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Guide for Purchasing a Home



15 STEPS TO BUYING A HOUSE

Buying your first home is a major step.

There's a lot you need to know to make the right decisions – and also to avoid making the wrong ones. The **great** news is that if you know what you're doing, and if you are working with a highly-experienced Professional, this market offers fantastic opportunities to get a great home at a great price.

As an agent with over 35 years experience in every phase of the home buying/home selling process, I have put together this brief tutorial to provide a basic summary of the home purchasing steps. My intention is to make your home buying experience as satisfying and fun as possible.

These steps to buying a home include getting your finances ready and finding the right mortgage lender, *but there's fun stuff, too*.

I have broken down the homebuying process into 15 main steps: Call it a buying-a-house checklist. Each step includes choices to make and things to do. Some are stressful, some are pretty cool and some are, well, kind of annoying. But each step gets you closer to your goal of homeownership.

1. Make sure you are ready!

Sure, there is being financially ready to buy a house (see Step 2 for that), but are you emotionally ready? Especially if this is going to be your starter home, you are making a big financial commitment and putting down roots.

You will also want to think about other goals for the next few years. Are you buying with a partner, and if yes, are you on the same page when it comes to money and housing goals? Is there any chance you'd need to relocate for work? Are you thinking of starting a family? These big-picture questions can add to the pros (or cons) of whether this is the right time to buy a house.

2. Get your finances in order and get preapproved!



I am recommending to you to an established lender with multiple loan programs. You will want to look at how his sample rates compare with today's mortgage rates, and importantly find out what closing costs you will be responsible for. You can get all this information based on your prequalification criteria.

Working with a lender to get preapproved for a mortgage is an important step in accurately determining your budget. A mortgage preapproval will give you real numbers, since the lender will have detailed info about your finances. This includes a hard inquiry, which will show up on your credit report.



Note: Dave Z. has been my client preferred lender for many years. We have been building client relationships through hard work, service and loyalty. Our business success is built on the mantra that *Your success is our success.*

The Home Purchase Loan Process:

Here is how the home purchase loan process works:

- 1) Complete the simple mortgage pre-approval letter request
- 2) Receive options based on your unique criteria and scenario
- 3) Compare mortgage interest rates and terms
- 4) Choose the offer and program that is competitive and fits your needs

A preapproval letter will show sellers and real estate agents that you're a serious buyer who can get financing, which can give you a crucial edge over competing home shoppers. You may also have heard of pre-qualification, which traditionally gives you a rough estimate of what the lender might let you borrow. The terms are sometimes used interchangeably, but a preapproval letter carries more weight — though neither preapproval nor pre-qualification is a guarantee that you'll close the loan.

3. Make a Safe plan for the down payment

When you have determined what you can afford, you can figure out how much you want to use or save for a down payment. Though 20% down payments used to be the norm, many homeowners opt to put down less. A smaller down payment requires less money upfront. The type of home loan you use will impact the minimum down payment required.

If this is your first home or if you haven't owned a house in a while, you may also want to look into state first-time home buyer programs or other \$0 down or low down payment options. Your lender can assist you with this. Many programs offer financial help, including down payment assistance. And if you have a friend or family member who can afford it, you may also use gift money to increase your down payment. Rules about gift money vary by loan program.



4. Create a wish list



Finally, a fun step! Coming up with a list of must-haves and nice-to-haves for your home is definitely one of them, and we all know that you have been thinking and dreaming about all of your options. Whether you are looking for a starter home or somewhere you can imagine living for years to come, there are a lot of little details, but some of the bigger decisions you may make when drawing up your list:

Detached house or attached unit? If you're all about having a backyard, a traditional single-family home is for you. But if you're in a more heavily populated area or you don't want to deal with all that maintenance, buying a condo or townhouse might be your best bet.

What is your ideal location? Assuming you are staying local and know the general area where you want to live, now it's time to consider neighborhoods. Think about factors like safety, amenities (like privacy, green spaces or coffee shops) and the cost (which will include property taxes, insurance and possibly HOA fees). It is also smart to consider the school district.

7. Find a real estate agent

You've got your preapproval in hand and know what kind of house you're looking for, so let's find someone to help you look. The right real estate agent can make a huge difference throughout the process of buying a house, from knowing the ins and outs of the local market to providing moral support when the search feels endless to helping you negotiate with a seller.

Ask people you know who've recently bought a home whether they'd recommend their agent. There's just one hard-and-fast “don't” here: Don't use the real estate agent who's selling the home you're hoping to buy. You want your own agent who will advocate and negotiate on your behalf.

The buyer's agent is generally paid a commission by the seller. However, you may sign a representation agreement with your real estate agent that may make you responsible for paying the commission if the seller doesn't. It's rare that the seller doesn't pay — it might come into play, for example, if you're buying a for-sale-by-owner property — but you should still read the agreement carefully and verify who'll pay in your case.

8. Go shopping!

Yes, this step merits an exclamation point — it's time to take scrolling through online real estate listings to the next level and actually see some homes in person. Make the most of your walk-through, since you might only see a home once in person before you make an offer — especially in a hot market. Try not to be thrown off by other home shoppers or by the seller's agent (who may or may not be in attendance).

