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# THE HOME BUYER'S GUIDE



## INTRODUCTION

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Owning a home is more than a smart financial investment; it's an investment in quality of life – particularly if you have a family or if you're planning one. You can decorate or renovate however you like, customize your landscape, rule the roost! It's your home.

This guide provides a detailed look at the home buying process for first-time homebuyers. But before diving in, ask yourself, "Is this the right time for me to buy?" The considerations below will help to answer that question.

### Owning versus renting

Owning a home does come with risks and responsibilities that you don't have to deal with when you rent. Things like a mortgage, property taxes, homeowner's insurance, home maintenance, and repairs. Even so, financial advisors and homeowners themselves know that there are far more advantages than disadvantages to owning.

For instance, over time you'll generally lose money by continuing to rent versus owning your own home. Why not build up equity in your own home instead of paying your landlord's mortgage? Although there are periodic market drops, owning a home has historically been an unequaled financial investment. You gain many ongoing tax benefits, such as deducting the interest on your mortgage and property taxes from your income tax.

### Do you qualify to own?

Get your financial facts straight. Go to your bank or other lending institution and have them perform a credit check and general financial analysis. Also, keep in mind that you may be eligible for loans insured by the Veterans Administration (VA) or the Federal Housing Administration (FHA).

### Is it a good time to buy?

Generally speaking, if you're financially qualified, and ready for change, your timing is right. The bottom line is that if you are currently renting but want to own a home, have the funding, and the right real estate professional to guide you - it's a good time to buy.

An experienced real estate professional can assess the current local market conditions and fully inform you about your options. As an industry insider, a professional agent will often get the scoop on great real estate opportunities you might otherwise miss!





## 7 STEPS TO HOME OWNERSHIP

Buying a home usually represents your single biggest investment – and debt. Adequate research, knowing what you want and what you can afford, and the assistance of a professional real estate agent are the keys for the best outcome.

*These 7 steps will help you get started.*

### 1. Define your goals, research your options, and develop an action plan

Giving the green light to future homeownership means educating and preparing yourself as much as possible. Know what your personal reasons are for buying, and determine the kind of home, neighborhood, and features you want. Since buying and financing a home are fundamentally connected, you'll also need to examine your current financial situation and know what you can realistically afford.

Once you're clear on the above, you'll be in a better position to research housing and mortgage options, and create an action plan with timelines for moving forward. While it is possible to do this yourself, you may benefit by consulting an experienced real estate professional right from the start.

### 2. Contact a real estate professional

Buying real estate is a complex matter with many factors to consider as no two homes or transactions are alike. The unique opportunities and potential pitfalls are best navigated with an expert on your side. Contact a real estate professional once you've decided to buy. A professional agent will guide you through the property search, financing, negotiation and transaction processes. Consider their local market knowledge, experience, and track record when evaluating potential agents.

### 3. Get pre-approved for a loan

It's important to get pre-approved for a loan before you start viewing homes in earnest. The pre-approval process involves meeting with a lender and authorizing them to examine your current financial situation and credit history. On the basis of this examination, the lender may provide you with a document detailing the amount you can borrow to buy a home.

#### The benefits of pre-approval include:

- ✓ You'll know what you are eligible to receive and be able to plan accordingly
- ✓ As a qualified, motivated buyer you'll be taken more seriously when you make an offer
- ✓ Lenders can tell you if you qualify for special programs that will help you afford a better home (particularly if you're a first-time buyer)

Financing is available from many sources, and your professional agent will be able to suggest lenders with a history of offering excellent mortgage products and services.

For more information about the benefits of pre-approval and the loan process in general, see - FINANCING YOUR HOME - THE LOAN PROCESS, on page 5.



#### 4. View homes and find THE ONE

The secret to a happy home search is in knowing what you really want. That means distinguishing between “must-haves” and “like-to-haves”. To help you to target your search and define your home preference priorities, refer to the Home Search Worksheet on page 8.

##### A few interesting facts about the search process for perspective:

- ✓ 92% of buyers use the Internet or mobile apps to search for homes<sup>1</sup>
- ✓ The typical buyer searches for 10 weeks and views 10 homes<sup>1</sup>
- ✓ 97% of buyers view real estate agents as important in the home search process<sup>1</sup>

With today's mobile apps and online real estate websites, you can view homes, see details, take video tours, and access neighborhood info. Technology can be a great tool in your search process!

