

7 Steps for the Successful Home Buyer

Buying a home can be a frightening prospect for any consumer, whether it's your first home or your fifth. With so much at stake — your savings, your credit rating, your financial freedom — it can be difficult to sign on the dotted line, even if you want that home in the worst way.

So how can you determine whether or not purchasing a home makes sense for you? What's the easiest way to examine the whole picture, from emotions to economics? With these seven steps for success, you'll be on the right path to homeownership:

Seven Steps for Success

- 1) Establish your homeowner needs & wants.
- 2) Determine how much of a mortgage payment you can afford.
- 3) Get pre-approved by a lender.
- 4) Find the right real estate agent to help you.
- 5) Find a home that meets your needs.
- 6) Make an offer on the desired property.
- 7) Save as much money as possible on the transaction.

A mortgage broker or direct lender can let you know what specific loan programs would be best for you, as well as help you understand what criteria are considered to qualify you for the right home loan. You should be aware, however, that while many lenders can pre-qualify you, you might want to instead obtain a pre-approval, which is a financing commitment from the lender that will carry much more weight with your seller than would a pre-qualification.

Make sure you also inquire about the costs and time involved with any loan, as they will differ for each Lender. After settling on the right financing for your needs, the next step is finding a home that also qualifies for the desired loan. By the time you've done your homework and completed the suggestions in this report, you will have an excellent overview of how to find and buy your dream home. And you'll have plenty of confidence to back up your decision to buy that special home, too.

Step One: Establish Your Needs & Wants

Begin your search for a perfect home by making a careful assessment of the kind of a home you need and want. I recommend that you take the time to do this in writing. Take the time right now to be as specific as you can about your particular requirements.

Step Two: Determine How Much You Can Afford

Set up a budget for yourself. Decide how much you can really afford to invest monthly for your house payment. Make sure you're being realistic; most Lenders want your payment to be no more than 45% of your total monthly income.

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Step Three: Get Pre-approved By a Lender

You can save yourself a lot of time and heartache by getting a pre-approval in writing from a Lender before you start to search for a home. Completing this step in advance will also give you an edge over other buyers during the offer process.

Step Four: Find the Right Real Estate Agent to Help You

You can learn a lot about an agent by just letting them "agent talk" to you about how they help buyers. Within a few minutes, you will probably be able to determine if their style is compatible with yours. Some questions you may want answered include:

1. Are they knowledgeable about the area of town and price range that you are interested in? *(Some agents specialize in only one area or one price range.)*
2. Do they have the time to work with us? *(This is especially important if you're on a tight deadline.)* What procedure will the agent follow in working with you? How often will they update you with new property listings?
3. Can they effectively represent you as the buyer's broker?

Ask as many questions as you can upfront. By finding a good agent, you will save yourself considerable time and effort.

Step Five: Find a Home That Meets Your Needs

While you may have heard about the exciting challenges of finding a house, nobody would ever claim the process to be easy. The following are some tips to assist you in finding the right property for you:

- 1) Keep an organized record of all your research data. Write down comments about the homes that you see. Keep track of your likes and dislikes.
- 2) Make sure your agent is aware of your time schedule and expectations. Do you like to look at one or two homes in a session? Four? Eight? Discuss this with your agent.
- 3) Tell your agent about any homes in which you're interested, including homes you've discovered on your own time, or those advertised in the newspaper.
- 4) If you like to spend time driving around by yourself looking at homes, ask your agent for a list of "drive-bys" — homes to consider first from the outside.
Your agent can make appointments later to show you the interior of those that appeal to you.
- 5) Express your likes and dislikes to your agent after you look at a home. Honest communication is essential; many buyers are reluctant to tell an agent what they really think of a property. Remember, the homes you will view don't belong to the agent! You must be straightforward about your likes and dislikes in order for the agent to do the best job for you.

Step Six: Make A Purchase Offer on the Desired Property

Before your real estate agent can help you make an offer to buy the home that you want, it's imperative to know beforehand exactly whom your agent represents. Since some agents work only on the seller's behalf, that same agent may not be able to advise you what a fair offer to

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make is. By looking at what homes are selling for in the area and how long they are taking to sell, you should be able to get a good idea of value.

Step Seven: Save As Much Money as Possible on the Transaction

There are only two major financial commitments to consider when buying a home: the initial investment, which includes down payment and closing costs, and the monthly payment, which includes principal, interest, taxes and insurance.

How you can save on your initial investment:

- 1) Choose a low down payment loan. You do not necessarily have to put 20% or even 10% down. Qualified borrowers can pay 5% or even 3% down.
- 2) Have someone "gift" you the money to pay closing costs. A blood relative, church or non-profit organization can give you money for closing costs.
- 3) Request that the seller pay some of your closing costs as part of your offer. Sellers are usually allowed to contribute to a buyer's closing costs.
- 4) Avoid paying too much insurance at closing. Some lenders require 6 months or more hazard insurance paid at closing. However, keep in mind that any money left over after closing sits in your escrow account until you sell the house. Shop around for your home insurance. A little shopping can save you money.
- 5) You can deduct money paid for discount points from your gross income before computing your tax. See a CPA for more information.

Here are four ways to keep you monthly payments low:

- 1) Get a loan that doesn't have monthly mortgage insurance premiums. You may be able to reduce or eliminate them by paying a little more at closing. By putting 20% or more down, you can eliminate them entirely.
- 2) Take advantage of rate-lock programs that are currently available. You can lock in a low interest rate 30-45 days in advance and protect yourself from any unforeseen changes in the marketplace.
- 3) Remember that interest payments on a primary residential mortgage are fully-deductible in most circumstances. Your property taxes may also be deductible.
- 4) If your particular situation warrants, choose an adjustable rate mortgage. Adjustable rate mortgages (or ARMs) can be up to 3% lower than "fixed" rates, and their adjustment periods range from 1 to 10 years.

Now that you have finished this report, it's time to go out and find the home of your dreams!