



ALLISON JAMES  
ESTATES & HOMES®

# Your Home Buying Guide

## What to Know Before You Buy a Home

The world of real estate can be a daunting and confusing market of homes and mortgages – all of which is hard to understand. To help you comprehend the process of buying a new home, we've compiled a list of important things to know and what steps to take along the way. After this article, you'll find yourself confident enough to buy a house.

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## Table of Contents

<b>What to Think About Before You Buy</b>	<b>3</b>
Which Type of Home is Best Suited for You?	3
What Features Does Your Ideal Home Have	4
<i>A Glimpse at Popular Home Styles</i>	4
Should You Strengthen Your Credit Score?	5
<i>Mortgage Basics</i>	5
How Much Can You Afford?	6
Who Will Help You Find a Home?	6
<b>The Buying Process</b>	<b>7</b>
Get Pre-Qualified for a Mortgage	7
Find a Home	7
Make an Offer	7
Get a Home Inspection	8
Closing the Sale	8
<b>The House is Yours! Now What?</b>	<b>9</b>
Keep Saving	9
Don't Rely on Turning Your Home into Your Retirement Fund	9
Get To Know Your Home	9
Perform Regular Maintenance	9
<b>Home Maintenance Schedule &amp; Checklist</b>	<b>10</b>
Spring Home Maintenance	10
Summer Home Maintenance	10
Fall Home Maintenance	10
Winter Home Maintenance	10
<b>Conclusion - What You Learned</b>	<b>11</b>



## What to Think About Before You Buy

*Before you even begin the search for your first home, it's more important to know first what you're looking for and what limitations there are. The last thing you want to do is head in the wrong direction, waste thousands of dollars, and still not have a house to call home. Below are five questions you should consider before starting your home search.*

### **1. Which Type of Home is Best Suited for You?**

Homes include a lot more than bedrooms, a kitchen, and a living room. Specific architecture offers different features that may appeal more to you or to another buyer – it all depends on what you're looking for. Some houses offer open floor plans, which minimize walls in return for more “open” rooms, while other homes stick to more standard designs.

It is also important to know if you're looking to buy a traditional single-family home, a townhouse, or a condo. Each offers different designs and amenities that fit well with different lifestyles. Research the pros and cons to all of these factors and ask yourself, “Which one is the right home for me?”



## 2. What Features Does Your Ideal Home Have?

You don't need to make a list of everything you want ... since that might be a big list. But you should keep in mind what kind of home features you are looking for, i.e. a swimming pool, large walk-in closets, or a back patio. Also, keep in mind community amenities and what each neighborhood offers in combination with your home. If you're looking for a house in a gated-community or want a specific property size, you can narrow your search from those aspects as well.

## A Glimpse at Popular Home Styles



Colonial-style homes are usually two or three stories. The bedrooms are placed upstairs, away from the living areas. They feature simple designs and are characterized by evenly spaced elements.



Spanish-Mediterranean style homes are commonly seen with clay roof tiles, arcaded porches, and arched corridors. They often include tiled floors and courtyards. Floor plans may resemble an L or U-shape.



Craftsman style homes are known for their emphasis on natural materials: wood, stone, and brick. These homes are coupled with front porches and low-pitched roofs. Floor plans may vary.



Ranch style homes focus on their connection to the outdoors. They typically have open floor plans and are single-story houses. Most will feature large, picture windows.



### 3. Should You Strengthen Your Credit Score?

Your credit score plays a key part in determining which mortgage loans you will qualify for. The higher your credit score, the lower your down payment and monthly payments will be.

If you have a low credit score, you might face higher interest rates and only be allowed to borrow a certain amount. To avoid this predicament, there are a number of ways to build up your credit score.

1. First and foremost, make sure to pay your bills regularly on time. Each late payment will decrease your credit score and shows the lender you are unreliable when it comes to paying off your debt.
2. Another way is to reduce your debt to credit ratio. Lenders will look at the balance of your available credit. For example, if you have a \$1000 credit card limit and you owe a balance of \$300, then your balance is 30%. Ideally, you want to remain at 30% or lower when it comes to your debt to credit ratio. It shows lenders you can manage your bills and aren't racking up unnecessary costs every month.
3. When applying for a mortgage loan, you want to avoid applying for new credit cards. By applying for new credit cards it becomes "new credit" that makes up a percentage of your credit score. Mortgage lenders need to take it into account. As a result, your mortgage loan could be rejected.
4. Also, keep in mind when you check your credit score and start applying for a mortgage loan, you should avoid certain habits such as suddenly buying a car or racking up your credit cards with a ton of debt. These actions will send red flags to your lender and may delay, if not ruin, your mortgage loan application.

