

# 9 Tips

For First Time Home  
Buyers

There are few things in life as intimidating as buying your first house. The knowledge needed to buy your first home will include learning about several different professional industries; including the mortgage, real estate, inspection, appraisal, title, and insurance industries. This article will give you an in-depth look at the home buying process, and help relieve some of the tension that you may feel as you venture through the home buying process for the first time.

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.

## The Money

In order to purchase a house, you will need to know how you are paying for it. Since this will most likely be the largest monetary transaction in your lifetime up to this point, it's highly probable that you will need to get a mortgage to pay for your first house. This may seem like common sense, but every Realtor® has had those buyers who send them a list of homes to look at before they have even thought about this step... Yes, it happens often. People want to go out and look at homes before they deal with their finances because looking at homes is much more fun than talking to a mortgage lender, but it's not the right way to start off.

### 1 Talk to a Lender

First, You will need to find a mortgage lender who is highly skilled, understands your financial situation, and is easy to work with. You will be communicating extensively with this person(s) over the period of time that you are under contract to purchase a property. So it's important to choose someone who is professional, experienced, and competent. Most Realtors® can offer contact information on a few mortgage lenders if you have a hard time finding one. Realtors® are not compensated for these referrals. They refer them out in good faith as a gesture to help the loan close on time, with as little drama as possible from the mortgage company.

Where I work in the Fox Valley, people tend to prefer local mortgage lenders, because they are more accessible and can usually close quickly. Many of our local lenders have underwriters in the same building, and the loan file only goes through a few people throughout the course of the transaction. National mortgage companies are notorious for being difficult to deal with because the file can go through so many people's hands, making the chance for a closing delay much higher. Do your research and find a lender with good reviews. If you use a reputable local lender, it can help to strengthen your contract offer, as opposed to using a national lender, because the listing agent won't be as concerned about closing on time. I recently had an offer rejected because the seller did not want to work with a national lender. Many first time home buyers are intimidated to talk to a mortgage lender, so they put it off until the last minute. In reality, mortgage lenders would love to close a loan for you. A good lender will do everything that they can to help you purchase a home. They are on your side. Don't be intimidated.

Remember that you are paying the mortgage company for their services. You will have closing fees, most likely in the thousands of dollars, which you are paying to your chosen mortgage company for generating your loan. It's a terrible feeling to work with someone who is nice at first, but turns out to be hard to get a hold of and bad at communicating important details. At the closing table, you will be giving the mortgage company a good chunk of money for preparing your loan. You want to work with someone who you feel deserves this money. There are some wonderful loan officers out there, as well as some terrible ones. The loan officer that you choose can make or break your home buying experience.!

### 2 Determine Your Price Range

Second, is to determine your price range. This is a crucial step to take before looking at homes online. Be smart when determining how much financial burden you are willing to take on when buying a house. Just because you are approved for a certain amount does not necessarily mean that is your price range.

Look at your finances and determine how much you are comfortable spending per month and work backwards from there. Everyone's lifestyle is different. If you have expensive hobbies that you enjoy doing during your off time and you buy the maximum amount of house that your mortgage company will allow, chances are that you're going to be strapped for cash when you want to do those extra things. It's known in the industry as being "house poor". Sure, you may have an amazing house, but you will be financially tethered to it and unable to afford other things in life. For some people, this is okay as they spend all their time at home anyway. Be sure to assess your personal situation and determine where you want to be financially after you have signed the papers for your mortgage.

Knowing your price range is also important when looking at homes online. If you start looking at homes in the \$300,000 range, but you are only approved for \$220,000, you're going to have a hard time with what you see on the market when you come down to that price. Every \$10,000 increment has different things to offer. If you start your home search in the price range that you are actually going to purchase a home in, then you will not have to deal with the disappointment after comparing your home to those in higher price ranges. You can work your way up to a higher price range in the future, but start off in the price range where you are going to live with right now. This is a much better way to search for a home!

### 3 Obtain a Copy of Your Pre-Approval

Third, once you have determined your price range and have found the mortgage lender you want to work with, remember to get a copy of your pre-approval letter and have it handy as you go through the process. It's your proof that you are a legitimate home buyer. As a Realtor®, I am always impressed by first time home buyers who email me their loan pre-approval letter at the beginning of the process. It will show in how proactive they are as legitimate home buyers.

When you have found the house that you want to purchase and are ready to put together a written offer, your pre-approval letter will need to accompany the offer. If you have not yet received a pre-approval letter, your offer may get held up waiting on the letter. And, in a situation with multiple offers, this can be a deal breaker. Since you have already chosen and met with your mortgage lender, go ahead and get this step taken care of right away.

It's important to remember that there is a difference between a pre-qualification letter and a pre-approval letter. Ask for a pre-approval letter as it is a much stronger representation of your purchasing power.

