

3 Steps

To Buying a Home

The steps to buying a house can seem exhaustive, even if you have already been through the process. For first-time home buyers, these steps can often get confusing and overwhelming. And, it's hard to remember each step of the process when you're in the emotional roller coaster of buying a home. This resource can be used as a reference to help you through the process as you go through each step.

A good REALTOR® is your best resource to help avoid issues that might jeopardize your home purchase. They will walk you through each step below and make sure that nothing is overlooked.

1 Get Pre-Approved for a Mortgage

This is everyone's least favorite step of the home buying process, but it is the foundation that the entire process relies on. How can you know what price range to focus your home search efforts if you do not yet know how much home you can afford. It can be very disheartening to fall in love with homes in the \$500,000 price range, only to get approved for a maximum \$300,000 loan later (trust me, it's common). Before you get attached to any certain price range of home, you need to know your financial position, and that starts with the mortgage pre-approval.

First, Talk to a Good Loan Officer. Talking to a loan officer is very important. Notice I said "talking" to a loan officer. In my experience, you will usually get the best response from a mortgage loan officer if you contact them directly by phone. Some may respond well by email, but most officers want to hear a live voice before they will put much effort into your loan. You're probably wondering, "where is the best place to find a good loan officer?" My advice is to network with a seasoned Real Estate Agent. Good REALTORS® work with a number of loan officers and keep the contact information of great ones as referrals for future use. REALTORS® do not get paid for referring a loan officer. Their motivation for referring a good loan officer is directly tied to their experience with that loan officer. A bad loan officer can cost many wasted hours and plenty of frustration for everyone involved in the transaction. In an effort to make sure that every transaction is handled properly, a good REALTOR® will have some top real estate professionals in their contacts. If you are in Colorado and you need help with this, I can send you a list of a few highly skilled loan officers that I have worked closely with.

Second, Calculate How Much Home You Can Afford. Once you have found a lender who you are comfortable working with, you can start planning based off of your loan officer's information. To start, you will determine the sales price range you are most comfortable with, based off of your approval and monthly payment details provided by your lender. Determining the real estate price range is the most important search criteria to know when starting your home search. Once you have determined this amount, you can also calculate your down payment and closing costs. These numbers will vary as you work through the loan details with your lender. FHA loans require a minimum of 3.5% down and can have slightly higher closing costs than conventional loans. Conventional loans usually require a minimum of 5% down, but may have lower closing costs. VA loans and USDA loans require no money down, but usually have the highest closing costs and have much more strict guideline requirements. These are all details that you can work through with a loan officer during the first stages of your home search.

Third, Obtain a Copy of Your Pre-Approval Letter. Once you're past the pre-approval stage, you can start your home search. In order to be taken seriously by any REALTORS®, Home Builders, For Sale By Owner sellers, etc., you will need to prove your buying power. This is where you will shine, since you have already gone through the pre-approval process (if you have taken the aforementioned advice). Many people want to look at homes and be treated as a serious buyer before they have even talked to a mortgage lender. The most common question a REALTOR® asks a potential buyer when they first meet is, "Have you had the opportunity to speak to a loan officer yet?" If the answer is "No", then the buyer will be directed to talk to a mortgage lender.

Christopher Tenggren, REALTOR® - RE/MAX All Pro - 505 W Main Street - St. Charles, IL 60174 - 630-408-2750 Cell/Text

Find A House

Now the fun begins! It's time to start shopping.

First, Research Area and Neighborhood Statistics. It's never been easier to find local information online. Data is constantly being posted on forums, websites, and social media sites. It's up to you to take advantage of this information to find the right area for your next home. It's a good practice to research local school districts, crime rates, taxes, pricing history, and any other relevant information that you can find. Search local online forums for one-on-one direct information from residents in the area. Use real estate blogs and websites, such as this one, to find market statistics and data that is relevant to your search criteria. I personally subscribe to RSS feeds using [Feedly](#) to keep me up-to-date on any new information coming out on all my local markets. Once you know the area that you are most interested in, you can setup an RSS feed to alert you any time there is new information posted on that area. While searching for a home, remember to avoid the Greed Monster.

