



Your Comprehensive Home Buying Guide



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What to Know Before You Buy A Home

Everyone wants to own a home. For many of us, it signifies an achievement of happiness and success. However, as we window shop for the place that we'll call home, we often forget how intricate the buying process can be. From finding the right agent to settling on a budget (that won't bust the bank), you have a multitude of decisions to make – of which, can put a lot of stress on you.

The goal of this Comprehensive Home Buying Guide is to not just give you a basic overview of the buying process. It's designed to answer all your questions about buying a house. Whether you're looking for a property that will sell for a higher value in the future or want a place where you can let the family grow, we'll connect you with the answers to make those dreams come true. Don't buy a home blind. It's time to take the first step and get prepared for your new home purchase!

START HERE



1

{ ASSESS THE
BUYER'S NEEDS }

Establish Relationship
Determine Needs
Get Mortgage Pre-Qualification

2

{ SEARCH
TRIANGLE HOMES }

Select & View EAR Homes
Research 'List Price'

3

{ WRITE OFFER TO
PURCHASE }

INCLUDE: Contingencies,
Finance, Home Inspection

4

{ SEEK THE
BEST OFFER }

Negotiate, Possible Contract,
Counter Offer, or Rejection

5

{ OFFER IS
ACCEPTED }

Copies of Contract are
Delivered to All Parties

6

{ FORMAL LOAN
APPLICATION }

Verify Income & Employment
Credit Report
Appraisal

7

{ THE HOME
INSPECTION }

Negotiate Results
Seller Repairs & Re-Inspects
Seller Refuses to Repair

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{ LOAN
UNDERWRITING }

Loan Approval
Loan Rejection

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{ HOME OWNER'S
INSURANCE }

Buyer Shops For a Policy
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{ FINAL
WALK-THROUGH }

Contingencies are Removed

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{ ATTORNEY TITLE
SEARCH }

Survey Performed on Property
Assess Any Leins on Property

12

{ CERTIFIED
CHECK }

HUD 1 Statement Provided
Funds Prepared for Closing

13

{ CLOSE ON
PROPERTY }

Bring Certified Funds
Keys are Delivered

MOVE INTO
YOUR HOME!

Finding The Right Real Estate Agent

With powerful web-tools, it's easy to tour homes online and get a good perspective of what it'll be like to live there. Among your favorites, you've probably run the home's price through online calculators and started to gauge if you can afford it or not. However, among all this, nothing beats the real experience of a real estate agent. Their local knowledge of the market can show you if the property purchase will be worth the money, and they can point out hidden details as you begin to tour houses. In a way, they'll connect the dots for you.

Having a dedicated real estate agent who understands your needs is a top priority to kicking off your home search the right way. However, with hundreds of agents all marketing their ability in your area, it can be hard to decipher which one is right for you. So, it becomes imperative that you begin to understand how an agent will help you and what qualified them as your real estate agent. Below, you can find a few qualities and questions you should aim to discover in a real estate agent:

A. Qualities of a Good Real Estate Agent

- **Experience:** New agents enter the industry all the time. While they may turn out to be great agents eventually, it takes years to really have a full understanding of the real estate market. Experience is crucial, especially if you're buying for the first time.
- **Knowledge of the area:** One of the greatest benefits an agent can provide is offering feedback and guidance around a home's surrounding area. Your agent can tell you about the school system, how other homes in the area have sold, and what the community's prospects are for the future. If the agent doesn't seem informed about that specific area, they may not be a great fit.
- **Rapport:** You're probably going to spend significant time with the agent, so it should be someone you can get along with. You also want someone who is easy to communicate with and who is honest and professional with their opinions and guidance.

B. Questions to Ask a Real Estate Agent

The first time you meet with a real estate agent, you may be unsure of what questions to ask. After all, without experience to reference, the process may seem a little daunting. Here are some questions that can help you determine whether an agent is the right fit for you:

- **How long have you been a real estate agent?** As stated earlier, experience is critical to getting top-level service. Preferably, you'd want someone who has been in the business for at least a few years.

