ at all.” This is probably the primary complaint I hear from buyers, having to submit so much paperwork and sometimes multiple times. I’m going to repeat myself. Choose a local lender. It really does make a difference.

### **Get all major systems inspected.**

We think inspections are a really good idea. In fact, if you choose not to have an inspection we will ask you to sign a waiver that says we get to tell you ‘I told you so’ later. It does not really say that, but we do ask you to sign a waiver holding us harmless for not having a professional inspection. If you are buying a home with a septic system or a well, be prepared to spend a little more to get those systems checked as well.

A general home inspection will cover every major system and area in a house (plumbing, electrical, heating, roof, foundation, crawlspace, attic, etc.). The inspection company may ask you what inspections you would like to order. This is a quick review of the most common inspections and costs. If

the inspector finds something that concerns him/her they may suggest you hire another specialist for a more in-depth look. Usually, the specialists are not as expensive as the whole house inspector. Home inspectors do not perform termite inspections but will know when there is damage from insects. When you call for a quote, besides asking what inspections you want, the inspector will also need to know if there is a crawlspace, the size and age of the house, and whether there is a seller's disclosure that you can share. Home inspectors are licensed through the Florida Department of Business and Professional Regulation. Pest and termite inspectors are licensed through the Florida Department of Agriculture. The well and septic inspectors are regulated through the Florida Department of Health.

### **General Home Inspection**

A general home inspection, by a professional (licensed) inspector has standards set by the American Society of Home Inspectors. In Tallahassee these inspections cost about \$400 and takes 2 to 3 hours, depending on the size and age of the house. Sometimes inspectors will charge extra to crawl under the house, especially the big guy inspectors. (The extra expense is worth it to have eyeballs on the space down there – and the entertainment factor of watching the inspector squeeze through the scuttle hole is bonus.) Even if the house is new, considering having your inspector look at the systems before the drywall is put up. Just because something is newly built does not mean it is flawless or code compliant. In fact, the plumbing system may not even have water in it yet. We've gotten many calls from new homeowners wondering where the water on the kitchen floor came from (probably the dishwasher – it's easy to miss the plug). Even the best builder can miss something! Do not let it be on your home!

### **Wind Mitigation and/or 4-Point Inspection**

We often refer to these as the insurance reports. These are the reports your insurance agent is most likely to ask for when you call for a quote. Independently, they cost somewhere between \$100 to \$250 each. Bundled with

a home inspection, they run between \$75 – \$100 each. They are looking for things in the construction that lower their risk of having to pay an insurance claim. Most common in Tallahassee is the hurricane clips on the roof trusses. These reports can be provided by the general home inspector, and he will likely ask you if you want them when you call for a quote. If the pictures include modern construction techniques desired by the insurance providers, you will receive a discount on your insurance premium! The single year discount is usually more than the costs of the inspections. Most inspectors will take the pictures required for the report and allow you to order it later if you find out you need it.

### **Termite Inspections**

In Tallahassee, we call them WDO reports. That stands for Wood Destroying Organism and includes more than just the termites. We most commonly see termites, dry rot, and wood post beetles in our area. The costs run around \$200 for the inspection and report. Some lenders do require a 'clear' WDO report to close. That means if the inspector finds wood damage during his inspection, the seller will be required to repair that damage. After the seller replaces the wood, the termite inspector will be required to return to verify that all damaged wood has been removed. The second report that shows no damaged wood is the one the lender will want. These reports can be done by most pest control companies, and they may charge for each trip to the home if there are multiple inspections.

### **Radon**

Radon is a common and dangerous gas that is formed by the natural radioactive decay of uranium in the soil, rock, and water. High levels of radon can be found in all 50 states, and it is highly carcinogenic. This gas is colorless, odorless, and tasteless and unless you test for it you will not even know if you are being exposed to it. In Florida, 1 in 5 homes has elevated levels of radon and it is responsible for 21,000 lung cancer deaths every year in the US. The test

costs about \$150 for the entire home and takes several days to complete. While the test is going on, the seller must continue to live normally except for leaving doors or windows open. Many inspectors are also licensed to complete radon measurements. The EPA recommends addressing any measurement higher than 4 pCi/L (picocuries per liter) and consider addressing anything above 2 pCi/L.

### **Septic Inspection**

If you are considering purchasing a home with a septic system, you should have it emptied and inspected by a licensed septic inspector. They can also inspect the drain field and let you know about how much life you have left in the system. It costs about \$150 for the pump out and inspections (has to be emptied in order to be inspected) and approximately the same amount to inspect the drain field. Because of the size and weight of the trucks, and the cost of gasoline, many septic companies have you pay in advance. The size and weight of the trucks can damage the lawn especially when soggy.

### **Well Inspection**

If the house is on well water, at the very least, collect a sample of the water and make sure it is bacteria free. If you have a VA loan, the water testing company must go to the house and collect the water themselves. Most of the time, whoever is testing your water will want you to pick up their collection kit. There are a couple private companies in Tallahassee, or you can have the Department of Health test it for a smaller fee. Once you have collected the water you have to return to the testing place and pay approximately \$30-50.

### **Go to the Inspection**

We do not recommend shadowing the inspector around the house and peppering him with questions. That distraction may cause the inspector to miss something important. We do suggest that you come for the inspection and hang out in the house. This will likely be the longest time you will get to be in the house until you are sleeping in it. At the end of his inspection, ask the inspector to walk you through the house and what he found. What does the insulation

look like from a professional's point of view? How should the systems in the house be maintained for the longest life expectancy? Have the inspector show you where the water shut off value is or any filters that need regularly cleaned or replaced. He will also be able to point out areas of concern in the future. That fruit tree next to the house may be small now, but may grow large enough to deposit rotting fruit on your roof. Ask questions - lots of them.

### **Buying a Vacant Property?**

Vacant properties in Florida often suffer from neglect and humidity. Shutting the power off in our climate can be devastating to the conditions of a home. The humidity alone can create conditions where the drywall will fall off the wall, or – worse, allow mold to flourish throughout the house. In addition to the conditions, abandoned properties often will NOT have sellers' disclosures.

