



Real Estate
YOUR LIFE | YOUR HOME

Ready to Buy a House?

Buying a house is a big investment – the biggest most of us will make in your lifetimes. When you start looking, it's easy to get overwhelmed with all the details that you may not know how to make sense of. The Consumer Financial Protection Bureau offers number of questions you can ask yourself as you start this process.

How much can you afford to pay monthly?

In addition to your mortgage payment, include property taxes and home insurance. You can get a rough estimate for insurance based on how much you're planning to spend on a house, and generally the annual taxes are available through the county or your real estate agent. If you're putting down less than 20 percent of the total sale, you may have to pay mortgage insurance; ask your lender how much it is. Planned developments often have homeowners associations that require fees, either monthly or semiannually.

How much money do you have?

For most loans, a 3 percent down payment is the minimum buyer must pay. Putting less than 20 percent down likely will require you to pay mortgage insurance. In addition, closing costs run about 3-5 percent of the total cost of a new home. Some of those fees, such as an escrow payment and inspection fees, will be paid throughout the process, but most will be paid at closing.

What's most important?

Maybe it's a wide-open layout, a big kitchen or backyard, a preferred neighborhood or



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school district or closer to your place of work. Narrow down what is most important to you and what you'd like to have in a house but are more willing to compromise on.

How much work can you put into a fixer-upper?

Don't be tempted by a house that's more affordable because it needs a lot of work. A fixer-upper may be right up your

alley, but include the costs of renovations and repairs when you're looking at total cost of the house. Be realistic about how much work the house will take before you can live in it or

in the early months. Figure out what you can do, what supplies will cost and how much a contractor will cost, if you don't want to do the work yourself.

The Home Buying Team

The home buying process can get tricky. Fortunately, whether you're both the buyer or the seller, you don't have to do it alone. Although entering the process without a real estate agent is an option, having that expert as a partner in your corner can be hugely beneficial, especially for first-time homebuyers.

The people with whom you work in looking for and purchasing a home can make all the difference in how smoothly the process runs.

The National Association of Realtors offers advice on how to find the right agent for you.

FIND A REAL ESTATE AGENT YOU TRUST

A good real estate agent can make a world of difference. Real estate agents can connect you with local lenders and other resources, they know what questions to ask of other real estate agents and homeowners, and they can point out issues you may not have noticed, like a street that's busy only at certain times of day or whether a house is in a flood zone. Find a real estate agent early in the process. This will also make sure you're looking at houses that are actually available.

Check online databases for agents or ask friends who have recently bought or sold a house who they used. You should interview potential real estate agents, look up their sales histories and be comfortable with them. Ask questions you think are stupid. You'll find yourself asking a lot of questions during the process anyway. Make sure they're willing to advocate for you.

Your real estate agent, who is paid by the seller, will also help



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you find a title company and an inspector. He or she will be frontline person who handles most of the work.

FIND A LENDER

Many real estate agents want

proof that a potential buyer can get a loan in the amount offered before they accept the offer, so having a lender early in the process ensures you don't get held up by paperwork. Look at what different lenders

have to offer. Ask potential lenders what special loan or down payment program they can administer.

When you find a lender, get the application process started. You'll need income tax returns,

W-2s, pay stubs, statements for your bank and retirement accounts and records of other assets. Your lender will tell you what other paperwork is needed. Make sure your credit is not frozen.



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Finding the Right Loan

The Consumer Finance Protection Bureau offers a breakdown of the different types of loans available and the pros and cons of each. Talk to your lender to see which loan is best for you.

CONVENTIONAL LOANS

Conventional loans are just what their name suggests – a typical loan made through a lender with no additional programs. These loans usually require a 20 percent down payment or for the borrower to pay mortgage insurance. The government sets maximum loan amounts for conventional, or conforming, loans.

FHA LOANS

Federal Housing Administration loans are from private lenders but are regulated and insured by the FHA. These loans allow down payments as

low as 3.5 percent and don't require borrowers to have as high a credit score as conventional loans. This loan is best for borrowers with lower credit scores or who have less than 10 percent of the loan to make as a down payment.

