

A man and a woman are shown from a high-angle perspective, working together to move a large, stacked cardboard box. The man, on the left, is wearing a green jacket over a red shirt and blue jeans. The woman, on the right, is wearing a blue and white plaid shirt over a white top and blue jeans. The box has two upward-pointing arrows on its side. The room has a wooden floor, and in the background, there is a white sofa and a round table covered with a plastic sheet, with two white cups on it.

Real Estate

YOUR LIFE | YOUR HOME

The Buying Process

Congratulations; you've decided to buy a home! It can be a scary process, but whether you're a first-time homebuyer or seasoned homeowner, it's good to know what's ahead for you in the weeks to months you're looking for and purchasing a house.

U.S. News and World Report's Guide to Buying a Home walks potential buyers through the steps, the first of which is to find a real estate agent. This professional can answer questions about the housing market, help you set a price and set up appointments to show houses, negotiate with the other party's agent and walk you through the entire process. Finding a real estate agent you trust is critical; ask friends for recommendations and interview potential agents.

Next, find a lender. Collecting the necessary paperwork and getting credit checks can take a little while, and many sellers require a pre-approval for the loan amount to entertain an offer. The lender can talk you through the different types of loans, how much you can afford based on your finances and any programs for which you may qualify.

Make a list of what you want in a home and keep it close by as you're browsing houses. When you visit houses, ask questions, check out all the nooks and crannies, turn on lights and the stove and flush toilets. If you're interested in a house, talk to neighbors about what the area is like, figure out what school district you're in, how long your commute would be and what traffic is



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like during rush hour. Check your local police department's website for crime statistics.

When you're ready to make an offer, get the pre-approval for that amount in hand. Your agent will do the necessary

paperwork, though you'll have dozens of papers to sign. You and the seller may go back and forth on the cost. When an offer is accepted, you'll make a small escrow payment, then your agent will help you

find an assessor to examine the house for problems, which you and the seller can then negotiate to get resolved.

Your lender also will hire an appraiser to assess the value of the home; most lenders will

not make loans for more than what the house is appraised for. At the end of the escrow period, you'll go to the title company, sign more paperwork and pay closing costs and down payment.



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Buying: Things To Consider

There's a lot to consider when buying a house, and much of it involves finances.

According to the Consumer Financial Protection Bureau, there are a few things every potentially homebuyer should consider as they determine if they're ready to make a purchase and how to get the most

house for the money they have.

YOUR MONTHLY PAYMENT

Your mortgage payment will be determined by the total amount of the loan, your interest rate and the life of your loan. On top of that, you'll pay property taxes and home insurance each month. You can look up the taxes of the home you're buying on your county's website, and your insurance company can give

you a rough estimate how much your insurance will cost. Additionally, buyers who put less than 20 percent down may need to pay mortgage insurance, the rate of which depends on the lender.

If you buy a home with a homeowners association, you likely will have monthly dues as well. Depending on the services the HOA offers, this could be \$20-\$30 a month all the way up to \$150 or \$200 a month.

YOUR DOWN PAYMENT

For a conventional loan, most lenders want a 20 percent down payment. For many people that may be difficult; in high-cost markets, it may be next to impossible. Unless you qualify for a loan program that allows for no down payment, you will need at least 3 to 3.5 percent for a down payment. In addition, you'll need closing costs, which typically run between 3 and 5 percent of the total loan amount.

YOUR NEEDS AND WANTS

Make a couple of lists — the first will be what you definitely want in a house, like being in a specific school district, not having too long of a commute, a yard, a two-car garage or so on.

The second list will include qualities you'd like to have but aren't critical, such as proximity to parks or hiking trails, neighborhoods you like or the size of the kitchen, yard or bedrooms.

Kinds of Mortgages

For most of us, a home mortgage is the single largest loan we'll take out in our lives.

Any financial institution will require income statements and tax information for the last two years, as well as verification about your assets and debts, and they'll run a credit check. Your credit score and financial strength will help determine the terms of your loan, as will the amount of money you have for a down payment.