Take photos with your phone to help jog your memory when you're deciding whether to make an offer. It might be easy to recall that charming breakfast nook or the extra bedroom that would make a perfect home office, but the aging appliances or decking that needs replacement could be out of sight, out of mind. Potential issues can affect the amount you offer or be things to bring up with a home inspector.



9. Make an offer

Found a home that's right for you? Now's the time to make an offer. Your real estate agent can be a tremendous resource here, providing you with comparable sales information and any intel about the sellers they might have gleaned from the sellers' agent (like if they've already found a new place and are extra motivated to sell).

If the seller rejects your offer, you might make a counteroffer or walk away — it depends on why they turned you down. If the seller counters, talk it out with your agent to decide whether to accept or make your own counteroffer. It's during these negotiations that a buyer's agent really earns their keep. Offer accepted? Congrats! Now you've got just a few more steps to go. You'll also likely write your first check at this point. Earnest money is a deposit you'll make toward the purchase of the house. It usually goes into an escrow account, and when the sale goes through, most buyers use it as part of their cash to close.



10. Get a mortgage



You now know the property you want to buy and how much you'll have to pay for it. Now you'll choose a lender to get a mortgage from (you can go with a lender that preapproved you, or start fresh with a different one). Even with an online-first lender, you'll often work closely with a loan officer to complete the actual application.

This is a paperwork-heavy process, so get ready to do a lot of uploading.

Here's what you're likely to need:

- W-2 forms from the past two years (possibly more, if you've changed employers).
- Pay stubs from the past 30 to 60 days.
- Proof of other sources of income (including documentation of any gift money).
- Federal income tax returns from the past two years.
- Recent bank statements (usually for the last couple of months).
- Details on long-term debts like car or student loans.
- ID and Social Security number.

Once your mortgage application is complete, you'll go into underwriting. During this process, the lender makes a final decision on whether to give you the loan — it's basically making sure there's not anything about the deal that's just too risky.

Underwriting includes digging deep into your finances, so you may need to come up with even more documents. The lender will also look at the home you've chosen via an appraisal (see Step 13 below) and request a title search.

11. Get homeowners insurance

It might feel a little strange to take out an insurance policy on a home you don't actually own yet, but most lenders make securing homeowners insurance a condition of giving you a mortgage. You'll want enough coverage to fully replace the home (which might not be the same as your purchase price or the appraised value), and typically the policy should become effective on your closing date.



12. Schedule a home inspection

A basic home inspection can raise issues you might face down the road and point out any necessary repairs. This visual assessment covers all aspects of the house and its systems, from the foundation to the roof. If you have a particular concern, like mold or radon, you may want to get one of the more specialized types of home inspections in addition to a standard inspection. And if the home has features such as a pool, septic system or retaining walls, you may want to have these inspected as well.

You should choose the home inspector and pay for the home inspection. If it uncovers problems that weren't included in the seller's disclosures, you may be able to negotiate with the seller (see Step 14).

13. Have the home appraised

The home appraisal is completely separate from the home inspection. While the home inspection is for your peace of mind, the appraisal is really for the lender, which doesn't want to lend you more money than the home is actually worth. An appraisal looks closely at the home you're buying and at comparable recently sold homes to determine the market value of the property.

Your lender will choose the appraiser, but you'll pay for the appraisal.

14. Negotiate any repairs or credits with the seller

Though some items, like prorating property taxes or HOA fees, will already have been addressed in your offer letter, you may still have some items to negotiate before closing.

Your ability to negotiate can hinge on what kind of market you're facing. In a strong seller's market, it can be difficult to get concessions, since the seller can simply go to their next offer. But if it's an issue that will come up with any buyer — for example, a necessary repair that will get flagged by any home inspector — you may still have leverage. And in a buyer's market, almost any aspect of the transaction can be negotiated, including having the seller pay some of your closing costs or loan points.



15. Close on your new home

You've finally made it to the last step!

Your lender must provide you with the closing disclosure at least three days before the actual closing. You can compare it with your Loan Estimate to see whether and how any closing costs have changed. This will let you know how much total cash you'll need to close.

On or close to closing day, you'll do a final walk-through with your real estate agent.

Now you're getting the keys to your new home.

Congratulations, you did it!





SKIP BATES

Skip has been a highly regarded and recommended real estate professional for over 35 years. His attention to detail and client needs are superb.

He brings his clients extensive experience and knowledge in not only real estate , but lending and home construction.

“ We want to buy a house.” Where do we start?

I have been asked this question over and over and my response has been “ Let’s meet up and we can get you rolling.” So we meet up and get acquainted and now we know how much fun the adventure will be.

After the meeting I am thinking about the five hour class I teach for the Housing Commission and all the information that the buyer may need.

And so I put together this material as a Basic Beginning Point and will put together additional material that is more specific to the process. My experience tells me that the lender and I fill the information void as we manage the process but my philosophy of “*We can never know to much*” always prevails.

Please do not hesitate to contact me with any questions, comments, or suggestions. I am open to improving this information however possible to meet the public and more specifically your needs.

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