



## **A Buyer Orientation**

Prepared especially for

Another Personal Service By:  
*Jennifer Rensing*  
*Broker*



8142 SW Beaverton Hillsdale Hwy  
Portland , OR 97225  
(503) 292-4336 office  
(503) 503-5258 Cell  
(503) 292-0991 fax

[Email: Jennifer@realtysolutionspdx.com](mailto:Jennifer@realtysolutionspdx.com)

# The Two Main Reasons People Buy Homes:

## Tax Advantages

Property taxes and qualified home interest may be deductible on Schedule A, for itemized deductions.

## Investment Potential

The largest investment for most people is their home. In the long run, investments in homes far outpace inflation. Homeowners build equity and, in most states, can borrow against it.





## Tax Benefits

The tax laws beginning in 1998 and in some cases a little earlier have changed in regards to homeownership and the previous requirement to reinvest profits from the sale of a principal residence.

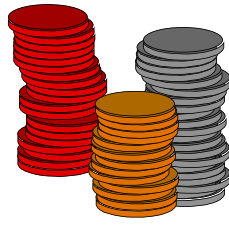
The new law allows married taxpayers filing a joining return to exclude up to **\$500,000** of gain on the sale of their principal residence. Single taxpayers can exclude up to **\$250,000** of gain.

To qualify for the exclusion, homeowners must have lived in and used the home as their primary residence for **TWO OUT OF THE PRECEDING FIVE YEARS.** Homeowners are allowed to take the exclusion **ONCE EVERY TWO YEARS.**

Plus,  
**HOMEOWNERS MAY TAKE THE EXCLUSION AS MANY TIMES AS THEY LIKE,**  
there is no cap on how much total gain they may exclude in their lifetimes.

**THIS IS A SIGNIFICANT CHANGE IN THE TAX LAW**

**CAUTION:** Before you make financial decisions based on tax laws, consult an expert on taxes as they relate to real estate.



## More Tax Benefits

### **TRANSFEREES**

Homeowners going to a **LESS** expensive real estate market **will now be able** to purchase a **LESS** expensive home **WITHOUT** worrying about the rollover rules, exclude the gain, and take the cash and do whatever they want with it.

### **EMPTY NESTERS AND RETIREES**

Homeowners wishing to “downsize” will be able to sell their current home, take their equity, claim the exclusion, buy a condominium or smaller home and use the leftover proceeds for a retirement investment.

### **DIVORCEES AND OTHERS**

Homeowners who want less expensive housing, or want to rent, will be able to scale down without fear of a big capital gains tax bite.

### **SINGLES 55 OR OLDER**

Can stop worrying whether a prospective spouse has already taken their exclusion - the new law allows new exclusions even if the old exclusion was used.

There are other changes that could significantly affect “do-it-yourself” fixer-uppers and owners of second homes or rental properties.

