

A Guide to

BUYING YOUR FIRST HOME



Introduction

So, you've made the decision to buy your first home. Congratulations! Owning a home is one of the most rewarding things you can do.

Of course, anything worth doing takes some effort, and it's no secret that buying a home can also be incredibly stressful. To make things a little easier, this guide will give you an overview of the process and hopefully leave you feeling better prepared for what lies ahead. There are also some sections for you to fill out, in order to get a better idea of what you're looking for in a home.

When you're done reading this, don't hesitate to reach out with any additional questions you might have!



Questions to Ask Yourself Before You Buy

Since a home will likely be the most expensive thing you'll ever buy, it's important that you go in prepared. One of the best ways to do this is by asking yourself some important questions—most of which will require you to take a hard look at the big picture.

What are your goals for the next 5-10 years? How about the next 20?

If you're like many other people, you might not have the answers to those questions right now. And that's OK! What's important is that you don't make any decisions that will inevitably make your life harder in just a few years' time.

For instance, if you're intent on raising two kids and getting a large dog, you'll probably want a home with at least three bedrooms and possibly a sizable backyard. You'll also want to make sure you live near good schools, and it might be nice to have a local park close by.



Before you take the next step, start by answering the questions below.

Personal Will I/we want to start or add to a family?

Will I/we want pets?

Are there any older relatives who I/we might need to take in?

Work Do I/we need a home with access to public transportation?

Do I/we need extra room(s) to use as an office, studio, etc.?

Recreation How important are nearby amenities, like parks, pools, and entertainment?

How important is a garage for a car, or a backyard for gardening?

Hopefully, these questions have gotten you thinking about your home-buying needs and wants—the things that would be nice, as well as those non-negotiables. Of course, your priorities can (and probably will) change over time.

The key is to find a home that will be able to grow with you, whether you're planning to be there for the next 10 years or the next 50.



Figuring Out Your Finances

An unfortunate reality of home buying is that, for many of us, the home of our dreams isn't always the one we can afford. That's why it's important for you to know early on what your budget is.

Your budget for buying will be determined by a combination of your down payment, the interest rate and duration of your mortgage, and the amount of money a bank agrees to lend you. But, ultimately, your monthly payment needs to be something that you will be able to take on comfortably.



Down Payment

The first thing you'll need to do when buying a home is to get together a down payment. Ideally, your down payment should be 20% or more of the purchase price of your home—though, in some cases, you can technically put down much less. Federally backed FHA loans allow buyers to finance with as little as 3.5% down.

Though you won't know exactly what your home will cost until your offer is accepted, your agent will be providing you with an overview of what you might expect to pay for a certain type of home in your desired area. This will be based on the recent selling prices of homes that have a similar number of bedrooms, bathrooms, and space (square footage), as well as any other features you consider must-haves.

Once we have a rough idea of what your future home's purchase price might be, we'll multiply that number by 0.20 (20%). Do you have that much money available for a down payment? If not, try to put aside as close to that amount as possible.

Potential Home Purchase Price X .20 = Down Payment

Keep in mind that the down payment is ultimately subtracted from the purchase price of your home, which means that the more you put down, the higher your equity—or percentage of ownership—in the home, right out of the gate.

The Unexpected Costs of Home Buying

Another reason it's important to have a sizable down payment is because the purchase price of the house isn't the only expense you'll incur when buying a home. Some of these additional costs include...

Closing costs

Once you and the seller have agreed on a purchase price, there will be additional fees that come with finalizing the purchase, which are known as closing costs. These fees are typically attached to services rendered that make the closing possible, such as having the home inspected or the documents reviewed by attorneys.

Expect to pay between 2-5% of the purchase price in closing costs—meaning that, for a $200,000 home, closing costs could be as much as $10,000. In some cases, you might be able to ask the seller to assist you with the closing costs, or for the costs to be considered in the purchase price.

Interest

As with most any other loan you take out, a mortgage is given to you with the expectation that you'll pay interest on the money you've borrowed. Interest rates will vary depending on market conditions, as well as your credit score and financial fitness. If you've got a good paying job and an excellent credit score, you'll be more likely to pay less in interest over the course of your loan.