If the utilities are not on when you see the house, most Tallahassee contracts require the seller to provide utilities for the inspection period. There are few exceptions.

### **What Inspectors Look For:**

The inspector will provide a visual inspection of the major systems of the house. These are the major things that home inspectors look for:

- Water Damage
- Structural Issues – Crooked lines
- Old/Damaged Roof
- Damaged or Outdated Electrical System
- Plumbing Problems
- Insect and Pest Infestation
- Issues with the HVAC System

### **What Home Inspectors Do Not Look For:**

Home inspectors are mostly concerned with safety issues and may not report the following:

- Cosmetic issues. For example: peeling wallpaper, scratched floors.
- Unlicensed activity
- Damage under the carpet or behind boxes

### **Notes About Inspections**

You are not a requirement to attend the inspection. Sometimes the seller stays for the inspection too. It's cool. It is still their house.

Remember, you are not being a pest by asking so many questions! You are doing the best thing you can for your investment. In addition to identifying any potential problems, inspectors will help you understand your home's systems and give you maintenance tips.

We have read reviews on the internet that tell buyers to not accept referrals from their real estate agent. The accusation is that the inspector actually works for the agent and not the home buyer. This is a legitimate concern. There are agents out there that do not have buyers interests at the center of their business. This is an unfortunate truth in many areas of customer service. The inspectors we recommend work for you and will tell YOU the truth. At the end of the day, we are not going to be sleeping in that house. It is in your best interest to have all the knowledge you need to feel comfortable before you make that house your own. As for us, we want to earn your business for life. While this one commission will help us pay some bills, it is not enough for us to risk your future business and the business of your friends, family and colleagues that you will send our way as referrals for trusting us to take care of them. The inspectors we recommend change as their circumstances, training, and experiences change. We cannot guarantee they will catch everything, but we can guarantee that if you are dissatisfied with the inspection work, we will advocate on your behalf.

Generally, reports take 24-48 (business) hours to compile and will include narratives and photographs to document conditions and issues found during the inspection. Reports should not be written during the inspection process and

provided while you are still on-site. They should be more detailed than that. Inspectors will make themselves available for follow-up questions and concerns.

# WHERE DOES CLOSING HAPPEN?

**T**he closing happens at the title agent's office. Earlier in this book, I mentioned that the title agent or closing agent plays a big role, but you will not see her until the last day. The closing agent's information is on the first page of the contract. That address is where you will meet on closing day to complete the transfer of ownership from the seller to you.

## **What to Do Before Closing Day.**

The time between inspections and closing is quiet without a lot to do on your part. The lender is doing their thing and if there are repairs, they are getting done. Here's a few things to check on before closing day:

1. Set up utilities. The seller will turn them off on closing day. Call the utility company the week before and get your account set up and the transfer scheduled. You can always cancel should you not close on the house.
2. Check the closing documents carefully. They usually arrive around three days before the closing. Make sure everything is spelled correctly and recorded appropriately on the disclosure. Changing anything on the day of closing is a headache.
3. Schedule the final walkthrough. This is usually scheduled the day of or the day before closing. The house should be vacated and clean. If not, there may be a last-minute negotiation.
4. Garbage pickup service. Set this up before the big day, you will likely need them to take the emptied boxes away.

## **What to Know About Closing Day.**

The day you have been waiting for finally arrives!! Here are what you need to know:

You must bring photo identification for the closing agent. You will need to have your signature notarized and unless you know the closing agent, they will need your photo identification. Usually, only one form of photo identification is required, but sometimes they ask for two.

They will need a certified or cashier's check in the correct amount. They will not accept a personal check for closing.

Closing generally takes about half an hour to 45 minutes. There are a lot of documents for you to sign if you have a mortgage and a loan.

## DO I NEED A REALTOR?

**I**t is not required to have a Realtor working on your behalf, but it does make sense for you to have your own representative when the seller has theirs. Most buyers, even experienced buyers, will hire a broker they trust to guide them through the process. When professors have studied the impact a professional sales agent has on the outcome of home sales, they have found that experience matters. Agents with at least 5 years of experience negotiating contract have happier customers, and better perceived outcomes. Not all agents are equal, and a bad agent can cost you time, money, or both. That is why our profession is so highly regulated, as it should be.

Most of the time in Tallahassee, the buyer's agent commission is paid by the listing agent's broker based on the listing contract negotiated with the seller. Essentially, the seller is paying your agent to help guide you through this process and get to the closing table. When professionals are involved, the chances of getting to the closing table are much higher. In some areas, buyers are expected to compensate their own agent. That percentage can be negotiated. When in this situation, our broker recommends setting the commission at 3% of the purchase price.

If you do represent yourself, it may be difficult to find ways to access the information you need to make informed decisions. By design, some information is proprietary, like selling concessions, and is privy only to those who are members of the Realtor trade association. That information can impact your bottom line. For example, there are locations in Tallahassee where it is standard practice for the seller to provide a significant remodeling concession. This is not

information that a typical buyer would have access to, it is not information the seller's agent is required to provide, and the lack of this knowledge may lead the buyer to leaving tens of thousands of dollars on the negotiating table. Also, seasoned Realtors have more experience to offer alternatives during negotiations that new agents may not know about or consider. They also have the experience to keep emotions in check when things get tense. If you hire a qualified Realtor, they will demonstrate their value.

### **Do I have to sign anything to work with a Realtor?**

You should. Most buyers' agents in Tallahassee do not have you sign anything for them to work for you. I do not recommend that. This is the largest (or one of) investments in your life, it makes sense to have that relationship in writing. Is the agent a transaction broker or your fiduciary agent? Can they sign a contract for you in a pinch? What will they share with the other side about you and your offer? If you sign an agreement to work with an agent to buy a home, you can still fire them at will. Whether they will still be paid will be determined by what agreement you signed with them, when in the process, and how you fire them.