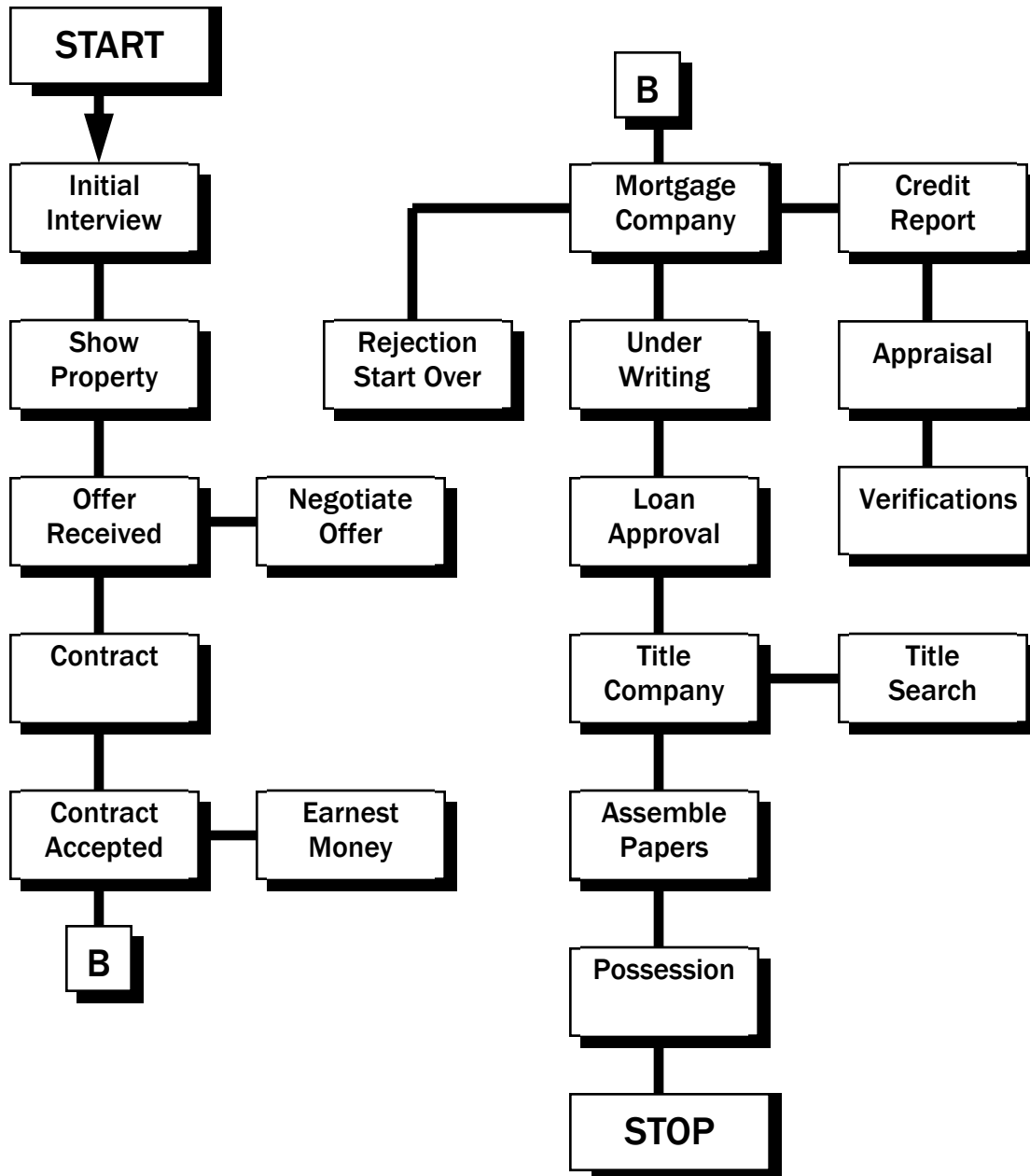
**CAUTION:** Before you make financial decisions based on tax laws,



## **7 Reasons To Buy A Home**

- 1- Tax Deductibility of Mortgage Interest**
- 2- Tax Deductibility of Property Taxes**
- 3- Appreciation Potential**
- 4- Deferred Gain and Capital Gain Treatment**
- 5- Once in a Lifetime Exclusion**
- 6- Principal Accumulation**
- 7- You can enjoy it - Pride of Ownership**

# Home Buying Process



# **Multiple Listing Service Member**



**As a member of the Multiple Listing  
Service,  
I can show you any property.**

**If you should see an ad in the paper or a  
sign in a yard, call me to find out the  
information. If you want to see it,  
I will show it to you.**

# For Sale By Owner

A homeowner trying to sell a home is usually doing so in hopes of saving the commission.

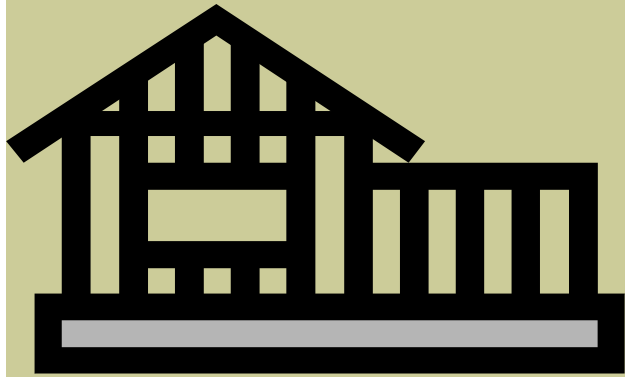
Coincidentally, this is the same reason a buyer wants to deal directly with a homeowner.



Many times a homeowner will work with an agent even though the home is not listed if the agent introduces the buyer to the property.

