



BUYING PROCESS GUIDE



PURCHASE PROCESS

- ✓ Financing
- ✓ House Hunting
- ✓ Making An Offer
- ✓ Appraisal



MOVINGROCHESTER.COM



HOW TO

Prepare to Finance a Home

Develop a budget: Instead of telling yourself what you'd like to spend, use receipts to create a budget that reflects your actual habits over the last several months. This approach will better factor in unexpected expenses alongside more predictable costs such as utility bills and groceries. You'll probably spot some ways to save, whether it's cutting out that morning trip to Starbucks or eating dinner at home more often.

Reduce debt: Lenders generally look for a debt load of no more than 36 percent of income. This figure includes your mortgage, which typically ranges between 25 and 28 percent of your net household income. So you need to get monthly payments on the rest of your installment debt—car loans, student loans, and revolving balances on credit cards — down to between 8 and 10 percent of your net monthly income.

Increase your income: Now's the time to ask for a raise! If that's not an option, you may want to consider taking on a second job to get your income at a level high enough to qualify for the home you want.

Save for a down payment: Designate a certain amount of money each month to put away in your savings account. Although it's possible to get a mortgage with 5 percent down or less, you can usually get a better rate if you put down a larger percentage of the total purchase. Aim for a 20 percent down payment.

Keep your job: While you don't need to be in the same job forever to qualify for a home loan, having a job for less than two years may mean you have to pay a higher interest rate.

Establish a good credit history: Get a credit card and make payments by the due date. Do the same for all your other bills, too. Pay off entire balances as promptly as possible.

Start saving: Do you have enough money saved to qualify for a mortgage and cover your down payment? Ideally, you should have 20 percent of the purchase price saved as a down payment. Also, don't forget to factor in closing costs, which can average between 2 and 7 percent of the home price.

Obtain a copy of your credit report: Make sure it is accurate and correct any errors immediately. A credit report provides a history of your credit, bad debts, and any late payments.

Decide what kind of mortgage you can afford: Generally, you want to look for homes valued between two and three times your gross income, but a financing professional can help determine the size of loan for which you'll qualify. Find out what kind of mortgage (30-year or 15-year? Fixed or adjustable rate?) is best for you. Also, gather the documentation a lender will need to preapprove you for a loan, such as W-2s, pay stub copies, account numbers, and copies of two to four months of bank or credit union statements. Don't forget property taxes, insurance, maintenance, utilities, and association fees, if applicable.

Seek down payment help: Check with your state and local government to find out whether you qualify for special mortgage or down payment assistance programs. If you have an IRA account, you can use the money you've saved to buy your first home without paying a penalty for early withdrawal.



HOW TO

Prepare to Buy a Home

Talk to mortgage originators.

Many home buyers don't take the time to get prequalified. They also often don't take the time to shop around to find the best mortgage for their particular situation. It's important to ask plenty of questions and make sure you understand the home loan process completely. Connect with us for a list of trusted partners.

Our brokerage does require that you get pre-approved before seeing houses.

Be ready to move.

This is especially true in markets with a low inventory of homes for sale. It's very common for home buyers to miss out on the first home they wish to purchase because they don't act quickly enough. By the time they've made their decision, they may find that someone else has already purchased the house.

Make a good offer.

Remember that your offer is very unlikely to be the only one on the table. Do what you can to ensure it's appealing to a seller.

Factor maintenance and repair costs into your buying budget.

Even brand-new homes will require some work. Don't leave yourself short and let your home deteriorate.

Think ahead.

It's easy to get wrapped up in your present needs, but you should also think about reselling the home before you buy. The average first-time buyer expects to stay in a home for around 10 years, according to the National Association of REALTORS®' 2013 Profile of Home Buyers and Sellers.

Develop your home/neighborhood wish list.

Prioritize these items from most important to least.

Select where you want to live. Compile a list of three or four neighborhoods you'd like to live in, taking into account nearby schools, recreational facilities, area expansion plans, and safety.

