



Buyer Tips

Buying a Home

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Use a Buyer's Agent

It's important that you choose an experienced agent who is there for you. Your agent should be actively finding you potential homes, keeping you informed of the entire process, negotiating furiously on your behalf, and answering all of your questions with competence and speed.

First, find an agent who represents you and not the seller. This is beneficial during the negotiation process. If you are working with a buyer's agent, he or she is required not to tell the seller of your top choice. In addition, he or she is also focused on getting you the lowest asking price.

Also, when you use a buyer's agent, you will see more properties. Not only are they plugged into their Multiple Listing Service, but also they are actively finding homes that are listed as FSBO, or homes that sellers are thinking about listing.

Why You Should Not Make Any Major Credit Purchases

Don't go on a spending spree using credit if you are thinking about buying a home, or in the process of buying a new home. Your mortgage pre-approval is subject to a final evaluation of your financial situation.

Every \$100 you pay per month on a credit payment could cost you about \$10,000 in home eligibility. For example, a car payment of \$300/month could mean that you qualify for \$30,000 less in a mortgage.

Even if you have accumulated enough savings, you should consider not making any large purchases until after closing. The last thing you want is to know that you could have purchased a new home had you curbed the urge to spend.

Getting a Legitimate Lender and Getting Pre-Approved

It used to be that buyers could go house shopping and when they have found their dream home, then they go to get pre-approved. However, in today's market, that has proven to be one of the least effective methods in landing the dream home.

Most lenders can pre-qualify you for a mortgage over the phone. Based on general questions about your income, debt, assets, and credit history, lenders can estimate how much mortgage you qualify for. However, being pre-qualified and pre-approved are different things. Pre-approval means that you have applied for a mortgage; you have filled out the mortgage application, received your credit report, and verified your employment, assets, etc. When you are pre-approved, you know exactly what the maximum loan amount will be.

A pre-qualified letter is not verified and in essence, does not count for much if you are competing with other buyers who are pre-approved. When you are pre-approved, you and the seller know exactly how much house you can afford. It gives you credibility as an interested buyer and lets the seller know immediately that you will qualify for a loan to buy their property.

In addition to being pre-approved, it's important to be pre-approved with a legitimate lender. Legitimate lenders include: banks, mortgage bankers, credit unions, savings and loan associations, mortgage brokers, and online lenders.

Some lenders to avoid: those who lose a form or misplace a file, those who gather information from you in an unorganized manner, those who are not informed about interest rates, points or costs, and those who cannot provide you with the right information.

Finding the Right Seller

The best seller is one who is highly motivated. A highly motivated seller is more likely to sell for less than his or her house is worth. And it matters that you find out why; learning the reason why can help you get the price you want and help the seller get what they want: a timely sale.

When given the opportunity to meet with sellers, ask them why they are selling. The reasons could be anything from job change to a new location to financial problems. If you can solve their problem, whether it is cash related or time related, do so. For example, if the sellers are highly motivated because they need to move quickly, give them a fast sale - and a lower price. If you can make an offer, even a low one, that gives them cash in a short time, they are more likely to accept.

There are also some sellers that you should avoid. Not every seller is as genuinely motivated as they make themselves to be. Some possible hints:

- *they stall on having the home appraised or inspected
 - *is unable to clear up liens against their property
 - *does not own 100% of their property
 - *they push back the move-out date
 - *does not have a replacement property or back up plan
- etc. etc. etc.

It is impossible to find the perfect seller. But it is possible to find out which sellers are legit, and which ones aren't.

Build a Plan of Action and Get Ready

Buying a home will probably rank as one of the biggest personal investments one can make. Being organized and in control will contribute significantly to getting the best home deal possible with the least amount of stress. It's important to anticipate the steps required to successfully achieve your housing goal and to build a plan of action that gets you there.

Before you can build a plan of action, take the time to lay the groundwork for your decision-making process.