Should you see a FSBO (For Sale By Owner) and want the **advantages** of my services, please let me contact the owner and set the appointment.

# New Homes



I can work with most builders and can get all the information you need to make any decisions, but I will need to accompany you to the property on the initial visit.

By letting me help you with builders, you get all the services offered in this presentation and those offered by the builder as well.

**You will get more, but you will not pay more for it!**

# Financial Information

Including taxes & insurance, what monthly payments do you want: \$ \_\_\_\_\_

What approximate price range do you want to look in: \$ \_\_\_\_\_ to \$ \_\_\_\_\_

How much cash do you have available for a down payment: \$ \_\_\_\_\_

Does this include closing costs: Yes + No +

Are you currently renting? Yes + No +

How much do you think your present home is worth? \$ \_\_\_\_\_

What is the unpaid balance? \$ \_\_\_\_\_ Interest Rate: \_\_\_\_\_% Term \_\_\_\_\_ Years

Dated \_\_\_\_/\_\_\_\_/\_\_\_\_, type of loan \_\_\_\_\_ Monthly Payment \$ \_\_\_\_\_

List your regular monthly payments (installment debt, revolving charges, student loan, etc)

DESCRIPTION	AMOUNT
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

Are you current on all debts? Yes + No +

Is there any problem with your credit? Yes + No +

What is your monthly income? \$ \_\_\_\_\_ Employed + Self-employed +

Your spouse's income? \$ \_\_\_\_\_ Other monthly income? \$ \_\_\_\_\_

How long have you been employed with this employer? \_\_\_\_\_

Where? \_\_\_\_\_

Have you or your spouse ever taken bankruptcy? Yes + No + If yes explain: \_\_\_\_\_

Have you or your spouse ever had a home foreclosure? Yes + No + If yes, explain: \_\_\_\_\_

# Pre-Approval Program

Many buyers are applying for a loan and obtaining approval BEFORE they find the home they want to buy.



Here are the benefits:

- \* You look at the “right” homes.
- \* You save money dealing with a comfortable seller.
- \* You close more quickly.
- \* You minimize trauma of not knowing whether or not you qualify.
- \* Because you are pre-approved, you become an “all cash” buyer in the eyes of the seller which puts you in a much greater bargaining position.

# Items Needed For A Credit Application

## Employment

Addresses for two full years  
Gross monthly income  
W-2's, if applicable  
Proof of pensions, retirement, disability or Social Security  
Proof of income from rentals, investments, etc.  
Proof of child support or alimony paid/received  
Year to date pay stub

If Self-employed:

Two years 1040 Tax Returns  
Current year profit and loss statement

## Creditors

Each creditor's name, address, type of account and address  
Account numbers  
Monthly payments and approximate balances  
Amount of child care expenses

## Banking

Names and addresses of saving institutions  
Account numbers for all accounts  
Type of accounts and present balances

## Miscellaneous

List of assets in stocks, bonds, land  
Life insurance cash value (documented if used as cash down payment)  
If applicant is selling a home, a copy of sales contract(s)  
Social Security numbers for all parties  
Veterans - Certificate of Eligibility & DD-214  
Cash or check to pay for application fee

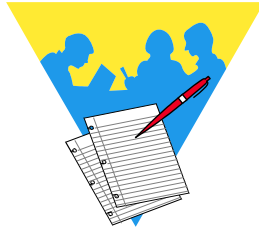
## REALTORS®

Copy of sales agreement  
Copy of listing on property  
Instructions on how appraiser is to gain entrance

# Property Inspection

Your Realty Solutions, LLC sales contract includes a provision that gives you the right to inspect the mechanical, electrical, plumbing and structural portions of the property.

There are numerous inspection companies that provide services of this type. You can accompany the inspector to ask questions and receive a written report itemizing any areas of concern. Home inspection typically cost between \$250 - \$400.



If repairs are needed, you can request the seller to make them in accordance with the provisions of the sales contract. Sellers, however, are under no obligation to make such repairs.



## **Accuracy of Information**

Listing agents obtain information regarding properties that they list from many sources including the owners of the property. This information is so overwhelming, that it is virtually impossible to verify each piece of information. Therefore, as a buyer, it is imperative that you advise your agent of what specific aspects of the property are important to you. It then becomes incumbent upon your agent to verify the information that is important to you.

