

Basic Steps to Buying a Home

The largest expense most people will have is buying a home. This can be a very emotional and time-consuming experience. To a large extent you can control these if you understand what is involved in the buying process that includes obtaining financing. Here are some basic steps to help guide you:

- 1. Make the effort to be an informed buyer.** The more you know about the home-buying process, the easier it will be to make decisions in a timely manner. There are many sources of information about real estate. These include newspaper articles, real estate books, and the Internet, such as the search engine Google. Use keywords and phrases related to real estate.

One of the most important sources of information is a real estate agent. Find and develop a relationship with an agent who can help answer your questions. Find one you can work with throughout the home-buying process. Ask how often and by what means the agent will communicate with you.

- 2. Determine the costs you can afford for a home.** There are three cost areas to keep in mind:
 - a. The amount of your loan, its monthly payments, and other related monthly expenses.
 - b. The amount of your down payment.
 - c. Closing costs...loan fees, title company fees, and home insurance.

Sources of information for these costs are loan officers, title companies, and insurance agencies. Real estate agents can help you with contacts to people knowledgeable of each type of cost.

- 3. Talk with two or three loan officers.** They will explain the process of obtaining a loan and the advantages and disadvantages of the various loans available. All banks have loan officers and home loan programs. There also are many mortgage broker companies that specialize in home loans and refinancing. They operate independent of banks but have access to bank loans and many other sources of loans. The Internet is a good source to check for loans. An Internet loan company can provide you with quotes for all types of loans. But, getting detail explanations and understanding how these loans work can be more difficult, even by phone. The best source for understanding loans is with face-to-face discussions with loan officers.
- 4. Get preapproved for a loan.** You do this by submitting a loan application to a loan officer who will check your credit, ask for income information, and source of funds you will need, such as the down payment and closing costs. The loan officer will process your application to arrive at a loan amount you qualify for toward purchase of a home. You will then be given a preapproval letter that you will submit with your offer to purchase a home. This letter tells the seller of a home that your offer is backed by a preapproved loan.

Some buyers submit an offer with a prequalified letter. A prequalified letter is not backed by credit and documentation information but usually only by buyer-stated information to a loan officer.

- 5. Determine your needs and wants in a home.** Try to be practical about what your real needs will be for several years. Often your wants may overwhelm your real needs and influence your decision to buy. If so, you may delay making a decision, and make the home-buying process more emotional than it needs to be.
- 6. Ask a (your) real estate agent to help you find a home.** Agents have greater access than you to information about homes and what is currently available on the local MLS. If you visit open houses and find a home you want to buy, then you can contact an (your) agent to write up an offer to purchase. Also, agents can then find more information that is available about a property such as tax records, existing inspections, and more.
- 7. Prepare yourself for the offer to purchase process.** The offer to purchase after acceptance of it by the seller goes through a very active process involving disclosures, inspections, possible repair work, and further negotiations. After Escrow is opened, there are many "time is of the essence" deadlines that need to be met by all parties in the transaction. Deadlines that aren't met can result in cancellation of your offer or other negative conclusions for all involved. Both buyers and sellers normally do not understand the ins and outs of a transaction, but agents do. When obligations, deadlines met, and funding occurs, then Escrow closes.