8 Easy Steps to Home Ownership

By

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The Most Important Pages!

These are such important pages, I am putting them at both the beginning and the ending of this eBook. If you read nothing else, read this page!

Choosing Your Lender (First Step!)

- Money is the first step. A loan office is the one who will help you get it. Find a loan officer with whom you can communicate easily.
- Make sure the Lender is reputable. Go local if possible. You never know when you might need that loan officer in person!
- Have your information already on hand. (W2's, pay stubs, bank statements, student loan documents, etc.) The loan officer will need them ASAP.

Picking Your Agent

- Make sure your agent is competent. The agents need to be both knowledgeable & aware of the market. Going with a "friend of a friend" is not the best way to choose a Realtor®
- Ask enough questions to feel comfortable talking with your agent. This is a major purchase you are making. Don't be shy!
- Only work with 1 agent! Agents all have the same information. Trying to work with multiple agents will waste time and create hard feelings.

The Search

- Use the tools your agent provides rather than Zillow, Trulia, etc. (You can view at those to double check, but the tools your agent provides will almost always be more accurate.)
- Include your agent in changes in your search. If you are going to consider new builds, always take your agent on that first visit! You should have representation there as well. If you go without your agent, the builder won't pay your agent. (They never give you a discount for not having an agent!)
- Search within your price range. You will know this up front, and it avoids disappointment.

The Offer, The Deal, and The Rest

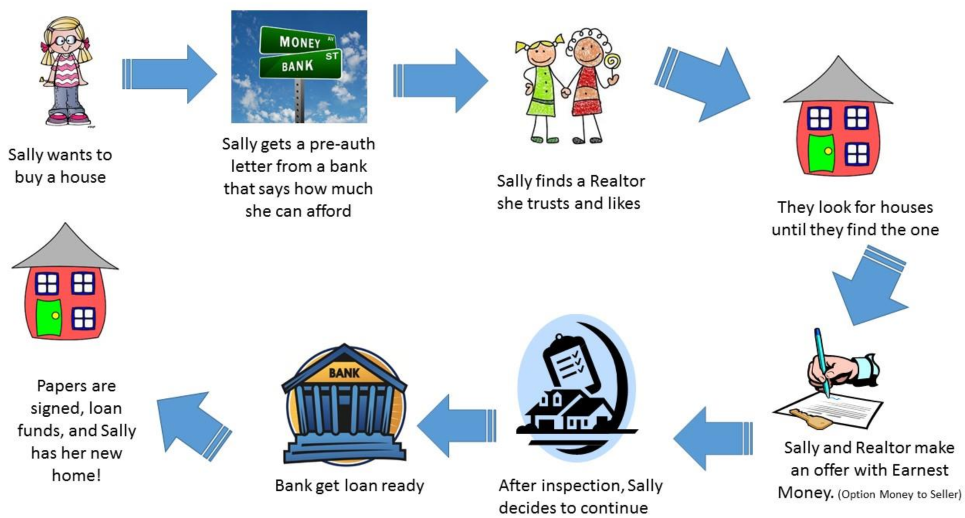
- Use your agent's knowledge to make the best offer, to negotiate, and to create the final deal.
- Let your agent help you navigate the Process: Inspection (during your Option Period), the possible negotiating for repairs, the Appraisal, any "hiccups" which may occur, and the Final Consummation. That is why you have an agent!

The Costs

- Know the costs going in: Down Payment, 3.3.5%; Inspections and Appraisals, around $1,000; Closing Costs, around 3%.
- Realize some other costs may be required by Lender: prepaid Home Owner's Insurance, HOA, Taxes, etc.
- Never be afraid to ask you agent what options you may have for Down Payment assistance. (It is available for MANY buyers.)

Introduction

When someone approaches me about purchasing a house, the first thing I do is schedule a time to sit down and have a conversation with him. It is essential to me that we meet for a few reasons. First, I want to see if our personalities mesh. This may not sound important, but after all, we will be spending a lot of time together discussing some very important issues. Second, I want the opportunity to hear what he is looking for in detail. Sometimes, the potential buyer isn't even sure what he wants until I begin to ask probative questions. Do you want to live in the city, or a suburb? What exactly is important to you in a house; the inside, the yard, the location? Are schools important in the decision at this point? Where do you work and how do you feel about Austin traffic. Finally, I want the opportunity to go through the process of buying a house with him. With a simple diagram, I go about the process of describing each step along the path to home ownership. From getting loan approval and visiting houses, all the way to that final closing, I go through each step explaining the "how's", the "why's", and the costs. This is not everyone's approach, but I believe it alleviates stress to go through it all at the very beginning.



See this illustration explained in a 1 page summary at the end of this eBook.

I grew up on a farm. When I was a teenager, my Dad wanted me to help plow. While this was really as safe as operating a lawnmower, it involved a very large tractor! I remember sitting in that tractor with him the first time as he gave an explanation of what he wanted me to do and how everything worked. My first question had been, "How do I make it stop?" He had said we would get to that in a bit. What he quickly learned was that until he answered what **I** considered to be the "most" important question, I wasn't going to pay attention to anything else he had to say, no matter the importance. I was too afraid of losing control of that huge beast. Many first time buyers see the home buying process as similarly daunting and are also afraid of losing control along the path. The sooner I demystify the process, the better time we will all have finding and buying that house. Interestingly enough, I have worked with 2nd and even 3rd time buyers that still didn't know the process very well. They knew some of the steps, but not the "why's".

During a recent "Buying a House: 101" dialogue, a client said, "You really should write a book!" I shook my head and laughed, "I'm not an expert in Real Estate. I feel like I am still learning every day." She persisted "No, really! You may never know everything, but you know enough you have taken me from nervous to calm and excited. You should share that on a larger scale!" This wasn't the first time this suggestion had been offered up. Finally, I realized perhaps an eBook might help a few people out there feel more confident and excited about buying a home. At the very least, I figure it can't hurt. So here I go.

The information is conversational in nature because it is based on my actual conversations with my clients. Also, I will attempt to go in order, but I sometimes go off on tangents. There is after all much to say. Don't panic though. I promise it is not that complicated.

The information may be similar to other markets and perhaps even other states, but my experience has been in and around Austin, Texas. This eBook will be specific to that market. It will not be perfect. It is not meant to be a complete textbook on every possible scenario you might encounter when you buy a house. That is what a Realtor® does and why you should have one. This eBook is meant to give you an overview of the process of buying a house (specifically in Texas). It is also meant to help you know why an agent can be a great asset to you. Don't rely on the specifics in this guide to make decisions! As you will see in a moment, you are not my client. Being my clients affords you some great protections and assurances. You always want to be a client. (More on that in a moment.)

I have a hard time with "he/she" rather than "they". When I mention a client, I will try to switch back and forth from "he" to "she" in a rotation. Just know, I have had wonderful clients of both sexes and I loved helping them all. I wish there was a gender neutral singular pronoun. This would eliminate me trying to switch to a plural non gender one. Don't judge me too harshly for this.

