

Property Quest: A Guide for First Time Home Buyers

The Trainer's Manual



Department of Real Estate

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This workbook and the accompanying video were produced through a research contract with the California Department of Real Estate. The views or opinions expressed herein are those of the authors and do not necessarily represent the views or opinions of the Administration of the State of California, or the Department of Real Estate.

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Introduction

The material that you're about to present may contain some of the most important information Californians will ever need to know. Taking that first big step to buy a home can be confusing and even scary for many people. The material you will present is meant to provide basic information that will make the experience easier and help first time buyers avoid problems that may adversely affect them.

This Trainer's Manual supports the Department of Real Estate's video "Property Quest: A Video for First Time Home Buyers," and an accompanying Buyer's Workbook. Typically, trainers show the video as an introduction to the topic, and then follow up with lecture and activities based upon the information contained in the Buyer's Workbook. After reviewing the video, Buyer's Workbook and this Trainer's Manual, trainers should feel free to adapt the material to a training style with which they feel comfortable. The materials have been designed to be highly flexible and easily adaptable.

The information contained in the "Property Quest" training package was culled from a number of sources in an attempt to provide a thorough yet easily understandable discussion of the buying process. A list of important resources where participants can turn for more detailed information is contained in the back of the Buyer's Workbook. Encourage participants to seek out these resources should they have additional questions.

Finally, as it is noted later under "Training Tips," the chances that those attending your training session will understand and absorb all the information contained in this training package are pretty slim. Time constraints, learning abilities, and even environmental circumstances may all play a part in participants learning and retaining less than you might wish. However, take heart and remember that if participants retain just a small amount of the information contained in the material, they will be much better off than had they never been exposed. Just one "jewel" of information that you present may make a huge difference in the lives of participants. Good Luck!

Course Overview

What are the goals of the Property Quest Training Package?

The detailed course information is contained in the Buyer's Workbook, which is broken down into the segments noted below. The video provides a "broad-stroke" overview of the information, and should be used to introduce participants to the course.

Segment 1: HOW TO START YOUR PROPERTY QUEST

This segment is designed to give buyers an introduction to the benefits of home ownership, importance of good credit, choosing a real estate agent, what you can afford, and financing. Participants will learn about the tax benefits of home ownership, how credit affects financing, screening real estate agents, and how lenders decide how much you can borrow.

Segment 2: ARE WE HOME YET?

This segment is designed to teach participants about the importance of assessing their individual and family needs when looking for a home, considerations between new and used homes, condominiums and fixer-uppers, and waiting for the right home. There are several probing questions to assist participants in thinking about selecting the right property.

Segment 3: THE PAPER CHASE

This segment describes the actual purchase process. Participants will learn about making an offer, negotiating, contingencies, the escrow process and home inspections. Discussions on what to offer, the negotiation process and the importance of a good home inspector are included.

Segment 4: KEEPIN' UP

This segment discusses financial and management issues, post-purchase topics, the importance of communicating with your lender if monetary issues arise and some additional “Watch Out” tips for home buyers.

What else is included in the Buyer's Workbook?

In addition to a detailed discussion of each of the four segments noted above, the Workbook includes:

- 1) A glossary of important words
- 2) Resources for more information
- 3) Sample home buying documents
- 4) A participant feedback form

Step-by-Step Training Guide

Each of the following five steps is based on sound instructional design. Use these five steps to teach the course. The detail behind each step is contained on pages 8 – 24 of this manual. Each step is designed to enhance the effectiveness of the message so participants learn and retain the information.

Step 1

Why is it important for first time buyers to know this information? Individuals are more likely to become interested in and learn information they feel is important and relevant to them. Assure them early on that you intend to address their questions and concerns. In Step 1, we provide you with reasons to give to your audience to help them understand the importance of learning this information.

Step 2

What do participants need to learn, and how will the course proceed? Identify what you want participants to learn. They need to know what they're expected to learn. At the same time, it's a good idea to have a road map yourself for what you want to teach and how you want to get there. In Step 2, we provide you with a list of topics of which participants should have an understanding after they have watched the video, reviewed their workbooks, and participated in the class.

Step 3

What information should I teach? After watching the video with your group, it's time to cover some of the details contained in the Buyer's Workbook. Follow the detailed content outline to deliver the information easily and effectively to students. In Step 3, we provide you with that information by organizing the content in a bulleted outline format.