Define Your Home- WORKSHEET

Write in your preferences and rate them: 3 = Vital, 2 = Very Important, 1 = Neutral, 0 = Not important

LOCATION	PREFERENCES	RATE
Neighborhood		
School district		
Near public transportation		
Near airport		
Near expressway		
Near shopping		
Great views		
TYPE		
Single-family / condo / townhome		
Minimum / maximum property age		
Willingness to renovate		
Architectural style		
Open floor plan		
SIZE & MAKEUP		
Minimum # of bedrooms		
Minimum # of bathrooms		
Eat-in kitchen		
Family room		
Formal dining room		
Formal living room		
Garage (number of cars)		
Outdoor space (size/use)		
Laundry room		
AMENITIES		
Wood floors / carpeting		
Heating / cooling system types		
Fireplace		
Pool		
Other special needs/preferences:		

HOW TO

Prepare for House Hunting

Know that there's no "right" time to buy.

If you find the perfect home now, don't risk losing it because you're trying to guess where the housing market and interest rates are going. Those factors usually don't change fast enough to make a difference in an individual home's price.

Don't ask for too many opinions.

It's natural to want reassurance for such a big decision, but too many ideas from too many people will make it much harder to make a decision. Focus on the wants and needs of the people who will actually be living in the home.

Accept that no house is ever perfect.

If it's in the right location, the yard may be a bit smaller than you had hoped. The kitchen may be perfect, but the roof needs repair. Make a list of your top priorities and focus in on things that are most important to you. Let the minor ones go. Also, accept that a little buyer's remorse is inevitable and will most likely pass.

Don't try to be a killer negotiator.

Negotiation is definitely a part of the real estate process, but trying to "win" by getting an extra-low price or refusing to budge may cost you the home you love.

Remember your home doesn't exist in a vacuum.

Don't get so caught up in the physical aspects of the house itself that you forget about important issues such as noise level, access to amenities, and other aspects that also have a big impact on your quality of life.

Plan ahead.

Don't wait until you've found a home to get approved for a mortgage, investigate insurance, or consider a moving schedule. Being prepared will make your bid more attractive to sellers.

Choose a home first because you love it; then think about appreciation.

A home is still considered a great investment, but its most important role is as a comfortable, safe place to live.

WHAT TO KNOW: About the Home Inspection

Some items should always be examined.

Structure

The home's "skeleton" should be able to stand up to weather, gravity, and the earth that surrounds it. Structural components include items such as the foundation and the framing.

Exterior

The inspector should look at sidewalks, driveways, steps, windows, doors, siding, trim, and surface drainage. They should also examine any attached porches, decks, and balconies.

Roofing

A good inspector will provide very important information about your roof, including its age, roof draining systems, buckled shingles, and loose gutters and downspouts. They should also inform you of the condition of any skylights and chimneys as well as the potential for pooling water.

Plumbing

They should thoroughly examine the water supply and drainage systems, water heating equipment, and fuel storage systems. Drainage pumps and sump pumps also fall under this category. Poor water pressure, banging pipes, rust spots, or corrosion can indicate larger problems.

Electrical

You should be informed of the condition of service entrance wires, service panels, breakers and fuses, and disconnects. Also take note of the number of outlets in each room.

Heating and air conditioning

The home's vents, flues, and chimneys should be inspected. The inspector should be able to tell you the water heater's age, its energy rating, and whether the size is adequate for the house. They should also describe and inspect all the central air and through-wall cooling equipment.

Interiors

Your inspector should take a close look at walls, ceilings and floors; steps, stairways, and railings; countertops and cabinets; and garage systems. These areas can reveal leaks, insect damage, rot, construction defects, and more.

Ventilation/insulation

Inspectors should check for adequate insulation and ventilation in the attic and in unfinished areas such as crawl spaces. Insulation should be appropriate for the climate. Without proper ventilation, excess moisture can lead to mold and water damage.

Fireplaces

They're charming, but fireplaces can be dangerous if they're not properly installed. Inspectors should examine the vent and flue, and describe solid fuel-burning appliances.

WHAT TO KNOW

About the Appraisal Process

Once you are under contract, your lender will send out an appraiser to make sure the purchase price is in line with the property's value.

Appraisals help guide mortgage terms.

The appraised value of a home is an important factor in the loan underwriting process. Although lenders may use the sale price to determine the amount of the mortgage they will offer, they generally only do so when the property is sold for less than the appraisal amount. Also, the loan-to-value ratio is based on the appraised value and helps lenders figure out how much money may be borrowed to purchase the property and under what terms. If the LTV is high, the lender is more likely to require the borrower to purchase private mortgage insurance.

