

what you need to know before
buying a home



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10-STEP HOME BUYING PROCESS

Let's face it. Buying a home can be stressful. Not only is it the biggest purchase you may make in a lifetime, but you have to look at your goals, commitments and lifestyle to find the perfect place. The good news is, I'm here to help make the process a fun and exciting one!

1. HOW MUCH CAN YOU AFFORD?

Before you start looking for houses, you must take a look at your finances. Based on your down payment, income, debts, regular expenditures and other key financial information, a mortgage professional can help you determine how much you can afford to pay every month and the price range that works best within your budget.

Start by creating your Net Worth Statement. Add up all of the major assets you currently own (house, rental properties, land, vehicles, investments, retirement savings). Subtract all of your existing debts (mortgages, loans, lines of credit, credit cards, other debts). This will determine your net worth. Lenders will be more apt to lend you money if you have accumulated a good amount of equity.

Next, let's take into consideration how much money you have saved up for your down payment. Take a look at how much cash you have on hand. Subtract enough to cover closing costs, moving costs, anticipated renovations, decorating and landscaping in your new home. The remaining amount is how much you could put down on the new house, if you wished to use it all. The more cash you pay up front, the less you will have to pay month by month on the mortgage, and the lower your total interest costs will be. If your down payment is less than 20% of the purchase price, you will need to purchase mortgage insurance (PMI) which is an additional cost.



2. HOW IS YOUR CREDIT?

It is a good idea to take care of credit problems ahead of time. An important part of your strategy for buying a home includes paying attention to your credit status. Your lender will scrutinize your monthly income and expenses at the time you apply for a mortgage. Debts and other obligations reduce the amount of cash you can spend on housing. If you are planning to buy a new car, boat, furniture or appliances (paying either by cash) postpone the purchase until AFTER you buy your new home.

As part of the mortgage application process, your lender will request your credit score from a credit bureau to help determine your creditworthiness. A good score may change the amount of time it takes to get your financing approved, and you will get a preferred interest rate. Your credit score takes hundreds of variables into account and specifically looks at such things as how much debt you carry, how many places you have applied to for credit recently, and what kind of credit you have had in the past.

Before you apply for a mortgage, find out whether anything in your credit record might present a problem. Order your credit score from one of the major credit bureaus (Experian, Equifax or Trans Union) two to three months before applying for a mortgage to give yourself plenty of time to iron out any wrinkles that you discover. If your score is lower than you want, carefully read the report to find out which factors are most likely having a negative impact on your score. A mortgage professional can provide insight into how to improve your score.



3. QUALIFY FOR A MORTGAGE

Before you start looking for a home, it's a good idea to get pre-approved for your mortgage. Meet with a reputable mortgage professional and ask them to determine the maximum amount you qualify for based on your income and current financial obligations. This pre-qualifying meeting is free. Remember to bring your tax returns, salary stubs and other financial data. You'll want to find out how much mortgage debt you can carry under the most commonly available mortgage options. I can recommend a mortgage professional who would be happy to go through all of this with you. It is easier to get your mortgage approved if you have a large down payment. The underwriting guidelines are less strict.

Remember that you are not obligated to use the lender who pre-qualifies you. When you're ready to borrow, compare the rates and mortgage options available from several lenders. If you are comfortable with the lender you choose, it is a good idea to make a full mortgage application and start the loan process. This will put you in a much stronger position when it comes time to putting in an offer on your next home.



4. FIND THE PERFECT HOME

Because there are so many factors to consider, finding the right house can be a daunting process. It can also be a very fun process if you work with the right agent. As a professional Realtor®, I can act as your personal advisor and negotiator. I will show you homes that match your criteria, guide you through the home buying process and negotiate the best possible price for your home.

It's helpful to narrow down the process by asking yourself what it is you want in a home. If you can make a list of what you want (and what you don't) you're halfway there. Focus on location and general qualities of the property. Don't go after an exact price or a particular feature, such as a deck. Price can be worked out in negotiations with the seller and a good-quality home in a good location can be tailored to your specific needs later. If you can't afford what you want where you want it, sacrifice something inside the house rather than sacrificing the location. You can add an additional bathroom or install hardwood floors to bring a house up to your standards, but you can't improve the neighborhood. What makes a good location? The most important factors are neighborhood appearance, quality of schools, crime rate, transit and shopping.

I will help you find the perfect home that not only fits your lifestyle now, but will have great resale value in the future if you decide to move. Because I am a local expert, I can provide you with information on schools, shopping and other local amenities. I can also provide you with community information on utilities, zoning, public transportation, etc. My knowledge of the area, local laws, fees, customs and market conditions will give you a leg up when hunting for the perfect home.