Professional real estate agents are more than just a door opener. They are superior negotiators and have maintained positive relationships with other Realtors and related professionals that are needed to get you to the closing table. They can get you there with the least amount of stress and anxiety. Contact me if you would like a copy of the buyer's representation agreement I use.

# NOW WHAT?

## THE NEXT STEPS...

**C**ongratulations! You are one step closer to owning your new home in Tallahassee! I hope I have taken some of the mystery out of the process of buying a house and given you some information you have found useful. If you have made it this far, you have a pretty good idea of who I am and how I can help you get the house you want in Tallahassee.

Imagine how it will feel to open the door of your very own house knowing that the equity is growing for you and not a landlord. That money you pay every month towards housing will be benefiting you and someday, that housing payment will end. Trust me, it feels great!

At this point, you are probably thinking one of three things:

1. You are not ready to buy a home yet, but you want to stay in touch because you now know what you need to do.
2. You are not going to buy, or you do not plan to buy in Tallahassee.
3. You are ready to buy and start looking for a new home.

If you are not ready yet, I invite you to check out my webpage [LivingInTallahassee.com](http://LivingInTallahassee.com) where you will find many free downloads and neighborhood guides to check out. Sign up for our emails and blog notices. Also check out our YouTube page and hit that subscribe button so you will see the new content when it is posted.

If you do not plan to buy in the Tallahassee area, I can help you find an honest Realtor wherever you are going. I have met agents from across the world and can find one that works for you based on what you tell me is most important to you.

If you are ready to buy, contact me. I am looking forward to hearing from you! The best way is probably text at 850-203-0209. I also answer phone calls, emails (abbe@LivingInTallahassee.com), instant messages, social media posts, etc.

When you reach out, I am going to want to schedule a face-to-face meeting. My office is in Midtown and has comfortable meeting space. It is a short walk to local coffee shop if that is more comfortable for you. We can also meet at a house you are interested in, but I do not recommend that since homes can be wired for eaves dropping.

This will NOT a sales meeting. It is going to be a meeting all about you, your wants, your needs, your questions, and your priorities. I am not going to ask you sign anything until you are ready. I will ask you questions, probably lots of them. You will probably have questions for me as well. Typically, this takes 20-30 minutes. By the end of that meeting you will know whether you are ready to work with me or want to move on. No pressure. I promise.

Today is the day. Call me! This will be fun!

## AUTHOR BIO

I have negotiated residential Real Estate in Tallahassee since 2013. Prior to that I worked for the Florida Department of Law Enforcement, the Florida Department of Corrections and the Department of Management Services negotiating contracts on Florida's behalf – including complicated multimillion-dollar design/build of prisons. (Just for the record, I think there are some things we should not profit off as a society and inmates would be on my list. However, it was a fascinating job that taught me a ton!) I grew up the youngest of five on a farm in Ohio and negotiating was a survival skill I learned early.

My undergraduate degrees are from Kent State University in Ohio. I focused on criminal justice and communications (creative writing). After college, I came to the south for graduate school to study and teach Criminology at FSU. I got on a plane in Cleveland on a wintery February day and when I got off in Tallahassee it was 73 degrees with blue skies. I worked on my Ph.D. and love (and miss) the research and teaching aspects of university life.

After graduate school, I worked for the Department of Corrections in their statistics office, grant writing office, and re-entry office. From there I went to the Department of Management Services where I worked both in the Private Prison Bureau and in State Purchasing as a public buyer.

In 2013, I finally took the leap my husband kept encouraging me to take and got my Real Estate license. As such an introvert, I could not imagine a life in sales. Like most things, I read everything I could about sales while diving in headfirst. I am glad I did. Owning my own business and working for myself has

been life changing and the most rewarding career I could have imagined. I seriously have the best job ever.

# ABOUT KETCHAM REALTY GROUP

Clay Ketcham entered the Real Estate profession as an appraiser in 1974. He founded Ketcham Appraisal Group, Inc. in 1984 and provides Real Estate appraisal services for many governmental agencies and commercial Real Estate transactions. Clay also provides expert witness and appraisal services for eminent domain and litigation procedures.

Patti Ketcham earned her Real Estate license in 1979. She had a 15-year career in mortgage banking and served as the first female President of the Mortgage Bankers Association. After raising their three children she returned to Real Estate. Patti knew she did not want to be part of a franchise, having been an agent in a franchise for several years, she clearly knew that was not for her. She also knew she would rather have a few great people to work with rather than a crowd of strangers. So, she created Ketcham Realty Group, Inc. in 1999.

Patti loves our firm and works hard to create a great place to work where everyone lives (and runs their businesses) by the Golden Rule. She is very involved in Real Estate education and serves on the Florida Real Estate Commission. Patti and Ketcham Realty Group has been proudly serving the Tallahassee area for over 35 years. She is our fearless leader, our broker of record, an amazing teacher, friend, and mentor. If you would like to get in touch with her to make sure she knows what her agents are up to, you can email her

at: [pketcham@ketchamgroup.com](mailto:pketcham@ketchamgroup.com) or call her at the office: 850-681-0600. Check out her webpage: [ketchamrealty.com](http://ketchamrealty.com)

# FREQUENTLY ASKED QUESTIONS

## **How is buying a home better than renting?**

Think about how much rent you are paying right now. In Tallahassee, there are few one bedroom one bath apartments that rent for less than \$650 a month. Many of the nicest two apartments are close to \$1,000 a month. If you are renting a home, you are probably going to be paying at least \$1,500 a month and still paying utilities and mowing the grass. Think about how much money you are putting in your landlord's hand every year. Somewhere between \$8,000 and \$18,000 a year most likely. How many years have you been renting? Let's say you came to Tallahassee for school or work (like so many of us who end up here). In three years, you have given your landlord between \$24,000 and \$54,000 in rent payments. Ouch! I don't know about you, but I cringed when I saw that amount.

If you owned the roof over your head, you would be building equity in your home. Equity is the difference between what you owe and what the house is worth. Historical, real estate (land and improvements) increase in value 3% year over year. In the past several years, Tallahassee is increasing in the double digits year over year.