However, **it's absolutely necessary to view homes in person.** While the property details may seem similar online, homes can be very different in terms of layout, design, workmanship and other aspects. Ideally, you should view homes with the help of an experienced real estate professional who may notice things you might miss, provide expert analysis, and act as an impartial sounding board.

<sup>1</sup>National Association of REALTORS® Profile of Home Buyers and Sellers, 2015

#### 5. Make an offer and negotiate with the seller

When you've found the home you'd like to buy, it's time to make an offer. Your state or local real estate association likely has contracts that are generally used for transactions in your area. These contracts enable you to specify a sale price and also allow the inclusion of clauses specifying various terms of purchase, such as the closing and possession dates, your deposit amount, and other conditions.

You should carefully review these clauses with your real estate professional to be sure that they accurately express your intended offer. In addition to drawing up the contract, your real estate professional will be happy to address all of your questions about the offer process.\*

Once you've written the offer, your real estate professional will present it to the seller and/or the seller's representative. At that point, the process will vary somewhat depending on the market you're in. Generally speaking, the seller can accept your offer, reject it, or counter it to initiate the negotiation process.

Successive counter-offers, with deadlines for responding and meeting conditions, may be exchanged between you and the seller until a mutual pending agreement is reached or the negotiations breakdown. Negotiations involve many factors specifically relating to different market conditions, homes and sellers, and other variables that a professional agent can handle with ease.

#### 6. Secure your financing

Once you have a pending agreement, it's time to return to your chosen lender to finalize mortgage details in order to close the deal. This means finalizing your down payment, interest rate, regular payment schedule and all other financial conditions associated with the closing. As the saying goes, 'let the buyer beware'. Unfortunately, too many buyers suffer negative consequences from not fully understanding their financing decisions. Thus, it's crucial for you to work with people you trust. In this regard, a good real estate professional can become a true friend for life. For more information on the loan process, see - **FINANCING YOUR HOME - THE LOAN PROCESS**, on page 5.

\*Customs for drawing up contracts vary by region. Certain transactions may benefit from the use of legal counsel.

## 7. Close the deal

If you've efficiently taken care of everything connected with purchasing your new home, taking ownership should be a positive joy with no surprises. Key steps to the closing, also referred to as the "escrow" or "settlement", include:

- ✓ **Getting a title search** – you will need a historical review of all legal documents relating to ownership of the property – to ensure that there are no claims against the title of the property. It's also necessary to purchase Title Insurance for protection in the event of errors in the records or mistakes in the review process.
- ✓ **The final walkthrough** – you will be given the chance to look at the home one last time to make sure it's in the same condition as when you signed the sale agreement.
- ✓ **The settlement** – typically, on the Closing Date you'll meet with a lawyer, real estate professional, or escrow agent to verify and sign all the paperwork required to complete the transaction. The settlement will include paying your closing costs, legal fees, property adjustments and transfer taxes. At that point, you'll receive the property title and copies of all documentation pertaining to the purchase.

*Oh, and one more thing – **you'll get the keys!*** In most cases, possession date will fall within a few days, and you will be able to move into your new home.



## FINANCING YOUR HOME – THE LOAN PROCESS

*Paying all cash for your home isn't a realistic option for most. So, finding the right lender and mortgage product is integral to buying.*

There are many types of lending institutions, offering a wide range of loans and special programs. **To secure the best mortgage for your needs:**

### 1. Educate yourself about your options

There are a host of loan types and programs available through thousands of banks, finance companies, credit unions, and other assorted lenders. Additionally, there are as many sources of information about mortgages.

Websites like realtor.com®, books, news articles, seminars, mortgage brokers, lenders, and knowledgeable real estate professionals can all help you navigate the labyrinth of financing possibilities. In short, do your homework before signing your name on the dotted line.

### 2. Sincerely examine your financial situation

- ✓ Along with educating yourself about loan options, ask yourself how much mortgage and down payment you can really afford. Answer yourself with complete honesty and be sensible. Be sure to weigh the risks and opportunity costs.
- ✓ Some lenders will qualify you for the maximum they're willing to lend which may be more than you can comfortably afford. Be sure to factor all related taxes, insurance, improvements, homeowner fees and all other potential costs into the equation. Make a list of your monthly expenses, and project your financial commitments during the life of the mortgage. This will provide a realistic figure of what you can afford.

### 3. Find a reputable lender or mortgage broker

When shopping for a loan you should consider two main sources - **direct lenders and mortgage brokers**.

Direct lenders have the money and make the decisions, but have a limited number of in-house products to offer. Brokers are intermediaries who charge a fee, and can provide you with loan options from many sources, which may save you money overall. Consult with your real estate professional as they often have beneficial connections.