Thanks so much to Michelle Alberts and Lynne Broussard, both at Supreme Lending – McClellan Branch in Austin, Texas for helping me review this eBook and giving me some insight into how to make it more effective.

Getting the Money! - Step 1

Many people think the first step in buying a house is finding a Realtor® and that is where many start. My recommendation would be the lender as a first step. In a market like Austin, where the offer stage of real estate transactions often happens VERY quickly, you will need to take this step before making an offer anyway. Not to mention, many people aren't really sure exactly what their buying situation is and how that may affect this process (credit scores, debt-to-income ratios, etc.) If you already have it out of the way, your first conversation with your Realtor® can be that much more specific and productive. Plus, changes are happening near the end of 2015 in Texas that will lengthen your initial process with a lender. Doing it this way means you are prepared at your initial meeting with your Realtor®.

The only real advantage to meeting with a real estate agent first is that she can explain your different options in a lender. Luckily, I am going to do that right now.

You have lots of choices when it comes to financing your home purchase. The two most common sources are banks (Wells Fargo, Chase, Bank of America, etc) and Mortgage Bankers. The biggest difference is that banks have 1 money source, whereas Mortgage Bankers have access to many different loan programs, often even including the wholesale departments of those same banks I just listed. I have helped multiple clients that used either of these methods. Each has pros; each has cons. A Mortgage Banker presents you with multiple options rather than just one, but a bank can often have more brand recognition. Who hasn't seen the commercial with the stage coach touting Wells Fargo? That however is beginning to change. Some of my peers have pointed out that banks make the least amount of revenue from Residential Mortgages, and prefer to concentrate on more profitable commercial endeavors. As a result, banks can be known to work slower and impose more requirements. (That is just an opinion I have heard, although I admit to hearing it more than once, and even from a loan officer at one such bank.) In my experience, I have had good and bad experiences with both types. The ultimate decision is yours. You can also talk to more than one to see what they have to offer before committing. I believe your biggest consideration should be: "How well established is the company?" and "How well am I able to communicate with the individual loan officer within that company?" Lender equals company; Loan Officer equals "person you work with."

Lenders will either pre-qualify or pre-approve you. If you provide verbal information about your income and debts, along with information to run a quick credit check, you will be pre-qualified. This will allow you to make an offer on a house. The letter will basically read, "Based on the information provided by Betty Smith, Betty Smith is pre-qualified to buy a house up to $225,000 as long as that information is correct." (The approval is based on the assumption that the information you gave was both accurate and correct.)

You can also be pre-approved. This is a much more substantial "label." This means you have given your paycheck stubs from the past 2 months, your last 2 years W2's, your last 2 1040's, as well as anything else the lender requests to the lender for their review. This allows them to proclaim, "Based on our review of all necessary information and credit, Betty Smith is preapproved to buy a house up to $225,000."

I prefer the preapproval over the pre-qualification. It gets the gathering of the paperwork (along with the stress that accompanies it) out of the way up front. Plus, it makes your offer much stronger to potential sellers. The lender has already reviewed everything and confirmed that you can purchase the home. Once an offer is accepted, the lender will only need the pay check stubs and bank statements that come "after", because they already have everything else. It also tends to speed the process along.

I won't go into much detail, but the lender will also help you decide the type of loan that works best for you. There are 2 basic types of loans: conventional and government. The money comes from the same place for both types. However, government loans assure that the lender will be repaid if you default. FHA, VA, and USDA loans are guaranteed by the government, which removes much of the risk from the lender. As a result, this means the government loans also have more requirements than a conventional loan. Any lender will be happy to explain which one is best for you, and why. It is always about the numbers. Never let any of it feel personal. Your down payment will depend on the type of loan you get. For an FHA loan, you must put down a minimum of 3.5% (of the purchase price). If you choose a conventional loan, you will need to put down a minimum 5%. To avoid PMI (Private Mortgage Insurance), you must usually put down 20%. Mortgage Insurance reimburses the Lender if you default. On some loans, PMI can be cancelled once the amount you owe on the loan is less than 20%, but you would have to check with the Lender for specifics.

Once preapproved, you will show up for your first meeting with your Realtor® knowing exactly how much you can spend, and how much you want to spend. The numbers are not always the same. Sometimes the income will support a payment on a $350,000 house. However, people may want a smaller payment and opt instead to buy a $250,000 house. Had they not have gone to the lender first, they wouldn't meet with their Realtor® armed with that knowledge.

Realtors® and Agents and Brokers, oh my!

Since I have already typed Realtor® about 10 times, I should quickly explain what the different terms mean.

A **real estate agent** is someone that is licensed to practice real estate. This means an agent has taken the mandated courses, passed the state licensing exam, and is current on Continuing Education. Also, the individual has passed a background check and been fingerprinted. In Texas, an agent must always work under a Broker. In fact, only Brokers can be paid in a real estate transaction. Agents can only be paid via the Broker. (Real Estate agents make no salary, by the way. Only commissions! I am always shocked by how many people think agents get a salary and the "commission" is just a big bonus. Not true.) So if you are working with a real estate agent, you are actually working with their Broker or Brokerage firm with the agent acting as the Broker's representative.

A **Broker** is an individual that was once an agent, but has completed enough time, a certain number of transactions, additional coursework, and passed the state exam to become a Broker. Brokers can work directly with clients, and may or may not have agents under them. Most importantly, Brokers can be paid for the transaction. A Broker is supposed to have more knowledge based on more years of experience. Unfortunately, this is sometimes true and sometimes not.

Realtor® is a designation given to real estate agents/Brokers that have joined the National Association of Realtors. Joining the NAR means that an agent (now a Realtor®) now holds himself to the higher standard imposed by this trade association. He is also held to the higher standard by the NAR. Most local boards (Austin Board of Realtors) require you to join NAR in order to be a member. All Realtors® are either agents or Brokers, but not all agents or Brokers are necessarily Realtors®.

Selecting Your Agent

How do you go about selecting the agent you will use to help in this monumental purchase? For many people, they are referred to a Realtor® by someone they know. This can be a wonderful thing. I love referrals! Who doesn't? It means that I did a good job and my client has shared that experience with someone else who is now coming to me. It is the best reward a client can give me, and hopefully to my future client.

Unless it isn't. Sometimes, you will be referred to someone the referrer didn't actually use, and may not even know. The friend's daughter that just got her license; the lady at church who does real estate part time; and the boss's son who owns his own real estate company are some good examples. These may or may not be good for you. Even the fantastic agent that your neighbor used that was the best thing since sliced bread might not be the best fit for you. There is only one way to find out.