Step 4

How do I reach participants with this material? Having the information is not sufficient for teaching the material. It's one thing to know it; it's quite another to reach and involve individuals in their learning. Recognizing that not all individuals learn the same way and not all trainers teach the same way, we have included alternative teaching strategies and activities. In Step 4, we provide a number of activities to enhance training effectiveness.

Step 5

How do I know they learned the information? Once you've taught the materials and engaged participants in a variety of learning activities, it's a good idea to get feedback. Feedback serves as a check on how well you taught and how much the students learned. In Step 5, we provide a Participant Feedback Form that will help you assess effectiveness.

Basic Training Tips

To help you teach this course effectively, we offer the following basic training tips:

Training Tip 1

Determine how much time you have to teach this course. This course can take as little as 90 minutes to teach or as long as three hours. Some student-centered activities are more time-consuming than others. Your choice of activities will depend, in part, on the time you have allowed. For a number of reasons, it is difficult to estimate how much time each activity is likely to take to complete. As you experiment with each activity, you will see that time varies. Activity time depends on the number of participants you are teaching, how receptive or interested they are in the material, the time of day, the physical environment, and whether or not you choose to use groups, pairs, or individuals working alone.

Training Tip 2:

Some information may be more important or relevant to your participants than other information. Prioritize what you decide to teach. Discover what your participants know and what they still need to learn. You may want to only quickly review information that they already know and spend most of your time focusing on new or additional information.

Training Tip 3

You may wish to teach the material using visual aids. If overhead projection equipment is available to you, you can copy the bulleted outline information contained on pages 11 - 21 of this manual onto overhead slides. This will allow you to have the bulleted information in front of you as you lecture and will provide participants with a visual to follow as you speak. If you don't have the ability to make these overhead slides, you can take the pages to a photocopy business and have the slides produced. This is relatively inexpensive.

Training Tip 4

Don't feel you must teach everything in the course or that you must use every activity. Oftentimes, it is better to teach less and teach it well than to try to overload participants by covering every single point. Additionally, many, if not all, of the activities can be completed by participants on their own.



Training Tip 5

At the same time, don't be reluctant to try out some of the activities suggested in Step 4. The truth is, students like activities and they learn from them. As you go through the manual, you will notice the star activity icon. These star icons are numbered to correspond with the activities listed in Step 4. Some activities are better conducted in small groups of four or five students; others are better completed alone or in pairs.

Training Tip 6

Encourage active involvement with your participants. They are much more likely to remain attentive, learn, and remember information if they are actively involved in the learning process. As a rule, passive participants don't take much information with them when they leave. Active participants do. What follows are some strategies to help you keep your group actively engaged in their own learning.

- Ask questions.
- Ask open-ended questions or those that ask for more than a simple yes or no answer. Ask "why" questions to a story or comment that a participant has made.
- Once you've asked a question, wait. Give participants enough time to think about the question and formulate their answers. Try applying the 15-second rule: If you remain silent long enough (15 seconds), someone is bound to jump in!
- Direct questions to particular participants. Target your questions to those who like to talk.

Step 1

Why is it important for buyers to know this information?

Begin by establishing why the information in this course is important for participants to learn.

Start this lesson with the following opening statement:

Buying a home can be a daunting experience. There is a huge amount of information and details to take into account: getting a good real estate agent, choosing a home, qualifying for and getting financing, home inspections... And I'm not even to escrow! The fact is, it is vital to break this process down into small steps, each one as important as the last. It's not hard to stumble at any point along the way to your first home purchase. The best bet is to be equipped with knowledge. And that's why you're here.

Step 2

What do participants need to learn, and how will the course proceed?

Tell participants that by the end of this course, they will have learned how to make smart decisions about buying their first home.

Share the following with your group:

What you will learn from this course is how to successfully negotiate your way through the home buying process. You'll learn about budgeting from the beginning, choosing a qualified real estate agent, finding financing that is right for you, selecting the type of home that is right for you, home inspections, the escrow process and financial management after you're home.

Our time together will begin with watching a video that provides an overview of the home buying process, and then we will spend time together talking about some of the details which are contained in your Buyer's Workbook.

So, let's start with the video!

Step 3

What information should I teach?

After watching the video with your group, it's time to cover some of the details contained in the Buyer's Workbook. Follow the detailed content outline to deliver the information easily and effectively to students. In this step, we provide you with that information by organizing the content in a bulleted outline format.