To get a general idea of what your mortgage payment might be each month, you can use the free mortgage calculator I've emailed to you. The number it gives you probably won't be exactly what you'll pay, but it should be in the right ballpark.

Taxes and insurance

In addition to your monthly mortgage payment, you'll also need to think about some other recurring costs. Homeowners pay property taxes to their municipality, which are used to fund things like schools and infrastructure. Those fees are billed annually, but can usually be paid in monthly installments.

Home insurance isn't always required by law, though it may be required by your lender. Insurance protects the bank's investment, should anything happen to your property before it's paid off. If you don't have insurance, you might also elect to save money in an escrow account, which can be withdrawn in case of emergencies.

Condo/HOA fees

In addition to local taxes, you might also be responsible for paying regular fees to your more immediate community. For example, if you own a condominium or a house in a homeowners association (HOA), you're responsible to pay regularly into a fund that benefits everyone in your development, paying for services such as landscaping, snow and ice removal, or upkeep of amenities like gyms and pools.

Renovations

With any luck, you'll purchase a home that doesn't require much in the way of immediate repairs or upgrades. However, no matter how lucky you are, this will change over time. Sooner or later, you're going to need to pony up for repairs or improvements. When you're making a budget, plan to save at least a little each month for those inevitable expenses, both large and small.

Getting Some Help

If you weren't aware of the "hidden costs" of owning a home, you might be feeling a little overwhelmed. Fortunately, there are some concrete steps you can take to make all of this a bit easier.

Talk to a Lender

Ultimately, you'll want to talk to one or more mortgage lenders about your particular financial situation. They can help give you an idea of how much you'll need to put down while also informing you about any special programs you might qualify for. For example, federally backed FHA loans enable lower income, first-time buyers to purchase a home at affordable rates. The lender will be available to answer any questions you might have about the financing process, as well as to give you an overview of the documentation you'll need to provide.

Though the lender you choose is ultimately up to you, a recommendation is:

_____

Website: _____ Phone: _____

Get PreApproved

Once you've decided to work with a lender, getting preapproved for a mortgage is the logical next step. Preapproval is a process that involves all the background checks and red tape used to determine the details of your loan. By running your credit and examining your financial situation thoroughly, the lender can determine how much they're willing to lend, what the interest rate will be, and how long the term of the mortgage is.

When you go to make an offer on a house, having preapproval from your lender guarantees that you will be able to make settlement. If you're bidding against another potential buyer, being preapproved for your mortgage can mean the difference between having your offer accepted or being passed over.

Ask Questions!

Hopefully this guide is helping to demystify the process of home buying, which can definitely feel overwhelming at times. However, you'll probably find that you still have some questions.

This might go without saying, but, by choosing to work with an agent gives you a valuable resource at your disposal—someone who is deeply familiar with the buying process, from start to finish. If at any point you're unclear about what's expected of you (or what you can expect to happen next), make sure to reach out!

"Dream Home" Checklist

Use this printable checklist to keep track of what's really important to you when it comes to your future home.

Budget: _____

Desired towns/neighborhoods: _____

# of bedrooms: _____ # of bathrooms: _____

Style of home (ex: twin, condo, ranch, Cape Cod): _____

FEATURES	MUST-HAVE	WOULD BE NICE	NOT A PRIORITY
Walk-in closet (indicate #)			
Master bathroom/en-suite			
Open concept living area			
Large backyard			
Fenced-in backyard			
Central air conditioning			
Extra storage space			
Energy-efficient features			
Eat-in kitchen			
Fireplace			
Pool			

Other items on your wishlist: _____

_____



What to Do at Showings

Whether you're attending a private showing at a home or visiting an open house, the showing is a chance for you to see what a property really has to offer. You'll want to go in with an open mind, while also keeping your eyes peeled for potential red flags. After all, this purchase is going to not just cost you money, but dictate where and how you'll live for years to come.

Look beyond the furniture and paint.

When you start touring potential homes, it can be difficult to see the big picture. You might walk into a room painted colors you would never choose, with furniture arranged in a way that makes everything feel crowded.