This is why I believe it is imperative that you have a conversation with an agent before finalizing your decision. Ask questions about him and his experience. Being a new agent isn't a bad thing. He will have a Broker supporting him to answer questions and make sure mistakes are not made (or at least minimized). Plus, new agents will sometimes be more likely to give you undivided attention and pay extremely close detail to every facet of the transaction because everything is new. A seasoned agent can be great, too. Her experience and skills in negotiation can prove invaluable. Her ability to put together an offer in 5 minutes might be the difference of your offer being first or not. She may be very familiar with a particular neighborhood and know things a new agent won't. It really boils down to what is important to you.

For me, the purpose of such a conversation is to determine if you feel comfortable talking with the agent; if you get a sense the agent is ethical and trustworthy; and if you believe the agent is competent and knowledgeable about real estate and the current market. You are making an important and sizable purchase. You will also be spending a fair amount of time with the agent. It is important that you feel comfortable not only their experience and competence levels, but their interactions with you. It also lets you see how the agent will most likely interact with other people. It may seem cool in theory to have a "shark" that everyone is scared of and does anything to please. However, in the real world, those agents are not liked and can actually be a huge detraction. Listing agents talk to their Sellers and no one wants to work with a jerk. If your agent is considered to be "shady" or even just difficult, the Seller is likely to know, and it certainly might affect their decision of whether to work with you or not.

One Agent Only

An experienced agent will ask you to sign a Buyer's Rep Agreement before taking you to any properties. This can immediately scare a buyer because she may feel it is limiting her choices. Many people that don't understand how modern real estate works think more agents mean more options. Many calls in the past have asked me "What houses do have for sale?" That simply isn't the way it works. For the most part, all agents have access to all of the same properties. Having multiple agents would just lead to a lot of hard feelings and disputes without any real benefit to anyone.

While the agreement does protect the agent, if you decide that you don't want to work with a Realtor® anymore, you can certainly very easily terminate that agreement. However, any houses the agent has shown you are "protected." If you decided to buy a house the agent showed you, but have since learned your sister just got her Real Estate license and want to give her the business, the Buyer's Rep Agreement says you can't do that. Most people of course would never consider doing this anyway. Not only because it is unethical, but because it isn't fair. Believe it or not, it still happens ALL the time.

My thoughts are that it happens because people have a misconception about how Realtors® are paid. Most think we are all getting a fantastic salary, a car allowance, an expense account, and the sales commission is just gravy… a nice bonus. That is so false it almost feels comical! As I said, Realtors® do not get any salary. We are 100% commission based. Although commissions are always negotiable, most Buyer's commissions are 3% of the purchase price. This sounds like a lot! If you are buying a $250,000 house, that means the agent is getting $7500! People see that number and think, "Really!?! Just for taking me to 15 or 20 houses, and writing up 10 offers, and going through the process with me, he is getting $7500? I would do that all day long!" The reality is that $7500 gets split up quite a bit. The Broker can get as much as 30%. Taxes eat up around 50% of what is left, unless an agent makes more than average, in which case the percentage climbs higher. (Since agents are not employees, they pay both sides of Social Security taxes: 15.3%.) That leaves only $2625 after taxes in a best case scenario. The average agent sells a house a month. Sort of blows that rich Realtor® theory. Don't get me wrong, some agents make well over 6 figures, but most do not.

Despite protecting the agent, the Buyer's Rep Agreement is actually more for the client's protection than the Realtor®. In the state of Texas, until you sign that agreement, you are considered a "customer." This means that I can take you to a house and let you in, but I can't offer any opinion or advice as to whether you should make an offer, what that offer might be, or anything else. I can answer specific questions about the age, size, etc. of the house, but that's it. In fact, until you sign that agreement, the law says I represent the Seller rather than you. Personally, I think that is an odd law, but that is the way it is. Until not that long ago, all agents ONLY represented the Seller. However, once you sign the agreement you become my "client." I am now legally bound to put your interests above my own and to guide you through the process with the utmost ethics and integrity.

There is one other item on the agreement that some Realtors® are afraid might scare the buyer. It reads that the Broker is expecting a 3% commission if he helps close a deal on a house, and if the Seller does not pay the commission, he will seek it from the Buyer. This is only scary until you know how the process works. When your agent finds a house on MLS, the Listing has a "Promise to Pay" along with the amount. This makes the chances of not getting paid by the Seller extremely small. The only time commission would come into play is on new builds or "For Sale by Owner" homes. In both situations, your agent will have already contacted either and gotten a "Promise to Pay" in a different format as long as you told them you wanted to see a house. Builders will always work with Realtors® that bring clients, as long as it is before the client first visits. (Never go house shopping alone. Your agent can help with new builds, too. Once you visit without him, he is cut out and won't be able to help anymore.) The same holds true for a private Seller who is not using a Realtor. There aren't many of these, but if you contact them without a Realtor®, they are unlikely to pay your agent. If you have already signed a Buyer's Rep, just be smart and let you agent do what he is paid to do. He will set up appointments to see any house you want.

If your agent does not mention a Buyer's Rep Agreement, I would wonder why, and then I would probably ask why he didn't. I believe it is not brought up because most agents don't know how to explain its purpose. It protects everyone involved, and without it, the Buyer doesn't have a true agency relationship. That is not a good thing. Don't ever be afraid to ask "why" or "why not" with your potential agent. Your conversation with the agent is to "interview" him. There is nothing negative about this. In fact, a good agent is interviewing you at the same time. I had a customer once tell me he hated agents, thought we were all crooks and liars, and that I would have to work long and hard to prove him wrong, along with the other agents he planned on using because he would never just have one agent. I am neither of those things, and I only work with clients that are exclusively working with me, so I chose not to work with him. I would like to say I referred him to an agent I didn't like, but the truth is, I wouldn't intentionally inflict that animosity on anyone. At the end of your chat with potential agent, you should both have a reasonable idea as to whether or not you are comfortable working together.

Searching for Houses! - Step 2

Now that you are preapproved and know what your desired price range is, it is time to start house hunting. The first step is typically a search with your criteria (price, size, area, age, school) that your agent will set up for you. The search will show you what is initially available, and will update each day with anything new that hits the market.

Always ask your agent if they can set you up with a way to search MLS (Multiple Listing Service) on your own as well, because most of us have that ability. Many clients will have already searched on Zillow or Trulia. Those sources are pulling from MLS, but often aren't as accurate or up to date. If you are wondering why, it is because MLS is a database that has been set up by and for Realtors® to be able to see what everyone has to offer in the market at any given time. Zillow is set up as a site to attract homebuyers. They do this extremely well! They generate their revenue from people that want to advertise on their site, and by selling leads to Realtors®. There is nothing wrong with what they do or how they do it. However, since you already have an agent, and the agent can provide you with a direct source to MLS, you should take advantage of the raw unadulterated data. (Zillow also puts information about payments and estimations of value that can often be flat out wrong, or based on ridiculously high down payments.)

When you see a property you are interested in, you should let your agent know as soon as possible. Austin is a very hot market and houses often move from Active to Pending quickly. In the price range from $200,000 - $250,000 in certain neighborhoods, it is not unheard of for a house to hit the market in the morning and have multiple offers by the afternoon. If you want to see the house, you will want to coordinate that with your agent as soon as possible.

