



How To Buy A House

Congratulations! You've made the decision to purchase a home. Now what?! Although the process may feel daunting right now it will soon be simplified upon reading these step-by-step instructions.

1. Research

Now is the time to study. **Learn all you can about types of home loans available for your specific purchase.** Some loan types include FHA, VA, USDA, and Conventional. Every type of loan offers varying terms and regulations. Some require very little money down while others can't be used to purchase certain types of property. Familiarize yourself with all your options so you have a general understanding of what you're interested in obtaining when you interview lenders. Loans can come in fixed or adjustable rates, and can vary in length as well.

Here's some limited information about a few loan types:

Conventional: Not backed by the government. Can allow for financing second homes or income residential properties.

FHA: Government insured and allows as little as 3% down to qualify. Must be used to purchase a primary residence for the borrower. This could qualify for a multiple unit building (up to 4 units) as long as one of the units is used as the primary residence.

VA: Available to Veterans as owner occupied residences. Requires good credit score, sufficient income, a valid Certificate of Eligibility (COE) and meet certain service requirements. This program allows for 100% financing.

USDA: Offered by the U.S. Department of Agriculture - known as "rural housing loan." No down payment is required and 100% financing is available. Can be used by first time and repeat buyers for primary residences.

Also, learn as much as you can about the housing market in the area you want to purchase a home in. Do the homes sell quickly? What location do you like most? Is there anything you want to be close to/far from (church, school, park, shopping, etc.)? What is the average asking price for the homes in that area? What quality of home are you

interested in, and how much are those types of homes selling for? What is the general budget you expect/hope to stick to when buying? There are many costs associated with home ownership that can be factored in to determining how much debt you can afford, including: mortgage payment, property taxes, insurance, maintenance and tax benefits.

2. Interview Lenders and Select One to Work With

Once you have a general idea for the cost of a home you want to buy and the type of loan you think you're interested in obtaining, begin interviewing lenders! (Please reference another Guardian Realty Instructional Document: [10 Questions To Ask Lenders Before You Choose One](#)) Once you decide on a lending institution to work with and feel confident in the type of loan you're pursuing, provide the lender with whatever financial documentation they request from you to get prequalified to buy a home. This way you know what price range to stick to once you actually begin your home search. Many buyers have experienced heartache by beginning their home search before completing this step; window-shopping for homes they may not qualify for. Also, negotiate with the lender for a better interest rate if you can. Many buyers haggle with home sellers over a few thousand dollars in the purchase price of a home, but never think to haggle with their lender over interest rates, which will have a much more impactful influence to their bottom line over the life of their loan.

3. Interview REALTORS and Select One To Work With

Now you know what your budget is and who is partnering with you to buy the home. Next, you need to find an expert who can help you search the market and access the properties you are interested in seeing first-hand! (Please reference another Guardian Realty Instructional Document: [5 Questions To Ask A REALTOR Before You Hire Them](#)) Hire someone who you jive with; someone with whom you can discuss delicate information, and you can trust to protect your interests while buying. They should be available when you have questions, want to view homes, to provide you guidance throughout the transaction, and should be responsive in a timely manner.

4. Search For A Home

Tell your REALTOR what your needs are in a home, and some things on your wish list. These can include: location, min/max square footage, bedroom/bathroom count, size of lot, year built, heating sources, whether it's in an HOA or not, features such as a large kitchen, fencing

around the yard, master bathroom, etc. Having so many filters to use when conducting a home search can be helpful in large communities to narrow down the options, but may be limiting in areas where the sales inventory is smaller. Be realistic about your expectations but be honest about what you're looking for. It's a good idea to prioritize your needs/wants so you're able to focus on what is most important for you during this home search. Your agent will be able to guide you along through this process. It may take 1 house or 10 houses to find the one you want to buy, but keep your chin up and stay motivated. You can do this!

5. Make An Offer / Negotiate / Finalize Agreement with Sellers

You've found a home – THE home, the one you want to buy! Yay! Discuss the asking price with your agent and come up with a negotiating approach and submit an offer to the sellers. They may either accept your offer, reject your offer, ask you for your "Highest and Best" offer if they have multiple buyers at the table simultaneously, or they can reject your original offer and counter some of the terms you included in your offer. This can go back and forth a few times until everyone agrees on a deal. Remember, the sellers are trying to maximize their profits and the buyers want a deal. Don't take it personally if they counter your offer, even if you think you offered generous purchase terms. It's just the nature of buying and selling.

