

10 Steps to Buying Your Home

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Step 1. Needs Analysis

Congratulations on your decision to purchase a new home. Your first step toward buying your new home will be to analyze your needs. By analyzing your needs you will be able to get a clear picture of exactly what you want your new home to look like and how it should function for you.

First, you should write down why you are looking for a new home. For example, are you currently renting and would like to have a home where you can begin building equity? Maybe you recently married and have outgrown your current residence. Or, maybe you have just gotten a promotion which requires you to move to a new city. These factors will all have a bearing on how you approach your home search.

Second, establish a time frame that you would like to stay within for buying your home. Depending on your reasons for wanting a new home and the current state of the market in the area you are looking to buy, you should be able to come up with a rough guideline which you can finalize at a later time.

Last, you most likely have a mental picture of what you would like your house to look like and what features it should have. It's very important to write these ideas down to avoid any ambiguity later in your home search. You should make at least two lists: one should be a list describing your dream home and the other should list the features of the home that are an absolute must have in order to buy it. In a perfect world, your new home would fulfill both lists 100 percent. It is more likely that you will end up blending the two lists into a schedule of prioritized items as you progress through the buying process. This is a natural and evolutionary process as you get clearer about what you want and what is available.

Your agent can save you time and money by putting their expertise to work for you. They will be able to help you organize your wants and needs and then assist you in realizing how your wants and needs will fit into your home purchase plan. He or she will be able to helpfully focus your energies into what is possible for you and your family.

Step 2. Preapproval vs. Prequalification

Now that you have your list of features you want in your new home, you are ready to start looking! Well, not just yet. You are going to need to know in what price range to look. There are two ways to go about this. You can get prequalified or preapproved for a mortgage. Either way you will need to contact a mortgage company. Go to our Mortgage Center to investigate rates and companies in your area.

There are some key differences between prequalification and preapproval for a loan that you need to be aware of. Loan prequalification is a simple process. It takes into account very basic information regarding your financial status and gives you an amount for which you may qualify. This can be done strictly on a verbal level or electronically over the Internet. The prequalified amount is based solely on the information you provide. In most markets, prequalified buyers usually hold little clout compared to preapproved buyers due to the fact that the information given during the prequalification process is not thoroughly investigated and therefore may be unreliable. Where a preapproved buyer is actually approved for a loan of a certain amount, a prequalified buyer is only told that they might be approved for a certain amount.

Preapproval is a much more involved process. The lender will take all pertinent information regarding your finances and perform an extensive check on your current financial status. This will ultimately give you the exact amount that you will be eligible for (depending on what type of loan you decide to go with). Being preapproved lets the seller know that you have gone through an extensive financial background check and there should be no unexpected obstacles to buying the home. You can see how being preapproved would be more attractive to a seller than just being prequalified.

The type of mortgage you apply for will depend on many factors, but the majority of that decision will be based on your ability to pay a monthly installment. If you can only afford a \$1000 dollar a month payment, you are not going to go out and buy a \$250,000 home, unless you have a large sum of money set aside to make a sizable down payment! Financial planners say that you shouldn't pay more than 28% of your gross income for housing (that includes principal, interest, taxes, and insurance). Depending on your debt to income ratio, that percentage may change.

Once you have determined what you can afford, the next step is to choose a mortgage plan. There are many different mortgages out there, so take some time and explore all of the possible plans for which you qualify. You could save yourself thousands of dollars in the long run!

Your agent can save you time and money by being your professional guide through the entire loan process. They will be able to counsel you on the advantages and disadvantages of certain types of loans and help you understand the "real" cost of a mortgage. Your agent will also act as your personal advocate and liaison between you and the lender as you proceed through the approval process and closing by working with your lender on a regular basis.

Step 3. Neighborhood Information

Now that you have your list of needs and wants and you know how much you can afford to spend, it's time to look at some houses! Well, not just yet. Step back for a moment and consider the larger picture. People don't just buy a house, they buy the neighborhood the house is in. Think about that...if you found the perfect house but it was in a neighborhood that was not to your liking, would you make an offer on it? Most likely the answer would be, "No."

So, you will need to make another list of what type of neighborhood you want to live in. You will most likely want to consider things like how living in the neighborhood will effect your drive time to and from work, what amenities are offered (swimming pool, tennis courts, park, etc.), and, if you have children who are attending school or soon will be, what school district you will be in and how close the schools are. You may even want to make two lists just like you did with your home criteria.

Your agent can save you time and money by taking the information from your list of needs and wants for your home, your preapproval, and your list of needs and wants for the neighborhood and incorporating them into a broad search profile which will then be narrowed down to specific

areas dictated by the market in which you will be looking. Your agent's experience in the local market will be an invaluable resource during this step.

Step 4. Home Search

At this point you will have a good idea of what you can afford and what type of neighborhood you will want to live in. Taking that information into consideration you are ready to embark on your actual home search. If you don't know much about the city that you are moving to you will most likely want to start your search by finding neighborhoods that meet your criteria and then narrowing your search to particular homes in the area.

There are a few ways to go about doing this. You can access local publications highlighting available real estate in the area, you can contact local Neighborhood Associations, visit the local Chamber of Commerce, look on the Internet, and you can even drive through neighborhoods that you feel would meet your needs. Driving around a particular area looking for a home that is for sale is good because you can actually see the house, but it can be very time consuming and very "hit or miss."

Your agent can save you time and money by keeping up-to-date on available properties that possibly meet your criteria and your agent will screen these properties for you. You can eliminate the haphazard searching through papers and the Internet and let the listings come to you through your agent. Then, when you find one that you like, your agent can arrange for you to walk through the property when it is convenient for you.