Unless you find the perfect house the first time out, you will be seeing several houses. However, you will soon learn that it is easy to eliminate houses without seeing them. Every time you see a house, you will be able to either add a "must have" or a "deal breaker" to your description. I am surprised by how often "popcorn ceilings" is a deal breaker. You will be grateful for ways to refine the search. Viewing homes can be great fun in the beginning, but it can quickly grow tedious.

A good Realtor® will also limit the number of houses he will show you in a day. Seeing more than 5 is typically not a good idea. The houses all begin to run together. I once had a client in from Lake Tahoe. She and her husband were in town from Friday evening until Sunday morning. She emailed me 17 houses they wanted to see on Saturday. I did everything I could to convince them to narrow the list, but to no avail. They insisted we see them all. I warned them what would happen, but we still managed to go to all 17 houses on that Saturday. We started at 8:30 am and ended at 8:00 that night. We were all exhausted. The next morning, they called and asked to go back and see 4 houses because they thought they liked 2 of them, but would need to see all 4 to be sure. I took them, but couldn't resist a "told you so" moment. I was a fairly new agent at the time. Today, I would flat out say no. Since they were from out of town, I might have shown more than the 5 that is typically my limit, but I would not have done more than 7 or 8… period! It is wasting their time and mine to shove so many into 1 day. I am the expert and it is my job to make the most of both our time. They also never bought, by the way. After their visit, they felt Austin's pace was too "fast". I tried to explain that it really wasn't, that it was "our" pace that day that made them feel that way. But the adage is true: "You can't make a first impression twice."

In my experience, I have discovered that there rarely is that "perfect" house. There are lots of "almost perfect" houses, or even "ok" houses. The reality is that the American Dream is different than it was 50 years ago. Back then, a person went to work at a company hoping they would retire with that same company. They also bought a home as soon as they could and hoped they would get to raise their family and retire in that perfect home. In today's world, people hop around from job to job and company to company. The goal is to gain knowledge, skills, and experience that will help get a "better" job in the next company. The same goes for houses. The average person lives in a house around 7 years. Then it is on to a house that fits their current needs better than the one they bought 7 years ago. I constantly advise my clients to look for what makes them happy now, not what they think will make them happy in 20 years. There is no way to accurately predict your future.

Another reason I encourage people to look for "happy right now" vs "my forever home" is that the sooner you get into a house, the sooner you become part of the wave. Houses in Austin have increased at an average of around 1% a month for the past 18 months. If you were going to buy a $200,000 house, but waited to find the perfect one, 18 months later, the same house may cost $236,000. If you bought 18 months ago, that "increase" would be a part of your equity, and you could use it to get a "better" house on your next purchase. If you waited, then you will just pay $36,000 more for the same (or similar) house. You could have put that profit into your own coffer while you had a place to live. Instead, now you will just start the "game" at a higher investment level. It can be hard to accept this at first, but trust me, it is true. "House hopping" will get you into better houses over time in the same way "job hopping" gets you into better positions as you develop equity in both. It seems crazy, but starting at a less perfect house might actually be the key to ultimately being in a house that is even nicer than your income bracket would normally support. All because you “rode the wave” of equity.

You Found It! – Step 3

Once you find the house you want, you will work together with your agent to create an offer. Your agent should go over the comps with you to help figure out what you should offer. Comps are similar houses in the area that have recently sold or are on the market. In Austin's current market of multiple offers on many of the houses, a full price offer is not always enough to get you the house. In past years, I personally always offered a bit less than the listed price, and I always asked the Seller to cover some of the costs associated with closing on the sale. That worked about 50 percent of the time, but it hasn't been working for the past 2 years. For the most part over the past couple of years in Austin, a full price is the minimum you can offer and have much chance of winning the property. You can still ask the Seller to give you some toward closing costs, but only if you are going to raise the LIST price (or top price) by the same amount you want them to give you back. This is done so those expenses can be worked into the loan. A Seller only cares about "Net" to them. A good agent can sometimes create an enticing deal that works for everyone. However, "over bidding" can create another problem if you end up agreeing to pay more than the house appraises for. I will go over appraisals in a little more detail in the next session. Suffice it to say, your offer in this market needs to be as high as it can be, without going over the actual value of the property. It's almost exactly like playing "The Price is Right." Do you have to put forth your best offer? Of course not. But you most likely won't be getting that house.

I want to clarify that the above "rule of thumb" is based on most of 2014 and the first half of 2015. All markets go through cycles. This is one of the strongest arguments to have a competent and market-aware Realtor® in your corner. Such an agent will KNOW the current market and what strategies will work best for you!

Once you decide exactly what you want the offer to say, your agent will draw up a contract for you. There is more than just the "price" to consider in an offer. One thing you always want to make sure your agent asks for is a Home Warranty. This is very common and gives you some "coverage" on major appliances, like the AC, should something go wrong during that first year. You also want to make sure you purchase an "Option Period" for inspections. Once the contract offer is created, most of us now send the contract to you to sign electronically. Once you set up your electronic signature, it is easy to click through the signatures. Be a tiny bit wary of this. You still must READ the contract. When I go over the process with my client at the beginning, I take a blank contract and go through it section by section to explain what everything means, and what will be filled in when they ultimately read it to sign. The biggest part of the contract is preprinted, so it should never change. It is only what goes in the blanks that you need to pay attention to. (I will devote an entire section to **"The Contract"** near the end of this eBook.)

Once you have signed the offer, it will automatically be sent back to the agent, who will now send it over to the Seller's Agent. I always text and call the agent to let her know we have submitted our offer, along with a brief synopsis of the offer.

Once the Seller receives our offer, a number of things can happen.

- The Seller's agent can tell us the Seller has decided to reject our offer. (This occasionally happens if an extremely low offer is put in. The Seller is saying they don't even want to waste their time countering.)
- The Seller's agent can let us know they have multiple offers and ask for our highest and best offer. (My least favorite because even if we have the highest offer, they are still going to ask. It is like being the high bidder at an auction, but being asked to bid higher, and not knowing what any of the other bids are. At least on E-Bay, you can see the other bids, and know if you are high or not.)
- The Seller's agent can counter our offer by raising the price, or changing any terms on the contract. Once it is sent back, it is now up to you to decide if you want to accept their counter, or to make yet another counter.
- The Seller's agent can send us a document inviting us to make a new offer, along with terms they "might" consider more favorably. (This allows the Seller to say what they may want without locking themselves into an actual agreement.)
- The Seller's agent can tell us the Seller has decided to accept our offer.