There is also the peace of mind knowing that your monthly payment is never going to increase. There is freedom in knowing you can paint the walls whatever color you want or put in a patio in the backyard. There is also pride in owning the place where you rest your head. Not to mention, you can have more than one fur-baby if you want and have constitutionally protected privacy. Most mortgage payments are less than rentals right now too with the historically low

interest rates. Owning your home also lowers your chances of being a victim and increases school grades and chances of graduation. Owning a home also positively impacts a family's health.

There are downsides to owning – maintenance and taxes, probably the biggest headaches. Equity takes time to build. However, there are so many positive outcomes, that we believe the benefits outweigh the costs and that is why we love our jobs.

### **How do student loans affect buying a home?**

In three main ways:

1. Saving takes longer. The student loan monthly payments may mean it takes longer to save for a down payment for a mortgage.
2. Credit Score. Many things impact your credit score, including student loans, and late or missed payments will lower a credit score.
3. Increases DTI. Your debt-to-income (DTI) ratio (or percentage) is calculated by adding up all the debt payments you must make in a month divided by your gross income (before taxes). Most lenders want to see you dedicating no more than 41% of your monthly income on debt service. Even if your loans are in deferment or forbearance, depending on the type of loan you are attempting to qualify for, the balance of debt may be calculated in that DTI ratio.

There are federal rules for lending that bankers must follow. In addition to those, individual banks will have additional rules, called overlays. Before you give up, talk to an experienced lender and have them guide you on which debt would have the best impact on your ability to qualify for a mortgage.

### **Can an eviction on my record affect buying a home?**

Yes. The impact it has will depend on how your landlord handles the debt. An eviction can show up on your credit score as a charge off and impact your score between 80 and 150 points. If rent payments are reported as past due, that will show up in your payment history. Your payments history is approximately

35% of your credit score. If the landlord goes to court to force you to pay your past due rent, you may also end up with a judgement against you. This will show up in background checks and is public record. HOWEVER, not all landlords know how to sell your debt or file court documents against you or they may not find the time and expense is worth the hassle to them. Best thing to do is to check your credit report regularly and contest any information that you find is not accurate.

### **Who pays for the appraisal?**

The buyer pays for the appraisal on behalf of the bank. The buyer is the only one that will receive a copy of the appraisal. The seller often does not even hear how much the home appraised for on the appraiser's report unless the house does not appraise. If the amount of the appraisal is lower than the negotiated sales price, the seller will receive a copy of the report (through their Realtor if they have one) prior to it being finalized. The seller is usually given a chance to respond to the value and/or provide other comparable properties for consideration if they feel the value is too low.

### **How much should you pay your buyer's agent?**

Under Florida law, an agent can only be compensated by their broker of record. This means that the commission is paid at closing to the broker of record for the agent whose license is recorded on the contract. While I am also a licensed broker, my broker of record is Patti Ketcham, and I am a broker associate at Ketcham Realty Group.

In most of the homes I have gotten to the closing table, the seller has paid my broker of record (Patty Ketcham) between 2.5-3% of the home's sales price. The listing agreement is between the seller and the listing agent's broker of record, and this is where the buyer's agent commission is agreed upon in most transactions. There have been times when the buyer has agreed to compensate me (through my broker).

### **When buying a home what stays?**

Anything that is attached to the house, stays with the house. Most Tallahassee sales include the appliances: stoves/ovens, dishwashers, microwaves (if built into cabinets), and refrigerators. Sometimes sellers will exclude the refrigerator from the sale. There is a handful of builders in the area that do not provide a refrigerator with their new homes. Refrigerators are the one appliance that can be excluded and still meet most lending requirements. Washer and dryers are often excluded from sale and are less likely to be requested by buyers. Technically, trees and vegetation are considered personal property and can be excluded from the sale. In the area, sellers have excluded sabal palms, macramé puka shell chandeliers, generators, and fruit trees from the sale of their homes.

### **What is the difference between a real estate agent and a Realtor?**

All Realtors are real estate agents, but not all agents are Realtors. Agents are licensed by the state of Florida and have met all the official requirements established by the state. Realtors have joined a trade organization and agreed to be governed by their rules of conduct – including professional and business standards. It is the Realtor trade organization that created the Multiple Listing Service (MLS) that helps agents sell homes.

In Florida, real estate agents can only be paid by their broker of record and are prohibited from accepting gifts or payments from anyone other than the broker. Florida agents are considered transaction brokers under state law. This means that they can represent both the buyer and the seller in the transaction at the same time. Even as a transaction brokers, they are still required to provide limited confidentiality, deal honestly and fairly, account for all money, and use care, skill, and diligence during the real estate process.

### **What is the Realtors code of ethics?**

The National Association of Realtors maintains the code of ethics for members. The code can be found here: <https://www.nar.realtor/about-nar/governing-documents/code-of-ethics/2021-code-of-ethics-standards-of-practice>



# GLOSSARY

Here are some of the most common terms (and their definitions) you will likely hear during the home selling process.

**203(k) Loan** – A specific loan product backed by FHA that enables home buyers to finance repairs or renovations.

**AMC (Appraisal Management Company)** - A company separate from the lender that is responsible for ordering and handling the appraiser and the appraisal report.

**Amortization** - Amortization is how loans and their payments are calculated to ensure payoff by the end of the period (15 or 30 years most typical) and the same payment through the life of the loan. This is not the entire mortgage payment (see PITI). This part of the monthly payment is only the interest, which is what the bank charges to borrow their money, and principal, which is the amount of money borrowed. Full disclosure, your monthly payment may increase due to taxes or insurance but will never increase because of the principle and interest owed on the loan.

**Appraisal report** - Ordered by the bank and paid for by the buyer. Report is not given to anyone except the buyer.

**APR (Annual Percentage Rate)** - The APR is a standardized way of showing the total cost of borrowing money. The APR is expressed as a yearly interest rate and includes a combination of the interest charged by the creditor, points, mortgage insurance, and other fees associated with the loan.

