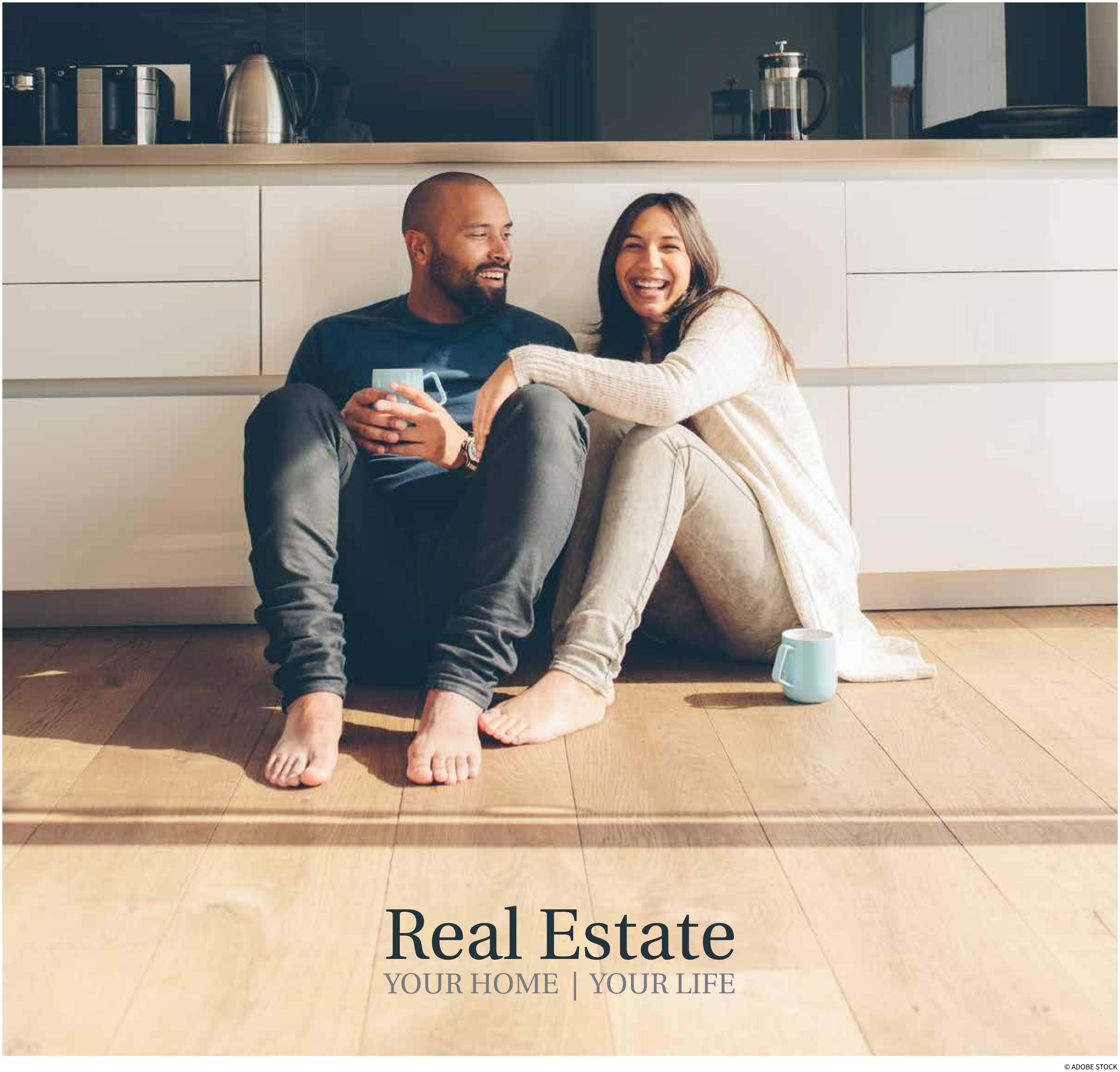

Real Estate

YOUR HOME | YOUR LIFE

Buying: What You Need

Buying a house is a long, complicated process with lots of paperwork and steps. Whether you're buying for the first time or you've done it half a dozen times, the process can get overwhelming. But there are plenty of available resources to enjoy you check all the boxes, ask the right questions and end up with a home you love and can afford.