- **Will you show us houses represented by other companies?** The answer to this question should always be yes. If the agent will only show houses listed by his agency, you'll be limiting your options.
- **What's your communication style?** This is important, but often goes unasked. Some people love to chat on the phone; others would rather text or email. If this is a strong preference for you, make sure you ask. At the very least, it sets an expectation for your agent.

Determining How Much You Can Afford

When we buy a home, we often look at the price tag by itself. What most home buyers don't look at are the additional costs that come attached to buying a house. Things like closing costs, interest rates on the mortgage loan, and moving expenses often catch us by surprise, which in turn, throw off your entire budget.

By preparing beforehand, you can get a good sense of what you can afford and settle into a new home without having to sacrifice other luxuries in your life.

A. Settling on a Budget

Having a budget doesn't mean cutting out your enjoyment and eating cheap ramen noodles, so you can afford the dream house you've always wanted. Your budget should complement your lifestyle. As you look at various properties, think about what you really need in a house and then think about what you want in a house. By dividing the line between needs and wants, you can make easier (and more logical) decisions when choosing a home within your budget.

Let's do a quick cost comparison:

- Granite Countertops (left) = \$50-100 per sq. ft. (on average, without installation costs)
- Laminate Countertops (right) = \$25-50 per sq. ft. (on average, without installation costs)



A home featuring granite countertops could have an asking price of \$15,000 higher than a home with laminate countertops.

A large majority of us dream of having granite countertops in our kitchens. We may fall in love with the quality, but as you can see, that comes at a cost. By breaking apart what you need and what you want, you can learn where you can cut costs to make sure you buy a home within your affordable range.

Finding a budget means looking at your monthly costs and factoring in the expense of owning a home. It's not just a monthly mortgage payment to pay off the property bill. It involves factoring in taxes, which can range up to a couple hundred dollars every month. It can include higher utility bills, which add more costs to your wallet.

This is where a qualified real estate agent comes into play. Having an experienced agent who can help figure out the costs will lead you on the right path to home ownership – without destroying your finances. Consider what you earn in a month and see if the homes you are looking at fall into your range of affordability.

B. Get a Glimpse at What You Can Afford

One of the easiest ways to see how much you can afford is by getting pre-approved for a mortgage loan. Ask your real estate agent for some recommended mortgage lenders and schedule a meeting with them.

A mortgage lender is someone who will help you finance the purchase of your home. To make sure you don't overstep your financial limitations, it is their job to tell you how much "home" you can afford. By getting pre-approved for a mortgage, they will look at your current financial situation (i.e. monthly salary and earnings, credit, etc.) and give you a mortgage loan amount you can be "approved" for. Essentially, it tells you what price range of homes you can buy and be approved for on a mortgage loan (as long as your finances do not change from the time you get pre-approved and make the official purchase).

The pre-approval also shows you the interest rate on the mortgage loan, so you can get a glimpse at the total cost of buying a home. Consider this:

On a \$200,000 home with a 30-year mortgage, a 0.5 percent increase in the interest rate results in an additional \$60 in monthly payments. Over the full 30 years, that comes out to more than \$23,000.

With this knowledge, you can begin to get a picture of how much each home will really cost – coupled with knowing additional costs like taxes, closing fees, utilities, and moving expenses.

C. Improve Your Credit Score

Improving your credit score will improve the interest rate on your mortgage loan. As a result,

it'll save you hundreds, if not thousands, of dollars on buying a house. In the lender's eyes, the better your credit score, the less of a "risk" you are. It shows them that you can pay bills on time. Try these to improve your credit score:

1. First and foremost, make sure to pay your bills regularly on time. Each late payment will decrease your credit score and shows the lender you are unreliable when it comes to paying off your debt.
2. Another way is to reduce your debt to credit ratio. Lenders will look at the balance of your available credit. For example, if you have a \$1000 credit card limit and you owe a balance of \$300, then your balance is 30%. Ideally, you want to remain at 30% or lower when it comes to your debt to credit ratio. It shows lenders you can manage your bills and aren't racking up unnecessary costs every month.
3. When applying for a mortgage loan, you want to avoid applying for new credit cards. By applying for new credit cards it becomes "new credit" that makes up a percentage of your credit score. Mortgage lenders need to take it into account. As a result, your mortgage loan could be rejected.
4. Also, keep in mind when you check your credit score and start applying for a mortgage loan, you should avoid certain habits such as suddenly buying a car or racking up your credit cards with a ton of debt. These actions will send red flags to your lender and may delay, if not ruin, your mortgage loan application.