## Find A Home

This is the part of the home buying process that everyone loves the most. Shopping for a home is fun and exciting. The tips below will help you navigate the real estate market and find the right home for your needs.

### 4 Find A REALTOR® That You Enjoy Working With

First, find a good REALTOR®. They will be your greatest asset as a home buyer or seller. They are the most involved professional in your transaction. They coordinate all the pieces of your purchase to make sure that everything is documented properly, on time, and processed correctly. They will also be knowledgeable of local market data that will help to navigate your home buying choices like a professional.

As a REALTOR®, one of my top concerns, when working with first time home buyers, is the future resale potential of the home that they purchase. This is not something that many first time buyers consider when searching for a home. In Colorado Springs, there are some areas that are consistently hot markets, and some that take longer to sell than average.

A common mistake for first time home buyers is that they choose to hire the first REALTOR® that they meet. This is like rolling the dice on an integral part of your home buying process. 80% of the real estate sold in most markets is sold by the top 20% of REALTOR® in that market. The REALTORS® in the top 20% of your local market are the ones who you want to work with, in most cases. They are the most knowledgeable, experienced, and professional. This is why they end up selling so many homes. If you simply choose the first REALTOR® that you meet, chances are 1 in 5 that you are working with a top performing local real estate professional.

Family members, local group members, church members, and neighbors may not be the best places to meet REALTORS®. Do some research online and find an agent who has a strong online presence with great Testimonials. Your home buying experience will be considerably better.

## 5 Go Look At Your Favorite Homes

Second, now that you have chosen a REALTOR® and you have your Pre-Approval letter in hand, it's time to go find a house. For most people, shopping for a home is much more fun than dealing with financing details and looking for a Realtor®. If you are not familiar with the area in which you are looking for a home, your first step will be to narrow down your search area. Researching schools, crime statistics, neighborhood amenities, and convenience to shopping are all details that you should spend time analyzing at the beginning of your home search. Once you have narrowed down the area(s) in which you would like to live, you can then gather your favorite listings and make an appointment with your REALTORS® to show them to you. It's best to only look at 5 or 6 at a time, because all of the details tend to get jumbled when you see too many homes at once.

It's common for first time home buyers to choose the best homes on the market within their price range, view them right away, but feel unsure about making an offer on one until they have seen 20 more homes in person. Just be aware that the first handful of homes that you choose are probably the best ones on the market, and will have the highest competition from other buyers.

As a REALTOR® who deals with many first time home buyers, I have witnessed this scenario many times. It's okay if you're not ready and need to see more homes. Just be aware that this is a common reaction when you look at homes for the first time, and remember that it comes with possibly negative consequences. This is even more critical in a seller's market where homes can go under contract in a just a day or two. Your favorite home may be gone before you have had a chance to make up your mind.

Another common scenario is the realization that homes usually look different in person than they do online. After months of shopping for homes online, it can be disorienting to look at homes in person. I often have buyers send me 2 homes and say "we know that this first one is the one we want". Then, when they get to the property in person for the first time, it looks and feels completely different than expected. Be ready for this experience, it's very common. I advise looking at homes based on the criteria of the property details first, and not the pictures. If a home meets your search criteria but has ugly photos, you should still look at it. It may be the perfect home for you, but is just poorly presented online and listed by an agent who is not very skilled with displaying properties to their highest and best presentation.

## 6 Negotiate Your Real Estate Deal

Third, Once you have processed through all of the homes that you are interested in and have found the home that you like the most, it's time to move on to the next step, which is writing a sales contract and negotiating the deal. This is where all of the details of the transaction are documented and signed by both parties through written contracts. The competency of your REALTOR® will play a major role in your success through this process. If you have an experienced real estate agent who has written hundreds of sales contracts, you should be in good hands. Make sure that you take your time and ask any questions throughout this process. There are no dumb questions during this stage of the home buying process. A common first-time homebuyer mistake is to try and submit a lowball offer on their first deal.

As a new buyer in the real estate market, you may feel as though you are entitled to a great deal. This is possible, but great deals do not usually happen unless you are buying a distressed property. No one gives anything away in real estate. In the Fox Valley, our list price to sales price ratio is over 98% when the home is priced properly. That means that a lowball offer of 90% of list price would be way off track if the home is priced at market value and in good condition. Once you have presented an offer, agreed upon all of the terms of the contract and both parties have executed the contract, you will now move onto the home inspection process.

As a home buyer, you will be responsible for hiring a 3rd party home inspector to make sure that there are no major issues with the property. Your REALTOR® will most likely have a list of local home inspectors with whom they have worked with and can recommend if you need a reference. They should not be affiliated in any way or compensated for this referral. Once your inspection has been performed, it is likely that you will receive an inspection report which makes the property look like it is falling apart. Don't freak out! It's the job of the inspector to find every possible problem that they can find.