© ADOBE STOCK

U.S. News and World Report released a Guide to Buying a Home, which walks homebuyers through what they need to know when beginning. Start with people. You'll need:

A real estate agent: Especially for first-time homebuyers, a real estate agent is critical to making homebuying more pleasant and less stressful. Your agent has a wealth of knowledge about questions you should ask, the timeline, what to look for as you're looking for houses and more. He or she also will be your negotiator with the seller and handle all the paperwork. You are hiring this person, so look for recommendations from people you trust and don't be afraid to interview a few agents to find someone with whom you trust.

A lender: You can start with your own bank or talk to your real estate agent about good lenders in your area. Find a lender early, even before finding a house; many sellers won't entertain an offer if it doesn't include pre-approval from the buyer's lender. To get that, you'll need several documents and a credit check, all of which can take time.

In the way of paperwork, you'll need bank statements for all of your accounts, including retirement accounts, for all the people whose names will be on the loan. You'll also need income tax returns and pay stubs, as well as documentation for any other income or debt you have. Lenders want to make sure you have the means to make your payments.

Finally, you need to know what you want. Start with your budget; figure out how much you can afford to pay each month, including insurance, property taxes and mortgage insurance and determine how much you can pay up front for a down payment. From there, consider your needs and wants in a house: number of bedrooms and bathrooms, whether you want a garage or a big yard or kitchen, what neighborhood or school district you'd like to live in, the commute to work, and so on.

© ADOBE STOCK

Once you Find a House

You've found a house you want to make your home. Whether it's been weeks or months of looking, this is an exciting step. Before you fall in love with it, make sure you've kicked the tires, so to speak.

Turn on water faucets, flush toilets, check fireplaces and stoves, look closely at walls, ceilings and floors for any signs of structural damage.

According to the Guide to Buying a Home, your real estate agent is a great resource; he or she has walked through hundreds of houses and knows what warning signs to look for.

Ask questions of your agent, neighbors if possible, a homeowners association and anyone else who can give you an idea of what the neighborhood is like.

When you're ready to make an offer, talk with your agent about price. Don't be afraid to negotiate, but know how much you're willing to pay and be careful not to overextend yourself. Get a pre-approval from your lender. The offer document is dozens of pages long (all filled out by your agent, but read each page carefully) and includes information about the home itself, including potential drawbacks like living near an airport or previous issues with the structure.

When your offer is accepted, you'll put a small amount of money down with the title company. This starts the escrow period, a set amount of time during which certain steps must be completed. Your agent can help you find an assessor, who examines the house to make sure it's in good condition and what repairs are needed. You can ask the seller to make those repairs or negotiate a lower price or other trade-off.

States allow only a certain number of days for the assessor to come in and for the buyer and seller to negotiate repairs, so start the process quickly.

Your lender will send an appraiser, who looks at the home itself and also at similar nearby homes that have sold recently to determine the home's value. You likely will not be able to get a loan for more than the appraised value of the home; if it comes back less than the asking price, the buyer and seller may have to renegotiate the price or the buyer puts more money down. You can also appeal an appraisal if you believe it to be incorrect.

Selling Your House

© ADOBE STOCK

Being on the other end of the real estate process isn't too dissimilar from buying: you still have an agent, there's still a lot of paperwork, though you get to do a lot more cleaning.

The National Association of Realtors has a guide that explains the responsibilities of the seller and what to expect when you're moving out.

GET YOUR HOME READY

You don't need to fix everything, but the better condition your home is in — and the better it looks — the higher a price you can expect. Small repairs like wood rot around door frames, water stains near doors or windows, leaks, slow-draining bathtubs, discolored hardwood, broken handles and so on can be fairly easy and inexpensive, and while potential buyers may not notice a repaired doorknob, they will certainly notice a broken one.

