



## 10 Steps to Buying a Home

### Step One – Analyze Your Needs

#### **Congratulations on your decision to purchase a new home!**

Your first of many steps toward buying your new home will be to analyze your needs. Your real estate Agent (that would be me) has lots of tools to help you do just that. In analyzing your needs, you will be able to get a clear picture of exactly what you want your new home to look like and how it should function for you and your family.

1. Let's write down why you are looking for a new home. Example, are you currently renting and want to join the ranks of home ownership? "Just Married" it's time to have "our place"? You've outgrown your current space with the arrival of the new baby OR your mother-in-law? Or, you got that promotion, which requires you to move to a new city. These factors are all important in how you approach your home search.
2. Establish a time-line. Do you have a lease? or need to sell your home before purchasing? When is the baby due? When does your new position begin? Will your new employer provide housing until purchase? You and your Agent can work together to establish a rough guideline, which you can finalize at a later time.
3. This is the fun part. Dream up what you want your house to look like and what the special features it should have. It's very important to write these ideas down to avoid any doubt later in your home search. Make at least two lists: one describing your dream home and the other the features that are "must haves" in order to buy it. In a perfect world, your new home would fulfill both lists 100%. It's more likely you'll end up blending the two lists. It's the natural process as you get clearer about what you want after seeing what is available.

Why Buy	When to Buy	Dream House (Size,Style,Look,Lot)	Dream Features (Appliances,Fixtures,Floors)
	<b>Locations</b>		



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## Step Two – Mortgage Homework

Now, you have your list of features you want in your new home, you are ready to start looking! Well, not just yet. You need to know what price range you can afford. There are two ways to go about this. You can get **Pre-Qualified** or **Pre-Approved** for a mortgage. Either way, you need to contact a mortgage company.

There are key differences between pre-qualification and pre-approval for a loan that you need to understand.

1. Loan pre-qualification is a simple process that utilizes very basic information regarding your financial status and gives you a loan amount that you may qualify for. This can be done strictly on a verbal level over the phone or electronically over the Internet. Keep in mind that the pre-qualified amount is based solely on the information you provide. Therefore, pre-qualified Buyers usually hold little clout compared to pre-approved Buyers. This is due to the fact that the information given during the prequalification process is not thoroughly investigated and therefore may not be considered as reliable.
2. A pre-approved Buyer is actually approved for a loan of a certain amount. A pre-qualified Buyer is only told that they might be approved for a certain amount. Pre-approval is a much more involved process. The Lendor will take all pertinent information regarding your finances and perform an extensive check on your current financial status. This will ultimately give you the exact amount that you will be eligible for (depending on what type of loan you decide to go with). Being pre-approved lets the Seller know that you have gone through an extensive financial background check and there should be no unexpected obstacles to buying the home.

Just between you and me, you can see how being a pre-approved Buyer is much more attractive to a Seller than just being pre-qualified. Your Agent can assist you in “shopping” your loan by recommending a few Lendors and you should always go to your Bank or Credit Union to get the best rates.



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### **Step Three-Check out the Neighborhood**

Now that you have your list of needs and wants and how much you can afford to spend, it's time to look at some houses, right? Almost but not just yet.

Step back for a moment and look at the Big Picture. People don't just buy a house; they buy the neighborhood around the house as well. Think about it...if you find the perfect house but it was in a neighborhood that not to your liking, would you make an offer on it? I'm betting the answer would be, "No."

So, you need to make another list of the neighborhood you want to live in. You will want to consider things like how living in the neighborhood will affect your drive time to and from work (freeway/mass transit access), amenities are offered (swimming pool, tennis courts, park, etc.).If you have children in school or soon will be, what school district you will be in and how close the schools are. You may even want to make two lists just as you did with your home criteria.

Your Agent can help you consolidate the information from your list of needs and wants for your home, your pre-approval, and your list of needs and wants for the neighborhood. Your Agent will use this information to create a search profile narrowing down to specific areas of the market.. Your Agent's experience in local markets is invaluable during this step.

<b>Drive Time Mass Transit</b>	<b>Amenities</b>	<b>Schools</b>	<b>Churches</b>	<b>Shopping</b>	<b>Restaurants</b>



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## **Step Four-Now Comes the Search**

At this point you have a good idea of what you can afford and what type of neighborhood you will want to live in. Taking that information into consideration you are ready to embark on your actual home search. If you don't know much about the city that you are moving to, start your search by finding neighborhoods that meet your criteria. Many neighborhood associations have their own websites (google.com 'em) that chronicle yearly activities and provide lots of information through their newsletters and message boards.

There are a few ways to go about this. The most efficient way to find homes is to allow your real estate Agent to keep you up-to-date on available properties that meet your criteria. You can even allow your Agent to screen these properties for you.

Here's the drill: Agent presents property, you are interested, Agent arranges to show the property when it is convenient for you.

Checkout local publications available real estate in the area (don't forget the alternative newspapers), the Chamber of Commerce is great, the Internet, and drive through neighborhoods. Bottom line – educate yourself. The resources are endless, but your Agent is always your best one.



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## Step Five – Let's Make An Offer

Now that you and your real estate Agent have found the home you would like to purchase, it's time to make an offer. Taking into account the recent sales of homes in that neighborhood which are similar in size, quality, conveniences, and amenities, what are you willing to pay for the home? This is when your real estate Agent is your best asset. They will advise you on how to create an offer that will have the best chance of being accepted.