Second, Find A Good Real Estate Agent. A good Real Estate agent is invaluable. Imagine that you have bought and sold 10 homes in your lifetime. You would probably feel more knowledgeable than if you had only bought one home. Now imagine if you had bought and sold 30 to 50 properties every year for the last 5 years. Your knowledge of areas, closing process, potential problems, and insider advice would be vast and priceless. This is the value of a great Real Estate agent. When I work with buyers and sellers, I am relieved when I have the pleasure to work with people who value my knowledge of the industry, and they ask me many questions. It's a great feeling to be able to share my years of experience with home buyers and sellers.



Third, Write A Strong Contract

Once you have found the house you love, it's time to get it under contract! A good Realtor will also help you structure an offer by writing a strong contract that protects your interests, as well as entices the other party to accept your offer. There are multiple ways to structure a contract. If you need closing cost assistance to help you close, you will want to make sure that you structure the numbers to be appealing to the sellers. If there are multiple offers on a property, you will need to be coached on how each individual space on a contract can affect the strength of your offer. The best properties sell fast, so writing a strong contract can make, or break your ability to find the best house on the market within your search criteria. Once you have a signed contract, you will want to hire an inspector to make sure everything with the property is okay. Negotiate repairs if needed. Once you are past the inspection period, it's on to the closing!

3

Get the Keys

It usually takes 45 to 60 days (some times less for cash, or very well orchestrated transactions) to close a transaction (from the time of the executed contract to the signing of the papers at closing). This time is needed for the mortgage company to prepare the loan and get all the documentation in order. Buyers paying with cash can close much quicker, sometimes as soon as 10 days after the executed contract is submitted.

FHA, VA, and conventional loans all have different time processes, of which your real estate professional should keep you informed about throughout the home buying process.

First, Schedule the Final Walk-Through and Closing. It is wise to do a final walk through just before closing to make sure that there are no major issues with the property before purchasing it. This is not an inspection period (that part of the home buying process has already be completed upfront). The walk through is just to make sure that there are no HUGE issues that would cause the transaction to be compromised. I have never had a walk through go bad, but it is always a possibility that the house could be in such bad condition, that the buyer would rather risk being sued for breach of contract, rather than buy the property in bad condition.

Second, Close The Transaction & Get The Keys. On the day of closing, be sure to bring your photo ID (preferably driver's license) and certified funds for the down payment and other fees that will be on the Settlement Statement. The Title Company should provide you with the final cash-to-close amounts the day before closing. You can also wire the funds to the title company before closing, if you choose to. Once both parties have signed all the papers at the title company, they will be sent to the lender and the lender will then fund the loan. This usually takes an hour or two. Once the loan funds, you can have the keys and take possession of the property as the new proud owner(s).

Third, Live Happily Ever After. Now that you have successfully bought your new home, make sure that your taxes and insurance are escrowed properly on your first mortgage payment (if applicable). Also, remember to file for your homestead exemption (if applicable) to lower your tax rate. You can now move on with your life, make lasting memories and live happily ever after. Or, at least until it's time to sell. I'll cover that in a different document.

Final Thoughts

As a home buyer, your main concerns should be as follows:

- Make sure you choose a property that will have equity and resale potential for your future security.
- Make sure you are wise in choosing a good loan officer, attorney, home inspector and REALTOR® to guide you through the home buying process.
- Do your research and get answers to all your questions throughout the transaction.
- If you are a first time home buyer in the Fox Valley area, feel free to ask me any questions that you may have about the home buying process. I'm here to help you as you may need.

At HomesInTheFoxValley.com, we ready to coordinate the smoothest transaction possible. Buying or Selling a home takes time and energy, but it's extremely rewarding. After you've signed the papers at closing, all of our hard work will have paid off, and you will feel that wave of excitement as you move in your new home, or on to your next home!



**Christopher
Tenggren**
HomesInTheFoxValley.com

Bringing Buyers and Sellers Together in Today's Real Estate Market!

"When Excellence Matters - Count on Christopher!"

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