

# The Essential 2023 Homebuyers Guide



# Contents

## Preparing For Your Home Search 4

Mortgage Requirements  
Down Payments  
Closing Costs

## Finding an Agent 6

What To Look For In an Agent  
Other Considerations  
How to Research an Agent

## Searching for Homes 8

How Much Home Can You Afford?  
Choosing a General Location  
Assess Your Needs and Wants  
Viewing Homes  
Showing Etiquette  
Making an Offer  
Less Common Purchase Agreement Terms  
Negotiation and Counteroffers

## Preparing for Closing 14

Mortgage and Financing Arrangements  
Inspections and Contingencies

## Closing 14

What to Bring  
Who Will Attend the Closing  
What Happens During the Closing?  
Who Gets Paid What?  
What's Next?



A photograph of a house with white columns and a garden with pink flowers. The house has white horizontal siding and two prominent white columns. In the foreground, there is a garden with various plants, including a tall green conical evergreen, a bush with pink flowers, and a small tree with green leaves. The scene is brightly lit, suggesting a sunny day.

# Hello!

Thanks for downloading this free home buyers guide! Whether this is your first home or your fifteenth, the home buying journey can seem long, complicated, and intimidating. This guide was written to take the mystery of buying a home, so you can feel confident in knowing what to expect.

Over the next several pages, we will explore each step of the home buying process together from preparation to closing. Each section is packed with tips and explanations to set you on the right path to homeownership. If you have questions along the way, you can use the contact information included to reach out. Let's get started!

# 1 Preparing For Your Home Search

If you're like most people, your home will be your biggest expense each month. That means that you'll need to have your finances in order before you are ready to buy a home. Unless you have enough money to pay for your new home in cash, you will probably take out a home mortgage with a bank or other lender.

## **Mortgage Requirements**

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Each lender will have their own requirements for obtaining a mortgage, but typically they will consider the following criteria:

- Your credit score from one of the 3 major credit bureaus (also known as a FICO score),
- Current sources of income,
- Length of employment (typically 2 years of consistent employment is required),
- Your outstanding debts (such as credit card bills and car loans),
- Other fixed expenses such as alimony and child support payments.

Remember lenders want to know whether you are going to be able to repay your loan. The more that you can demonstrate that you have the means to pay and a history of stability the better off you will be when shopping for your mortgage.

## **Down Payments**

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Most lenders expect you to pay a certain portion of the cost of a home upfront. This upfront cost is called your down payment. For conventional loans, your down payment will be at least 20% of the overall cost of the home. So if you buy a home for \$300,000, your expected down payment would be \$60,000.



Especially for first time home buyers, a 20% downpayment may feel next to impossible, but don't worry. Several programs exist to help home buyers lower their down payments. The tradeoff is that you will usually be asked to pay an extra fee each month called Private Mortgage Insurance or PMI.

Popular programs for lower down payments include FHA loans, VA loans, and USDA loans. Each of these programs often comes with additional eligibility and disclosure requirements. For instance, VA loans are only eligible to military veterans, and FHA loans typically require documentation such as bank statements showing where the money for your down payment came from.

## **Closing Costs**

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When buying a home, you will usually be expected to pay for other expenses besides your down payment. These miscellaneous expenses are called closing costs, and it is not uncommon for closing costs to total in the thousands of dollars.

Closing costs pay for several expenses associated with processing your loans. These costs often include:

- **Title Insurance** - Protects you from other parties who might try to claim ownership of your property,
- **Origination Fees** - Pays for the cost of creating the loan,
- **Property Taxes** - Taxes assessed by local governments are often based on the value of the property,
- **Homeowners Insurance** - Protects your home in case of damage,
- **Discount Points** - Optional fee paid to the lender in order to lower your interest rate,
- **Appraisal Costs** - Cost of evaluating the current value of the home.

Before buying a home, you will want to save as much money as you can to pay for your down payment and closing costs. In certain situations, the seller can pay these costs for you using the proceeds of the sale, but this has become less common as competition for homes has risen. That is why everyone who buys a home also needs a good agent.