Appraised value is not a concrete number.

Appraisals provide a professional opinion of value, but they aren't an exact science. Appraisals may differ quite a bit depending on when they're done and who's doing them. Also, changes in market conditions can dramatically alter appraised value.

Appraised value doesn't represent the whole picture of home prices.

There are special considerations that appraised value doesn't take into account, such as the need to sell rapidly.

Appraisers use data from the recent past.

Appraisals are often considered somewhat backward looking, because they use sold data from comparable properties (often nicknamed "comps") to help come up with a reasonable price.

There are uses for appraised value outside of the purchase process.

For buying purposes, appraisals are usually used to determine market value or factor into the pricing equation. But other appraisals are used to determine insurance value, replacement value, and assessed value for property tax purposes.

1. Name the Players in the Transaction

Create a spreadsheet with contact information for all parties involved in the transaction:

ROLE	NAME(S)	PHONE NUMBER	EMAIL ADDRESS	MAILING ADDRESS
Buyer(s)				
Seller(s)				
Buyer's Agent				
Seller's Agent				
Transaction Coordinator				
Lender/Loan Officer				
Title Company				
Escrow Company/Officer				
Buyer's Attorney				
Seller's Attorney				
Accountant				
Inspector				
Insurance Agent				
(Other)				

2. Create a Transaction Timeline

Could include any of the below or more (depending on your state requirements and transaction) with dates to complete:

- | | |
|---|---|
| <input type="checkbox"/> _____ (Date) Contract acceptance | <input type="checkbox"/> _____ (Date) Renegotiate offer |
| <input type="checkbox"/> _____ (Date) Down payment/earnest money received by seller | <input type="checkbox"/> _____ (Date) Repairs complete |
| <input type="checkbox"/> _____ (Date) Hire attorney | <input type="checkbox"/> _____ (Date) Loan (or finance) contingency |
| <input type="checkbox"/> _____ (Date) Title search | <input type="checkbox"/> _____ (Date) Final walkthrough |
| <input type="checkbox"/> _____ (Date) Appraisal contingency | <input type="checkbox"/> _____ (Date) Closing date |
| <input type="checkbox"/> _____ (Date) Inspection contingency | |

☐ **3. Lender Requirements & Appraisal**

- ☐ _____ (Date) Paperwork to lender
- ☐ _____ (Date) Verify employment
- ☐ _____ (Date) Appraisal date
- ☐ _____ (Date) Appraisal complete

☐ **4. Ordering Inspections**

- ☐ _____ (Date) Inspection date
- ☐ _____ (Date) Received inspection report
- ☐ _____ (Date) Reviewed inspection report
- ☐ _____ (Date) Submit request for repairs (if applicable)
- ☐ _____ (Date) Renegotiate terms (if applicable)
- ☐ _____ (Date) Repairs complete (if applicable)

☐ **5. Closing Documents**

- ☐ Closing date confirmed
- ☐ All documents submitted
- ☐ Valid photo ID and additional documents to bring to closing

☐ **6. Moving Checklist**

Provide contact information for the following vendors:

- ☐ Water
- ☐ Garbage
- ☐ Electricity
- ☐ Gas
- ☐ Cable/Internet
- ☐ Movers
- ☐ Painters
- ☐ Locksmith
- ☐ Landscapers

☐ **7. Final Walkthrough**

- ☐ Final walkthrough scheduled _____ (Date)

Check the following items during the final walkthrough:

- ☐ Appliances (washer/dryer, dishwasher, oven, microwave, refrigerator, etc.)
- ☐ Plumbing (run water in bathrooms, kitchen, flush toilets, etc.)
- ☐ Heating/cooling system (check the heat and air conditioning, if applicable)
- ☐ Electric (check all light switches, test outlets)
- ☐ Safety features (fire alarm, carbon monoxide detectors, house alarm)
- ☐ General cleanliness (personal property removed)
- ☐ No property damages
- ☐ Personal property written into the contract for buyers to keep is accounted for

☐ **8. Closing & Presenting Keys**

- ☐ Closing date, time, and location confirmed with all parties
- ☐ Closing date: _____
- ☐ Signed all documents at closing
- ☐ Keys presented to buyers
- ☐ Purchase closing gift for buyers