Ultimately, if the Seller decides to accept your offer (or you accept their counter), then we move to the next step. You will issue 2 checks. One is for Earnest Money. It is typically 1% of the purchase price and is made out to the Title Company to be held in Escrow. The amount can be any amount at all, but the standard is 1%. In a multiple offer situation, I have seen it be as high as 3%. Earnest Money might as well be called "I'm Serious" Money. The other check is for Option Money. This can also be any amount, but I usually suggest $100 for 5-10 days. This check is made directly to the Seller. It buys you an "option" to cancel the contract for any reason at all, or even no reason for x days. You get your Earnest Money back if you exercise this option. Both of these checks must be submitted as soon as your offer is accepted. These checks do not start the contract. You are under contract as soon as all parties have signed the agreement.

However, to keep from being in breach of contract, you must submit those funds to your agent, who will submit to Title and the Seller as quickly as possible.

My offer was accepted. Is it mine yet? - Step 4

This is where the "fun" begins; and by fun, I mean work! During the option period, you need to have an inspection of the house done. Your agent can give you names of inspectors, but should not guide you to any specific inspector. I always give at least 3 names of inspectors that my previous clients have hired and been happy with. During the option period, the Seller's agent will provide any documentation we have asked for, such as Homeowner's Association Information, or Seller's Disclosures (if they haven't already been provided). I have had many people ask, "Do I have to get an inspection?" The answer is no, but I would never advise someone to forego an inspection. Even brand new houses can have flaws that need to be addressed. It is a small price to pay for the knowledge; good or bad.

A quick note about Home Inspections: The older the house, the more will be found wrong. Period! Some things are wear and tear, some are cosmetic, and some are even things that were fine when the house was built (and still are) but wouldn't pass the current Code because it has become stricter. This is the first step in the process where everyone holds their breath a little. The inspector charges between $300 and $550 and will do a 2-3 hour inspection going over most every part of the house. Afterward, the inspector will provide a comprehensive report of what he found. It can be anywhere from 17-60 pages long. (Yes, I had one that was actually 60 pages once!) When the report is complete, your agent will go over it with you. You can also ask the inspector questions, but not so much about "Would you buy the house anyway?" or "How bad is that?" Inspectors deal in the facts, not in opinions about what to do. Your agent can guide you to some degree, but ultimately, it is a decision for you. When buyers had questions about specific repairs in the past, I have encouraged them to get an estimate from a General Contractor to determine what it would take to repair the major items that need attention. When you buy a new house, you pay a premium to have everything at the beginning of its life cycle (roof, air conditioner, appliances, etc.) These are all things that have to be replaced at some point. When you buy a house that is not new, you shouldn't expect perfection. You must weigh the condition of the house, along with the purchase price to decide what makes for a good purchase. You can also go back to the Seller at this point and ask for concessions in price, or repairs if you like. Since you have an Option to Terminate, you may have some degree of success.

As a general rule, if it is something you saw when you viewed the house or if it was in disclosure prior to you making an offer, asking for it to be fixed will not be looked upon with favor. Nor should it be. When you made your offer, you were aware of those deficiencies. However, when it comes to things you had no way to know, I take a different stance. If a sprinkler head isn't working, or there is water damage in the attic, I am more inclined to think it is reasonable to go back to the Seller and ask for them to discount based on how much it will cost to repair.

During the Option period, they may work with you on those issues even in a ridiculously competitive market. The Seller knows that the next buyer will most likely have the same concerns, so it might as well be dealt with now. However, if you let the Option period expire, your chances of getting changes and concessions is pretty much gone. You must get any changes you want done, approved, and signed off on by both you and the Seller BEFORE your option period runs out.

Bank…On It! - Step 5

As soon as your option period is done, your lender can begin the loan for your house. Up until this point, your loan officer has worked on preparing you for the loan process. If you were preapproved, it was all done before you even made an offer. If you were pre-qualified, most likely the last 5-10 days have been used for you to supply all the bank statements, W2's, and paycheck stubs needed. The Lender doesn't move forward until the option period is over because the next step involves getting an appraisal.

Appraisals typically cost between $300 and $550. There is no need to have one done until you are sure you are going to continue to pursue this specific house beyond the option period. An appraisal is basically a 3rd party evaluation of how much the house you are buying is worth. The bank requires an appraisal to make sure you aren't asking for a loan that exceeds the value of the property. If you are paying $200,000 for a house, depending on the loan type, you may be borrowing the entire $200,000. If an appraisal determines the house is worth only $190,000, banks won't lend more than $190,000 because if you defaulted, the bank wouldn't be able to get the money back. With some lenders (and loan types), you are able to pay the difference ($10,000 in this example) and continue the loan. With other types, you are done at this point. The bank will not be a part of a purchase with a cost of more than the value of the property. In this event, you will get your Earnest Money back, but you will be out your time, the cost of your appraisal, and the cost of your inspection. This is not a good ending for anyone. Sometimes it happens because the actual List price is higher than the appraisal. Other times, it happens because your agent didn't advise you of this possibility. In some cases, the Seller will realize it is in everyone's best interest for them to lower the price. With an FHA loan that appraisal sticks to the property for 120 days, so any other buyer planning to use FHA will be in the same predicament as you. In another situation, the Seller may have another offer that they will pursue rather than lower the price. A cash offer, for instance, would not be affected by a low appraisal.

Once the appraisal is done and the house has proved to be worth at least the purchase price, you are moving into the home stretch!

What is in a Title?

In the state of Texas, the Title Company gets involved as soon as there is an executed contract between the Buyer and the Seller. This of course prompts the question, "What is a Title Company and what do they actually do?"

Your first interaction with the Title Company will be submitting the Earnest Money check and the contract. With the Earnest Money, the Title Company sets up an escrow account. An escrow account is a temporary pass-through account held by the Title Company during the process of your transaction with the Seller. The money is safe and can only be released when certain actions happen. Those actions could be the closing/consummation of the transaction, or it could be the receipt of Termination papers and Official Requests to release those funds. All funds in the transaction will pass through the Escrow account, including the funds obtained from the lender for the actual purchase of the property.

When I first entered real state, I understood the concept of "title", if only from owning a car. Once your car is paid off, you get the title. Title proves that you have rights to something. It can be full or partial ownership of any or any part of a property, real or otherwise. When it comes to real estate, title is regarded very seriously. Not only do you need to be able to prove your rights and interests, you also need to have a "clear" title to it. In a perfect world, that would mean that you could show who owned the land the day it was created, and every person that has owned it since that time, and how each one gave up their claim to the next person through a sale/debt/foreclosure/inheritance/etc. Since even with the best records possible, you would likely only be able to go back as far as to when Texas became a part of the United States, you end up with title insurance instead. The primary function of the title company is to provide this insurance, although they provide many other services as well.

Let's say you are buying a property worth $200,000. The Title Company will research the property you are buying as far back as possible to see if there is anyone that might have any claim against the property. This includes not only former owners and/or their heirs, but also anyone that might have a lien against the property or any unpaid taxes on the property itself. You might think it is good enough that your title was researched 5 years ago when it was purchased the last time. However, even Title Companies miss things. It is not unheard of to find an old lien that the previous Title Company missed. If the Title Company finds anything, they help get it cleared up to give as clean a title as possible. Then, based on their certainty, they sell you a Title Insurance policy. This gives you the insurance and assurance that you own the property. If they missed something and a suit is filed against you, the Title Policy will cover your interest up to the purchase price you paid ($200,000 in this example.) You can also purchase additional coverage that will cover your equity in the property as the value increases. This coverage is about 20% more than the standard policy. Title insurance does not have any other purpose. It provides insurance only against claims of ownership against your title. If your property is damaged, this is in no way insurance that will cover this.