## 2 Finding an Agent

Whether you are a first-time homebuyer or a seasoned homeowner, you should spend some time finding the best real estate agent for you. While family and friends can offer some helpful recommendations, you need to do your own homework, too. After all, you are the one who has to live with your decision!

Tools like the Real Estate Agent Directory can be a great place to start your search. First, visit [myagentdirectory.com](http://myagentdirectory.com) and click “Find an Agent” at the top of the page. From there, you can search by location or agent’s name. For instance, if you type my name you will be able to view my agent profile with a list of my experience and areas of expertise.

The Real Estate Agent Directory can give you a pool of agents to consider, but how do you decide which is the right agent for you?

### **What To Look For In an Agent**

A good real estate agent will be your advocate during the sometimes unpredictable home buying process. A poor real estate agent not only makes your home search more difficult, but their incompetence will cost you time and money in the long run.

When considering agents, you want to start by understanding their qualifications. First of all, real estate agents are required to have a license in the states where they work, and any agent should be able to provide you with their license number. Agents must have continuous training, too, so be sure to ask about the types of training they have received and if they have any specializations.

Experience should also be taken into account. This obviously includes their experience in representing buyers, but other types of experience can be helpful, too. For instance, many agents have

chosen real estate as a second career and bring with them special skills from their past occupations. These skills can be helpful as you complete walk-throughs, negotiate offers, and so on.

## **Other Considerations**

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Aside from qualifications and experience, you should take other factors into consideration, too. For instance, how well does the agent listen and communicate with you? Nothing is more frustrating than an agent who leaves you in the dark about the status of outstanding items. Even worse is an agent that doesn't understand your needs.

Your comfort level with the agent should be considered as well. You need to have an open and honest relationship with your agent for them to be able to help them achieve your goals. Moreover, you could potentially spend a lot of time with your agent as you tour homes and journey towards closing. The process will be much more pleasant if you actually like your agent!

## **How to Research an Agent**

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Now that you have an idea of what to look for in an agent, you need to know how to get the information you need. If you are using the Real Estate Agent Directory to find an agent, most agents will list their license number, social media pages, and a bit of info about themselves on their profile.

You can verify the agent's license status by searching on the state department of real estate website. You should be able to see information about disciplinary actions and other relevant info during your search, too.

Social media and review sites can also be helpful sources of information as well. For example, looking at Facebook page lets you see how active the agent and knowledgeable the agent is. Plus, you can observe how they interact with others through comments. Google reviews can also shed some light on past client experiences although you should keep in mind that people tend to be more motivated to leave negative reviews. Take what others say with a grain of salt.



# 3 Searching for Homes

Searching the MLS for a new home can be a thrilling experience. After all, who doesn't love to imagine how their life might look in different homes? But for all of the fun of shopping for a house, it is also essential to set some standards to guide your search.

## **How Much Home Can You Afford?**

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First and foremost, you need to set a budget for your home search. If you are buying a home with cash, your budget will be whatever you want to spend minus anticipated expenses. If you are taking out a mortgage, you need to consult with a lender to figure out how much you can afford to spend on home. Most agents can recommend a trusted lender or you can do your own research.

Once you have chosen a lender, your loan officer can guide you through the initial pre-qualification which is an estimate of how much money the company is willing to lend you. Pre-qualification gives you a rough idea of the max you can spend, your expected down payment, and your estimated monthly mortgage payment.

In the past, a simple pre-qualification was enough to start your home search, but in today's competitive housing market you probably need to get a full pre-approval instead. Pre-approval requires more documentation to prove your income and expenses than pre-qualification. After reviewing your information, the lender will issue you a pre-approval letter containing an offer to loan you up to a set amount (assuming you are approved).



## **Choosing a Location**

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Once you know your budget, you will want to narrow your search to specific areas or neighborhoods. If you're unsure about what neighborhoods to focus on, your agent should be able to provide you guidance based on what's important to you. Here are a few things to consider when choosing areas to focus your search:

- The length of your commute
- Access to shopping and amenities
- Utility companies that service the area
- Quality of schools
- Local property and sales taxes
- Homeowners Associations and historic districts
- Traffic and public transportation access
- Future development
- Flood risk
- Typical home prices

If possible, you should spend some time visiting the areas where you want to focus your house hunting, too. Visiting an area lets you preview the area without making a commitment. Above all, keep an open mind. Sometimes great opportunities appear in unexpected places.