Your Agent will ensure that you have everything down in written form... **no verbal agreements**. After your offer is in writing and signed by you the Buyer and your Agent, it will be presented to the Seller by your Agent. The contract is a written document detailing what needs to be done by both parties to execute the transaction. The contract should protect the best interests of all parties involved and should be comprehensive in nature. Your Agent will also ensure your financial position as the Buyer by including any necessary contingencies, which would protect you if a particular requirement were not met. Once the Seller accepts it, it is often too late to make any changes.

The contract, though not limited to this list, should include the following:

- A legal description of the property
- The offering price
- Financing arrangements
- Closing Costs and who will pay them
- Amount of the Earnest Money deposited with the Broker
- Inspection rights and possible repair allowances
- The method of conveying the title and who will handle the closing
- A list of appliances and furnishings which will stay with the home
- The Closing or settlement date
- Any relevant contingencies

Remember that the legalities of this phase are very important. If you have any questions or concerns, they need to be addressed right away. After all, no one has ever said at their closing, "I wish I had asked fewer questions."



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## **Step Six – Negotiate the Offer**

Once your offer is made, you and your real estate Agent may need to negotiate some points of the contract in order to reach an agreement. Keep in mind that almost everything is negotiable when you are buying a house. This can give you a great deal of leverage in the buying process -- that is, if you have adequate information and you use it in an appropriate manner. Your Agent will have the market knowledge and negotiating expertise necessary to make sure that your offer is accepted at the best price and terms possible for you.

Some of the things that you may have to negotiate are:

- The price
- Financing
- Closing costs
- Repairs that need to be done
- Appliances and fixtures
- Landscaping
- Painting
- Occupancy time frame

The key to successful negotiating is keeping in mind that the end result must make both you the Buyer, and the Seller happy. Otherwise, negative feelings will persist throughout the remainder of the process and someone may walk away feeling that they were not treated fairly.



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## Step Seven – Ladies & Gentlemen-Coordinate Your Vendors

After your offer has been accepted, your Agent will supervise the coordination of all necessary vendors serving as your advocate when working with each vendor. Your Agent will make sure that the vendors have access to the property at the appropriate times to perform their procedures and oversee the execution of those procedures on your behalf.

For instance, the property will need a thorough examination. Ex: Your Lendor may need a formal appraisal and perhaps a survey to secure your loan. A Certified Home Inspection, a foundation inspection, or an environmental inspection may also need to be completed to ensure that the property is as represented in the disclosure statement and your written agreement. If there are issues or inconsistencies brought to light during this time, it may delay or even nullify the contract depending on the contingencies set forth in the contract.

Homeowner insurance is another very important item that you the Buyer will need to be take care of at this point. Insurance experts recommend that you obtain insurance equal to the full replacement value of the home. **Unless you have insurance coverage on the home, the closing can not proceed.** Having these procedures done in a timely and professional manner is a must. Your Agent can recommend vendors or you are free to choose your own.



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## **Step Eight – It's the Countdown-Pre-Close Preparation**

As the closing date draws near, your real estate Agent will contact the escrow company or closing attorney and your Lendor to make sure that all the necessary documents are being prepared, and that they are complete, accurate, and delivered in a timely manner. Your Agent will also need to confirm that the documents will be delivered to the correct location so they can be reviewed and that they will be ready for the appropriate closing date.

At this point, you and your Agent should find out what form of payment you will need to bring to the closing for any unpaid fees. Make sure to discuss that your payment with your Lendor and that it is made out to the appropriate party.

Ensuring that each closing document is ready and available will enable you to have a quick, easy closing.



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## Step Nine – It's Closing Day

"Closing" refers to the Very Official meeting where ownership of the property is legally transferred to the Buyer. It is a formal meeting in which most parties involved in the buying/selling process will attend. Closing procedures are usually held at the title company's office or lawyer's office. Your closing officer coordinates the document signing and the collection and disbursement of funds. Your Agent will generally be present at your closing to read the documents on your behalf, answer any questions, or help to resolve any last minute or unexpected details that may come up.

In order for the closing to go smoothly, each party involved should bring the necessary documentation and be prepared to pay any related fees (closing costs). There may be more than one form of acceptable payment for your closing costs so ask the closing officer which form of payment will be required and to whom it should be made out. Closing costs will generally total an amount equal to 2 to 3 percent of the total loan value not including down payment and the Buyer's escrow account. All costs are detailed on the Settlement Statement or HUD. The closing attorney can explain each cost. Don't be afraid to ask questions throughout these proceedings.

Sellers sometimes pay for a portion or all of the closing costs, depending on local market conditions, terms of the purchase contract, and the Seller's cash and timing considerations. Any such concessions should be acknowledged in writing. Most Lenders will allow a credit from the Seller to the Buyer for the non-recurring closing costs. However, they usually won't allow a credit that reduces the amount of the Buyer's down payment or any of the Buyer's recurring costs, such as expenses for fire insurance premiums, PMI, or property taxes.



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## **Step Ten – Happy Home Ownership-Post-Closing**

### **Congratulations!**

Now that you have taken ownership of the property, you need to have your local services such as electricity, cable, and phone set up. All or most of these services can be set up prior to closing for connection on closing or move-in day. Your real estate Agent can help you coordinate the set-up of these local services. No doubt your Agent already knows who the local vendors are for such services as water and electricity, as well as others, so he or she can help provide you with a list of contacts.

Also, you should already be aware of the expenses that are typically associated with owning a home. Neighborhood Association fees, landscaping costs, and annual taxes should be budgeted for throughout the year.

**Now go enjoy that new home of yours!**