## MORTGAGE BASICS

**DEFINITION:** A mortgage is a loan from a lender or bank, used to finance the purchase of a home. They are typically specified for a certain amount of capital and you pay it back over time (including interest).

Two common types of mortgage loans are:

### FIXED-RATE MORTGAGE

This is a mortgage loan with a fixed interest rate over time (10, 15, 20, or 30 years). This type of loan is preferable because of the security in the loan. Interest rates don't go up as a result of changes in the economy and real estate market. The disadvantage to a FRM is if rates go down, you're stuck paying the same interest rate (unless you refinance).

### ADJUSTABLE-RATE MORTGAGE

This loan has a fluctuating interest rate that readjusts over set periods of time. The adjustment depends on the real estate market and housing index. The benefit to an ARM is that initial rates are lower than a FRM. The downside to an ARM is ultimately your interest rates will increase after an adjustment period.



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#### **4. How Much Can You Afford?**

Determining how much home you can afford depends on several variables. Things like your target monthly payment, credit card debt, mortgage loan, and annual income are just a few that can change how much you can afford. To learn more about your budget, we suggest either talking to your mortgage lender or using one of the many online mortgage calculators.

When calculating your monthly costs, you should also factor in additional money for a down payment, closing costs, home purchase fees (for home appraisals, inspections, and title searches), and regular maintenance. Again, an experienced lender will help you find the right loan and outline costs you should expect.

#### **5. Who Will Help You Find a Home?**

It is suggested everyone have a real estate agent representing their side. An agent's expertise and MLS service, allows them to show you homes that fit your needs and price range. They'll also help you with the negotiations between the seller, getting a loan, and completing paperwork. If you have them working for you, the chances of hitting a pitfall is minimal.

In addition to finding the right real estate agent, you need to shop around for the right mortgage lender. Utilize online reviews and garner recommendations from friends and family. Don't be afraid to ask questions, as you want someone you're comfortable with during one of your biggest life purchases.



## The Home Buying Process

*After you have figured out what you're looking for in a house and completed a good bit of searching, you think you've found the one – the dream home. Now what do you do? Besides the obvious, you are going to be faced with an exuberant amount of paperwork, managing offers and counter-offers, and stressing over the chaotic times. Here are some things to expect and steps to take in buying a home:*

### **1. Get Pre-Approved for a Mortgage**

A majority of families start the buying process with a home search. However, we suggest getting pre-approved for a mortgage before you even start looking at homes. By learning which mortgages you qualify for, it will help determine how much you can afford to spend.

There are a variety of mortgage loans to choose from and you can expect your lender to ask you a series of financial questions. This will determine how much you can afford to pay every month. This number will show you which price range of homes you can comfortably buy. You should be prepared to provide financial information and proof, such as your income and your current debt.

### **2. Find a Home**

There are multiple avenues to use in finding a home. These include utilizing a real estate agent, searching online, and driving around neighborhoods that have plenty of “for sale” signs. You can also reach out to contacts through social media or call up old friends and family members. You never know where you'll get a good reference, and it's best to cast the net very wide.

### **3. Make an Offer**

When you finally find a home you like and want, it's time to make an offer. But the usual question between home buyers is “How much do I offer?” We all want a good deal, but how much lower than the asking price can you go?

Your agent will often be your best guide to making a good offer. If you still have questions as to how much the home is really worth and how much you should pay, do a little research. All real estate agents use a comparative market analysis (CMA), which highlights what other homes have sold for (comparable to the one you want). You can even hire a home appraiser to give you an estimate.

More than likely, the seller has already used those tools to price their home competitively, but you should still consult with your agent. Market conditions always change and it's best to know if the home you want will still be valued the same in five years or ten.

Once you've made an offer, the seller can either accept it or reject it. If the seller doesn't accept your offer, they may make a counter-offer, of which you can accept or decline. The process can go back and forth, and it's important to remember to keep cool. Don't get



offended by the counter-offers and keep pushing for what you want. If you can't reach a middle ground, then decline and look for another home.