## **Assessing Your Needs and Wants**

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Now that you have a general location in mind, you should consider your actual dwelling. First, start a list of non-negotiable features you need in a home. This list should take into account:

**Family Size** - How much space do you need for family members? How many bedrooms and bathrooms will you need?

**Physical Abilities** - Will you need a single story? Ramps? Other accommodations?

**Lifestyle** - What features are necessary to live the type of life you want to live?

**Maintenance Requirements** - Do you have the time and skills to make repairs and care for your home?

**Climate** - What are your heating or cooling needs based on the weather in your area?

**Future Plans** - Do you plan on staying in this home long-term or are you wanting to build equity for a future upgrade?

As you consider these questions, you will naturally consider other features that would be nice to have, too. Understanding the non-negotiables will help you narrow your search, but keep in mind that it is rare for a home to check all of the boxes. You may be forced to make some difficult choices, and this list will put you in a position to evaluate your options.

## **Viewing Homes**

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Now we're finally ready to start seeing some homes! As you and your real estate agent identify homes of interest, your agent can arrange for showings or home tours.

Most showings require advance notice to arrange for the current residents to elsewhere during the showing.

During a showing, you may be tempted to focus on the visual appeal and features of the home, but a showing should also be used to assess potential issues with the home before spending money on a full inspection. Not only will this save you potential headaches, but it can also provide you with additional leverage when negotiating an offer.

Major areas to focus on include:

**Foundation** - A home's foundation supports the rest of the structure but it can settle over time. This may appear as large cracks in walls, doors, and windows that stick, or even unlevel floors and crooked doorways.

**Water intrusion** - Discolored ceilings, residue, dripping noises in walls, and musty odors can be signs of water intrusion. Water damage can be a sign of a bad roof, plumbing leaks, or improper ventilation. Left untreated, the moisture can result in mold growth.

**Heating and Air Conditioning** - If possible view the furnace or air handler. This system will often be located in a basement, attic, or closet. Homes equipped with central air conditioning will also have a condenser unit outside. Each of these should be free of rust and grime. Poorly maintained units may also have a build-up of ice on metal lines leading to the condenser when the air conditioner runs.



**Plumbing** - Check faucets and fixtures for signs of leaks and to ensure adequate water pressure. Uneven pressure throughout the home can be a sign of a leak or blockage. Also, test drains to blockages by running water and flushing toilets.

**Roof Condition** - Look out for loose and missing shingles. As you examine shingles (from the ground is fine) pay attention to whether the edges are ragged or raised. This can be a sign the roof will soon need to be replaced.

**Electrical Systems** - As you view the home, try turning on some light switches. An overloaded circuit may cause some lights to dim when too many lights come on at once. Also, note the condition and location of electrical outlets as you move through the home.

**Windows** - Windows can offer clues to several potential issues. First, note any moisture or softwood around the windows. Also, pay attention to signs of insect damage such as droppings or wings that have been shed from wood damaging organisms.

## **Showing Etiquette**

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While viewing a home, you want to examine it closely, but do not forget to maintain common courtesy, especially if the home is still occupied. In general, you should leave the home in the same condition in which you found it, and you should respect the owners' privacy.

As you tour the home, avoid talking too much about your impressions, and try not to show too much excitement even if you love the home. Many modern homes are equipped with security cameras and other devices that can record your reactions. If a seller knows you have fallen in love with a home, they may be less inclined to give you a good price when you put in an offer.

## **Making an Offer**

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When you find a home you'd like to buy, the next step is to submit an offer to the seller. Your real estate agent can help you submit a purchase contract for the seller to consider. A purchase contract is an agreement for the seller to sell the home to you as long as certain conditions are met. Typically, purchase contracts include the following.