5. MAKE AN OFFER

When you've found a place that you'd like to call your own, I will help you draw up an Offer to Purchase to present to the seller. This legal document specifies the price, deposit amount, financing arrangements, down payment, who pays what closing costs, what inspections are to be performed, timetables, whether personal property is included, terms of cancellation, any repairs you want performed, which professional services will be used, when you get physical possession of the property, and how to settle disputes should they arise. This may seem a bit overwhelming, but trust me, I'm here to guide you.

The big question is always how much to offer. You already know the seller's asking price. But what price are you going to offer and how do you come up with that figure? I will make sure you don't pay too much for your new home. The true value of a property depends to a large degree on its physical condition. A home in good condition is worth more than a home in poor condition. This sounds like common sense, but it is often overlooked by homebuyers. You must look beyond the surface. A property may have a new coat of paint and there may be lavish landscaping, but if the foundation or plumbing are defective, the home may actually be worth far less than what the seller wants.

When you find a property you are interested in, I will do a home evaluation to ensure you don't pay more than market value. I will check recent comparable sales in the area, and adjust the price for current market conditions, differences in square footage, number of bedrooms and bathrooms, garage space, lot size and type of construction. You can feel confident in the price you offer based on my research and local expertise.



6. ARRANGE A HOME INSPECTION

One of the smartest things you can do is get a professional home inspection before completing a home purchase. In today's marketplace, almost all buyers order these. Typically you would demand a minimum of 10 days to have this completed after the Offer to Purchase is accepted. You can expect to pay between \$400 and \$700 (depending on size of property) for a professional inspection. I will recommend a qualified professional to do your home inspection and provide you with a written report. Depending on the area and the property, this could include inspections for termites, dry rot, asbestos, faulty structure, roof condition, septic tank and well tests, just to name a few.

We will word the agreement to allow you to withdraw from the sale without penalty, or to reopen negotiations if major defects are found during the inspection. You can request the seller fix the defects prior to closing, or you can request the seller give you funds on closing to complete the repairs yourself. If the seller agrees to fix the problem, insist that the fix be done by a professional. If you agree to accept monetary compensation, be sure it's enough to allow you to fix the problem after the sale is complete. Get several estimates for the cost of repairs before you decide on a price.

Four major areas that can cost you thousands in repairs:

1. **Roof:** a new roof can cost between \$5,000 and \$25,000 depending on the extent of repairs.
2. **Foundation:** a cracked foundation can cost tens of thousands to fix, if it is fixable at all.
3. **Pipes:** galvanized steel pipes over 30 years old can rust and cost \$5,000 or more to replace.
4. **Flooding:** basement flooding may be fixed with a sump pump or may require expensive excavation.



7. GET YOUR MORTGAGE APPROVED

Even if you are pre-approved, an unexpected change in your credit status (such as a job change) could affect your ability to get financing. Or the home itself might not appraise for the value necessary to get the loan. We will include a financing condition in the Offer to Purchase to protect you in this situation, so you are not obligated to complete the sale if the mortgage is not approved. However, in a hot real estate market you can expect to compete with multiple offers and you can put yourself in a good position by making a clean offer without too many conditions. Getting pre-approved, being sure you've cleaned up any credit problems, having the cash for your down payment on hand, avoiding job changes, and not making any major purchases will allow you to go forward with more confidence.

With a copy of the signed Offer to Purchase and the necessary financial information, we'll submit your application to the mortgage lender. The lender will qualify the application and complete a valuation on the property you want to purchase. Mortgage insurance gives you the ability to buy a home with a down payment of less than 20% of the purchase price.



8. PREPARE FOR CLOSING


Contact the utility companies about establishing service in your name. Arrange for electricity, gas and water to be turned on in your name on the day of closing, so that there will be no interruption in service. Make these arrangements a few weeks in advance, since utility companies may require deposits, credit checks and advance notice.

Make a home buying file. Organize all documents associated with the transaction in one place. Your file should include the purchase agreement, the title, mortgage documents, closing data, inspection reports, insurance forms, and tax records. This small step can prevent big headaches come tax time and on the day you refinance or sell your home.

One of the final steps is the closing. In some areas a title company will handle this process and in other areas it is done by a lawyer. A few days before the deal is set to close, you will do your final walk-through inspection of the property to make sure it is in acceptable condition. After that you'll meet with the escrow company to review, sign and get copies of all the documentation. At this time, you'll also provide the balance of your down and any additional costs, if any, that are due on closing.