**ARM (Adjustable Rate Mortgage)** - The interest rates of an ARM will change from time-to-time over the life of the loan. Most agreements have

language where the interest rate increases gradually every few years until it reaches a preset limit. At closing, buyer will sign disclosures regarding how, when, and why the rates may change.

**Back-end ratio** - One version of DTI (debt-to-income), computed by dividing monthly minimum debt payments (not including rent or mortgage) by monthly take-home pay.

**Balloon payment/mortgage** - One way that lending a mortgage is made affordable is to create one larger payment due at the end of the loan. These are often used by investors who know they will be selling the house before that payment is due.

**Binder** - This is the amount the buyer offers to the closing agent to hold while the contract is contingent or pending. This amount varies significantly in Tallahassee from \$500 to thousands depending on the price of the home. Good rule is offering 1% at least, the more the better in competitive situations. This can be a personal check; it is cashed immediately by the title agent. This is the buyer's money unless the buyer defaults on the contract.

**Bridal registry** - One of the only ways a couple can receive gifts of cash to help them purchase a home. FHA that allows couples to open a bridal registry account into which family and friends can deposit cash gifts.

**Buyer's market** - When there is more than six months' worth of inventory on the market, we consider it a buyer's market. These are the market conditions that exist when there are more homes for sale than buyers. Homes sit on the market longer, and prices drop. Not seen here since 2012.

**CD (Closing Disclosures)** - A five-page document sent to the buyer at least three days before closing. This document spells out all the terms of the loan: the amount of the principle and monthly payment, the interest rate, mortgage insurance, the estimated escrow amount and closing costs. Seller side also receives final closing disclosures at the same time which will provide accurate

seller's proceeds that will be paid at the closing table or after the loan funds (whichever is later).

**CDD (Community Development District)** - This is separate from the fees from the homeowner's association. A community development district shifts the burden of maintaining roads and landscaping, the clubhouses, and other amenities (pool, golf course) from the developer to the homeowners under the CDD. The CDD is run by a board chosen by the developer. It issues bonds to pay for the infrastructure and other community improvements before and during construction. The homeowners then pay back the bonds over time through their tax bill. Most bond payments last 20 to 30 years. The amount homeowners are assessed for this is added to their tax bill. Southwood is the most common CDD in the Tallahassee area.

**Closing** - This is the time at which the property is legally transferred from the seller to the buyer. The borrower assumes the loan obligation (if there is one), both pay closing costs, and title transfers from the seller to the buyer. It involved both sides signing documents in an office with a notary to make it official. Before the pandemic, buyers and sellers would gather in one room to sign the documents together. This does not happen as frequently now.

**Closing costs** - Above the down payment on the loan for the buyer, and the commission for the seller, there are costs associated with transferring ownership. Some closing costs are tax-deductible.

**Closing fee** - This is the amount the title/closing agent/attorney charges to process the paperwork. This is usually a buyer's expense.

**CMA (Comparative Market Analysis)** - Completed by the licensed real estate agent, this is an analysis done to compare the property of interest with local homes that have sold. It is done before a home is listed by the listing agent and again by the selling agent before the buyer makes an offer. It is completed using MLS and tax records. It is not an appraisal.

**Comps** - Short for comparable sales, these are homes located close to the home of interest that have sold within the past six months. It is used to help determine a home's value.

**Condominium** - A form of homeownership where the home buyer receives exclusive title to the interior space in a multi-unit structure (usually an apartment building or a high-rise), and shares title to the common areas of the residential property (usually parking lots, lobby, or swimming pool). A condo homeowners' association, through a Condo Association Manager (CAM – usually licensed), typically manages the common areas and oversees the covenants, conditions, and restrictions (CC&Rs) that apply to the property. Many condos in Tallahassee will not qualify for financing for one of four reasons.

**Contingency** - This is a provision in the contract stating that some, or all, of the terms of the contract will be altered or voided by the occurrence of a specific event, usually by specific dates leading up to the closing. For example, in Tallahassee most contracts contain a 15-day inspection contingency. The buyer has 15 days to perform all the inspections necessary to feel comfortable with their purchase. If the buyer does not approve the inspection reports, or the physical condition of the property, the buyer does not have to complete the purchase. The buyer does not have to purchase an inspection to terminate a contract. Most contracts also have a shorter financing contingency as well.

**Contingent** - Usually seen on-line when looking at homes, these home sellers have negotiated a contract with buyers, but have not passed their contingency period. The listing will stay in 'active-contingent' status until the contingencies have passed. Once all contingencies have passed, the home will move to 'pending' status and the marketing will stop. Please note, not all agents are diligent about changing the status when they should. About one third of offers will not get to the closing table. These homes may still be accepting back-up offers and worth going to tour.

**Conventional** - There are a variety of different loans and mortgages available for homebuyers. A conventional loan is usually the route most recommended. A conventional loan requires at least 3% for the down payment. They are not typically advisable for people with low credit scores. Conventional loans are not guaranteed by a government agency and can be more flexible with the condition of the property.

**Courier fees/Edoc fee** - If a signer (buyer or seller) lives out of the area there may be fees associated with mailing the documents. There is also a fee to be paid for papers that are filed electronically with the Clerk of Courts.

**Credit report\*** - When buying a home, the credit score helps loan officers determine the risk level of an applicant for a mortgage. These scores are calculated by a third party using a formula that assesses a comprehensive credit history. The higher the credit score, the more options as a homebuyer. Credit reports will include information on loans, credit cards, and other revolving debt, bills, and accounts, as well as a record of the buyer's addresses and employers. Some lenders will pull another credit report just before closing. Depends upon the bank/loan rules, and credit worthiness.

**Deed** - This is the legal document that shows that an owner of a piece of real property has title to that property. Once a deed is filed and recorded with the Clerk of Courts, the deed becomes a public record.

**Detached single family** - These are homes that make up the bulk of sales in Tallahassee and are stand-alone structures that do not share any walls with any other structures owned by someone else.

**Discount points** - Discount points are paid by the buyer to lower the rate and obtain a lower monthly payment on the loan.