Start by sharing the following with your group:

The video gave you a great preview of what we're about to discuss. I'll touch on a lot of the information from the video and provide some detail that the video wasn't able to cover.

This should be an interactive process, so I encourage you to ask questions or share your own stories or concerns at any point as we move through the information.

All of what we we'll talk about is covered in detail in your workbook, so I encourage you to spend some time reading the workbook after our time together and keep it handy to use as a great resource in the future.

So. Let's start off with some questions:

- *Why would you like to buy a home?*
- *Have any of you been through the buying experience before?*
- *What were your experiences?*

Now move into the content by sharing the following:

People buy a home for any number of reasons: they're starting a family; settling down in one city; getting married; or buying simply to get into the market. Let's look at some of the reasons people buy a home. Also, take note of your finances and determine what you can afford...this includes credit and general budgeting.

Benefits of Home Ownership

- **A Place to Live**
- **Feeling of Permanence**
- **Stable Housing Costs**
- **Good Use of Your Money**
- **Tax Benefits**

Credit Worthiness

- **Establish Good Credit**
 - **Steady Source of Income**
 - **Good Record of Paying Bills**
 - **Long Term Debt Low**
 - **\$ in Savings**

- **What is a credit Score?**
 - **The five C's**

Next, talk about choosing a real estate agent.

Choosing a good real estate agent is vital to the home buying process. Your agent is the professional who will assist you in managing the entire process, so make sure you trust them, get along with them and they are knowledgeable.

Choosing an Agent

- **Why A Good Agent Is Important**
- **Spotting A Good Agent**
 - **Comes highly recommended**
 - **Past clients say good things**
 - **Responsive to your needs**
 - **Is knowledgable**
- **Check The Status Of An Agent's License**

Now, it's time to address money matters in the real estate purchase.

First things first. You need to determine what you can afford. Let's talk a bit about budgeting and then about getting a loan. There are steps you can take to make the mortgage process easier when you're looking for a home and many financing options available.

The Budget

- **Guard Against Being "House Rich and Cash Poor"**
- **Figure Out Monthly Expenses**
 - **How much do you feel comfortable spending?**
- **Remember the Closing Costs, Taxes & Insurance**



The Mortgage

- **Pre-approval vs. Pre-qualification**
- **Lenders vs. Brokers**
- **Programs for First Time Buyers**
- **Financing**
 - **Fixed Rate**
 - **ARMs**



After financing is in place, it's time to start looking for a home to buy.

Finding the right home to purchase is subject to many wants, needs and desires. All of these things have to be carefully weighed in order to find the property that best suits your needs.

Finding The Right Home

- **Location / Neighborhood**
 - **Schools, parks & commute**
 - **ARMs**

- **The Best House**
 - **Interior / exterior appearance**
 - **New & used houses / condos**
 - **The fixer-upper**
 - **Ready, set...WAIT!**



Next, it's time to move into the negotiation and escrow process:

So, you've found the right house... You've got financing in place... It's time to move in! Well, one step at a time. You'll need to make an offer on the house, possibly negotiate price and other details with the current owner and then go through the escrow and closing process. Along the way, it's important to get a home and pest inspection – even on a new house!

Offer & Negotiation

- **Price - Comparable Market Analysis or Appraisal**
- **Other Variables – Close Date, Appliances, Disclosures**
- **Everything is Negotiable!**
- **Counteroffers**
- **Contingencies – Use Them!**



Inspections & Disclosures

- **Home Inspection**
 - **A “physical” for your house**
 - **Can find expensive hidden problems**
- **Pest Inspections**
- **Required by Most Lenders**
- **Seller May be Responsible for Repairs**
- **Disclosures – Required by Law**



Escrow

- **Third Party Who Carries Out Provisions of Sale**
 - **Ensures all terms of contract are met**
 - **Receives and distributes all funds**
 - **Neutrally represents buyer and seller**

Next, talk about the financial responsibilities of owning a home:

To buy your own home is a great financial challenge! Once you've cleared that hurdle, you'll need to address the month-to-month financial maintenance that is required to KEEP your home!

Financial Responsibility

- **Make Mortgage Payments on Time!**
 - **If financial issues arise, TALK to your lender**
 - **Put extra \$ aside for the unexpected!**
 - **Curb spending when you move (especially credit card purchases!)**

It's time to wrap things up with a few words of caution.

