

10 Steps To Buying A Home

Learn more about the process of buying your home.

Step 1 - New Home Needs

Congratulations on your decision to purchase a new home! Your first step toward buying your new home will be to analyze your needs. Your real estate agent can assist in analyzing your needs so that you will be able to get a clear picture of exactly what you want your new home to look like and how it should function for you and your family.

First, you should write down why you are looking for a new home. For example, are you currently renting and would like to have a home where you can begin building equity? Maybe you recently married and have outgrown your current residence. Or, maybe you have just gotten a promotion, which requires you to move to a new city. These factors will all have a bearing on how you approach your home search.

Second, establish a time frame that you would like to stay within for buying your home. Depending on your reasons for wanting a new home and the current state of the market in the area you are looking to buy, you should be able to come up with a rough guideline, which you can finalize at a later time.

Last, you most likely have a mental picture of what you would like your house to look like and what features it should have. It's very important to write these ideas down to avoid any ambiguity later in your home search. You should make at least two lists: one should be a list describing your dream home and the other should list the features of the home that are an absolute must have in order to buy it. In a perfect world, your new home would fulfill both lists 100 percent. It is more likely that you will end up blending the two lists into a schedule of prioritized items as you progress through the buying process. This is a natural and evolutionary process as you get clearer about what you want and what is available.

Step 2 - Get Preapproved or Prequalify for a Loan

Now that you have your list of features you want in your new home, you are ready to start looking! Well, not just yet. You are going to need to know in what price range to look. There are two ways to go about this. You can get prequalified or preapproved for a mortgage.

Either way, you will need to contact a mortgage company. There are some key differences between prequalification and preapproval for a loan that you need to be aware of. Loan prequalification is a simple process. It takes into account very basic information regarding your financial status and gives you an amount for which you may qualify. This can be done strictly on a verbal level or electronically over the Internet. The prequalified amount is based solely on the information you provide. In most markets, prequalified buyers usually hold little clout compared to preapproved buyers due to the fact that the information given during the prequalification process is not thoroughly investigated and therefore may be unreliable. Where a preapproved buyer is actually approved for a loan of a certain amount, a prequalified buyer is only told that they might be approved for a certain amount.

Pre-approval is a much more involved process. The lender will take all pertinent information regarding your finances and perform an extensive check on your current financial status. This will ultimately give you the exact amount that you will be eligible for (depending on what type of loan you decide to go with). Being preapproved lets the seller know that you have gone through an extensive financial background check and there should be no unexpected obstacles to buying the

home. You can see how being preapproved would be more attractive to a seller than just being prequalified.

Step 3 - Learn The Neighborhood

Now that you have your list of needs and wants and you know how much you can afford to spend, it's time to look at some houses! Not just yet. Step back for a moment and consider the larger picture. People don't just buy a house; they buy the neighborhood the house is in. Think about that...if you found the perfect house but it was in a neighborhood that wasn't to your liking, would you make an offer on it? Most likely the answer would be, "No."

So, you will need to make another list of what type of neighborhood you want to live in. You will most likely want to consider things like how living in the neighborhood will affect your drive time to and from work, what amenities are offered (swimming pool, tennis courts, park, etc.), and, if you have children who are attending school or soon will be, what school district you will be in and how close the schools are. You may even want to make two lists just as you did with your home criteria.

Your real estate agent can help you consolidate the information from your list of needs and wants for your home, your preapproval, and your list of needs and wants for the neighborhood. From this, you can incorporate this information into a broad search profile, which will then be narrowed down to specific areas dictated by the market in which you will be looking. Your agent's experience in local markets will be an invaluable resource during this step.

Step 4 - Home Search

At this point you will have a good idea of what you can afford and what type of neighborhood you will want to live in. Taking that information into consideration you are ready to embark on your actual home search. If you don't know much about the city that you are moving to you will most likely want to start your search by finding neighborhoods that meet your criteria and then narrowing your search to particular homes in the area.

There are a few ways to go about this. Possibly the most efficient way to find homes is to allow your real estate agent to keep you up-to-date on available properties that may meet your criteria, then and allow your agent to screen these properties for you. When your agent presents you with a property that interests you, he or she can arrange for you to tour the property when it is convenient for you.

You can also access local publications highlighting available real estate in the area, contact local Neighborhood Associations, visit the local Chamber of Commerce, look on the Internet, and even drive through neighborhoods that you feel would meet your needs. Driving around a particular area looking for a home that is for sale is good because you can actually see the house, but it can be very time consuming and very "hit or miss."

Step 5 - Make an Offer

Now that you and your real estate agent have found the home you would like to purchase, it's time to make an offer. Taking into account the recent sales of homes in that neighborhood which are similar in size, quality, conveniences, and amenities, what are you willing to pay for the home? Your real estate agent will consult with you and advise you on how to create an offer that will have the best chance of being accepted.