Hire a home inspector to look at the big items — water heater, roof, foundation, plumbing and wiring. Again, you don't have to fix everything that needs it, but if the house needs a major foundation or roof repair or will need a new water heater in a year or so, potential buyers will take those costs into account and offer less money for the house.

Outside of repairs, consider ways to make your home look nicer. If your paint is drab, freshen the house with a new coat of paint. You should also paint any unusual colored walls to a neutral color. Not everyone will appreciate hot pink.

New carpet looks good; hardwood is even better. The National Association of Realtors found sellers got a 100 percent return on their investment by adding hardwood floors. New insulation and a new roof typically paid for themselves as well.

KNOW HOW MUCH YOUR HOME IS WORTH

Hire an appraiser to determine the value of the house. In addition to comparing your home to similar homes, make sure he or she knows all the assets your home has. From there, talk to your agent about a good asking price.

Expect potential buyers to negotiate, so have an idea of how low you're willing to go on price.

MAKE AGREED-UPON REPAIRS

After you've accepted an offer, your primary responsibility is to make the repairs you've agreed on and be moved out by the agree-upon date. If you need longer than the escrow period to move, that should be part of the negotiations.

Do You Need an Agent?

If you've bought or sold a house before, it may be tempting to decide to go through the process without the help of a real estate agent and their fee. Know what you're getting into before taking on this responsibility.

© ADOBE STOCK

For both buyers and sellers, an agent is an important ally who can handle the paperwork and negotiating, which can get tricky, and make the process much less stressful for you. Here's what to know when you're considering an agent.

SELLERS

Time Magazine reported that 90 percent of home sellers use a real estate agent. The agent understands the market and the appraisal process and can provide expert advice on how to move a home more quickly, how to market it effectively and more. Knowing market trends, they often are better able to negotiate the details of the contract. Your agent handles all of the walk-throughs and open houses as well, making them particularly helpful for sellers with inflexible work schedules.

If you're not sure about your agent or having an agent at all, consider signing a short-term contract, so you can re-evaluate how well the relationship is working.

BUYERS

An agent can help you find a lender, a title company and an assessor and answer questions about the types of loans available, different down payment assistance programs in your area, how much house you can afford based on your budget and the benefits and drawbacks of different neighborhoods, although many aren't allowed to directly tell you yes or no about a neighborhood.

Agents also know what to look for when you're walking through the house.

You may not notice a slight hump in the floor, but an experienced agent will and knows to ask the owner what caused it. They know possible issues to look for and questions to ask depending on the neighborhood (traffic patterns, persistent noises, if a family of raccoons lives nearby, what electricity usage is like).

Your agent works for you, so do your homework and find one you're comfortable with. You can ask for recommendations and check online reviews. The buyer's agent is paid through the sale of the home, not out of your pocket.

Types of Mortgages

Buying a home is a big investment. For most of us, it's the biggest loan we'll have in our lives. The Consumer Financial Protection Bureau discusses the different types of loans, many of which are available through private lenders and partially guaranteed by different federal programs, thus offering benefits for people who qualify.

Talk with your real estate agent or lender to see which programs you may qualify for.

CONVENTIONAL LOANS

Most homebuyers get this type of loan, which is available through standard lenders. Typically, you put down 20 percent of the price of the home with this type of loan; buyers who put down a smaller amount (3-5 percent is common) often pay mortgage insurance. The government sets a maximum loan amount for these types of loans, which are also known as conforming loans.

VA HOME LOANS

The Veterans Affairs Administration has a program to help military veterans, soldiers and their families buy houses. You get these loans through a private lender, and the VA guarantees some percentage of it, which gives you, the borrower, better terms for the loan, often including a smaller down payment or no down payment at all and no mortgage insurance.

FHA LOANS

The Federal Housing Administration's program regulates and insures loans from private lenders, which let potential buyers pay a 3.5 percent down payment and do not require as high a credit score as conventional loans. These typically come with a higher interest rate than a conventional loan but is more accessible to a buyer whose credit or cash flow is limited.

USDA LOANS

The Department of Agriculture offers loans to buyers who want to build or buy in rural areas. These are for low- to moderate-income purchasers; they do not require a down payment, and you pay a lower mortgage insurance rate.