Real estate transactions typically involve large amounts of money and many different professions coming together to make a deal happen. Along the way, there may be some characters that – deliberately or unknowingly – may provide you with bad advice, cost you money, defraud you, or simply waste your time. If things are unclear or you are uncertain, ask questions of the professionals with whom you are conducting business. Don't sign until you understand! If uneasy, consider seeking the services of another professional. Here are a few warnings.

Warnings!

- **Real Estate Agents**
- **Lenders**
- **Home Inspectors**
- **Escrow Officers**
- **Tax Advisors**

CHOOSE THEM CARFULLY!

Step 4

How do I reach participants with this material?

Having the information is not sufficient for teaching the material. It's one thing to know it; it's quite another to reach and involve individuals in their learning. Recognizing that not all individuals learn the same way and not all trainers teach the same way, we have included alternative teaching strategies and activities. Below we provide a number of activities to enhance training effectiveness.

In Step 3 you may have noticed the  star icons inserted throughout the material. These activity star icons signal opportunities for you to involve students in their own learning.

Students can do some of these activities independently on their own time. Other activities are better suited to groups of four or five. Whether you choose to use one or more activities is up to you, your time constraints and your students' interests.

Each activity icon is numbered to correspond with the material presented in Step 3. Just follow along with the numbers as you teach your module.

Activity

Direct students to the Home Buyers Workbook activity “But Seriously, What Can I Afford?” on page 6, and “My Monthly Budget” on pages 7 – 8. As a group, discuss the items in the budget. Are there additional items to add to the list? Ask the group to come up with other items on which they spend money. Then ask students what they would be willing to sacrifice on the list to own a home. Discuss as a group.

Activity

As a group, discuss all of the documents and information that may be required for the home buying process. What problems could arise from this information? Do students have current documentation on income, investments and debt? Do students know their credit scores? Ask participants if they know how their credit score can affect financing.

Activity

Have the participants break into groups of 4-5 or into pairs. Ask participants to discuss among themselves various aspects of choosing a place to live, including: location; type of home – new/used house, new/used condominium, fixer-upper; size of home; what amenities are important. If time allows, bring the group back together and have participants share their results. (Write down an exhaustive, non-redundant list on the chalkboard or overhead projector).

Activity 4

As a group, discuss negotiation of the purchase of a home. What are some of the things participants would like to negotiate into their deal? (The goal is to get them comfortable asking for things like a reduction in price, appliances, extended closings etc.) Ask participants how they would feel if they were flatly turned down. Are they willing to walk away from a deal with an uncooperative seller? What type of agent do they want on their side: a tough as nails negotiator or someone who will smooth things along to get the deal done? Ask participants how aggressive they want to be in “getting their way.”

Activity 5

It’s time to walk your students through an imaginary home inspection. As a group, discuss all the items that should be inspected around a home – even if they’re planning on buying a new house! Some things to consider: roof condition, foundations, electrical, plumbing, window cracks, etc. Write down an exhaustive list on the overhead projector or chalkboard. After finishing the list, take a look at the sample home inspection checklist in the Appendix of the Home Buyer’s Workbook. How did they do?

Activity 6

A glossary of important home buying terms has been provided. In addition, a variety of relevant books, guides and web addresses are provided. Direct participants to these important resources for additional information and future reference. The Glossary can be found on page 26 of the Home Buyer’s Workbook. The Resources are printed on page 24 of the Workbook.

Step 5

How do I know they learned the information?

Teaching is always a challenge. There are so many issues that enter into your effectiveness as a trainer. Once you've taught the materials and engaged students in a variety of learning activities, it's a good idea to get feedback. Feedback serves as a check on how well you taught and how much the students learned. In this step we provide you with a way to elicit that feedback.

We have developed a Participant Feedback Form. The form includes questions that are designed to provide you with feedback about the content, activities and presentation of this module. Participants should be asked to anonymously complete the form, and turn it in before leaving the training session. The form is reprinted in the Training Manual and the Home Buyer's Workbook.

Participant Feedback Form

Use the following statements to evaluate the instruction and materials presented.
Rate each item on a scale of 1 (Strongly Disagree) to 5 (Strongly Agree).

CONTENT

- SD SA
- ① ② ③ ④ ⑤ I learned a lot from this session.
- ① ② ③ ④ ⑤ What I learned from this session is important to me.
- ① ② ③ ④ ⑤ The information presented in this session is useful to me.
- ① ② ③ ④ ⑤ What I learned in this session is helpful and beneficial to me.
- ① ② ③ ④ ⑤ The material presented in this session was easy for me to understand.