## **Surveys**

Buyers are strongly encouraged to obtain a survey on all real estate purchases. The survey will denote the exact location of boundary lines and the possibility, location and extent of any easements or encroachments which might affect the property being purchased.

## **Owner's Title Insurance**

Buyers are further encouraged to obtain an owner's policy of title insurance covering and insuring the property interests of the purchaser. Such a policy provides the greatest protection afforded a purchaser in the purchase of real estate. The next page lists the many title problems that may exist.

Buyers are strongly encouraged to delete the standard "survey exception" from the owner's policy of title insurance. This deletion then provides the owner with protection from errors in the survey.

# 73 Title Problem Areas

(Where something “could” go terribly wrong)

Forged deeds, mortgages, satisfactions or releases.

Deed by person who is insane or mentally incompetent.

Deed by minor (may be disavowed).

Deed from corporation, unauthorized under corporate bylaws or given under falsified corporate resolution.

Deed from partnership, unauthorized under partnership agreement.

Deed from purported trustee, unauthorized under trust agreement.

Deed to or from a “corporation” before incorporation, or after loss of corporate charter.

Deed from a legal nonentity (styled for example, as a church, charity or club).

Deed by person in a foreign country, vulnerable to challenge as incompetent, unauthorized or defective under foreign laws.

Claims resulting from use of “alias” or fictitious name by a predecessor in title.

Deed challenged as being given under fraud, undue influence or duress.

Deed following nonjudicial foreclosure, where required procedure was not followed.

Deed affecting land in judicial proceedings (bankruptcy, receivership, probate, conservatorship, dissolution of marriage), unauthorized by court.

Deed following judicial proceedings, subject to appeal or further court order.

Deed following judicial proceedings, where all necessary parties were not joined.

Lack of jurisdiction over persons or property in judicial proceedings.

Deed signed by mistake (grantor did not know what was signed).

Deed executed under falsified power of attorney.

Deed executed under expired power of attorney (death, disability or insanity of principal).

Deed apparently valid, but actually delivered after death of grantor or grantee, or without consent of grantor.

Deed affecting property purported to be separate property of grantor, which is in fact community or jointly owned property.

Undisclosed divorce of one who conveys as sole heir of a deceased former spouse.

Deed affecting property of deceased person, not joining all heirs.

Deed following administration of estate of missing person, who later reappears.

Conveyance by heir or survivor of a joint estate, who murdered the decedent.

Conveyances and proceedings affecting rights of service member protected by the Soldiers and Sailors Civil Relief Act.

Conveyance void as in violation of public policy (payment of gambling debt, payment for contract to commit crime, or conveyance made in restraint of trade).

Deed to land including “wetlands” subject to public trust (vesting title in government to protect public interest in navigation, commerce, fishing and recreation).

Deed from government entity, vulnerable to challenge as unauthorized or unlawful.

Ineffective release of prior satisfied mortgage due to acquisition of note by bona fide purchaser (without notice of satisfaction).

Ineffective release of prior satisfied mortgage due to bankruptcy of creditor prior to recording of release (avoiding powers in bankruptcy).

Ineffective release of prior mortgage or lien, as fraudulently obtained by predecessor in title.

Disputed release of prior mortgage or lien, as given under mistake or misunderstanding.

Ineffective subordination agreement, causing junior interest to be reinstated to priority.

Deed recorded, but not properly indexed so as to be locatable in the land records.

Undisclosed by recorded federal or state tax lien.

Undisclosed but recorded judgment or spousal/child support lien.

Undisclosed but recorded prior mortgage.

Undisclosed by recorded notice of pending lawsuit affecting land.

Undisclosed by recorded environmental lien.

Undisclosed by recorded option, or right of first refusal, to purchase property.

Undisclosed by recorded covenants or restrictions, with (or without) rights of reverter.

Undisclosed by recorded easements (for access, utilities, drainage, airspace, views) benefiting neighboring land.

Undisclosed by recorded boundary, party wall or setback agreements.

# 73 Title Problem Areas

## (Continued)

Errors in tax records (mailing tax bill to wrong party resulting in tax sale, or crediting payment to wrong property).

Erroneous release of tax or assessment liens which are later reinstated to the tax rolls.

Erroneous reports furnished by tax officials (not binding local government).

Special assessments which become liens upon passage of a law or ordinance, but before recorded notice or commencement of improvements for which assessment is made.