**Party Information** - This spells out who is making the agreement and how to contact them.

**Property Details** - This would be a description of the property being sold including its location.

**Purchase Price** - This is how much you, the buyer, agree to pay for the property.

**Financing** - This part describes how you will pay for the property whether through cash, a mortgage, or some other means.

**Title Insurance Requirements** - Title insurance protects buyers from possible ownership disputes. This can include liens on the property from unpaid loans or taxes. A lien is an ownership claim on a property by a third party that is used to secure a debt. This is the legal basis for foreclosure or repossession.

**Property Taxes** - The seller typically must disclose any property taxes that will be assessed on the property.

**Contingencies** - This includes conditions that must be met before the buyer will actually complete the purchase along with a time frame in which these will be completed. Common contingencies include:

- Repairs to be completed by the seller
- Home inspection
- Wood Damaging Organism (WDO) inspection
- Mortgage approval
- Sale of buyer's current home
- Appraisal

**Included Fixtures and Appliances** - Large fixtures and appliances such as ovens and refrigerators currently in the home can often be sold with the home. The purchase contract should identify which of the items will remain after closing.

**Earnest Money** - A buyer typically deposits between 1-3% of the purchase price into an escrow account to show they are serious about purchasing the home. Once the sale goes through, this money is applied to the down payment. If a buyer voluntarily backs out of the sale after a set date, the seller gets to keep the earnest money.

**Timeline** - Throughout the purchase agreement, various requirements will have due dates to keep the deal progressing

towards closing. The agreement will also require the closing to happen by a certain date (usually 30-60 days after signing).

## **Less Common Purchase Agreement Terms**

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Other less common stipulations can also be included in purchase agreements, too. For instance, sellers may request a leaseback option where the buyer agrees to lease the home back to the original owner for a set time period to allow for the seller to transition to a new home. Other optional terms might include:

**Termination Clause** - This clause allows you, the buyer, to cancel the sale up to a certain date for a full or partial refund of your earnest money deposit.

**Closing Cost Payment** - Sellers can sometimes agree to pay some or all of the closing costs that the buyer would usually pay. In recent years, this practice has become less common as more buyers are competing for fewer homes.

**“As Is” Clause** - This clause forces the buyer to buy the home as-is with no guarantees as to the state and condition of the home.

**“Bump” Clause** - This clause allows the seller to continue marketing the home in the lead-up to the closing. If a better offer comes through, the seller can demand you to forgo some parts of the contract. If you decline, the seller can take the competing offer and refund your earnest money.

**Escalation Clause** - This clause allows you to set a starting bid and a maximum bid. If the seller receives multiple offers, the purchase price will match the highest bidder up to the maximum amount you set.

**Backup Offer** - This allows you to submit a secondary offer on a home. In the event that the original buyer is unable to complete the purchase, your offer would prevail.



## **Negotiation and Counteroffers**

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Once you submit an offer, the seller will review the proposed purchase contract. Many times the seller will make adjustments to the terms you've proposed, and they will send the counteroffer back to your real estate agent. These back and forth offers may go on for a few days at times.

Each offer typically has an expiration date in order to keep the process moving. If the other party has not signed by the expiration date, you are no longer bound to abide by the offer. The negotiation process is one place where a good agent is critical. Your agent should be able to offer you guidance on how to structure your offer and how to evaluate counteroffers.



# 4 Preparing for Closing

Once the purchase contract has been signed by both parties, your earnest money will be withdrawn and placed into an escrow account. Then the work can begin on the multiple tasks that need to happen before you can close.

## **Mortgage and Financing Arrangements**

At this point, you will have to make several arrangements to prepare for closing. First, you will need to make sure you have the funds in place to actually make the purchase. If you are borrowing money to pay for the home, you will need to contact your lender as soon as possible.

Your lender will usually give you a checklist of documents and tasks needed to get your mortgage approved. Each of these will have a due date. In the best of circumstances, making it to closing on time is difficult. You should complete each item in a timely manner to prevent unnecessary delays.

## **Inspections and Contingencies**

Aside from starting the mortgage process, you will also want to schedule a home inspection to reveal potential issues that may not have been apparent during the showing. When possible, you should hire your own inspectors rather than relying on the seller. Your agent can often provide recommendations to help you choose.