Your lender can tell you the income requirements and what areas in your city qualify as rural.

DOWN PAYMENT ASSISTANCE

Some local governments and area nonprofits offer down payment assistance programs, usually for first-time or low-income homebuyers. Cities may do it to help employees overcome a high cost of living and get them connected to the town. Some of these are grants; often they're second loans that are forgiven over time or that you repay when you sell your house.

© ADOBE STOCK

Home Buying FAQs

Home buying is confusing, with jargon, unexpected expenses and lots of decisions to make, sometimes with what feels like little information. The Consumer Financial Protection Bureau offers answers to all sorts of process questions about real estate, including questions you didn't know you had until you started talking with the experts.

WHAT IS MORTGAGE INSURANCE?

Mortgage insurance decreases the lender's risk when making a loan with less than a 20 percent down payment. Private lenders usually get private mortgage insurance; rates vary according to down payment and credit score but is a percentage of your loan and paid monthly. Mortgage insurance also is required on FHA and USDA loans. Remember, this protects the lender, not the buyer.

WHAT DOES A TITLE COMPANY DO?

According to Title Forward, the title company is the intermediary between buyer and seller, gathering and recording all the legal documents, ensuring the property title is free of liens or easements, holding your escrow money, filing the deed with the county and getting all the paperwork signed from both buyer and seller.

WHAT GOES INTO CLOSING COSTS?

Those fees, which run about 3 to 5 percent of the total cost of the house, include fees for your assessor and your lender's appraiser; the title service fees, which pay for the title search, the premium for your lender's title insurance policy, wire transfers and other costs of the title company; fees you pay to your lending institution for the processing of the loan; prepayment of some insurance, property tax and mortgage insurance; homeowners association fees; credit report fees; and some other processing fees. Usually the buyer pays these fees at the time of closing; you can negotiate for the seller to pay, but expect the cost of the home to increase.

WHAT IS THE DIFFERENCE BETWEEN INTEREST RATE AND APR?

Your lender will provide you two numbers when you secure your loan: interest rate and annual percentage rate, or APR. The Consumer Financial Protection Bureau says the interest rate is the cost you pay annually to borrow the money. The 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.

Buying a Fixer-Upper

If you like HGTV, the idea of buying an old home and turning it into your dream home can seem fun, romantic and the perfect way to get what you're looking for, maybe even breaking into the neighborhood or suburb you never thought you could afford.

© ADOBE STOCK

While it's not a bad idea, you should go into such a venture with a clear idea of what a house needs, how much repairs will cost, whether you have the time, skills and tools needed to make those repairs and if this is the kind of investment you want to make. This Old House walked through things people should know.

TAKE A HARD LOOK AT THE NUMBERS

Assess what needs to be done, then add up the costs to renovate the property, including the costs of materials and labor. Subtract the costs of renovation from the home's likely value when you're done, then take off another 10 percent or so to cover unexpected expenses. That number you're left with is what you should be willing to pay.

AVOID SIGNIFICANT STRUCTURAL IMPROVEMENTS

Major repairs like plumbing and electrical system overhauls, fixing the foundation or extensive roof or wall work are expensive yet rarely raise the value of the house enough to offset renovation costs because they're invisible repairs. Look for houses in need of aesthetic improvements — a paint job, new flooring, yardwork, windows, new countertops and so on. These are easier to do, they're less expensive, and they're noticeable.

BE PREPARED TO GET DIRTY

This doesn't include plumbing, wiring or work that requires expertise if you don't have it, but for most people, a fixer-upper is only a good deal if they do much of their own labor. Be realistic about how much time you can devote to home improvement and what you're able to do. If you're prepared to slowly renovate over several years, that may be a better investment than a house that needs immediate improvement to even be livable.

KNOW WHERE YOUR MONEY IS COMING FROM

You may be eligible for a renovation loan tied to your mortgage. These loans borrow against the house's value after the work is completed, and interest is tax-deductible. The FHA, Fannie Mae and Freddie Mac offer renovation loans as well. Another option for DIYers is a home equity line of credit.