### 4. Determine the right mortgage option for you

*Generally, there are two ways to go: a fixed-rate mortgage with an interest rate that remains the same for the life of the loan, or an adjustable-rate mortgage (ARM) with a rate that adjusts up or down, depending upon economic trends.*

The **advantages of fixed-rate mortgages** - particularly if you lock in at a low rate

- ✓ they protect you against the risk of rising interest rates
- ✓ their stability can also make it easier for you to plan and budget

The **downside of fixed-rate mortgages**: they generally have higher rates than ARMs at any given time, and by locking in you run the risk of being trapped at a relatively high rate if interest rates fall.

**Another consideration with a fixed-rate mortgage is the term.** Shorter-term mortgages, like a 15-year, have lower rates than a 30-year. The shorter term and lower rate mean that you'll pay less interest over the life of the loan, although your monthly payments will generally be higher.

In contrast, the rate of an adjustable-rate mortgage (ARM) is commonly based on the U.S. Treasury index for a one-year Treasury bill, although it may also be geared to other indexes. Generally, lenders add 2-4% to the index rate to get their ARM rate. Initially, the rate is lower than the fixed rate by a quarter point to two points or more. This rate will periodically adjust within set limits or "caps" that are specified by the terms of the loan.

*Finally, it must be reiterated that the loan you ultimately qualify for will depend on your credit status.* The best rates and terms are only available to those with solid credit so, if possible, pay off your credit cards and make all other bill payments in full and on time.

### 5. Get your documents ready, then apply!

Once you've reached a pending agreement with a seller to buy a home you'll be ready to formally apply for a mortgage. Your chosen lender will need you to provide information about your household income, job tenure and stability, assets and existing debt, and regular expenses to complete the application. This may take the form of pay stubs, bank and investment statements, tax returns and other documentation.

The lender will check your credit status during the application process, and you'll review the different loan options and programs you qualify for, as well as finalize the size of your down payment. If you place less than 20% down, the lender may require the mortgage to be guaranteed by a third party such as the Veterans Administration (VA), the Federal Housing Administration (FHA) or a private mortgage insurer (PMI).

*Since so much is at stake, remember to bring all of your questions to the table.* You may find it reassuring to have a trusted and knowledgeable real estate professional by your side to explain every aspect of the mortgage contract. Lastly, if you qualify for the loan you're seeking, the lender will often have the home you're buying professionally appraised to ensure that it's worth the purchase price.





## WORKING WITH A REAL ESTATE PROFESSIONAL

Many real estate professionals are buyer specialists focused on helping you successfully land and finance your dream home. One benefit of using their services is gaining the inside track on listings right when they come on the market – in fact, sometimes even before they're on the market. And that's just the beginning.

### Buyer specialists will:

- ✓ Educate you about Buyer Agency, outlining their professional responsibilities to you, including complete Disclosure, Loyalty, Confidentiality, Obedience and Accountability
- ✓ Help you explore your financing options and, if required, refer you to the right mortgage professionals to help you make the best possible decision
- ✓ Save you time by regularly searching the market for affordable homes that meet your criteria
- ✓ Email your desired home requirements to top producing agents in the area so they know they have a qualified purchaser
- ✓ View homes with you and provide comparative analysis
- ✓ Refer you to expert home inspectors that will provide more in-depth analysis and advice, if you desire
- ✓ Provide consultation in relation to your written offer to purchase a home, with all terms approved by you
- ✓ Negotiate the best possible price and terms for you and take care of all the documentation details
- ✓ Keep you fully informed about all activities leading to the transaction closing
- ✓ Assist you, if necessary, in finding any home-related services you need

**The bottom line is that you will receive invaluable, comprehensive, high-quality service, and peace of mind throughout the process.**

# HOME SEARCH WORKSHEET

## MUST HAVES

Price range: \_\_\_\_\_ Lot size: \_\_\_\_\_  
Area: \_\_\_\_\_ Square footage: \_\_\_\_\_  
Detached/Attached: \_\_\_\_\_ Number of bedrooms: \_\_\_\_\_  
House style(s): \_\_\_\_\_ Number of bathrooms: \_\_\_\_\_  
Age of property: \_\_\_\_\_ Garage: \_\_\_\_\_

## LIKE TO HAVES

(e.g., waterfront, view, large lot, pool, fireplace, basement, garage size, built-in vacuum, distance to school, additional room preferences, etc.):

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## ADDITIONAL COMMENTS

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