#### **4. Get a Home Inspection**

Appearances can be deceiving, so always get a home inspection on any home you've made an offer on. Hiring a professional to check for the house's quality, safety, and condition will save you a ton of headaches if you choose otherwise and discover a problem later on. No one wants to be paying for a \$350,000 home when it's about to collapse. If the inspection reveals problems the seller didn't disclose earlier, you should be able to rescind your offer and get your deposit back. You can then negotiate with the seller to fix any problems and buy the home, or turn away.



#### **5. Closing the Sale**

Once the deal has been brokered between the agents and seller, you should be ready to close. This is the part where you sign a several documents in a short period of time, while praying nothing falls through at the last minute. Some things you'll be paying for include:

- The Home Appraisal
- A Title Search – to make sure no one other than the seller has a claim to the property.
- Obtaining a private mortgage insurance, also known as a piggyback loan, if your down payment is less than 20%
- Completed Mortgage Paperwork

#### **Understanding Escrow**

In real estate, escrow is a process that ensures a safe and equitable transfer of property from one person to another. When the buyer and seller sign a contract for the home purchase, the escrow will assure funds are transferred at or near the same time that the deed is recorded to reflect new homeownership.

Escrow is important because it provides assurance that no funds or property will change ownership until all of the instructions in the home transaction are completed.





## The House is Yours! Now what?

*All of the papers are signed. You've called the movers and started putting everything in your new home. Everything is over, right? Well, not quite. Owning a home is a huge financial responsibility, so here are a few tips to follow while enjoying your new home:*

### **1. Keep Saving**

Let's not forget owning a home comes with maintenance. Pipes get clogged and roofs leak from time to time, which costs money to fix. Make sure you have an emergency fund in case of any unexpected problems. That way, you won't get caught off guard.

### **2. Don't Rely on Turning Your Home into Your Retirement Fund**

You own a home now, and it was likely a large purchase. Logical thinking is that your home's value will remain the same or increase. However, the real estate market goes through its highs and lows, and sometimes even hits a bubble. The best advice is to keep saving and put money into your retirement. Don't skip out on it just because you think you can sell your home for more money than you bought it. Most times, it doesn't work that way.

### **3. Get to Know Your Home**

Once you move into your new home, make sure to change your address online or through the Post Office. Locate the main water shut-off and circuit breakers around your house. Knowing where these are can save a ton of time and hassle when the power goes out.

As you bring in the furniture, make sure you protect your floors and put protective covers under the furniture legs. You also want to be sure all your utilities are in place from the day you move in. And lastly, have a first aid kit in your home in case of any emergencies.

### **4. Perform Regular Maintenance**

Every home needs regular maintenance. Whether it be from cleaning the gutters to re-painting walls, these simple tasks can save you a lot of costs down the road. With excellent and consistent care, problems are fewer and far between.





## Home Maintenance Schedule & Checklist

*Now that you are a homeowner, it's your responsibility to maintain it. If and when you decide to list your home for sale, there are 2 things every buyer considers: price and condition. Does the condition of your home justify the price you're asking for? To make the most out of your home investment, here are some basic tips to maintaining your property throughout the year:*

### **Spring Home Maintenance**

For spring, focus on freshening up your home with these tasks:

- Clean the gutters and downspouts
- Clean outdoor furniture and air out cushions
- Dust window blinds and vacuum the curtains
- Clean out cabinets and throw away any outdated items

### **Summer Home Maintenance**

In the summer, change your focus to the yard and keeping cool.

- Prune trees/shrubs and keep the grass cut
- Change or clean filters around your air condition vents
- Repaint any walls that are peeling
- Add a fresh coat of sealant to your deck/patio/porch

### **Fall Home Maintenance**

For the fall, get your home ready for the cooler temperatures and falling leaves.

- Clean the gutters and remove any foliage
- Rake the leaves from your yard
- Test your smoke and carbon monoxide detectors when you set the clocks back
- Check the windows and doors for weather-tightness

### **Winter Home Maintenance**

For the winter, shift gears to taking care of your home's interior.

- Reverse the ceiling fans
- Caulk and seal any openings around the doors and windows (that are leaking hot air)
- Learn how to shut off your water and know where your pipes are located in case they freeze
- Inspect the insulation in your attic or crawlspace



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## Conclusion – What You Learned

*Now that you know the basics to buying a home, you are now well equipped to make a confident decision and won't be confused by the whole process. You will know what type of house you're looking for if you ask yourself the five questions to think about before buying. You will know what the buying process will be like and what costs exist. And you will know what to do once you own a new home. All that's left is to kick back and relax.*

*Congratulations on moving into your new home!*