D. The Role of the Down Payment

A down payment is how much cash you will pay upfront for the home purchase. It's a financial investment into the property that affects your mortgage loan, and subsequently further costs. Typically, many financial institutions suggest you should pay 20% of the home's price as a down payment. However, not all buyers can do this (especially first-time home buyers). Down payment cost comparison:

\$200,000 @ 5% INTEREST	3% DOWN PAYMENT	20% DOWN PAYMENT
Monthly Payment	\$1,041	\$859
Tax Benefit	\$29,622	\$24,430
Equity	\$60,359	\$60,356
Total Cost	\$141,836	\$135,120

The down payment affects how much you can afford because it directly affects the interest rate on your mortgage loan and how much is paid each month.

At the end of 30 years, putting down the 20% down payment would have saved you \$6,716 when compared to the 3% down payment option.

If you are looking to stay within a certain budget every month, one variable you can easily control is the down payment. By putting more down, you can save more and pay less each month.

The best way to save for a down payment is to be diligent about expenses and to try and earn extra income whenever possible. You can also check into tax rebates. If you're a first-time home buyer, a veteran, or buying a home with specific type of zoning, you may qualify for a tax rebate that will help you cover the cost of the down payment.

E. Other Costs to Buying a Home

As you will soon find out, the cost of buying a home doesn't end with the purchase price. There are numerous other costs that will pop up either during the buying process or immediately after you move in. You should consider these in your budget. Many home buyers are cash strapped after closing because much of their money went to the down payment. If that happens, you may not be able to make necessary repairs or maintenance after moving in. Plan ahead and consider any expenses that may come up after closing. Here are some of the biggest:

- **Closing costs:** Closing costs are all of the fees that are incurred to legally transfer ownership of the home from the previous owner to you. They could include appraisal fees, any inspection or survey fees, title insurance, and more. They typically run around 2.5 percent of the home's purchase price. For example, if you purchase a home for \$200,000, you can expect the closing costs to be around \$5,000. You can negotiate for the seller to pay some or all of the costs.
- **Agent commission:** Real estate agents are paid at the close of a transaction. Typically, the commission is between five and six percent and is split between the buying and selling agent. However, commissions are always paid by the seller, so you don't need to worry about them when you are buying a home.
- **Insurance:** You will likely be required to have homeowners insurance when you close on the house. Rates can range from several hundred dollars a year into the thousands. The rate depends on the size of the home, its location, and many other factors.
- **Mortgage insurance:** This is paid when you put down less than 20 percent on a home. The mortgage insurance helps protect the lender from the risk of you defaulting on the loan. It's paid on a monthly basis as part of your mortgage payment.
- **Utilities:** There's no landlord to help pay utilities when you own your own home. Common utilities include electricity, gas, water, trash service, cable, and internet.
- **Taxes:** You will likely have to pay property taxes to the municipality in which the home is located. Like mortgage insurance, these are normally paid on a monthly basis with your mortgage payment.

1. Putting it All Together: How Much Can You Afford?

By understanding all the costs that go into buying a home, you can accurately gauge how much you can afford before you make any decision. Don't take the initial price tag as the amount you'll pay. With interest rates on mortgages and various closing costs, you'll be facing more expenses than most people consider. Plan for them and work with your mortgage lender to come up with a good strategy.

Always remember to leave yourself wiggle room. Life is filled with unexpected costs, such as unexpected home repairs or change in jobs. Account for these things and make sure you can keep up with the costs even on a "rainy day."