**Distressed property** - This term covers property where the seller is being forced to sell. Usually the seller has had a 'Lis Pendens' on file with the clerk of courts and that means a foreclosure process has started.

**Document stamp on deed** - Tax paid to Tallahassee/Leon County on the name change to the deed. On REO properties, this must be paid by the buyer. This is otherwise a seller's expense in Tallahassee. The buyer's pays for the doc stamp on the mortgage.

**Document stamp on mortgage** - Tax paid to Tallahassee/Leon County on the recording of the mortgage in public records.

**DOM (Days on Market)** - Days on market, meaning the amount of time the sellers have been searching for a buyer for their house.

**Down payment on loan** - Varies with type of loan. VA and USDA offer zero down payment loans to borrowers and properties that qualify. FHA loans require at least 3.5% and Conventional loans require at least 3%, depending on income and home buyer status.

**DTI (Debt-To-Income)** - The debt-to-income ratio is the monthly debt payments divided by monthly income. This is a widely used measure of creditworthiness.

**EMD (Earnest Money Deposit)** - Also called a "good faith" deposit, or binder deposit, these are funds held by a neutral third party (closing agent) to demonstrate the buyer has serious interest in purchasing a property. This amount can be a personal check and is submitted to the closing agent when a contract with the seller is negotiated. Most of the time, this money belongs to the buyers and is deducted from the costs of closing. However, IF past the contingency period, the buyer cannot or chooses not to close on the property this money will be paid to the seller. This amount is usually somewhere between \$500 and 3% of the offer, but the amount can be negotiated.

**Encumbrance** - An encumbrance, also sometimes called a cloud, is anything that affects or limits the fee simple title to property. It can include such things as mortgages, leases, easements, or restrictions. These must be cleared before a bank will offer a mortgage.

**Equity** - The owner's financial interest in the house. It is the difference between how much the property is worth and the balance of the mortgage. If there is no equity, or negative equity, the owner owes more than the house would sell for on the market.

**Escrow** - Escrow is money placed with a neutral third party (designated on page one of the contract for sale and purchase) for "safekeeping." During a real estate purchase, the buyer is typically required to place a portion of their down payment in an escrow account where it is held until the closing.

**Escrow account** - After the home is purchased, a portion of each mortgage payment is typically held in an "escrow" account to pay for the property's taxes and insurance. At the end of the calendar year, the mortgage holder will pay the taxes from this account. In a year from closing, the homeowner's insurance will be paid from this account. If there is not enough held in escrow to cover these expenses, the borrower will be required to cover the difference with a check and/or pay a higher amount to the lender monthly.

**Existing mortgage payoff** - Sellers must pay off the mortgage at closing to transfer ownership. To make sure the correct amount is paid the closing agent will ask the mortgage holder for the payoff amount. This amount will change if the day of closing changes. Generally, the closing agent will reach out to the seller for permission to obtain this information about two weeks before closing.

**Fannie Mae (FNMA)** - Is short for the Federal National Mortgage Association (FNMA). Fannie Mae a federally chartered enterprise owned by private stockholders that purchases residential mortgages. By purchasing mortgages, Fannie Mae supplies funds that lenders may loan to other homebuyers. Fannie Mae is the nation's largest mortgage buyer. For banks and lenders to be able to continue to lend money, they sell their mortgages in bulk to Fannie Mae (and Freddie Mac). Mortgage must meet Fannie Mae's lending guidelines. The U.S. President appoints some of the members of its Board of Directors. It supports the secondary residential mortgage market.

**FHA (Federal Housing Administration)** - Created in 1934, the Federal Housing Administration was established to help expand homeownership opportunities for all Americans. The FHA assists many first-time homebuyers by providing mortgage insurance to lenders to cover most losses that occur when a borrower defaults on their loan.

**FHA Loans** - Home loans that are insured by the Federal Housing Administration are referred to as “FHA or “FHA-Insured Loans.”

**Flood certificate** - Required by lender for properties in or near a flood zone. If the house is suspected, or reported to be, in a flood zone, an elevation study may be required. Elevation surveys are ordered from licensed surveyors and costs \$300-500. It is usually a one-time cost for a home.

**Flood Insurance** - If the home is in a flood zone, the lender will require their investment to be covered by a flood insurance policy as a condition of approval. This type of insurance covers the loss due to water intrusion and can also potentially cover damages from leaking or busted pipes.

**Freddie Mac (FHLMC)** - Federal Home Loan Mortgage Corporation (FHLMC), like Fannie Mae above, is a federally chartered enterprise owned by private stockholders that purchases residential mortgages. By purchasing mortgages, funds are freed up that allow lenders to loan to other potential homebuyers.

**FSBO (For Sale By Owner)** - Sounds like ‘FIZZ-BOW’ and is a term used to describe a home that is being sold by the owner, without assistance from a real estate broker. The seller is attempting to save money by avoiding agent’s and broker’s fees, but the buyer should be careful to make sure that the terms of sale comply with all applicable federal, state, and local regulations. Studies have shown homes are in danger of not selling at market value – meaning the buyer can overpay compared to other buyers, or sellers may leave money on the table due to ignorance of selling customs.

**Funding fee** - A fee that protects lenders from losses and helps fund the loan program itself. Examples include the VA funding fee and the FHA funding fee.

**Gentrification** - When an area of older homes starts being rehabilitated, this is the renewal that occurs in the urban setting. Often, as the demographic changes the rents and property values increase, and lower-income residents are displaced.

**HOA (Homeowners Association)** - This is the governing body of a housing development, condo or townhome complex that sets rules and regulations. Associations can also charge dues and special assessments to maintain common areas and cover unexpected expenses. If the home is subject to an HOA, you will be asked to sign the HOA disclosure.

**HOA estoppel fee** - The official document that records the amount of HOA dues owed by the seller. If paid monthly, buyer is responsible for the month after closing.

**Holdback** - Sometimes a repair is called for after closing. Depending on bank, or contract guidelines, the closing agent will hold the money for the repair in an escrow account until repairs are complete and appropriate permits have been closed. Then the closing agent will pay the contractor directly to avoid mechanics liens being placed on the property.