Adverse claim of vendor's lien.

Adverse claim or equitable lien.

Ambiguous covenants or restrictions in ancient documents/

Misinterpretation of wills, deeds and other instruments.

Discovery of will of supposed intestate individual, after probate.

Discovery of later will after probate of first will.

Erroneous or inadequate legal descriptions.

Deed to land without a right of access to a public street or road.

Deed to land with legal access subject to undisclosed by recorded conditions or restrictions.

Right of access wiped out by foreclosure on neighboring land.

Patent defects in recorded instruments (for example, failure to attach notaries acknowledgement or a legal description).

Forged notarization of witness acknowledgement.

Defective acknowledgment due to lack of authority of notary (acknowledgment taken before commission or after expiration of commission).

Deed not properly recorded (wrong country, missing pages or other contents, or without required payment).

Deed from grantor who is claimed to have acquired title through fraud upon creditors of a prior owner.

AND extended coverage may be requested to protect against such additional defects as:

Deed to a purchaser from one who has previously sold or leased the same land to a third party under an unrecorded contract, where the third party is in possession of the premises.

Claimed prescriptive rights, not of record and not disclosed by survey.

Physical location of easement (underground pipe or sewer line) which does not conform with easement of record.

Deed to land with improvements encroaching upon land of another.

Incorrect survey (misstating location, dimensions, area, easements or improvements upon land).

"Mechanics lien" claims (securing payment of contractors and material suppliers for improvements) which may attach without recorded notice.

Federal estate or state inheritance tax liens (may attach without recorded notice).

Preexisting violation of subdivision mapping laws.

Preexisting violation of zoning ordinances.

Preexisting violation of conditions, covenants and restrictions affecting the land.



While a lot of these problems or potential problems can be resolved, some can cause owners serious financial loss if not adequately protected.

The closing attorney makes every effort to uncover potential problems, but when their efforts fail for whatever reason, the owner can suffer.

Owners Title Insurance, while not a "catch all", can save the owner thousands of dollars. If you have any questions, consult your attorney.

# Home Protection Plan

As an additional benefit, some sellers provide a Home Protection Plan for the buyer. This coverage is good for one year on selected items:

- ❑ Central Heating System
- ❑ Central Air Conditioning System
- ❑ Interior Plumbing
- ❑ Built-in Appliances
- ❑ Optional Swimming Pool/Spa Coverage

If the home you choose does not have a Home Protection Plan, you may acquire the coverage yourself.

Realty Solutions, LLC  
has several such plans to choose from.



# Who Pays The Commission?

## \* **The Seller Does!**

The Seller has generally signed a listing agreement with a real estate associate specifying a certain fee to be paid, and many times it has provisions for splitting that fee with the agent who sells the property, regardless of buyer agency.

## \* **The Buyer Does!**

The Buyer can pay the real estate associate as set out in a written agreement. If this is the case, it would be inappropriate for the buyer's agent to accept any portion of the fee paid by the seller unless specifically indicated in the written agreement.

## \* **Each Party Pays Their Agent**

Each party pays their real estate associate as specified in their written agreement. A Seller may agree to pay a Buyer's Agent but not in the amount agreed to between Buyer and Agent. In this case the Seller may pay part of the commission due and the Buyer will pay the balance.

# Mutual Agreement

## If I Will:

- ☺ Make my best effort to find the home to meet your needs,
- ☺ Commit my time, car, computer, experience, and staff to find exactly what you want,
- ☺ Incur all my car, phone and administrative expenses,
- ☺ Continue the home search until you either find a home or tell me to stop looking.

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Jennifer Rensing

## Will You:

- ☹ Let me know if your plans change?
- ☺ Tell me if you want to look at a home listed with another broker, builder, or for sale by owner?
- ☺ Tell me what you like/dislike about the homes we look at?
- ☹ Tell me if you feel the need to talk to another agent?
- ☺ Work with me until we find you the right home?