Finding The Right Home

We all want to find our dream house, but for many of us, our next home purchase is not just a place to call home. It's an investment. Whether it's five years from now or ten years from now, you will probably sell your property -- and of course, you want to make a profit on it.

So, when you're looking for the right home, you need to consider more than how you'll live in the house. You need to consider its resale value in the future. Is the home located in a good neighborhood? Are there good schools nearby? You may find the perfect house that offers you all the amenities you've ever wanted, but if the property is located in a horrible intersection of traffic and people are moving away from the area, it could be hard to sell the home later on. The smallest details require the most attention, and it's important to put yourself on the right foot when you buy your next house.



A. Things to Consider when Choosing a House

Buying a home is often based on two sets of priorities. On one hand, you need to consider the qualities you want in a house, such as size, style, appearance, and location. However, you should also consider the home's value when you sell it in the future. It's very unlikely that you will live in the home forever. That means your home is just as much an investment as it is a place to live. Here are four characteristics that may influence a house's future value. Consider these before putting an offer in on a home:

1. **Location:** Is the home located in an area that's in demand? Do homes in the area tend to sell quickly? Also, consider the home's specific location in the community. Is it on a busy street with lots of passing traffic? Or is it in a cul-de-sac or other relatively quiet street?
2. **Amenities:** What's in the surrounding community? Most buyers want a home that has easy access to restaurants, shopping, and work. Also, don't underestimate the importance of school quality, even if you don't have kids. In a 2012 real estate survey, 91% of respondents said that schools are an important part of their home buying process. Twenty percent said they would pay a 10% premium for good schools, while 10% said they would pay a 20% premium. That means the quality of your home's school district can have a significant impact on the value of your home when you sell it in the future.
3. **Neighborhood:** Much of a neighborhood's value is driven by perception. Even a stunning home can be hard to sell if it's located in a neighborhood that's not perceived as being attractive. What's the neighborhood's reputation? Is it up-and-coming? Is it known to be family friendly? Do people view it as old and a little rundown? If a neighborhood has a bad reputation, there's no amount of home improvement you'll be able to do to overcome that challenge.
4. **Future plans for growth:** Communities and neighborhoods can often change quickly. There could be development in process that may completely alter perceptions about a community. What's planned for your area? Is a new major employer moving to town? Perhaps a new shopping or entertainment district? On the flip side, is the area skewing more towards industrial development? That could be a sign that you should look in another area.

Finding the Right Mortgage Lender

Having the right mortgage lender support your home purchase is just as important as having the right real estate agent help you find the right home. A mortgage lender is someone who helps finance your home purchase. In return you pay them through monthly mortgage payments. Different mortgage lenders have different fees and some offer more experience than others. Below, you can find some helpful tips to choosing the right mortgage lender and to finding the best deal.

A. Questions to Ask a Lender

Meeting with a lender can often be confusing, especially if this is your first home purchase. If you don't understand any part of the conversation, be sure to ask. A home purchase is too important for you to not understand the process. Don't be afraid to ask a lender to repeat parts of an explanation or speak in clearer terms.

Financing is a critical part of the process, so you want to make sure you understand all of the components and can trust your financing provider.

B. Shopping Around for a Mortgage Lender

Shopping around for the right mortgage lender can sometimes save you hundreds of dollars. Some mortgage companies offer deals for home buyers while others have different fees. Knowing who offers what and using a little bit of negotiating, you can often strike a good deal -- better than only talking to one mortgage lender.

In addition, the most important thing to look for in a lender is transparency. You want a lender who clearly lays out how their process works, what fees you'll pay, how they get paid, and any risks that could be involved. If a lender seems to be deceptive, you may want to consider other lenders.

ADDITIONAL QUESTIONS FOR A LENDER:

- Are you sure you can meet the closing date?
- Can I see a Good Faith Estimate immediately?
- Can you provide a closing cost estimate?
- What are your fees?
- Will my loan be approved locally?