**Home warranty premium** - Often negotiated back and forth between buyer and seller. Sellers – if you are living in the home, many Tallahassee buyers expect you to offer a home warranty. Buyers- in a seller's market, they are not as commonly offered. We do not recommend them currently.

**Homeowners Insurance** - A policy that protects the holder of the policy from damages to the structure of the home, its contents, injury to others and living expenses should damage be severe enough to displace the occupant. You will be required to get coverage that covers the lender if you have a mortgage. Consider the personal property and any outbuildings you will want covered by

insurance as well. If the home is in a flood zone, owner may be required to carry flood insurance as well.

**Homestead Exemption** - Florida's homestead exemption reduces the value of a home for assessment of property taxes by \$50,000. If a home is worth \$100,000 it would be taxed as though it was only worth \$50,000. However, the second \$25,000 of homestead coverage does not apply to the portion of the property tax for schools, and only applies to the third \$25,000 of a property's total value (i.e., that portion of a property's value between \$50,000-\$75,000). The Florida homestead exemption also limits the rate at which property assessments can be increased annually. Homestead exemption only applies to primary residences.

**Housing ratio** - One of two debt-to-income ratios that a lender analyzes to determine a borrower's ability to repay a home loan. The ratio compares total housing cost (principal, homeowners insurance, taxes and private mortgage insurance) to gross income. Most lenders want this below 35%, but this varies depending on type of loan and lender.

**HUD (Housing and Urban Development)** - The U.S. Department of Housing and Urban Development was established in 1965 and works to create a decent home and suitable living environment for all Americans. It addresses housing needs, helps to improve, and develop American communities, and enforces fair housing laws.

**Insurance** - The property insurance yearly premium is generally collected at closing and sent to the insurance agent. Lender may require the equivalent amount to X months to be placed in the escrow account, depending on lender/loan requirements.

**Intangible tax** - This is the tax on the loan paid to the State of Florida when the mortgage is recorded. It is collected at closing. This tax is calculated by multiplying the amount of the promissory note by 0.2%.

**Interest** - Interest has two meanings in real estate. 1. It is the fee and lender charges for the use of their money. It is usually stated as an annual percentage or annual rate. 2. Interest is also a right, share, or title in property.

**Lender credit\*** - Lender can offer a higher rate so they can contribute to the buyer's closing costs with a credit at closing.

**Lender's title insurance policy** - This policy covers the lender for as long as there is a mortgage on the property. It is a required closing expense for the buyer. It covers the lender from any outside claim to the property.

**Lien** - A lien is a legal hold or claim of a creditor on the property as security for a debt.

**Listing price** - The value the seller has set for the home.

**Loan origination fee/Processing fee\*** - Most loans fees are the responsibility of the borrower. This is a bank's administrative fee for handling the loan paperwork.

**LTV (Loan to Value)** - This is the amount of the loan divided by the price of the house. Lenders tend to reward lower LTV ratios.

**Mail out fees** - If either buyer or seller are not in the Tallahassee area for closing, there may be an additional charge for postage and packaging.

**Mechanic's lien** - A claim against a property, that is filed in the county clerk's office by a contractor who has done work on a home but has not been paid. If the homeowner refuses to pay, the lien keeps the owner from selling the property before paying the contractor. This lien would have to be settled before the ownership would be allowed to transfer. The mechanics lien helps a vendor to be paid from the closing proceeds.

**MLS** - This stands for Multiple Listing Service and is the database where Realtors 'list' properties for sale and agree to compensation.

**Owner's title insurance policy** - This insurance policy covers the buyer for as long as buyer owns the house from any claims on the house that are missed

in the title search. Statewide, this is typically paid by whoever chooses the closing agent.

**Payoff demand fee** - Sometimes banks charge you to prepare the exact amount you owe for the closing agent.

**Pending** - Pending status is often seen online for homes that have passed the contingency period and are waiting for the lender and title agent to complete paperwork and transfer the ownership of the house.

**PITI** - An acronym for the major expenses that make up the total mortgage payment. It includes: Principal (the amount borrowed), Interest, (property) Taxes, and (homeowners') Insurance.

**PMI (Private Mortgage Insurance)** - A monthly insurance payment that may be required if a buyer's down payment is less than 20 percent of the home's purchase price. It protects lenders against loss in case a borrower defaults and does not pay the mortgage in a timely manner.

**Points** - This is prepaid interest on a loan, and equal to one percent of the loan amount. The advantage of paying points up front is that a lower interest rate can be secured for the lifetime of the loan – lowering the monthly mortgage payment and the total amount of the note. This may be a good deal if a buyer plans to stay in the home for many years (so the long-term interest savings outweigh the initial cost in points).

**Prepays (interest, premiums, etc.)** - Mostly covered above with points and insurance. Could also include interest for the month of closing, escrow funds, HOA dues.

**Prepayment penalty on existing mortgage.** - These are not as common as they were. Read the fine print of the note you signed, and you may find out that they charge to pay it off earlier than expected.

**Principle** - The amount of money the buyer borrows from the lender for the purchase of property; doesn't include interest or additional fees.

**Property Inspections** - Amount varies with type of property, inspectors, and inspections ordered. While it may be tempting to waive inspections to win a multiple offer situation, we do not advise it. Inspections are the buyer's responsibility and due diligence is called for when making a large investment.

**Property repairs required by loan** – Most commonly it is the VA and FHA loans that have conditions placed on them by the appraiser that would need to be repaired by seller before closing. These repairs need to be verified by an appraiser before closing. Most of the time, the repairs are going to be required for the insurance provider and not the loan. The homeowner's insurance policy covering the mortgage is a required condition to borrow the money. Repairs seen most often in Tallahassee are roofs, railings, and wood rot.

**Property taxes** - This one can be confusing. These taxes are collected in arrears – meaning you pay 2021 taxes when 2021 ends. Seller owes taxes from January 1 up to the day of closing. Buyer receives a **credit at closing** for the seller's portion of property taxes. At the end of the year (or beginning of the next)– the buyer pays the entire tax bill. If the buyer has a mortgage, this is paid out of the escrow account.