Knowing what the Title Company does, it might make you wonder who chooses which Title Company is used for the transaction. The standard is that the party paying for the title policy chooses. However, in reality, the agents are the ones that typically choose. The seller's agent will choose someone he likes working with, and unless the buyer's agent has someone else they really want to work with, it will be the seller's agent that decides. If the buyer's agent is determined, it may end up being the agent the buyer's agent chooses. It almost is never a concern to the Buyer or the Seller.

Survey Says – Step 6

Either during your option period or shortly after, the lender will let you know if the Seller's existing survey will suffice for the loan, or if you will need to get a new one. (In some cases, the Seller will not have an existing survey, so you know from the start a new survey will be needed.) The Title Company typically arranges for the new survey. The cost is between $400 and $500.

So what is a survey? Basically, it is a map of exactly where the property lines are on the lot of the house you are purchasing. It seems like once you know those lines, they would never change. However, over time those lines can become distorted. Neighbors who are great friends may share a fence. Although they intend for the fence to go directly on the property line, or border directly up against it, the fence may be installed an inch or more off target. It may even be as natural as planting a hedge on the property line. Over time, it grows in such a way that it makes the property line appear to be in the wrong place. It doesn't really matter until either party sells his property. The new owner really has no idea where the property line actually is. Enter the surveyor. A survey gives an official map that shows the exact property lines. To be honest, it isn't as much about you as it is the lender. The lender needs a survey he feels confident in, as well as a clear title on the property in order to loan the funds to purchase the property.

So Close, but not Quite There - Step 7

At this point, you are in the final stretch. Behind the scenes, the lender has completed all your paperwork, collected those most recent paycheck stubs and bank statements from you, and received the official appraisal (which showed the value to be at least as much as the purchase price). Now, the lender will send your application and information to the Underwriting Department of the institution.

"Underwriting" is there to make sure all your information is accurate **and** to make sure the loan will fit with the guidelines necessary to sell your loan. SELL MY LOAN? What? Loans today are just one more type of investment that is traded on Wall Street. It has no effect on you or what you pay, but your 15/30 year loan may be sold multiple times until you have paid off the loan off. Mortgage loans are a traded commodity, much like other stocks and bonds. This is the reason the loan must "conform" to certain rules and guidelines so it is able to fit seamlessly into most investment portfolios. Adhering to these guidelines is what makes your loan a "Conforming Loan", by the way. There are "Non-conforming Loans" but they typically have much higher interest rates and are for purchases over $500,000. Non-conforming loans may also be a result of lower credit scores or may be on property that is not considered acceptable to be Conforming. Interestingly enough, this alone can cancel out one of the advantages big banks have in getting your loan initially: brand recognition. It is almost certain that if Wells Fargo does your loan initially, they will not own that loan in a few months. However, brand recognition still brings comfort to some clients during the origination process of the loan.

Once Underwriting is complete, the lender will contact the Title Company to let the Title Company know the lender is ready to send all the information to close/consummate the transaction. The Title Company will set up a separate time for the Buyer and the Seller to come in and sign all the paperwork. Usually the day before the closing/consummation, the lender sends "docs" (all the paperwork) to the Title Company. The summary of this (currently called a HUD, but about to change names in Oct 2015) will be received by both you and your agent. You should review this summary, and then your agent and/or lender should review it with you. The review is primarily to make sure there are no blatant mistakes. The numbers can be hard to add up because you aren't sure what the lender required. Sometimes they want 1 year of Homeowner's insurance, 3 months of HOA payments, and the rest of the year's property taxes paid up front. Other times, it is 6 months of HOA payments and 6 months of Homeowner's insurance. Those are questions you can ask at the closing/consummation. Your goal in the review is to catch any other types of mistakes, even names or addresses spelled incorrectly.

Making those corrections the day before will speed you through the process at closing/consummation.

Closing/Consummating - Step 8

The day has arrived. It is time to sign all the paperwork. You will go to the Title Company at the time you scheduled. Your agent will be there with you, as well as occasionally the lender. At the scheduled time, someone will call you into a closing room. It is usually a conference room with a big table. You (and whomever else is buying the property with you) will sit at the table next to the closing agent that works for the Title Company. Your agent will sit somewhere at the table as well. The closing agent will place the documents in front of you one at a time, explaining each one, and then ask you to sign them. There can be anywhere from 50-100 documents to sign, depending on your specific situation. One of the documents is typically one where you state that if a signature or initial is missed, or a typo is made, you agree to come back in and correct it. The entire process usually takes between 60 and 90 minutes. At the end, the closing agent will ask for your Driver License, or other ID. (As well as the ID's of any other purchasers). She will make a copy and notarize the loan document signatures. Once ALL the signatures from both Sellers and Buyers are done, the documents will be sent to the Lender.

The house still isn't yours just yet. The loan must "fund" first. This just means that the documents must be checked to make sure everything was done correctly before the lender authorizes the funds to be transferred into the Escrow account at the Title Company. As soon as the loan "funds", Title will complete the transaction and you are now officially the owner of your new home! Congratulation!

What did that Contract actually say?

I told you I would swing back around to the contract. When you make an offer, it is typically via Digital Ink or DocuSign (both electronic signature applications.) As much as we would all like to think everyone reads those "electronic" versions of the contract, we all know they probably don't. The GREAT news is that typically your agent will use TAR Contracts, which are standard "fill in the blank" forms. You definitely need to go over the blank contract with your agent (much like I will do here) prior to ever making an offer. By doing this, you will hopefully feel more secure about electronically signing the one with the blanks filled in.

Before I begin, I must state again: I am NOT an expert! I am NOT an attorney! I am explaining the contract from my very limited standpoint of having filled several out. DO NOT rely on my explanations or take them as fact. My understanding is limited to my education and experience, therefore, my explanations must be as well. I also may not understand, or be able to properly convey my understanding. Your agent should go over the contract with you, and if you still do not feel comfortable, you should seek out an attorney to make sure you understand every clause. Never confuse the advice of a Real Estate professional with an attorney/lawyer.

There are several standard Contract forms, but the one I will go over is the one I have used most often. It is form **TAR 1601 One to Four Family Residential Contract (Resale)** promulgated by the Texas Real Estate Commission (TREC). I am not sure if I have the right to put a copy of it within this eBook, but you can view this document at:

https://www.trec.state.tx.us/pdf/contracts/20-12.pdf

The contract is 9 pages long. I will quickly run through the pages, as opposed to the individual sections.