First, ask yourself how much can you afford to pay for a home. If you're not sure on the price range, find a lender and get preapproved. Preapproval will let you know how much you can afford so that you can look for homes in your price range. Getting pre-approved helps you to alleviate some of the anxieties that come with home buying. You know exactly what you qualify for and at what rate, you know how large your monthly mortgage payments will be, and you know how much you will have for a down payment. Once you are pre-approved, you avoid the frustration of finding homes that you think are perfect, but are not in your price range.

Second, ask yourself where you want to live and what is the best location for you and/or your family. Things to consider:

- *convenience for all family members
- *proximity to work, school
- *crime rate of neighborhood
- *local transportation
- *types of homes in neighborhood, for example condos, town homes, co-ops, newly constructed homes etc.

Hot, Normal, and Cold Markets

Hot Market -

This is an extremely competitive market, one that is advantageous to the seller. Sometimes, homes will sell as soon as they are listed or even before homes are listed. Typically, during a hot market, multiple offers will be made on each home and more often than not, homes will sell for more than their asking price. It is even more crucial to be prepared and to be ready as a buyer when the market is hot. It can be easy to get caught up in the bid for a home, but if you are prepared (pre-approved, solid in price range, realistic about your needs), it is easier to remain focused on your housing needs and price range.

Normal Market -

In a normal market, there is fairly a large number of homes available and an average number of buyers. This market does not necessarily favor the buyer or the seller. A seller may not have as many offers on their home, but he or she may not be desperate to sell either. Again, it is the buyer's responsibility to be prepared. During a normal market, the chances to negotiate are higher than in a hot market. As a buyer, you can expect to make offers at lower than the asking price and negotiate a price at least somewhat less than what the sellers are asking.

Cold Market -

In a cold market, houses may be listed for more than a year and the prices of houses listed may drop considerably. This market is advantageous to the buyer. As a buyer, you have the time to make an offer that works to your best interest. It is not uncommon to low-ball and to find that

sellers are accommodating to meet your needs. Keep in mind that even though this market is a great time for buyers, you do not want to lose your dream home by being unrealistic. Your goal is to get your dream home at the best possible price.

Importance of Inspection

As a buyer, you are entitled to know exactly what you are getting. Don't take for granted what you see and what the seller or the listing agent tells you. A professional home inspection is something you **MUST** do, whether you are buying an existing home or a new one. An inspection is an opportunity to have an expert look closely at the property you are considering purchasing and getting both an oral and written opinion as to its condition.

Beforehand, make sure the report will be done by a professional organization, such as a local trade organization or a national trade organization such as ASHI (American Society of Home Inspection). Not only should you never skip an inspection, but also you should go along with the inspector during inspection. This gives you a chance to ask questions about the property and get answers that are not biased. In addition, the oral comments are typically more revealing and detailed than what you will find on the written report. Once the inspection is complete, review the inspection report carefully.

You have to demand an inspection when you present your offer. It must be written in as a contingency; if you do not approve the inspection report, then you don't buy. Most real estate contracts automatically provide an inspection contingency.

Avoiding Financial Stress

By asking the right questions, and knowing exactly what your needs are, you can find the right loan for you. There are certain approaches that you can take while mortgage shopping that can cost or save you money.

It is still true that the better qualifications you have, the lower your interest rate will be. However, there are mortgages available for almost everyone; it's the interest rates or the down payments that vary.

Before speaking with a lender, know what monthly dollar amount you feel comfortable committing to. Then when you discuss mortgage pre-approval with your lender, it is easier for you to determine the monthly amount and what value of home the monthly amount translates into. Do not put yourself in the position where you will be paying more each month than you intended simply because the "dream" house requires it.

Do your research on the types of mortgages available to you and find the one that best suits your needs. There are a number of considerations to be made in terms of finding the best mortgage for each individual:

*What type of market are you in? Are the interest rates falling or rising?

*Do you want a fixed mortgage rate, where you will always know what your payment is going to be?

*What are your long-term goals? Do you intend to resell the property? Do you only need the mortgage for a short time?