TRAINER

- SD SA
- ① ② ③ ④ ⑤ The trainer was knowledgeable and well prepared.
- ① ② ③ ④ ⑤ The trainer was effective in presenting the information to me.
- ① ② ③ ④ ⑤ The trainer was clear and accurate in presenting the material.
- ① ② ③ ④ ⑤ The trainer was highly approachable and made it easy for me to ask questions.
- ① ② ③ ④ ⑤ Overall, I would rate this trainer as highly effective.

ACTIVITIES

- SD SA
- ① ② ③ ④ ⑤ I enjoyed the activities included in this session.
- ① ② ③ ④ ⑤ The activities included in this session were useful for learning the information.
- ① ② ③ ④ ⑤ It was easy for me to participate in many of the activities presented in this session.
- ① ② ③ ④ ⑤ I found the activities relevant to my life.
- ① ② ③ ④ ⑤ It was easy for me to relate to the activities.

Resources

You may want to direct students to further information that will assist them in their first time home buying experience. Listed below are those resources annotated for your use and your students' use. (This list is also reprinted in the Home Buyer's Workbook.)



Books and Guides:

Tyson, E. and Brown, R. (2001) Home Buying for Dummies. New York: Hungry Minds. The authors provide straight forward and sensible advice on all aspects of the home buying process. Includes comprehensive tips on what to look out for.

Irwin, R. (2000) Buy Your First Home! Chicago: Dearborn. Irwin writes a narrative of the home buying process, start to finish. He uses several true-life stories to highlight important points.

Fidelity National Title (2001) Buyers' Home Guide. Fidelity National Title. Provides exhaustive checklists on the information required through the home buying process. Use as a companion to other material for a pre-written "to-do" list.

California Department of Real Estate (1999) Disclosures in Real Property Transactions. This booklet presents a brief overview of current real estate disclosures required by law. It also has a list of government agencies to contact for further information.

California Department of Real Estate (2000) Using the Services of a Mortgage Broker. This booklet gives a brief overview of the basic steps and factors involved in a mortgage transaction when using the services of a mortgage broker.

California Housing Finance Agency (2002) Homeownership Program Bulletins. These bulletins, which are issued frequently, provide the latest information about various home loan assistance programs in California.

Web Sites:

To check your credit report and find detailed information about how to build good credit and avoid bad credit, see the following web sites: www.equifax.com, www.transunion.com and www.experian.com.

To find a certified credit counselor, go to www.debtadvice.org or www.hud.gov.

To check the license status of a real estate agent and access other helpful consumer protection information, go to the California Department of Real Estate's web site: www.dre.ca.gov.

To learn more about the home purchase and loan process, check out www.freddiemac.com/homebuyers and/or www.fanniemae.com (click on Homepath) and/or www.hud.org (click on Online Homebuyer Education) and/or www.hud.gov.

For information on home loans, including current interest rates, home loan calculators, and special programs for first time buyers, see these web sites: www.eloan.com, www.bankrate.com, and www.hsh.com.

For information about first time home buyer programs and a variety of other home loan assistance programs in California, check out the California Housing Finance Agency at www.calhfa.ca.gov and the California Department of Housing and Community Development at www.hcd.ca.gov.

For information on home loan assistance available to eligible veterans, check out the California Department of Veterans Affairs at www.calvet.ca.gov.

Other helpful web sites include:

U.S. Department of Housing and Urban Development: www.hud.gov

U.S. Internal Revenue Service: www.irs.gov

California Department of Consumer Affairs: www.dca.ca.gov

California Department of Corporations: www.corp.ca.gov

California Department of Financial Institutions: www.dfi.ca.gov

California Franchise Tax Board: www.ftb.ca.gov

California Department of Housing and Community Development:
www.hcd.ca.gov

California Housing Finance Agency: www.calhfa.ca.gov

California Department of Insurance: www.insurance.ca.gov

California Department of Real Estate: www.dre.ca.gov

California Office of Real Estate Appraisers: www.orea.ca.gov

California Structural Pest Control Board: www.pestboard.ca.gov

California Department of Veterans Affairs: www.calvet.ca.gov

Federal Citizen Information Center: www.pueblo.gsa.gov