6. Escrow / Title Work

Once all parties have agreed to and signed an official purchase contract, your agent will open escrow with a title company. A title company is a neutral third party who holds all monies for a real estate deal in an account so they can manage the money throughout the transaction. This ensures the money is handled safely and released properly, as agreed to in the purchase agreement. The title company will also be conducting research on the history of home ownership of the house to make sure the seller is able to sell you the home with "clear title" – which means that no one should be coming out of the woodwork once you close on the house, to claim the home is theirs. They also gather information about municipal fees, taxes and other costs associated with the transfer of ownership of the home, that need to be paid for at closing. Their work is very important! Make sure you respond to requests from title quickly – if you don't, you may hold-up the deal and postpone closing. At this stage you'll most likely be wiring your earnest money deposit (EMD) into the escrow account as well.

7. Financing/Appraisal & Inspections/Due Diligence

Meanwhile, your lender will be in contact with you to gather a lot more financial information than you gave them to get prequalified. They'll be checking on your bank account, employment, work history, credit score, income and verified income sources, credit history and other investments to make sure you're truly qualified to buy. They will also be ordering an appraisal on the home to make sure there is value in the home to justify the purchase price. If the appraisal comes back under the price you've agreed to with the sellers then you need to renegotiate the purchase price to: be the appraisal price, pay the difference in price yourself, or walk away from the deal. For example: you and the sellers agreed on a purchase price of \$150,000. If the appraiser says they think the house is only worth \$140,000 then your lender won't lend because that would mean they stand to lose \$10,000 by buying the house just because you've agreed to pay more than the house is worth. Make sure you stay in contact with your lender almost on a daily basis to make sure they are working on your file and that they have all the information they need from you, in a timely manner, to keep making progress on your home purchase. **THIS IS SO IMPORTANT!** Some deals fall through because deadlines are not met!

You'll simultaneously be working on something called "due diligence." This is a period of time after both the buyer and seller have agreed to terms and signed a contract. It varies in length but consists of inspections on the home/property. This is the buyer's chance to find out as much information about the condition of the home as possible! Work with your agent to schedule these inspections and gain access to the property in accordance with the purchase contract, and make sure you get everything done by the deadline outlined in the purchase agreement. Once that deadline is over, you can no longer walk away from the deal based on the findings of your inspections. It is always recommended to hire a professional to conduct your inspections! They are well worth the money you pay them for protecting your interests. You'll also be completing some paperwork with your REALTOR such as reviewing the Seller's Property Condition document, and other disclosures and documentation.

Shortly before the close of escrow date you will want to schedule the timely transfer of utilities into your name so the home is ready to move into or work on as soon as it is yours! Make sure the mortgage insurance and any home warranties you may have are in effect when you close as well. If your closing date changes, so should the effective dates on your policies.

8. Close of Escrow / Recording

The date for closing is here! The lender and underwriter have agreed to lend. You should have recently conducted your final walk through and inspection to ensure the home is still in the condition it was in when you initially made your offer. Your REALTOR should've reviewed and approved your Closing Statement with title to make sure fees are appropriately split between buyer and seller, as you agreed to in the purchase agreement. Once you have wired the amount of money your lender says they require you to bring to the table at closing, into escrow, you'll go to the Title company for your "signing." Once the buyer and seller have both signed all remaining legal documentation transferring ownership, the lender will wire the remaining money necessary into escrow. Then title will submit the paperwork for your transaction to the county recorders office, and disburse the money to the seller and all other parties whose accounts need to be paid out upon transfer of ownership. The county will officially record the change in ownership on county records once they review all documentation and verify everything is in order and completed properly. The deal is done!

9. Gaining Possession / Move In

Your agent will arrange with the listing agent or seller the transfer of house keys, mailbox keys, garage door openers, etc. once escrow has closed and the deal has officially recorded. Welcome home!!

*****This list is not intended to be all-inclusive.**

If you have any further questions or would like assistance with selling or buying real property, please feel free to call or e-mail me!

~ Alana



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