Step 5. Making an Offer

Now that you have found the home you would like to purchase, it's time to make an offer. Taking into account the recent sales of homes in that neighborhood which are similar in size, quality, conveniences, and amenities, what are you willing to pay for the home?

Make sure that you have everything down in written form... no verbal agreements. Present the seller with a written document detailing what needs to be done by both parties to execute the transaction. The contract should protect the best interests of all parties involved and should be comprehensive in nature. Once it is accepted by the seller, it may be too late to make any changes, so make sure review your offer thoroughly before submitting it. The contract, though not limited to this list, should include the following:

- A legal description of the property
- The offering price
- The down payment
- Financing arrangements
- A list of fees and who will pay them
- Amount of the deposit
- Inspection rights and possible repair allowances
- The method of conveying the title and who will handle the closing
- A list of appliances and furnishings which will stay with the home
- The settlement date
- Any relevant contingencies

Remember that the legalities of this phase are very important. If you have any questions or concerns, they need to be addressed right away. After all, no one has ever said at their closing, "I wish I had asked fewer questions."

Your agent can save you time and money by making sure that your contract meets all the legal requirements according to local and national guidelines. Your agent will be able to expertly advise you on how to create an offer that will have the best chance of being accepted. Also, your agent will ensure your financial position as the buyer by including any necessary contingencies which would protect you if a particular requirement is not met.

Step 6. Negotiating to Buy

Once your offer is made there may need to be some negotiating in order to reach an agreement. Keep in mind that almost everything is negotiable when you are buying a house. This can give you a great deal of leverage in the buying process, that is, if you have adequate information and you use it in an appropriate manner. Some of the things that you may have to negotiate on are:

- The price
- Financing
- Closing costs
- Repairs that need to be done
- Appliances and fixtures
- Landscaping
- Painting
- Occupancy time frame

The key to successful negotiating is keeping in mind that the end result must make both you, the buyer, and the seller happy. Otherwise, negative feelings will persist throughout the remainder of the process and someone may walk away feeling that they were not treated fairly.

Your agent can save you time and money by representing your best interests and negotiating on your behalf. Your agent should have the knowledge and expertise necessary to make sure that your offer is accepted at the best price and terms possible for you.

Step 7. Vendor Coordination

After your offer has been accepted, the property will need a thorough examination. Working with your lender, you may need to have a formal appraisal and a survey done for the property designated in the contract. A property inspection, a foundation inspection, and an environmental inspection may also need to be completed to make sure that the property is up to the standards set forth in your written agreement. If there are issues or inconsistencies brought to light during this time, it may delay or even nullify the contract depending on the contingencies set forth in the contract. Having these procedures done in a timely and professional manner is a must. Investigate each vendor to make sure that they are reputable and have a clean operational history.

Homeowner insurance is another very important item that will need to be taken care of at this point. Insurance experts recommend that you obtain insurance equal to the full replacement value of the home. Unless you have insurance coverage on the home, the closing can not proceed. [Click here](#) to learn more about homeowner insurance.

Your agent can save you time and money by supervising the coordination of all necessary vendors and serving as your advocate when working with each vendor. They will make sure that the vendors have access to the property at the appropriate times to perform their procedures and oversee the execution of those procedures on your behalf.

Your agent's experience in this area will be invaluable in making sure that everything is completed on time and in a professional and legal manner.

Step 8. Pre-Close Preparation

After the closing date draws near you will need to be in contact with the escrow company or closing attorney and your lender to make sure that all the necessary documents are being prepared. You will also need to confirm that the documents will be delivered to the correct location so they can be reviewed and that they will be ready on the appropriate date. At this point, you should find out what form of payment you will need to bring to the closing for any unpaid fees. Make sure that your payment is made out to the appropriate party.

Your agent can save you time and money by coordinating the necessary documentation with your closing officer. They can work with the closing officer as your consultant to insure thoroughness, accuracy, and timeliness. Making sure that each document is ready and available will enable you to have a quick, easy closing.

Step 9. Closing

Closing is where ownership of the home is legally transferred from the seller to the buyer. It is a formal meeting in which most parties involved in the buying/selling process will attend. Closing procedures are usually held at the title company's office or lawyer's office. Your closing officer coordinates the document signing and the collection and disbursement of funds.

In order for the closing to go smoothly, each party involved should bring the necessary documentation and be prepared to pay any related fees (closing costs). There may be more than one form of acceptable payment for your closing costs so ask the closing officer which form of payment will be required and to whom it should be paid.

Sellers sometimes pay for a portion or all of the closing costs, depending on local market conditions, terms of the purchase contract, and the seller's cash and timing considerations. Any such concessions should be acknowledged in writing. Most lenders will allow a credit from the seller to the buyer for the non-recurring closing costs. However, they usually won't allow a credit that reduces the amount of the buyer's down payment or any of the buyer's recurring costs, such as expenses for fire insurance premiums, Private Mortgage Insurance (PMI), or property taxes.

Your agent can save you time and money by being present at the closing reading the documents on your behalf and answering any questions or helping to resolve any issues that may come up. Your agent will also be available to manage any last minute or unexpected details that come up.

Step 10. Post-Closing

Congratulations on the purchase of your new home! Now that you have taken ownership of the property you will need to have your local services such as electricity, cable, and phone set up. To do this online, [click here](#). Also, you should already be aware of the expenses that are typically associated with owning a home. Neighborhood Association fees, landscaping costs, and annual taxes should be budgeted for throughout the year to keep from getting into a financial bind.

Your agent can save you time and money by helping you coordinate the set-up of these local services. No doubt your agent already knows who the local vendors are for such services as water and electricity, as well as others, so he or she can help provide you with a list of contacts.