Page 1 lists the Parties to the transaction (Sellers and Buyers), the Property being purchased, the Price being offered along with how much is Cash and how much is being financed. (If the property is being financed, an addendum called Third Party Financing will be added to the contract to explain the financing in more detail, and provide terms for what interest rates and time limits are acceptable.)

Page 2 specifies how much Earnest Money is being offered and the Title Company that will be used. It also addresses the Title Policy, along with who will pay for it (the bulk of the policy is usually paid by the Seller, although additions and the loan policy is usually paid by the Buyer.)

This page also addresses the survey and how long the Seller has to supply it, and who will pay for a new survey if the current one is not acceptable to the lender (this is typically the Buyer's expense.)

Page 3 has a lot of information, but the only "fill in the blank" is whether or not the property is part of an HOA. (If it is, an addendum will be added to the contract to explain who is responsible for transfer fees, and how much each will pay.)

Page 4 primarily addresses property condition. It specifies whether the Seller has already provided a Seller's Disclosure about the condition of the property or sets a time when that disclosure must be provided. This page can also specify that such a disclosure is not required. This could be because the house is being sold by an estate, or by a bank after a foreclosure. The idea behind this being that you can't be expected to disclose if you know nothing about the property.

Page 5 addresses the purchase of a Residential Service Contract (Home Warranty) by the Seller to help cover many possible repairs that may occur over the following year. These types of warranties vary, but usually have a Service Call fee that is charged, and then repairs are made to such things as electrical outlets, A/C units, ceiling fans, dish washers, etc. The closing date is also on this page. You should have already talked to your lender at this point, so you should be able to give a fairly accurate time frame. Always add a week or so. The close date is "On or Before" so you can always close early, but if you close late, you will have to have an Amendment with the new close date signed by both you and the Seller. This page specifies whether you get the house at Funding of the Loan, or if you there are other circumstances that will delay this. For example, the Seller may be willing to close on June 1st, but needs to lease the house back to you for 2 weeks to give them time to move out. Special Provisions are also on this page. This could be something like requiring carpets be cleaned. I avoid putting anything in this blank. It cannot be anything that is considered practicing law, such as any type of contingency. It could possibly have something like, "House must be cleaned by XYZ Company after move out, utilizing their "3 hour clean-up plan". To put, "House must be cleaned." is too vague. I err on the side of caution and strive to put nothing!

Page 6 has a ton of information to read, but no blanks to fill in. It addresses Proration's, Casualty Loss, Default, Mediation, Attorney's Fees, and Escrow. Please read every page, even if it doesn't have a blank to fill in. You are still bound by all the verbiage on the pages you sign.

Page 7 also has more information that need to read. It then gives spaces for the contact information of both Buyers and Sellers. There is also a list of all other documents that are part of the agreement (For example, the Third Party Financing agreement I mentioned)

Page 8 is the signature page. It does contain the Termination Option that addresses the Amount you will pay for your Option Fee and how many days you are buying. This is the option period during which you can terminate the contract for any or no reason and still receive your Earnest Money back. (This is that period when you get the home inspection done.) There is also a check mark that specifies whether your option fee will go toward your purchase of the house or not. (I have never seen anyone check no.)

This page also encourages you to consult an attorney before signing. As I explain what I perceive this contract to be, or at any time I, or any agent is going over the contract with you, NEVER mistake us for attorneys. Only an attorney can truly explain the legal meanings or implications of signing this (or any) contract. I am just giving you my best understanding of what the document says.

Page 9 is the final page. It is an information page which doesn't require your signature or initial. It specifies who the Broker is, and who your agent is, as well as contact information and the payment the Broker will be getting from the Seller. It also provides Receipts for both Contract and Earnest Money and Option Fee. These will be receipted and placed with the contract by the Title Company.

How Much Does All This Cost?

I saved the best until last: **How much does everything cost?** Well, some costs are based on the purchase price of the property you are buying, while others are fixed. I may leave out something, but below are the descriptions and amounts of most of the typical costs involved in purchasing a home. I am going to use a house in Austin, TX that you are planning to buy for $200,000 as my example. (These are only estimates and will vary in any real world situation based on many variables.)

Earnest Money	Typically 1% of purchase price	$ 2,000
Option Money	Varies	$ 100
Inspection	Varies based on inspector and size	$ 400
Appraisal		$ 450
Survey		$ 475
Balance of Down Payment	Typically 5% or 3.5% for FHA – E.M.	$ 5,000

Attorney's Fees	Drafting documents only	$ 275
Escrow Fee	For manage that 3rd party account	$ 250
Recording Fees	To record your title with county	$ 120
Loan Title & Endorsements	Lender's Title Policy protection	$ 300
Credit Report		$ 60
Tax Information Fee		$ 115

Other fees may include up to 1 year of insurance on the home, the taxes for the rest of the year, and HOA payments of up to 1 year. The taxes and insurance would vary, but if you assume 12 months for each and that you bought the house on June 30th, it might be around $1800 for insurance, $2300 for taxes, and $600 for HOA if they were $50 each.)

This would mean you would need to have **$14,245** in liquid funds in order to buy this home. The average I typically quote is a minimum of 6.5%. This varies based on the requirements of the lender. In my example, it is 7.1%. This is assuming an FHA loan. If this was a conventional loan, you should expect **$17,245**, which would be 8.6%.

Your real estate agent typically costs around 3%, $6,000 in this example (don't forget your agent will only end up with around 1/3 of that after taxes). However, in fantastic news to you, that fee is paid by the Seller.

Grant me a… down payment!!!

There is an important subject I would like to cover: Down Payment Assistance. This is something I love to help clients utilize. There are several different types of assistance, but rather than touch on all of them, I'd like to talk about one in particular. It is called Texas Hero Program. Through the Texas State Affordable Housing Corporation www.tsahc.org , grants are offered to Texas citizens, with special emphasis on specific heroes (teachers, fire fighters, peace officers, veterans.) The Homes for Texas Heroes and Home Sweet Texas Loan Programs allow qualifying individuals to either purchase a home or refinance their current mortgage.

For anyone that looked at the numbers under costs, and balked at the $14,245 in liquid funds to be able to buy a $200,000 house, this might be an amazing solution for you. In the Austin area, if you fall into one of the Hero jobs, and your household income is $88,320 or less, you will be able to qualify for the grant as long as you can qualify for the loan, and your debt to income ratio is within a certain range. If you don't fall into those jobs, but your household income is $61,440 or less, you will still be able to qualify if you meet the loan and debt to income ratios.

As far as "Can you get the loan?" the only person that can answer that is a lender. They will look at your income, your credit scores, and how much you owe on cars, loans (including student loans), credit cards, and any other required monthly payment. They will establish a debt to income ratio. This was confusing to me at first. Basically they take your monthly gross income (before taxes), then they add up all your required payments (car payment, minimum payments on credit cards, student loans, any other type of loan) AND the cost of the new house (Principal+Interest+Taxes+Insurance+HOA fees) and divide by your gross income. This will give them a percent. For some loans, you must not exceed 28%, while others go up to almost 40%. To be qualified to get the down payment assistance, you have to be at 45% if your credit score is between 640 and 659. It may go as high as 50% if your credit score exceeds 640.