Making an Offer on a House

Many home buyers get nervous when it comes time to make an offer. However, making an offer doesn't have to be a scary experience, especially if you have all the information you need to make an informed decision.



By choosing a good real estate agent and from doing a little bit of research, you can easily get a good perspective of how much a home is worth. Your agent will show you a comparable market analysis, displaying what similar homes have sold for and what they are going for in today's market. They will also know how the current real estate market (and future market) will shift the property's value, so you can get a good estimate of how much you should pay.

The most important ally you have when making an offer is information. Other variables like how desperate the homeowner wants to sell their home can often trigger deals, if you make the right offer.

A. Questions to Ask Before Making an Offer

- 1. What's this home worth?** This is an indirect way of asking your agent what you should offer. The agent likely won't give you a firm number. Rather, he or she will show you comparable properties in the area and what they sold for. The agent may also pull information on how long the house has been listed and how many times the sellers have reduced the price. That could indicate whether they're urgent to sell. Also, if there have been previous offers that have fallen apart, that could indicate that there's something wrong with the house that's been discovered during inspections.
- 2. How flexible are the sellers?** You want to get a good deal, but you also don't want to insult the sellers with a low-ball offer. If they are insulted, they may decline to even counteroffer. You can get a feel for where their mind is by asking your agent to ask their agent about their flexibility. The agent may learn that the sellers are firm in their price. On the other hand, the sellers may be motivated to sell and may indicate that they're willing to negotiate.
- 3. Will the sellers pay closing costs?** It's common for buyers to ask sellers to pay closing costs. Many buyers are already cutting it close with the down payment, so the closing costs represent another significant financial challenge. In order to accommodate the purchase, sellers will often split the closing costs with the buyer or pay for them altogether. Your agent can get an indication of the seller's willingness to do this before you put an offer in.
- 4. What's wrong with the home?** Almost any issue will be discovered during the inspection phase. You can save a lot of time and energy by just asking the question upfront. Issues may be minor and acceptable or they may be major, in which case you'll want to rethink your offer value or consider searching for a new home.

B. How to Make the Right Offer

There's uniform guideline for how much to offer on a home. Nationally, homes sell on average for five percent less than their listing price. That generally means that buyers usually offer around 10 percent less than the listing price and the two sides meet somewhere in the middle. However, there are numerous factors that can make each situation unique. If the home is priced to sell and is in an in-demand area, there could be multiple offers on the home. That may necessitate an offer that is at list price or even over list price.

On the other hand, if the home has sat on the market for an extended period and has some issues that require repair or upgrade, then it could be reasonable to offer substantially less than the list price. However, you also don't want to make an offer so low that you insult the seller and cut off negotiations before they even begin. Your real estate agent can arm you with all the information you need to make a strong offer.

What to Expect After the Offer is Accepted

Many first time buyers are surprised by how many steps there are between the time an offer is accepted and the closing phase happens. The offer isn't the conclusion of the buying process. Rather, it's just one step along the way.

A. What to Expect

Once you and the seller reach agreement on the offer, there are still a few steps to complete before you take ownership of the house, which include:

- **Formal loan application:** You may have provided some information when you got pre-approved. The pre-approval is only a conditional approval based on a limited review of your financial situation. To get officially approved, you'll have to fill out a formal application and provide an extensive amount of records, including tax returns, investment statements, pay stubs, and more. You'll also need to provide documentation on any liabilities that you may have, like car loans, student loans, and credit card debt.
- **Home inspection and follow-up negotiations:** An inspection of the home helps protect you from buying a house that has serious issues. The inspection usually takes a half-day or a whole day, depending on the size of the home. Every aspect of the house is reviewed for defects. After the inspection, the inspector will generate a report, which you can use to determine whether or not you want to move forward with the purchase.
- **Loan underwriting:** While you're inspecting the house and preparing to move, the lender is reviewing your application for approval. It's important to note that a pre-approval isn't a guarantee that your application will be approved. It could still be denied. The loan underwriter is looking at your capacity for additional debt, your credit history, and the collateral for the loan. Your new home is the loan's collateral and the underwriter wants to be sure that the amount of the loan isn't significantly higher than the value of the home. A home appraisal is usually done to satisfy this requirement.
- **Homeowners insurance:** Your lender will likely require you to show proof of homeowners insurance before closing on the home. This is so the lender can be sure they will still be repaid even if the home suffers serious damage. You can talk to any insurance agent about homeowners insurance. Many companies offer discounts if you bundle your home and car insurance together in one package.
- **Attorney search for closing:** There are so many documents involved in a home closing, that it can be difficult to keep track of what's been completed and what's outstanding. A closing attorney quarterbacks the process and makes sure all paperwork is in order when the closing date arrives.