Talk to your lender about the different types of loans available. Also ask out state and local programs; some nonprofits or city governments offer down payment assistance to employees or first-time homebuyers.

CONVENTIONAL HOME LOANS

For borrowers who have enough money to put down a 20 percent down payment, lenders offer a conventional loan. According to the Consumer Financial Protection Bureau, the government sets the maximum loan amounts for these types of loans, which can be for 20 or 30 years. Borrowers who don't have a 20 percent down payment can still get a conventional loan, but they pay an additional mortgage insurance.

VA LOANS

The Department of Veterans Affairs offers home loans to veterans, members of the military and eligible spouses. The loan comes through a traditional lender, but the federal government guarantees it, which allows for lower interest rate for borrowers. Borrowers also can have a lower down payment or no down payment at all and do not require mortgage insurance.

USDA LOANS

Interested in living somewhere a little more rural? The Department of Agriculture offers no-down-payment loans to low- to moderate-income borrowers who are buying or building in rural areas. This could mean a slightly longer commute, but also a

bigger yard, less expensive land and fewer lights at night. These do not require a down payment and have a significantly lower rate of mortgage interest.

FHA LOANS

Borrowers who have less money in

savings or a credit score that isn't quite strong enough for a conventional loan may qualify for a Federal Housing Administration. The FHA regulates and insures these loans, which allow for a down payment as low as 3.5 percent. Borrowers must meet certain income requirements as well.



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Building Versus Buying

It's hard to find the perfect house; for most people, it's a matter of finding the house that meets as many of your wants as possible for the price you can afford.

However, if you know there are some must-haves that you're just not finding in what's on the market in your area, consider building your own home. Realtor.com looked at the pros and cons and building versus buying.

UPFRONT COSTS

The median cost of buying an existing house in the United States is \$223,000, which, for the average size lot, is about \$148 per square foot. A new home in a comparable market is likely to cost just short of \$300,000. However, homes being built today are typically much bigger than older homes; the median size of a new home is 2,467 square feet, compared to the 1,500-square-foot homes of the 1960s. That works out to just more than \$100 per square foot. It also means you're paying only for what you want; hardwood floors increase the value of a home, but if you don't want hardwood, it's not worth paying extra for it.

Of course, there is no typical real estate market in the United States, so check out your market.

MAINTENANCE COSTS

A new home means new appliances, water heater, HVAC system, new plumbing and wiring — all of which are less likely to break down and need to be repaired or replaced, which can get expensive. If they do break down, many of those appliances are likely to be covered by warranties, and builders also frequently offer a new construction warranty with an upfront cost.

ENERGY BILLS

Build a new home, and you can get

energy smart appliances and a well-sealed house that keeps hot or cold air during the right season. Realtor.com reported that homes built in this century use about 20 percent less energy in heating than older homes. Again, this is a larger payout upfront for lower electricity bills throughout the year.

APPRECIATION

Building a home is more of a financial gamble, particularly in a new neighborhood. There aren't enough data to know how a new neighborhood will age or how the style of a new house will work 10 to 20 years down the line. Older houses have a stronger track record on which to base value.

Buying a Fixer Upper

Buying a house that needs work can seem like a great way to save money as homeowners typically ask for less for a house that needs a lot of repairs. For some buyers, this is a good option; it allows them to get many of the benefits of designing a home without building from scratch and means a smaller loan amount and smaller monthly payments.

However, don't be blinded by a smaller loan. Home renovation is expensive, and you'll either be paying a contractor a fair amount for updates or doing a lot of the work yourself. LearnVest spoke with a real estate agent about what you should consider when you're thinking about a house that needs some TLC.

DO YOU WANT A DREAM HOME?

A fixer-upper allows you lots of opportunities to make the house your own.

Since it already needs the work, you can rip up the floors, knock down a wall or two, change the lighting fixtures or baseboards, put a deck in the back, add a window — make it what you want. This is typically less expensive than building a new house.

CAN YOU DO THE WORK YOURSELF?