VA HOME LOANS

The Veterans Affairs Administration offers low-interest home loans to current and former military members and eligible surviving spouses. These are through private banks and mortgage companies, but the VA guarantees a portion of the loan, which

means better terms for the borrower. According to the VA, these do not require a down payment or charge mortgage insurance.

USDA LOAN PROGRAMS

The U.S. Department of Agriculture offers a loan program for low- to moderate-income potential homeowners who want to buy or build in a rural area. According to USDA, the Single Family Housing Direct Loan does not require a down payment and offers a lower mortgage insurance rate. Check with a local lender to determine what areas in your region

qualify as rural.

DOWN PAYMENT ASSISTANCE PROGRAMS

Look into what your local government or nonprofits are offering. Some cities and counties offer help to employees who are relocating or for public service employees like teachers or firefighters. These loans often have a higher interest rate than a conventional loan or may require you to repay a prorated portion of the assistance if you move before a certain time. Ask a local lender for what resources are available.

Making an Offer

Have you found a house that you think could be the house? After you've asked all the questions you need to make sure it's a good fit for you, it's time to make an offer. This is a document that your real estate agent puts together.

It includes the seller's disclosure, which may include information about problems, such as a pest infestation or proximity to freeway and the noises, and any homeowners association information, according to the National Association of Real Estate Agents.

When you and the seller reach an agreement, you will need to put down earnest money within 48 hours. Talk to your real estate agent about how much you'll need. This money will eventually go toward your down payment. If you back out of the sale for a reason not specified in the offer, the seller gets to keep this money.

GET AN INSPECTION

The home inspector looks for any reasonably discoverable issues the house may have, such as a leaky roof or plumbing, termites, broken appliances, cracks in the walls or a host of other issues. The buyer does not need to be there during the entire inspection, but will want to get questions answered and get a good idea of what repairs may be needed. The inspection must happen within an inspection period determined in the offer, and the buyer must list desired repairs to the seller within the same period. The seller must respond with-



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in a designated amount of time.

GET THE APPRAISAL

The appraisal, which your lender handles, determines the value of the house; a lender will not loan you more than the value of the property

you're buying. The appraiser does not work for the buyer or the seller; their fees are paid as part of the closing costs. Communicate with your lender regularly to make sure the appraisal is done in a timely fashion.

BUY HOME INSURANCE

Your lender will require you to have home insurance before the loan can go through. Make sure your policy covers everything that's required (only certain areas need flood insurance, for example) and that it's enough

to rebuild your house and replace what's in it should you experience a total loss. If you have an HOA, ask what they cover. Some HOAs cover the entirety of the structure and you only need to insure your belongings; others don't cover any part of the structure.

How To Sell Your House

In some ways, selling a house isn't much different from buying.

You still need an agent early in the process, there's a lot of paperwork and back-and-forth when negotiating price and making repairs and you'll spend a fair amount of time working with your bank. But the seller has other responsibilities as well, which the National Association of Real estate agents lays out in a guide.

DETERMINING THE VALUE OF YOUR HOME

Working with your real estate agent, look at the prices of similar homes in similar parts of the city. Consider repairs that will need to be done. What upgrades have you made – hardwood floors, landscaping in the backyard, a redone kitchen? Do your own research to compare to what your real estate agent brings you. Pricing your house appropriately is likely to help attract buyers.

MAKING A GOOD FIRST IMPRESSION

Potential buyers are going to see your home online first, so take good quality pictures of a clean, well-organized house. Get pictures of every room from different angles so buyers can get a good idea of the size and layout of each room. Play up your house's best features. Take this oppor-



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tunity to deep clean and declutter, which will make preparing the house for showings that much easier.

CONSIDERING OFFERS

Go over offers with your real estate agent. You can determine whether to accept or make a counteroffer, including a multiple counter if you get more than one offer. When

considering offers, don't just look at the asking price. Look at the given contingencies, or provisions that must be met for the sale to go through. An offer with fewer contingencies is more likely to go through in a timely fashion. The size of the down payment, when the buyer wants to move in and the closing date all could factor into your decision. Your

real estate agent can walk you through the pros and cons of each offer.