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Our Happy Buyers

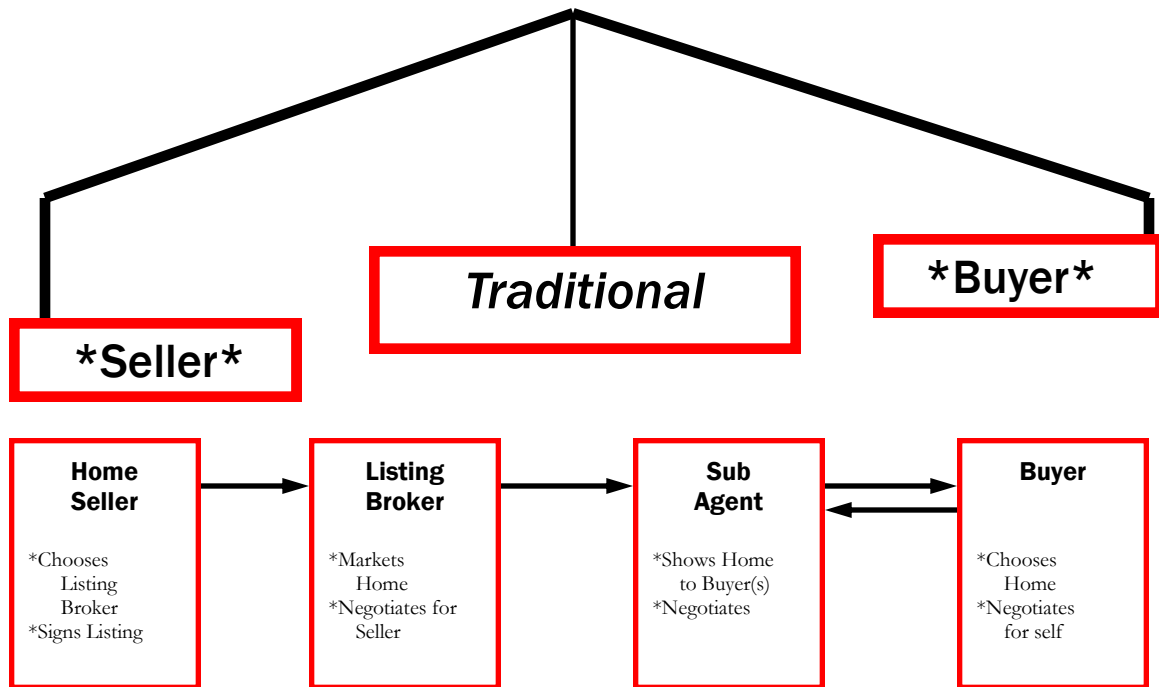


## There is a cost . . .

Regardless of which real estate company or real estate associate you ultimately select, there is a cost!

If you go to the finest restaurant, or seek medical assistance from the finest heart surgeon, or if you want to drive a Mercedes Benz, you must pay the premium price.

However, if you select Realty Solutions, LLC real estate company and me, you are getting two of the industry's best and not paying any more for the service than if you selected another company or another associate regardless of experience or credentials.