So let's put some numbers to this. Let's say you make $52,000 a year ($4333/mo.). You owe $2500 on your credit cards, and the monthly minimum payment equals $55. You have no student loans. You have a car payment that is $390 a month. You don't need to include your rent because it will go away. However, you do include the new house payment. Let's assume your payment on that $200,000 house is around $1500. You would add up your monthly debt: $55+$390+$1500=$1945. Now divide this by the Gross Monthly Income (before any taxes are taken out). $1945/$4333=44.88%. If your credit score is at least 640, you will qualify for the grant! (With a score of 660 or above, you could have monthly liabilities of up to $2166). So what do you qualify for? You can choose to get 3%, 4%, or 5%. The interest rate (and your monthly payment) will increase slightly if you opt for 4% or 5%. However, the 5% would get you $10,000 on that $200,000 example. This means that the staggering $14,245 has suddenly dropped to $4,245. Plus, you must always remember that average homeowner only stays in that first home for an average of 7 years.

This DPA is a grant. That means if you apply and meet the criteria, you get the money. There is no “selection” process. Because it is a grant, you never pay this money back!

The Texas Hero Program and Home Sweet Texas are great programs, but they are by no means the only ones. There are other similar programs that any Texas citizen who can qualify for the loan, has a good Debt-To-Income ratio, and has an income of under $86,000 can benefit from.

If you are interested in buying a house, you owe it to yourself to find out what your options are. You may be very pleasantly surprised to discover a house isn’t nearly as out of reach as you imagined. You may even find out it is already within your grasp.

Not all lenders deal with Down Payment Assistance programs, so be sure to ask. Although I advise clients to go to lenders as the 1st step, this is the exception. A good Realtor® can guide you to the approved lenders that are equipped to handle these great programs. For example, I send out an email every 6 months to AISD employees to make sure they know about this great program. (It works not only for home purchases, but also for refinancing currently owned homes.) I always include choices of great lenders that adept at working with these programs.

I cannot tell you how many times I have had people come to me to get information about the program only to finish by saying, “I will have to let my agent know about this!” It makes me wonder how you can really feel good about having an agent that knows you are a Fire Fighter and never mentioned this program. It doesn’t strike me as any better if the agent wasn’t aware of the program. A good Realtor® stays informed. There will be new things that he may not be aware of, but a program that has been around for years as this one has should not be one of those things. I only tell this to illustrate how important that initial interview to pick your agent really is. You must make certain that your agent is knowledgeable about the industry and this market before committing to work with her. But your agent must also ask enough questions about you to know all the tools that might help you.

Buying a New House from a Builder

A newly built house can be the best option for some people. While some may complain that the yards aren't well established, or the neighborhood is still being built, others will be more than satisfied to move into a house where everything is brand new. The process also allows clients to choose the paint colors, flooring, appliances, and other options to truly personalize the house.

I am not sure how many people have told me they didn't need a Realtor® because they bought directly from a builder. While it is true that a Realtor® is not required, I still highly recommend having one. You are still navigating a major purchase, and it is good to have a professional on your side. While builders are typically professional and honest, they are still on the "other" side of the transaction. Can you ever be sure they really looking out for your best interests at the expense of their own? Since there is no Agency agreement in place, they aren't even expected to, much less required. As in EVERY other real estate transaction, the builder (as the Seller) pays for the buyer's Realtor®, so why wouldn't you want one? Some people think the builder will sell the house cheaper without an agent involved, but the big ones absolutely do not. In fact, the commission for your agent comes out of the builder's "marketing" budget. When they plan their budgets, the plan on every buyer having an agent. So if you don't have one, there is no savings to you, it is just a savings to them.

Please note that if you are looking at new builds, you MUST take your agent that first time, or most builders will not pay the agent commission. So if you want to have new builds as an option (and it is a great option), let your agent know ahead of time so he can accompany you.

Questions

Thanks for taking this quick journey with me. This is one of my favorite parts of the process! It is the time I get to introduce myself to my clients as we prepare for our great adventure! I get to see them begin to relax as the fears start to melt away. I can see them beginning to trust me and know that I will guide them through this safely.

I would love to be your Realtor® and help you find your first or next house! However, there is just 1 of me. If my schedule is too full, I can usually recommend someone great to help you! I try to surround myself with only the very best agents, lenders, inspectors, etc. When Realtors® show me who they are, I believe them; good or bad.

If you still have questions about the basic process, or would like to give me advice on ways to make this a better tool for buyers, please feel free to send me an email at Marty@MartyWatson.com. Any advice is appreciated. Whatever the reason, I would love to hear from you! You may need help finding a new house, or selling the one you have! As I said, if I can't do it with you, I can almost introduce you to an amazing agent who can!

Thanks again for taking the time to read this eBook!

The Most Important Pages!

These are such important pages, I am putting them at both the beginning and the ending of this eBook. If you read nothing else, read this page!

Choosing Your Lender (First Step!)

- Money is the first step. A loan office is the one who will help you get it. Find a loan officer with whom you can communicate easily.
- Make sure the Lender is reputable. Go local if possible. You never know when you might need that loan officer in person!
- Have your information already on hand. (W2's, pay stubs, bank statements, student loan documents, etc.) The loan officer will need them ASAP.

Picking Your Agent

- Make sure your agent is competent. The agents need to be both knowledgeable & aware of the market. Going with a "friend of a friend" is not the best way to choose a Realtor®
- Ask enough questions to feel comfortable talking with your agent. This is a major purchase you are making. Don't be shy!
- Only work with 1 agent! Agents all have the same information. Trying to work with multiple agents will waste time and create hard feelings.

The Search

- Use the tools your agent provides rather than Zillow, Trulia, etc. (You can view at those to double check, but the tools your agent provides will almost always be more accurate.)
- Include your agent in changes in your search. If you are going to consider new builds, always take your agent on that first visit! You should have representation there as well. If you go without your agent, the builder won't pay your agent. (They never give you a discount for not having an agent!)
- Search within your price range. You will know this up front, and it avoids disappointment.

The Offer, The Deal, and The Rest

- Use your agent's knowledge to make the best offer, to negotiate, and to create the final deal.
- Let your agent help you navigate the Process: Inspection (during your Option Period), the possible negotiating for repairs, the Appraisal, any "hiccups" which may occur, and the Final Consummation. That is why you have an agent!

The Costs

- Know the costs going in: Down Payment, 3.3.5%; Inspections and Appraisals, around $1,000; Closing Costs, around 3%.
- Realize some other costs may be required by Lender: prepaid Home Owner's Insurance, HOA, Taxes, etc.
- Never be afraid to ask you agent what options you may have for Down Payment assistance. (It is available for MANY buyers.)