

## Home Buying – The Process Tips for Home Buyers

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Buying a home does not need to be a perilous event. However, since it typically is one of, if not THE, most significant purchases most of us will make, it is natural to worry a bit. The tips below are designed to give you guidance, and at the same time, offer you reassurance.

### 1. Commit to stay “home.”

It used to be that you could buy a home and turn around and sell it two or three years later and make a profit. But today, our lives and the real estate market are different. So, if you cannot commit to remaining in a home for at least three years, then home ownership is probably not for you. With the transaction costs of buying and selling a home, you may end up losing money if you sell any sooner - even in a rising real estate market.

### 2. Meet with a lender and pay attention to your credit.

Most of us will not elect to pay cash for a new home; so, in all likelihood, you will need to get a mortgage to buy a home. Two key components in your ability to obtain a mortgage are income/debt ratio and credit rating. First, lenders do not want you to be “house poor,” so most will require that your mortgage payment (including tax and insurance escrows) does not exceed 26 percent of your gross monthly income. So, don’t buy a new car or furniture just before you start your home buying expedition! Secondly, you must make sure your credit history is as clean as possible. A few months before you start home hunting, get copies of your credit report and make sure the facts are correct, and work with a lender and/or a reputable credit counseling service to fix any problems you discover.

In addition, the lender, after reviewing your credit and income/debt situation, will be able to provide you with a “pre-approval” letter which is often a requirement to be included with a home purchase offer. Getting pre-approved will put you in a better position to make a serious offer when you find the right home. Do not confuse “pre-approval” with “pre-qualification,” which is based on a cursory review of your finances. “Pre-approval” from a lender is based on your actual income, debt and credit history.

### 3. Have reasonable expectations on what you can buy.

Listen to the lender you consult with in #2 above! If the lender gives you a price range, it is best to look at homes that do not exceed their suggested price range by more than 5 percent. Additionally, listen to the real estate agent you are planning to work with. They are familiar with current market conditions and can be the best source of knowledge with this aspect of the home buying experience.

### 4. Get a professional real estate licensee to help you.

Even though the Internet gives buyers unprecedented access to home listings, most home buyers are better off using a professional agent. Look for an exclusive buyer agent, if possible, who will represent only your interests in the home buying process. If you do not elect to sign a buyer agency agreement, however, the Georgia Real Estate Commission is very clear that the agent is prohibited from giving you advice on what terms to include with your offer or the price to offer on a piece of property. Without a signed buyer agency agreement, the Real Estate Commission only allows a real estate agent to provide ministerial services and include language in an offer that you construct.

## **5. Do your homework before bidding.**

Your initial offer should be based on the sales trend of similar homes in the neighborhood. Before making your offer, consider sales of similar homes in the last three months. Once again, your professional real estate agent will be able to help you with this if you have signed a buyer agency agreement with them.

## **6. Keep your emotions in check.**

Again, this is where a good, professional real estate agent, whom you have “hired” to be your buyer agent, will come in handy! While buying and selling can be an emotional roller-coaster, you need to not get so swept up in the transaction that you lose reasonable thought. Stay calm!

## **7. Hire a home inspector.**

Every home has a few blemishes. It is a home inspector’s mission to find them. It is when you can still say, after reviewing an inspector’s report on your dream home, “I love it,” that you know this is the home for you! You should hire a home inspector who is recommended by friends and/or your buyer agent, preferably an engineer with experience in doing home inspections in the area where you are buying.

## **8. Other inspections.**

Have the home inspected for termites and other wood destroying organisms, mold, lead-based paint and radon. Oftentimes your home inspector can detect the existence, or possible existence, of these issues. Should there be a concern, it is best to call in an expert in the field.

Concerning termites and other wood destroying organisms, a licensed pest control company can inspect the home and issue you an official “Georgia Wood Infestation Report.” If the seller does not have a transferrable termite bond to offer you, the termite inspection company can also issue you a bond to protect your home from the likely event of damage in the future. A current “retreatment bond” will ensure that the termite inspection company will return to the property to retreat it should damage be found. A current “retreatment and repair bond” will ensure that the termite inspection company will return to the property to retreat it should damage be found AND repair any damage, as well. While the repair and retreatment bond may cost more initially, it may save you thousands in the long run.

Concerning lead-based paint, it is advisable to read the EPA’s “Protect Yourself from Lead in Your Home” brochure they publish. Your buyer agent can provide you with a copy.

## **9. Obtain an appraisal and survey on the property.**

Your lender will require a home appraisal so they can be satisfied the home is worth the price you've agreed to pay. But if you are not obtaining a mortgage, you need to take the responsibility to order an appraisal! Additionally, it is advisable to obtain a survey of the land during your Due Diligence Period so you are certain where the property lines are located and whether or not there are any encroachments or easements on your property, and if any component of your dream home encroaches on a neighboring property. Encroachments can be expensive to rectify!

## **10. Buy Owner's Title Insurance.**

An Owner's Title Insurance policy will protect you if a pre-existing condition that affects title was not detected prior to the closing, or is created as a result of the closing. Things like forgery on a previously recorded deed cannot be detected by a simple title check...yet can cause you to have to give up your title to your dream home! The closing attorney will issue you a title policy only if requested by you and/or your buyer agent. It is advised that when you ask the attorney to issue you title insurance that you ask for an "enhanced" title policy.

Think about this: if you get a mortgage, the lender makes you buy them a title insurance policy which provides them protection from previously undetected problems with the title into the future. The lender's policy offers you no protection, however, so why would you not get a title policy to protect your interest? You pay for your title insurance policy only once-- at the closing.

## **11. Review the HUD-1 Settlement Statement (Closing Statement) prior to the closing.**

Lenders are supposed to provide you with a HUD-1 Closing Statement 24 hours prior to the closing of your home. Remind the lender and the closing attorney of this requirement! By obtaining the HUD-1 in advance, you will be able to review and challenge any charges that appear to be out of place, prior to the actual closing. This saves you time and aggravation, and enables you to wire the correct amount of funds needed to purchase your home in a timely fashion.