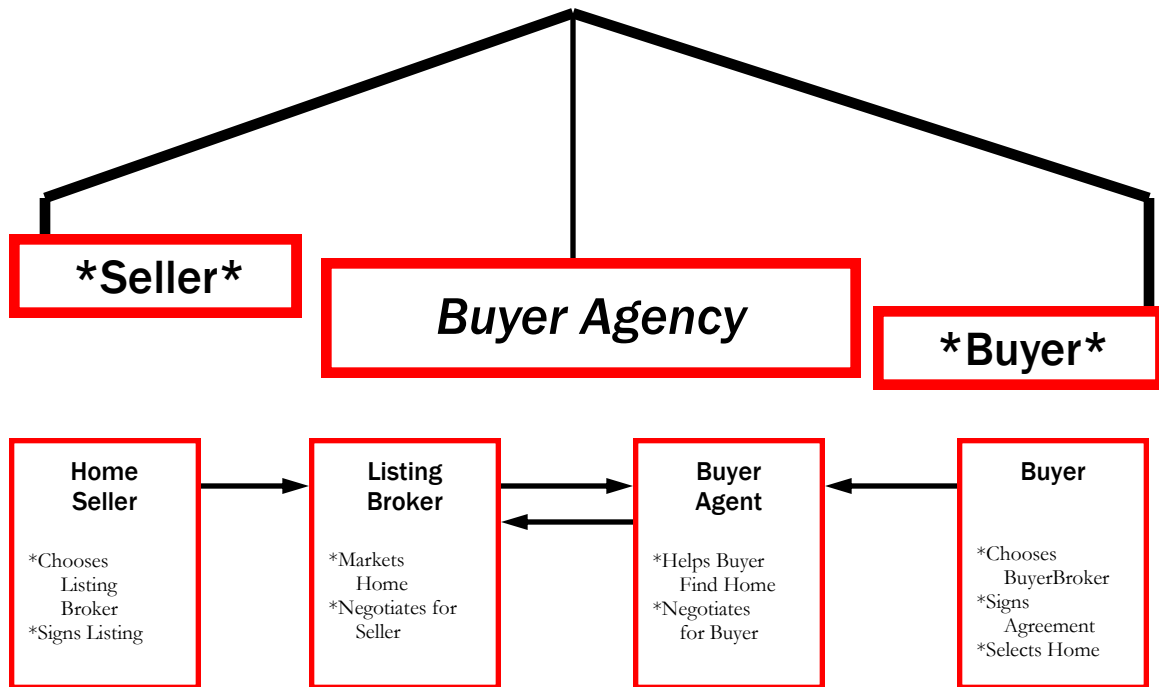


Historically throughout the country, real estate agents **had** been representing **only the seller** in real estate transactions. That meant that all the fiduciary duties were owed to the seller, **even when the agent was working with a buyer**.

This was accomplished through a system called *Sub-Agency*. The real estate company that lists the property is called the listing Broker. The real estate company working with the buyer is called the sub-agent, or co-operating Broker because the company actually works for the listing Broker. Although the buyer is provided service by a real estate agent, the buyer in this arrangement has no true Agency representation.

The *Agency* duties are owed directly to the seller in all transactions where there is no *Buyer Agency*. This is true of most real estate companies in the United States. Buyers in this arrangement must be careful not to divulge any information that they do not want the seller to know, i.e., the highest price they will pay for the property.

This system of *Seller Agency* has worked for many years. However, buyers should be aware that agents are representing the sellers interest, and they should not become reliant on the agent for assistance in determining an offering price that is other than the asking price, or for any other advice that might not be in the seller's best interest.