TYPICAL CLOSING COSTS:

- Property or title transfer taxes
- Appraisal fees
- Home inspection
- Home insurance
- Seller reimbursement for prepaid taxes/utilities
- Mortgage insurance (if <20% down payment)
- Title insurance
- Moving costs



On closing day, the title company will record your new home in your name. When this is complete, you'll get a confirmation and your keys from your agent to your new home. Move-in time!

9. GET READY TO MOVE

So, do you hire movers or move yourself? The number one reason why people choose to move themselves is to save money. It also gives you more control over the moving process. You get to decide when and how all of your possessions will be moved (you can move gradually or all in one day) and you don't have to worry about strangers handling your possessions. However, hiring movers has its benefits.

The main reason why people choose to hire professional movers is convenience. There's no truck to rent, no packing to do, no heavy lifting. All you have to do is make the arrangements and they do the rest. They know how to handle your possessions in a safe manner, so there's less chance of things getting damaged. If anything does get damaged, the moving company is responsible for repairing or replacing it.

Ultimately, deciding whether to move yourself or hire movers comes down to how much work you want to take on, what you can afford and your peace of mind. Ask yourself these questions before making a final decision:

- Do you have the time to do the entire move yourself?
- Are you physically capable of loading and unloading all of your possessions?
- Do you have enough family and friends available and willing to help?
- Are you comfortable driving a large moving truck?
- Does the thought of moving yourself cause you overdue stress?

Your agent can recommend a professional mover, if needed.



10. MOVING DAY

To keep moving day as hassle-free as possible, we recommend following this task list:

Task 1: Clearly mark and set aside items you don't want loaded.

This will remind you to tell the driver what not to load as you conduct your preload walkthrough. Make sure your important paperwork pertaining to the move doesn't get packed and shipped with the rest of your possessions.

Task 2: Pack special items for the kids.

Have the kids pack a box of their special items, things they'll want to have nearby as soon as you arrive at your new home. Point this box out to the driver, so it's one of the first to be unloaded.

Task 3: Remove trash and flammable items.

Eliminate as much trash as you can before moving day. Last minute garbage will accumulate, so have a plan to dispose of it. Movers will not allow flammable items on their trucks, so plan to move these separately. If you are uncertain what items can't be loaded, ask your mover for a list. Because movers can't transport most household cleaners, they will be available for you to do a last minute cleaning on moving day.

Task 4: Reserve a parking space for the moving truck.

If you live in a congested area, recruit friends and park your vehicles one after another in a space close to your home and do not move them until the truck arrives. The closer the truck can get to your house, the better your chances of avoiding additional charges.

Task 5: Set aside special items the day before moving.

When the movers get there, point out the items that require special care. Also, point out the boxes you would like unloaded first, if they are not going into storage.

Task 6: Take care of your movers.

Consider the needs of your driver and movers. Have some snacks and drinks on hand. It is a nice gesture and will be warmly received. Advise the movers where to locate the drinks and food, so they do not have to ask each time. Advise the movers which restroom you want them to use.

I look forward to helping you find your next home!



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HOME BUYING

One Step At A Time

My Commitment To You

I am a full time seasoned professional agent, I am educated in the legal aspects of real estate practice and licensed by the state of California to provide real estate services. As a member of both the California and National Association of Realtors, I abide by a strict Code of Ethics to provide you with the highest level of service. As an associate agent, I am part of one of the strongest networks of professional Realtors. I earn my living by serving the needs of home buyers and sellers with integrity.

Skilled Service

A large part of my work is performed "behind the scenes," previewing homes, researching comparable sales, gaining market knowledge, evaluating changing legislation, and maintaining my professional credentials. For every hour I spend showing you homes, I will have spent up to ten hours preparing. I am constantly acquiring information that will help me to better serve you.

How I am compensated

I am not paid a traditional salary. I work entirely on commission, which I receive only if I initiate and complete a transaction for you. I am compensated only when all of your needs have been satisfied and you take ownership of your home. All of the services I provide are uncompensated unless you purchase a home through me. Real Estate commissions traditionally are paid at the close of escrow from the seller's proceeds.

Your Commitment to ME

I will invest substantial time and effort in locating your home, and will represent you with unequalled integrity throughout the purchase of that home. In return, I request your loyalty - a commitment that you will work with me, exclusively, in selecting and purchasing your home. To strengthen our commitment to each other, you agree to sign a Buyer Representation Agreement.

Putting ME To Work For You

If you see any home that interests you, ask me about it. Whether it is advertised by sign, in the newspaper, a "For Sale By Owner," listed with another agent, or not even on the market - I am able to best represent you in the pursuit of the property.

If you have any questions about how I work, please ask. Our professional relationship is critical to the successful purchase of your home. Your goal in finding a home is now my goal.

At your service,

Tina Houston

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