If major issues arise, you want to know early on in the closing process. Depending on the severity of the issue, you may be able to renegotiate the purchase price or arrange for the seller to make repairs. If the seller is unwilling to

do either, you can also choose to terminate the purchase contract depending on the terms and applicable laws.

Prior to closing, you will also need to arrange for:

- A title search
- Appraisals (usually arranged by the lender)
- Utilities
- Homeowners insurance

You and your real estate agent will also schedule a closing date with the other parties and a real estate attorney.

Should delays arise with mortgage approval or repairs, your purchase contract can sometimes be extended and the closing date rescheduled if both parties agree. Just before closing, it is common to schedule a final walkthrough to ensure needed repairs have been made and no damage has come to the home in the time since the inspection.

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## Closing On a Home

All of the hours of preparation have led up to this day. You are finally ready to close on your new home! Here is what to expect on that day.

### **What to Bring**

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Your real estate agent and lender should provide you with a checklist of documents that you will need to bring with you to the closing. This list usually includes:

- A photo ID
- Proof of Homeowners Insurance
- Cashier's checks to pay for your down payment and closing costs (bank transfers may also be used)

Prior to closing, you will receive a closing disclosure that will list out the expenses that need to be paid and how to pay these costs as well. Be sure to review these documents closely and report any incorrect information in advance. Even a small typo can cause issues down the line if you are not careful.

### **Who Will Attend the Closing**

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Several people usually attend a closing on behalf of both the buyer and the seller. Along with the buyer and seller themselves, this includes:

- Real estate agents representing both parties
- A representative from the lender
- A notary public to serve as a legal witness
- Lawyers for either party (optional)
- A closing agent (typically a title company representative or lawyer)

The closing agent will normally run the proceedings and explain each step of the process as you go. In some cases, the closing agent will also serve as the notary public for transactions.

## **What Happens During the Closing?**

Several important steps happen during the closing to officially transfer ownership of the home from the seller to the buyer. For cash buyers, the process may last only several minutes. If you are a buyer using a lender, expect the closing to take a few hours.

During the closing, you will need to sign several documents including:

- Loan Application and Disclosures
- Tax Declarations - Record used in the assessment of property taxes
- Promissory Note - An agreement that you will pay back the amount of the loan
- Mortgage Agreement - Stipulates the terms of your loan
- Signature Affidavit - Verifies that you are the one signing the documents.
- Homeowners Association (HOA) documents
- Bill of Sale - Document that formally transfers ownership
- Property Title Deed - Document proving you own the property

You will also have to pay the appropriate parties during the closing using the agreed-upon payment methods. Usually, this money is paid to an escrow account held by a neutral third party who then routes the funds to the correct parties.

## **Who Gets Paid What?**

Lots of money gets exchanged at the closing, and that money goes to several different places. Broadly speaking, this money can be broken into several categories.

**Purchase Price** - Depending on whether you take out a loan, you will also pay the cost of the down payment at closing (or the full purchase price if paying in cash).

**Closing Costs** - This money pays for expenses incurred in the process of buying the home. These costs can



be paid by either the buyer or seller depending on the purchase contract and often go to the following parties:

- Title company
- Attorneys
- Lenders
- Appraisers
- Surveyors
- Inspectors
- Government Tax Offices

Real Estate Agent Commissions - Prior to closing, your real estate agent has already put in hours and hours of time on your behalf, but they only get paid after closing. Typically, the seller will pay the real estate broker of the listing agent for both the buyer and seller agent's commissions. The listing broker will then distribute a portion of that money to the seller's agent, the buyer's agent, and buyer's agent's brokerage.

## **What's Next?**

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It has been a long road, but you have finally arrived. You are now the proud owner of a new home! Once you have completed the closing, you will receive the keys, garage door openers, and passcodes needed to access your new home, and you can begin the process of settling in and celebrating this major milestone in your life.

If you are ready to start your home buying journey, please reach out to discuss how we can make your homeownership dreams come true!