NEGOTIATING AND THE FINAL WALK-THROUGH

Your real estate agent will take the lead in negotiating counteroffers and post-inspection repairs. Purchase agreements require a home inspection, after which the

buyer can request that certain repairs be made at the seller's expense. Which repairs are made can be negotiated as well. In lieu of making repairs, the seller may offer to pay for some closing costs or make other concessions.

Immediately before closing, the buyer will do a final walk-through looking for any last-minute issues.

Homeowners Associations

An increasing number of planned communities have homeowners associations, which is a governing body for the neighborhood. Sometimes these are professionally managed, but the board is generally made up of members of the community.

HOAs can regulate things such as paint color, how front yards look, and noise while also offering services such as lawn care, snow removal, park cleanup or meeting facilities. Some HOAs charge little and do little; others may charge hundreds of dollars a month and take care of the structure of your house. An article on Lawyers.com answered a number of questions to help buyers determine if such a community is right for them.

KNOW THE RULES AND PENALTIES

The covenants, conditions and restrictions can cover how the exterior of your home looks, what you can plant, where you can park, pet restrictions, putting up satellite dishes who can live in a home, whether you can do Airbnb or run a home business and more. The HOA will send you a list of the rules. Also ensure you know the consequences of not getting behind on payments or not adhering to the rules.

Depending the violation, a homeowner may just need to fix it – painting the house an approved color, for example – or the homeowner may have to pay a fine. Depending on the state, HOAs may be able to foreclose on the home.

ADVANTAGES OF AN HOA

The biggest benefit of a properly run HOA is in protecting the value of your home. Roads and common areas are maintained, the exterior of the houses surrounding yours are more likely to look nice and you won't have cars parked in people's yard. HOAs can also



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enforce noise ordinances and other rules that contribute to quality of life but that police are unlikely or unable to enforce. You may also get access to amenities like a pool, gym or golf course.

DISADVANTAGES

The big disadvantages of an HOA are cost and control. Dues that you pay each month do not go toward your mortgage. If your HOA doesn't have enough money in reserves to

cover needed repairs, you could be required to pay a special assessment. And, when it comes to the public-facing part of your home, you're not able to do whatever you want. It must be in line with regulations.

Other Things to Know

There are dozens of small questions throughout the home buying and selling process and even when you're already settled into your home. The Consumer Financial Protection Bureau remains a good resource, and you can still reach out to your lender and real estate agent with questions.

Do I need a home warranty?

Home warranties cover any number of issues within the house, including plumbing, fixtures like the air conditioner or heater, and more. You can buy these for a year or two years or even longer. You typically would pay a set fee for each repair that needs to be made. According to Consumer Reports, this can be a good deal, but before you purchase one, consider what the warranty will and won't cover and the likelihood of needing it. If you're building a new home, the items inside are likely still covered by the manufacturer's and builder's warranties.

You can also include a home warranty in your offer.

What is the difference between interest rate and APR?

Your lender will quote you two numbers when you secure your loan. According to the Consumer Financial Protection Bureau, the interest rate is the cost you pay annually to borrow the money. The annual percentage rate, or APR, accounts for points, mortgage broker fees and other fees you are charged for the loan. Points let the borrower make a tradeoff between upfront costs and monthly payments. You may pay more

upfront but receive a lower interest rate.

When should I consider refinancing?

Refinancing allows you to get a lower interest rate on

your loan so you can pay less in interest and pay it off more quickly. According to Bankrate, it can be beneficial if interest rates have dropped since you took out your loan or if you want to replace an adjust-

able-rate mortgage with a fixed rate loan or to eliminate the need for mortgage insurance. However, there are closing costs with a refinance, so to determine if it makes sense for you, determine the break-

even point: total closing costs divided by monthly savings. If it will take you longer to break even than you plan to stay in the house, it may not be a good move. Talk to your lender if you're interested.

