



HOME BUYING PROCESS

What to do first.

It is very tempting when considering buying a home to jump online, peruse hundreds of listings till you find a house you love, and then contact an agent to make an offer. And while this method can work, most often, it doesn't. Why? Because there are several steps that should be taken before you are ready to make an offer. It would be disappointing to fall in love with a house, only to lose the house because you weren't ready to make an offer.

Step One: Figure out the Money

Find a lender. You can do this by getting a referral from a real estate agent, from family, from friends, contacting your bank or just researching one on your own. Don't feel like you have to use the first one you talk to. Find one that will work hard for you and make the process simple.

The loan officer can run your credit and make sure there are no issues on your report. Sometimes there are old debts that need to be paid, or debts that have been paid and not removed or debts that aren't even yours. Your loan officer can advise you on how to fix the various issues on your report.

Then the loan officer will provide you with a "Pre-Qualification" which is basically a starting point on what you can afford to spend. They will ask you basic questions about your job, how much you make, how long you have worked there and what your debts are. Then they do calculations to determine what you can afford.

Keep in mind, that starting point may not necessarily be what you are comfortable spending. Find out how much the monthly payment will be at that amount to make sure you want to spend that much. Also, pay attention to the interest rates. This is another reason to shop around for lenders as not all lenders charge the same.

Now while you can start home hunting at this point, having a "Pre-Approval" will improve your chances of having a smooth transaction. The difference between a Pre-Qualification and a Pre-Approval is that the loan officer will verify the information you gave them before giving a Pre-Approval letter. Now when you make an offer, you can present the Pre-Approval with your offer and that tells the seller that your loan is good to go and the only thing that the lender needs to verify is that the home is worth lending on.



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Another thing to figure out is how much you are able to put down on a home. Talk to your lender and find out what the requirements are for various loans and go from there.

Also, do you plan on doing renovations right away? Do you have the money for that or should you focus on finding a home that is already updated? What inspections do you plan on doing and do you have the money available?

Step Two: Find a Good Real Estate Agent

Now that your finances are in order, you will need find a real estate agent. You can use the same process to find a real estate agent as you did the lender. In both of these instances, referrals are always the best way to find someone you like working with. These people are going to be heavily involved in your life, your finances and your future. The last thing you need in this process are people who are not responsive to questions or concerns, are not diligent in tracking the details of the transaction or does not do things with in specified timelines. You could get lucky and find someone who is a great lender or a great agent, but you reduce the chances of getting someone who isn't by asking people you know and trust for recommendations.

Step Three: What Kind of Home Do You Need?

Now it is time to start looking for a home. But before you jump in, take a few minutes to figure out what you are looking for.

- **How much do you want to spend?** As mentioned before, the amount your lender says you qualify for may not be what you want to spend. For example, a couple can get pre-approved for \$350,000 but doesn't want to pay \$2,000 a month on a mortgage payment. So decide how much you want to spend a month and then ask your lender what that equates to in a total home cost.

When looking for a home, how much you spend rarely is the listing price. If you feel comfortable buying a \$200,000 home and it's a buyers market, you can easily look for homes that are \$215,000.

- **What do you *have to have* in a home?** This is not about amenities. This is about the size of the home, how many bedrooms do you need, what size garage do you need and how big is the lot and so forth. Don't forget to consider future changes in your living situation such as having children or children moving out.
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- **What areas do you want to live in?** Do you want to be in a certain school district? How long of a commute are you willing to drive? Do you want to be near shopping and entertainment places or do you want to be in a rural area? Do you want to live by lakes or other waterways? Do you want to live close to family or friends? Keep in mind, sometimes the perfect house is a mere few minutes further out than your perfect area. Be flexible.
- **What are the deal breakers?** Sometimes what we think we **have** to have becomes something we would **like** to have. But other times, there are things that absolutely are a must in a home. Make sure you list them and let your real estate agent know.

Step Four: House Hunting

Now you are ready to go look at houses. Your real estate agent can set you up on a search where listings are emailed to you at regular intervals so keep an eye out for those. In a sellers market, you will want to stay on top of those emails as properties can go pending within hours of being listed. This is especially true if you are looking in an area and/or price range that most buyers are looking in as well.

Be very patient looking at homes. You may look at dozens of homes before you find one you want to make an offer on. But you could also fall in love with the first house you see.

Step Five: Making an Offer

So you found a house you love and you are ready to make an offer. You have a pre-approval in hand and you are offering a great price. In your mind, you have already started placing the furniture in the house and choosing paint colors. But this is a dangerous thing to do.

In a buyers market, you can take your time, be choosy and low-ball the offer and still get the home. But in a seller's market, you will probably be outbid even if your offer was first and was full price. Be prepared to place several offers and either be rejected or outbid or both. There are other people out there just like you who also fell in love with that house, and mentally started moving in. So try to keep it a business transaction, at least till you have keys in hand.

Your real estate agent will walk you through the paperwork required to place the offer. You will need to decide what inspections you want done. Then, you will need to hand them a check for the earnest money deposit and an option check. And then you will wait.



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Step Six: Escrow

Finally, your offer was accepted and you are in escrow. At this point, the bulk of your job is already done. Just make sure you:

- Sign everything your agent or lender sends to you.
- Send any further documentation asked for as soon as possible.
- Ask questions if something doesn't make sense.
- Go to the property when the inspections are being done so you can ask any questions you may have. Sometimes, you will need to pay for the inspections at that time, so be prepared to bring a check.
- Contact your real estate agent, loan officer and title representative a couple weeks before you are scheduled to close to make sure there isn't anything they need from you. Confirm that the spelling of your name and that your legal name was used on all documents. Check again a week before.
- Make sure you have everything you need to bring to the signing. The signing generally takes place a few days before close.
- Do a walk thru. This is very important to do. You are confirming that the condition of the property is generally in the same condition as when you made the offer.
- If you want to be able to have time to read all the documents you will be signing, let your escrow officer know and they can provide you with those a few days before.

Step Seven: The Signing

- Be on time to your signing. Signings generally take about an hour and there may be other signings after you so you want to be sure to be on time.
 - Don't forget your ID and any other documentation you needed to bring.
 - Try to have your real estate agent there with you in case there are issues.
 - Let your lender know when your signing will be in case you need to call them.
 - Ask questions before signing something you do not understand.
 - Make sure you get copies of all signed documents.
 - Lastly, get an Owners Title Policy. The last thing you want is to go through all this work and then have to worry about title issues later.
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