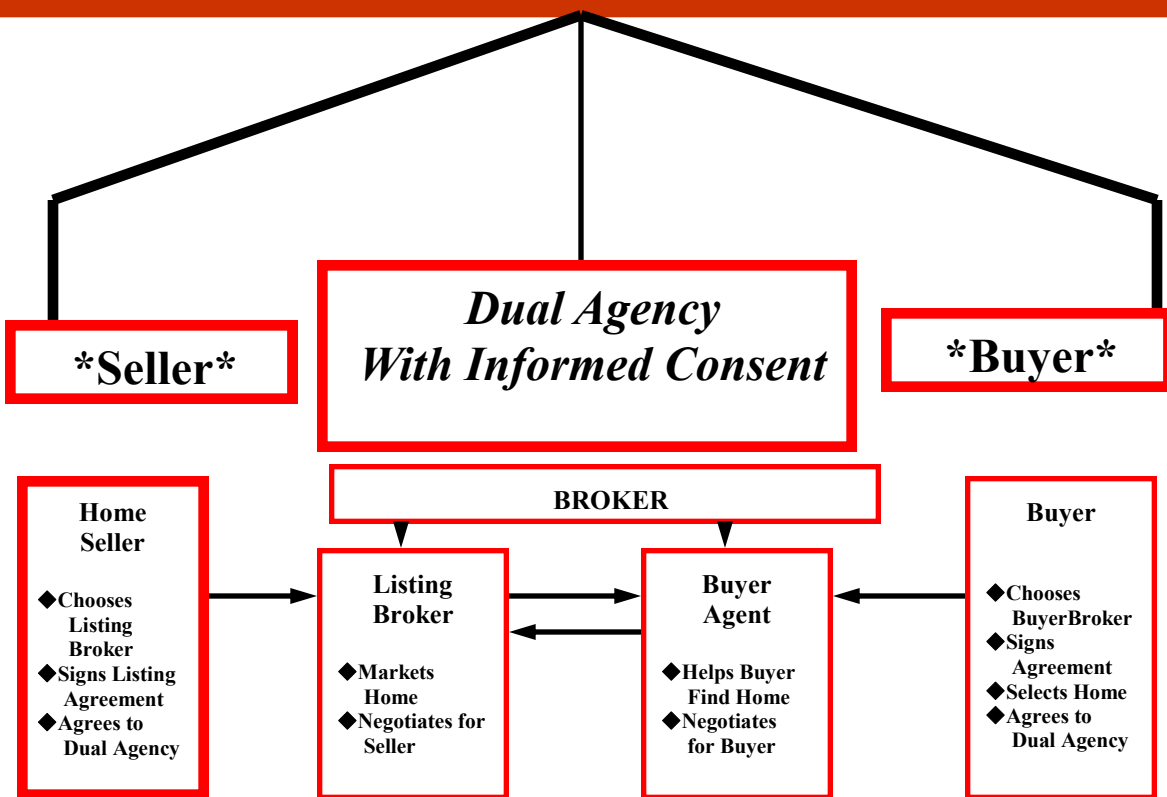


Recently buyers have become aware that real estate agents have considerable knowledge that could be of great assistance in deciding which property to purchase. In many areas of the country *Buyer Agency* has become as prevalent as the traditional seller and *Sub-Agency* type of business.

When a buyer is represented by an agent, all the fiduciary duties are owed by the agent to the buyer and not the seller. The buyer has the freedom to discuss the value of properties, negotiating strategies and personal finances with the agent. The buyer can obtain the opinion of the agent concerning the condition of the property, the effect of improvements, the seller's motivation for selling, and a variety of information which a seller's agent cannot provide.

A buyer's agent will commit, to make every reasonable effort to locate the property described by the buyer. This includes searching for all homes that may be available for sale, including those not listed with a real estate company.

Although the traditional agent will work hard to find the perfect property to meet your needs the traditional agent has some limitations because of the duties owed to their principle, the seller.



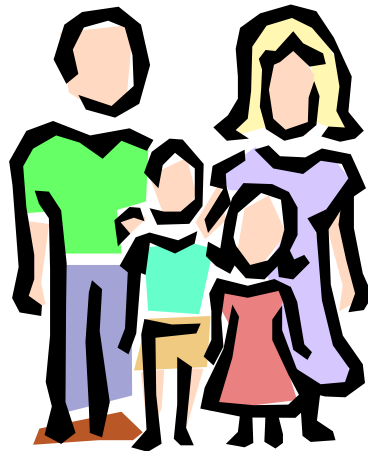
Realty Solutions, LLC a licensed Real Estate Broker, lists properties for sale, thereby forming an Agency relationship with the seller. The seller's agent is obligated to put the seller's interest first.

Realty Solutions, LLC may also form Agency relationships with buyers. The buyer's agent is obligated to put the buyer's interests first. One example of a Buyer Agency is an agent working with a close relative, friend or former client. It is easy to understand how such a buyer would expect the agent to give advice and put the buyer's interest first.

When a buyer, who has formed an Agency relationship with a Broker, is interested in a home listed for sale by the same broker, a Dual Agency is created. Technically, Dual Agency arises when one broker (Realty Solutions, LLC) has a relationship with two clients who have opposing goals (buyer & seller). When a Dual Agency is formed, Realty Solutions, LLC will notify each party.

If a Dual Agency arises, the clients and agent agree to modify the Agency relationship. The agent must not disclose any information that would create a negotiating advantage for either party. The agent must treat the interests of the buyer and seller equally. The goal remains the same - to buy or sell a property.

# Kids Move Too!



Moving is well known to be a traumatic experience. Families leave memories, friends, relations and activities. And while most of these can be replaced by new friends, memories, and activities, the move becomes no less traumatic.

Oftentimes the concerns and fears of the children are overlooked when families move to a new location. A move is especially hard on teenagers or youngsters who have a passion for a sporting activity, social club involvement or who participates in one of the various art forms. Teenagers and young adults are asked to leave their budding romances, their high school and college activities and to some extent abandon their personal dreams and ambitions.

It is paramount to include the children in the initial planning stage of a family relocation. Get them involved in the decision process. Ask your real estate associate to obtain information for the children that may ease their fears.

When searching for that perfect home, it is wise to involve the young adults of the family. Infants and very young children can sometimes hinder your search for a home because they quickly grow impatient and you may want to find a sitter during house hunting visits.

Remember, kids move too and they oftentimes require very special attention during this traumatic time of their lives.

## Realty Solutions, LLC