Your agent will ensure that you have everything down in written form... no verbal agreements. After consulting with your agent to put your offer in a written contract that meets all the legal requirements according to local and national guidelines, your agent will present the seller with a written document detailing what needs to be done by both parties to execute the transaction. The contract should protect the best interests of all parties involved and should be comprehensive in nature. Your agent will also ensure your financial position as the buyer by including any necessary contingencies, which would protect you if a particular requirement were not met. Once the seller accepts it, it may be too late to make any changes.

The contract, though not limited to this list, should include the following:

- A legal description of the property
- The offering price
- The down payment
- Financing arrangements
- A list of fees and who will pay them
- Amount of the deposit
- Inspection rights and possible repair allowances
- The method of conveying the title and who will handle the closing
- A list of appliances and furnishings which will stay with the home
- The settlement date
- Any relevant contingencies

Remember that the legalities of this phase are very important. If you have any questions or concerns, they need to be addressed right away. After all, no one has ever said at their closing, "I wish I had asked fewer questions."

Step 6 - Negotiate Offer

Once your offer is made, you and your real estate agent may need to enter some negotiation in order to reach an agreement. Keep in mind that almost everything is negotiable when you are buying a house. This can give you a great deal of leverage in the buying process -- that is, if you have adequate information and you use it in an appropriate manner. Your agent will have the market knowledge and negotiating expertise necessary to make sure that your offer is accepted at the best price and terms possible for you.

Some of the things that you may have to negotiate are:

- The price
- Financing
- Closing costs
- Repairs that need to be done
- Appliances and fixtures
- Landscaping
- Painting
- Occupancy time frame

The key to successful negotiating is keeping in mind that the end result must make both you, the buyer, and the seller happy. Otherwise, negative feelings will persist throughout the remainder of the process and someone may walk away feeling that they were not treated fairly.

Step 7 - Find Vendors

After your offer has been accepted, your agent will supervise the coordination of all necessary vendors and serving as your advocate when working with each vendor. Your agent will make sure

that the vendors have access to the property at the appropriate times to perform their procedures and oversee the execution of those procedures on your behalf.

For instance, the property will need a thorough examination. Working with your lender, you may need to have a formal appraisal and a survey done for the property designated in the contract. A property inspection, a foundation inspection, and an environmental inspection may also need to be completed to make sure that the property is up to the standards set forth in your written agreement. If there are issues or inconsistencies brought to light during this time, it may delay or even nullify the contract depending on the contingencies set forth in the contract.

Homeowner insurance is another very important item that will need to be taken care of at this point. Insurance experts recommend that you obtain insurance equal to the full replacement value of the home. Unless you have insurance coverage on the home, the closing can not proceed. Having these procedures done in a timely and professional manner is a must. Investigate each vendor to make sure that they are reputable and have a clean operational history.

Your agent's experience in this area will be invaluable in making sure that everything is completed on time and in a professional and legal manner.

Step 8 - Pre-close Preparation

As the closing date draws near, your real estate agent will contact the escrow company or closing attorney and your lender to make sure that all the necessary documents are being prepared, and that they are complete, accurate, and delivered in a timely manner. Your agent will also need to confirm that the documents will be delivered to the correct location so they can be reviewed and that they will be ready for the appropriate closing date.

At this point, you and your agent should find out what form of payment you will need to bring to the closing for any unpaid fees. Make sure that your payment is made out to the appropriate party.

Ensuring that each closing document is ready and available will enable you to have a quick, easy closing.

Step 9 - Closing

Closing" refers to the meeting where ownership of the property is legally transferred to the buyer. It is a formal meeting in which most parties involved in the buying/selling process will attend. Closing procedures are usually held at the title company's office or lawyer's office. Your closing officer coordinates the document signing and the collection and disbursement of funds. Your agent will generally be present at your closing to read the documents on your behalf, answer any questions, or help to resolve any last minute or unexpected details that may come up.

In order for the closing to go smoothly, each party involved should bring the necessary documentation and be prepared to pay any related fees (closing costs). There may be more than one form of acceptable payment for your closing costs so ask the closing officer which form of payment will be required and to whom it should be made out. Closing costs will generally total an amount equal to 2 to 3 percent of the total loan value not including down payment and the buyer's escrow account.

Sellers sometimes pay for a portion or all of the closing costs, depending on local market conditions, terms of the purchase contract, and the seller's cash and timing considerations. Any such concessions should be acknowledged in writing. Most lenders will allow a credit from the

seller to the buyer for the non-recurring closing costs. However, they usually won't allow a credit that reduces the amount of the buyer's down payment or any of the buyer's recurring costs, such as expenses for fire insurance premiums, PMI, or property taxes.

Step 10 - Post-close Activity

Congratulations on the purchase of your new home! Now that you have taken ownership of the property you will need to have your local services such as electricity, cable, and phone set up. Your real estate agent can help you coordinate the set-up of these local services. No doubt your agent already knows who the local vendors are for such services as water and electricity, as well as others, so he or she can help provide you with a list of contacts.

Also, you should already be aware of the expenses that are typically associated with owning a home. Neighborhood Association fees, landscaping costs, and annual taxes should be budgeted for throughout the year.