

The homebuyers' guide

Preparation is the key to a smooth homebuying experience.

While most of us will go through the process of buying a home in our lives, it's not something we do often. That's why, especially when you've found your dream home and need to act fast, prospective homebuyers will want to be extra vigilant and prepared as they begin the process to ensure they get the best value possible.

A real estate agent will be a useful resource throughout the process because they should be familiar with the area of your search. However, it's important for you to get to know the housing market you'll be searching and negotiating in to ensure you end up with a home and price you're happy with.

FIRST THINGS FIRST

It's tempting to jump right into your search, but working with your lender to make preparations and get pre-qualified for a mortgage will allow you to act quickly when you do find a house you love. These are some of things you should consider and discuss with your lender to get started:

- How much you want to allocate for a down payment
- Your credit score, which will affect the interest rate you qualify for
- The price range for your new home

In May 2018, the national average 30-year fixed mortgage rate reached 4.66% – the highest level since May 2011 according to Freddie Mac. While interest rates are on the rise, remember that they are still near historical lows.



Source: macrorends.net, interest rates

Once you've thought about each of those items, you're ready to discuss your mortgage options and get pre-qualified. Together with your lender you can:

- Decide which type of mortgage will work best for you (adjustable-rate, fixed-rate, etc.)
- Choose the duration of your loan
- Calculate your estimated monthly mortgage payment
- Discuss the interest rate of your mortgage

Going through the pre-qualification process can help you prepare before seriously looking for a home, and can also help to expedite the process down the road. Remember that pre-qualification letters are generally valid for 60 to 90 days and will need to be updated after that point.

ON THE HUNT

Once you decide on an area in which to focus your search, look at the prices of other homes in the vicinity – particularly those that are similar to what you're looking for. You may find that certain home features are easier or harder to come by, which will in turn influence the value and price. For example, if you're hoping for a large yard but the properties in your preferred neighborhood tend to be smaller lots, a home that does have a large yard could be worth exponentially more because of its rarity in that neighborhood.

To this point, beyond knowing the average home value in that area, consider what kind of homes are generally found there. Are there many three bedrooms but fewer five bedrooms? Will a front porch or a pool be hard to find? Perhaps you're looking for a home in a certain proximity to a lake or park. Are the homes in that area in line with what you're looking for? Browsing the market on a website like zillow.com can help you get a better idea of both values in your ideal neighborhood as well as the kinds of homes and features you're likely to find.

Doing this preliminary research will go a long way in helping you to know what to expect and determine your priorities for your home, which will also help streamline the search process with your realtor.

THE NEGOTIATION

When you're ready to make an offer on a home, here's where your knowledge of the market can really come to your aid in what can be a stressful phase of the buying process. There's often a lot of urgency during the negotiation. Your real estate agent might encourage you to act fast so another buyer doesn't beat you to it, or to make an offer that's close to the asking price. However, before making an offer, don't forget to seriously consider the value of the house itself. Take into account:

- How other similar homes in the area are priced
- How much repair or renovation you will need or want to put into the home

The mortgage process, BY THE NUMBERS*

1-3 days

get pre-qualified

30-60 days (or more)

the search for the right home

1-5 days

make an offer, negotiate and come to an agreement on the terms

2-14 days

get an appraisal and receive the results

41-45 days

average from mortgage application to funding

*Averages according to themortgagereports.com



Get ahead

There's simply no way around it – buying a home involves a lot of paperwork. Fortunately, by working with your lender to ensure you have all the necessary information and documents in place, you can help to expedite the closing process. The documents you will need include (other documentation may be requested):

- W-2 forms from the past two years
- Pay stubs from the past 30 days
- Proof of other sources of income
- Federal tax returns from the past two years
- Recent bank statements
- Details on long-term debts
- ID and Social Security number

Keep these factors in mind throughout the negotiation process. Even if it's recommended that you "meet them in the middle" – if the seller's starting number is way off, the "middle" potentially won't be a fair price for you. You might also hear something like "Is losing this house really worth saving \$2,000?" But that same logic can be made on the seller's side, too. Is losing the sale worth \$2,000 to them?

Whether you feel pressure from your realtor, the seller or other buyers, resist the urge to act hastily. Instead, lean on what you know about the current market and comparable homes from your initial research so you can confidently negotiate for a fair price.

SECURING "THE ONE"

Once you've found a home that you'd like to move forward with and your offer has been accepted, it's time to get both an inspection and an appraisal. Both will help you to ensure you're getting the home and the value you're looking for. The appraisal will be ordered by the lender on behalf of the borrower. While people have mixed feelings about appraisals, these have become standard procedure as a way to confirm a home's value, protecting both your mortgage lender and you, the buyer.

While at this point you might be feeling pressured to move quickly – don't. Appraisals can help you negotiate for a fair price, and an inspection can help you avoid costly surprises down the road. Your home will likely be one of the most expensive purchases you make in your lifetime, so it's important to make sure you know exactly what you're buying.

CLOSING TIME

You've finally reached the last stretch of this lengthy process. Here, you'll work with your lender to finalize all of the necessary paperwork to close on your house.

WORTH THE PREPARATION

Homebuying can be a long and emotional process, but, at the other end, we are left with a place all our own to make memories with our loved ones for years to come. By being prepared as you enter your search, you can more easily and confidently find and negotiate for your ideal home – hopefully landing on a price in line with your financial goals.



Appraisals vs. home inspection

An appraisal is a standard requirement for lenders to determine the value of the home you're looking to buy. It accounts for the entire property in question – not just the standing structures. An appraiser will note any problems they find with the property and will research other recent sale prices of comparable properties in the area to determine the value.

Home inspections are not necessarily required by the lender, but are important as they might reveal issues with the property you wouldn't know about otherwise, such as foundation problems, mold or roof leaks. A licensed inspector should review the home's comprehensive structural integrity and safety, taking into account everything from the plumbing to insulation to the heating and cooling systems.

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