Consider your knowledge and ability to do the needed contracting work. How much time the work will take and do you have that time? What tools will you need and will you buy or rent tools?

Do you know what you want the house to look like, and are you able to do the design work?

If you're going to do any of



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the work yourself, including building anything new, making structural changes or doing electrical or plumbing work, check the local zoning laws and get the necessary permits.

DO YOU HAVE ENOUGH MONEY FOR RENOVATIONS?

You might need to budget for some professional work, such as having an architect do the design work or paying

an electrician or plumber. You also should look at the type of renovations needed; rooting out black mold, redoing the foundation or replacing the roof are very expensive.

A conventional mortgage will not pay for remodeling work, but homebuyers can get a 203k loan, which is insured by the Federal Housing Administration, that allows for renovating.



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The Selling Process

Selling a house is about as big a task as buying one and in many ways can be even more stressful, particularly if you're facing a deadline, such as moving away from the city or making an offer on another home that is contingent on selling your home. Depending on the housing market in your area, the timing can be unpredictable.

But you can prepare yourself for the process and have a good team helping you through it.

According to Realtor.com, listing the house is the first step, although you'll have plenty to do before you make it official. Start with finding a real estate agent, who can handle negotiations, coordinate open houses and viewing appointments with potential buyers and guide you in

determining an appropriate asking price. At the same time, get your house ready for the market: clean up the front and back yards, make necessary repairs and make your home look generically attractive — perfect for someone else's family to make it their own.

The average home is listed for 65 days before an offer is made, according to Realtor.com, though that varies by

market, neighborhood and even time of year. In some housing markets, a three-bedroom house can have multiple offers in two to three days. In markets where people just aren't moving in, it may take much longer. Your agent can answer some of these questions.

If you receive multiple offers, talk with your agent about the best offer, which isn't always the highest num-

ber. Some offers are more complicated, such as a buyer whose previous home needs to sell before buying yours. Potential buyers may ask for the seller to pay closing costs or make changes to the house in their offer.

Once you've accepted an offer or had a counteroffer accepted, the escrow period begins. For the seller, the biggest task during this period is making the repairs agreed to

after the home inspection. Shortly before your closing day, the buyer will do a final walk-through. Sellers are expected to move out by the closing date; if you need more time, that should be part of the agreement.

Typically, the money the buyer pays for the house should be available immediately after closing; that payment is disbursed by the title company.

Preparing for the Market

While your home does not need to be in brand-new condition, there are many things you can do to help boost the value and make the property more enticing to potential homebuyers. You should make the necessary repairs, of course: fix broken baseboards and cupboards and get leaks taken care of.

But much of getting your house ready is helping buyers see their family living in the house, not yours, according to Realtor.com.

REPAINT WITH NEUTRAL COLORS

Your house may be filled with your personality — a bright red front door, stars or shapes painted in kids' rooms, and multi-colored walls. If you want your house to go more quickly and to go for more money, it's better to paint the walls with neutral colors like tan and off-white. You don't want buyers to walk away with memories of the paint instead of the house.

Even if you don't have crazy colors, consider the paint job. Is it old or faded? Does it make your house a little dingy? So much of buyers' first impressions come at first glance, and you don't want them to notice the work the house needs before they notice the good qualities of the house.

FIND AND FIX ISSUES

Hire a home inspector to look at the roof, foundation, structural integrity of the house, wiring, plumbing and other big-ticket items. Know how old the water heater and A/C unit are and check for mold and termites.

Also look for repairs that are



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quick and easy and can go a long way toward attracting buyers. Be on the lookout for rot around doors and windows, visible cracks in the walls, warping in hardwood floors, broken cabinet doors

or door handles, a sliding glass door that sticks, broken light fixtures and more.

UPGRADE

A newly renovated kitchen or bathroom, new windows or

fancy ceiling fans or light fixtures can make your house look sharper and help attract buyers who are willing to pay more. According to the National Association of Realtors, hardwood floors give

sellers a 100 percent return on their investment, and a new roof is more than pays for itself. Figure out how much you're willing to spend and what will have the greatest net value.