If you can, picture the home as a blank canvas, which you'll make your own over time. Instead of getting caught up in what it looks like now, try to focus on things that won't change so easily, like the size of bedrooms or the location of bathrooms.

Keep an eye out for expensive repairs and renovations.

If there are serious issues with the home—for example, major issues with the foundation or plumbing—those will usually be discovered during inspection. But there could be other things that might put you off buying this particular property.

Is the kitchen out of date? Does the roof look worn, and like it may need to be replaced soon? Ultimately, you need to decide whether the cost of potential work that needs to be done squares with the amount you'll spend to buy the house.

Talk to the neighbors.

How much do you know about where you'll be living? Even if you've done some research on the neighborhood, one of the best ways to learn about what it's like to actually live there is to talk to those who already do. Plus, it's never too early to meet your neighbors!

Try to picture yourself living here.

At the end of the day, you need to live somewhere you'll be happy. A house might look great on paper, but, when you step inside, you just don't feel that magic spark. Conversely, there might be a property that seems less than ideal in a couple ways, but you can easily picture yourself raising a family within those walls. While gut reactions aren't everything, don't discount them entirely.



Making an Offer

Once you're sure you've found the right home, you'll want to start the process of actually buying it. This begins with you making an offer to the seller (who, in many cases, is represented by their own agent).

Ultimately, you'll have a price in mind that you're willing to pay, while the seller is looking to make as much of a profit on the sale as possible. The goal is to find a number that's as mutually agreeable as possible.

Now, this might sound stressful, but don't worry: when the time comes, you will be walked through the process. But, in the interest of providing you with an overview of the process, here are some tips for making the right offer...

✗ Don't wait to make an offer. If you love this house, the odds are good that someone else does, too. When you bide your time, you're giving other buyers the chance to swoop in and make an offer, which can only end in heartache for you.

✓ Do be patient. While you want to make an offer as soon as you're sure about the house, the seller might not respond right away. Like you, the seller has spent a great deal of time getting to this point, and they want to be sure they're getting a reasonable offer. Don't be surprised if it takes a couple days to hear back.

✗ Don't be afraid to haggle. If you're offering to pay an amount below the seller's asking price, you should be prepared for them to return with a counteroffer. Have an idea in your head about how high you'd be willing to go for the house, and offer slightly less. Just don't offer too much less, or you might offend the seller—encouraging them to wait for offers from other buyers.



The Closing Process

Once your offer is accepted, there are still some things left to do before you're handed the keys to your new home.

Settlement

The settlement process is, effectively, the time between when the seller accepts your offer and when the ownership of the house transfers. This process can take anywhere from a few weeks to several months. During this time, you'll likely be completing additional paperwork with your lender, possibly providing additional documentation, and generally working with your lender to make sure the sale happens as scheduled.

This period is also when you'll shop for homeowner's insurance and make preparations for your move, such as packing, cleaning out your old place, and hiring movers.

Appraisal

Simply put, the appraisal is a process put into place by the bank to make sure their investment is worth it. If the home is grossly overpriced, the bank may not approve the purchase. Remember: the bank technically owns your home until you pay it off, which means, if you default on your mortgage payments, they have the option to sell the home to recoup their investment.

Inspection

Though you're not required by law to have your future home inspected, the peace of mind an inspection provides makes it practically essential. A home inspector will check for glaring, major issues with the home that may not have been readily apparent during the showing. The inspector will examine the house closely to make sure it's structurally sound, from the foundation and plumbing to the electrical wiring, as well as heating and cooling systems.

Sometimes, inspections uncover issues with the home that not even the seller was aware of. And, in some cases, those issues are enough to stop the sale from proceeding.

Closing Date

The closing date (sometimes referred to as "making settlement") is the day when you will meet with the seller and their agent in order to complete the paperwork that will finalize the transfer of the property. This process can take a few hours but, when it's all done, you'll be given the keys to your new home!



Conclusion

Now that you've read this guide, hopefully you're feeling a little more excited, and a little less overwhelmed, by the prospect of becoming a first-time homeowner. While everybody's experience buying a home is different, having an awareness of what to expect will help you deal with potential obstacles and, ultimately, help you end up in the home that's right for you.