

HOME BUYING - 101

A brief synopsis in what a first time
home buyer needs to know

Financial Preparation

Obtain the following:

- 2 years of W-2's
- 2 months of credit card statements
- 2 months pay check stubs
- 2 months of bank statements

Interview a selection of Lenders or request referrals from business associates, family members, friends, your Realtor or from your own bank institution

Request to be preapproved

Do not spend any money or use your credit cards once this process has begun

Obtain a copy of your preapproval as this will be needed once you find a home and plan to make an offer

Request your Lender provide you with a "Good Faith Estimate" of closing costs. As a point of reference, use a high end sales price as well as a high estimate in property taxes. This will also give you an idea of what your monthly mortgage will be including: principle, interest, taxes and insurance (PITI)

Always have your lender put your taxes and insurance in an "escrow" account. They will pay these debts when they are due.

Determine if you are financially capable of paying Home Owner Association (HOA) fees. This will affect your budget and are typically paid semi-annually.

When making an offer you will typically need to have money available for the Option Fee and Earnest Money deposit. If buying a pre-owned home, you will pay for an inspection once your offer is accepted. Ask your Lender if you are paying for your appraisal. New homes typically do not require an inspection or Option fee.

Remain in contact with your Lender through out the loan process

Selecting a Realtor

You want to find someone who is available when you need them to be available

Has access to the entire MLS (multiple listing system) and offers up homes from all resources

Someone who returns telephone calls and emails in a timely manner

Is patient and provides advice and guidance

Has strong negotiating skills

Is knowledgeable about the current market and in the location you are considering buying your home

Has your best interest at heart

Has necessary resources such as Inspectors , Roofers, and Foundation experts if needed

Makes certain you understand every step of the purchase process and explains the reason for every document you will sign

You will need to sign a Buyer's Representation Agreement so your Realtor can legally represent you. Once you have signed an agreement, you must work this Realtor for the duration of the contract. You will also sign an "Information about Brokerage Services" notice. This is required by the Texas Real Estate Commission for your protection. Ask questions before you sign anything and make certain you have chosen the right person to work for you. Realtors are only paid when a transaction closes and there could be a lot of showings and work involved before moving forward. Remain loyal to your Realtor.

Shopping for your home

Determine your needs first, desires second

Know your “deal breakers”

Prioritize your desired location by school district, property tax percentages, commute to work, new development or existing matured development or potential for growth in the area

Do you need access to child care, grocery shopping, medical facilities or entertainment

The offer process

Your Realtor will write an offer based on your Lender's preapproval requirements

Once the offer is approved you must be aware of contingency dates for your inspection and final financial approval

You will most likely be writing a check for an Option Fee and Earnest Money deposit. These two checks are copied and sent to the Seller with your offer. These checks are not cashed until your offer is approved and the offer becomes a CONTRACT with a date of execution.

The Option Fee check is given to the Seller. The Seller takes the home off the market while you hire an inspector .

The Earnest Money deposit is sent to the Title Company.

Option Fee monies are retained by the Seller if you decide to cancel the Contract based on the results of the inspection

Earnest Money is only refunded if you cancel the Contract based on the contents of the accepted offer. If you close on the home, Earnest Money is applied toward your Closing costs.

The Closing process

Once your Realtor receives an "Executed Contract" a copy of the contract is sent to your Lender and the Title Company

Your Lender will forward your file and the Contract to final underwriting. This is when final decisions are made about your

loan. Typically your credit is pulled again and if there are any "Conditions" your Lender will let you know what those are.

"Conditions" are items that may require clarification before final approval is given to loan you the money for your mortgage.

Once your loan is approved, your Lender will order an appraisal of the property. Most Lenders require an appraisal, a survey and a copy of the Inspection Report.

The Title Company will search for any liens against the property.

Your Lender and the Title Company will determine the Closing Date.

You will be asked to bring a photo ID and a cashier's check or money order to the Closing table to pay for Closing costs. This amount will be given to you by the Title Company however, your Lender should have already provided you with a Good Faith Estimate of Closing costs.

You will sign many forms. One of which is the HUD1. This is formal explanation of all monies involved with your home purchase. There will be 2 sides of this form, one for the Buyer and one for the Seller.

Most contracts stipulate that you will receive the keys to your new home upon funding of the loan....funding simply means your Lender has transferred your money in to the account of the mortgage service provider.

If you are buying a pre owned home, the first item business is to have the locks changed. New homes typically do not require this as builders have a magnetic master that is desensitized however, ask your Realtor to verify that this is the case.