**Real estate broker** - Under Florida law, the broker is the one responsible for paying commissions to and oversight of sales agents and broker associates who have 'hung' their license at the real estate company. Only the broker of record can pay an agent for real estate related activities.

**Realtor's commissions** – This can (and often is) paid by the seller, but some buyer will agree to compensate their agent (through their broker of record). Listing agent will negotiate the commission for both agents. Not all agents split it evenly. Jerks.

**Recording fees** - This is what Tallahassee/Leon County charges to officially record the mortgage and change the owner information in the official court documents.

**Reno loan** - A mortgage that covers the costs of making repairs or renovations to a property. The costs of the rehabilitation is rolled into the mortgage. Repairs are generally required to be complete within 6 weeks of closing and prior to the buyer moving in (depending on the repair). The most common type of renovation mortgage is FHA's 203(k) program. Almost any repair or renovation can be rolled into the loan, but buyer is usually NOT allowed to be the one to complete the repairs, even if the buyer happens to be a general contractor.

**REO** - Stands for Real Estate Owned and refers to property that is bank owned. After the housing crash, Fannie Mae or Freddie Mac—took ownership of thousands of foreclosed properties and sold them in staggered timing on the market. Often buying these distressed properties cost slightly more at the closing table than the average home because the quasi-governmental agencies do not pay taxes.

**Sellers' market** - When there are more buyers than homes to sell them, it is considered a seller's market. Six months of inventory is considered a balanced market, significantly less inventory leads to bidding wars. We've had less than two months of inventory in 2021.

**Selling price** - This is the price the buyer and seller have mutually agreed the home is worth.

**Short sale** - When an owner owes more on the home than the home will sell for, the seller is considered "underwater" or "upside down". To sell, the owner's bank must approve a lower sales price than is owed before the home can be sold. In Tallahassee, these are less than 5% of the market and generally take 6 months or more to close. The bank approval process is onerous and time consuming.

**Special assessment** - A fee charged by a managing organization (often a COA/HOA or local government body) when there is not enough cash on reserve to cover unexpected repairs, maintenance, or expenses. It can also occur

when a neighborhood is improved by the municipal organization it belongs to decides to improve the roads or other infrastructure. This is a tax shared by the owners of the homes in the effected neighborhood.

**Stamp tax** - Fees imposed by the municipality to transfer the title.

**Termite (WDO – Wood Destroying Organism Report)** – Usually ordered and paid for by buyer. This inspection and a ‘clear/clean’ report are required for VA loans and some FHA and conventional loans. It is not a bad idea for the seller to offer a ‘clear’ WDO when marketing to a population that includes many veterans. Not ‘clearing’ the WDO has caused more closing delays than most other repairs in our experience.

**Title Insurance** - This is an insurance policy that protects against any unknown liens or debts that may be placed against the property. Before issuing title insurance, public records are searched to ensure that the current owner has legal rights to the title as well as the legal ability to sell the home and that no liens are held against the property. A survey will also be required prior to closing. Banks require a policy to protect them for as long as there is a mortgage on the house. An owner’s policy is not required, but highly recommended. If it is possible the buyer will keep the home once it is paid off, the buyer should consider an owner’s policy to protect the owner even after the mortgage is paid off.

**Title Report** - The written analysis of a real estate title search. It includes a property description, names of titleholders and how title is held (joint tenants, for example), tax rate, encumbrances (mortgages, liens, deeds of trust, recorded judgments), and real estate taxes due. A title report is needed before a lender will agree to finance purchase of the property. A title report is prepared by a title company, an abstracter, an attorney, or an escrow company, depending on who is responsible for transferring ownership of the house per the contract.

**Townhouse** - In Tallahassee, these are usually one- or two- story houses that share a common wall with at least one other house. Often these will have small yards that are private for the owner.

**Transfer fees** – Generally paid by the sellers, this is what the Tallahassee/Leon County charges you to remove seller’s information in the official court documents and replace it with the buyer’s info.

**Underwriting** - The process a lender follows to assess a home loan applicant’s income, assets and credit, and the risk involved in offering the applicant a mortgage.

**Underwriting fee\*** - A fee that goes to the company/organization that underwrites the loan.

**USDA Loan** - The RDA is a loan program whereby the USDA subsidizes the interest on a loan if the applicant earns less than a certain amount annually. In Tallahassee, RDA loans are only available outside of Capital Circle. These loans have ZERO down payments, and the underwriting requirements are similar to that of FHA loans.

**VA Financing** - A home loan partially guaranteed by the United States Department of Veteran Affairs and offered by private lenders, such as banks and mortgage companies to help veterans purchase properties with ZERO down payment.

**VA water test** - With properties on well water, the VA may require an independent well water test for safety.

**Walkthrough** - The buyer’s final inspection of a home, usually completed the day before or the day of closing.

**WDO (Wood Destroying Organism)** - This is also called a termite inspection. A report showing no damage is required for VA loans. These can be ordered from pest control companies and are completed on the Department of Agriculture’s approved form.

**\* The fees charged per loan vary greatly from lender to lender, and borrower to borrower. Shop your mortgage around and ask lenders to explain their fees and costs to borrow.**

## COMING SOON: COMPANION BOOKS

How to Sell Your Tallahassee Home: What to Negotiate, When to Repair/Remodel, and How to Increase Your Sellers Proceeds

How To Build Your Dream Home in the Tallahassee Area: What You Do Not Know That Can Hurt You.

# READER BONUS

Thank you, dear reader, for making this journey with me. As a token of my appreciation, I would like to offer you a free booklet full of charts, resources, and essential websites for Tallahassee locals.

A Tallahassee resource guide is available for readers of this book exclusively. If you are interested in a copy, email me at: [abbe@LivingInTallahassee.com](mailto:abbe@LivingInTallahassee.com) with “READER BONUS” in the subject line and I will send it!

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