Even brand new homes can turn up lengthy inspection reports. Your job is to find the important issues with significant monetary value and determine whether you would like to ask for repairs on these items. This may not be the last negotiating conversation that you have with the sellers, so keep that in mind as you work through the list of items that you want repaired or replaced on the property. You don't want to sour the deal by asking for 50 nit-picking items to be fixed before closing. Problems like water damage, AC/heating repairs, and broken appliances are common issues to have repaired by the sellers before closing. Asking for smoke detector battery replacement, new light bulbs, small nail hole sheet rock repair, and replacing cracked light switch plates are examples of items that can make you appear difficult to deal with, and may leave a bad impression with the sellers.

Remember, the property still has to be appraised at value for the deal to continue to closing. If the appraisal comes back under value, you will have to negotiate a solution with the sellers to make the deal work. If you have given the sellers with a list of frivolous items to take care of before closing, they may be more difficult to deal with if you have appraisal issues or delayed closing deadlines during the rest of the transaction. Just deal with the big inspection issues that have a legitimate monetary value, and you will be more likely to have successful negotiations.

### Get the Keys

Now that you have done all the work of obtaining financing, finding a REALTOR®, finding a home, and negotiating the deal, you are on your way to the finish line. There are only a few more details to cover to get you through the home buying process and into your new home.

## 7 Supply All of the Needed Documents to the Lender & Title Company

First, make sure that your mortgage company and title company have all the relevant documentation and information needed from you to close the transaction. Your REALTOR® should be communicating with all parties involved to make sure that the transaction is being coordinated properly, but don't count on this to happen. Make sure that you are proactively talking with everyone to protect the deal from falling apart. Incompetent Realtors® and mortgage brokers undermine deals all of the time in this business. If you have a good Realtor®, mortgage broker, and closer at the title company, your deal will go very smoothly without any issues. On the other hand, if you have an incompetent real estate professional involved in your transaction, they may sabotage the whole deal. Your sales contract will have dates and deadlines that have to be met on time in order for the deal to maintain legality. If you have a contractual closing date and your mortgage lender needs another week or two to close, the sellers have the right to keep your earnest money and put their house back on the market if you cannot close by the date on the sales contract. This does happen. Make sure that you are watching the dates and deadlines, and are in communication with the parties involved to ensure that your closing is on track.

## 8 Schedule Closing & Final Walk-Through

Second, Once you are a week or two from the closing date, and everyone involved in the transaction has confirmed that it will close on time, the seller's attorney and/or the title company will schedule the closing. Once that is set, you should schedule your final walk-through. A final walkthrough is a standard practice of walking the property right before closing to make sure that there are no new major issues the property that would prohibit you from purchasing the home, and that it remains as you viewed it at the time of contract acceptance.

You should check to be sure everything is operational, and as you recall it. If you agreed in the contract that all the appliances would stay with the home, you should verify those items. If you notice during your walkthrough that anything that was supposed to remain has been removed, then you would need to resolve the issue between the attorneys/parties before closing, or postpone the closing and seek legal advice on how to resolve the issue(s). For this reason, it is best to schedule the final walkthrough just prior to closing to limit the time in between when you last saw the property, and when you receive the keys and possession. I have never had a final walkthrough go really badly. But it does happen, so you should be aware of this and be pro-active to help prevent potential problems.

In the Fox Valley, buyers and sellers usually meet at the closing table together and sign all of the documents in the same room. This allows time for any specific questions to be asked between the buyer and the seller. If you had a bad experience during the negotiations, and you do not want to meet with the sellers at closing, you may be able to choose to close at a different time in order to avoid having to deal with them in person. Also, some sellers choose to pre-sign their documents and give their attorney a "limited power of attorney" to complete the transaction on their behalf.

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### Sign the Closing Documents & Get the Keys

**Third, and the Grand Finale:** As the buyer, the majority of the papers to be signed at closing will be yours. Be prepared to sign a stack of papers covering all aspects of your home purchase. Most of the documents are generated from your mortgage company. If you are purchasing a government foreclosure (VA, Fannie Mae, Freddie Mac), you will have even more papers than the average closing.

Most closings take about an hour to an hour and a half. Once you have signed all of the forms, the title company will submit the document to the mortgage company and will then release the funds to complete the transaction. Some of our local lenders will fund the loan before closing and you can receive the keys as soon as you are done signing the paperwork. Most of the national banks will require a few hours to fund the loan because of wire transfer procedures. If you have a late afternoon or evening closing, the loan may not fund until the next day either. If this is the case, this means that you will not be entitled to the keys until the next day, so plan accordingly.

In the end, once the loan has funded, you will receive the keys and be the proud owner of your first home! Congrats!

### Final Thoughts

As a first time 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 me.

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!



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