C. While Your Mortgage is Being Approved

There's not much you can do to strengthen your mortgage application once it's submitted, but there is plenty you can do to damage it. Refrain from any major life changes or purchases

that would materially change information on the application. Don't buy a car or take on any significant debt. Also, hold off on changing jobs until after you close on the house.

Understanding the Closing Phase

Closing is the actual legal process that transfers the home from the seller to the buyer. It's usually done in a meeting at either an attorney's or real estate agent's office. At this meeting, you'll be asked to sign many documents related to the home, the inspection, appraisal, and mortgage. The documents can be complicated, especially if you've never bought a home before. If you're not clear on anything, be sure to ask for clarification. You will also be asked to bring funds for your down payment, closing costs, and any other fees you may be required to pay. At the end of the closing meeting, you'll get the keys to your new home.



Moving into Your New Home

Once you have keys, you can start the exciting part of making the house your home. Many people are so caught up in purchasing the home that they fail to budget for the additional costs that arise during the moving process. Moving itself is expensive, as are the other costs that can pop up once you get in the house. You can save money by planning ahead.

A. Budgeting for Moving Expenses and New Home Decoration

Take some time to think about how much more money you can spend out of pocket after you

make your down payment and pay any other closing costs. By setting a budget, you can then plan accordingly.

When it comes to moving, you can do it yourself or hire a moving company. If you do hire a moving company, be sure to get multiple quotes. Also, ask the moving company to review your possessions and give you a written quote in person rather than an estimated quote over the phone. Some moving companies regularly give low quotes over the phone, and then ask for more money when they arrive on moving day.

Moving yourself can be an affordable option, but you should make sure you're completely prepared to do it safely. Ask for lots of help from friends and family and be sure to use supplies like dollies, furniture blankets, and wrap.

Many people spend substantial amounts of money in the first few weeks after moving into a new home. After all, it's exciting to move into a new house. There's an understandable desire to make the home perfect. Keep in mind that the house is a long-term commitment. You'll have plenty of time to pick out furniture, design rooms, and make upgrades. There's no need to do it right after you move in if you don't have the money to do so.

A. Moving Tips

1. **Start early.** Moving day will go much faster if everything is packed and ready to load onto the truck. Once your offer has been accepted, you can start packing items that you don't need on a day-to-day basis.
2. **Sell or donate unused items.** Moving is a great opportunity to trim down on the stuff you've accumulated over the years. You can donate old clothes, furniture, and other items to charity. Or you can hold a garage sale to make some extra cash.
3. **Start saving boxes.** Don't buy boxes from a moving company. If you put the word out to your friends, family, and coworkers, you'll have more boxes than you need in no time at all.
4. **Limit your grocery purchases.** You don't want to have to throw out a whole refrigerator of food on moving day. As the big day approaches, cut down on your purchases only the absolute necessities. You can make a full grocery run after you move in.

Staying Connected

As you begin to find homes that match your lifestyle and provide a tangible value to your future, the most important thing is to stay connected. Home ownership comes with a lot of rewards, but it's also a responsibility. Be sure to keep up with home maintenance and protect your property's value. Get connected with the community when you move in, so your transition becomes smoother. And lastly, stay connected with your real estate agent. They can provide helpful resources to getting to know the area and for staying in touch with the market. Informed decisions are always the best, and congratulations on finding your new home.