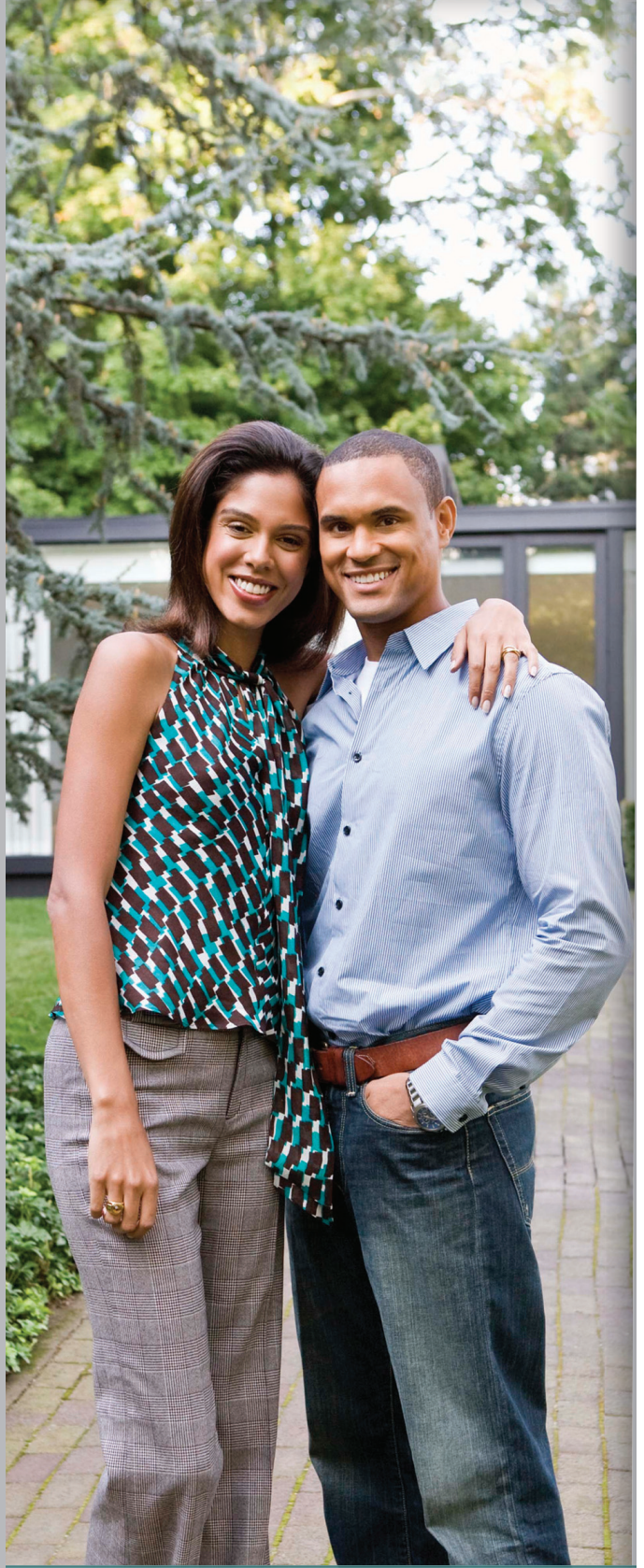

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10 Steps to Buying a Home

These days, buying a home may not be as easy as 1, 2, 3—but it just might be as easy as 1–10. And while a variety of factors can affect the ease and timing of your transaction – distressed properties or special mortgage programs, for instance – a few basic steps are universal for most homebuyers during the initial stages of a purchase.

1. Determine your readiness: If you're reading this, it's likely that you've already tackled the first step of deciding whether purchasing is a good option for your finances and your family. Obviously, your current financial situation will be a major factor in this decision. Understanding the costs of home buying and homeownership are vital steps in determining whether you're ready to "take the plunge." Factors that determine your financial readiness include your current income, savings, fixed expenses, and debts.

2. Become optimal mortgage candidates: With lender requirements stricter than ever, you'll need to make sure your credit and finances are in excellent condition. Try to pay off or pay down outstanding balances on credit cards, car loans, etc. This will help improve your income-to-debt ratio, which will in turn improve your credit score. A credit score higher than 700 will help you get the best rates.

3. Get a pre-approval letter: Getting pre-approved for a mortgage means that a loan officer has reviewed your finances and credit report and believes you qualify for a specific loan amount for one or more mortgage programs. The lender will then offer you a pre-approval letter, which will be a testament to your buying power when you are ready to make an offer on a home.

4. Determine your budget: Your pre-approval letter will tell you how much the bank is willing to lend you based on your credit, income, and other factors, but how much you can really afford is a personal decision. The bank will take your fixed expenses into consideration when determining your pre-approval amount, but you will need to determine what you're comfortable spending each month.

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10 Steps to Buying a Home (cont'd)

5. Find a real estate agent: With access to multiple listing services and insight into the market, a real estate agent can help you find the home you're looking for as well as facilitate the negotiating and closing process. While you don't have to use an agent to purchase a home, it can make the entire process much easier for first-time homebuyers.

6. Select a property: Narrow available properties by determining what you really want in a home. Your agent will can help arrange home viewings for properties that suit your preferences. Once you've selected the right home for you and your family, it's time to make an offer and close the transaction.

7. Make an offer: Placing an offer can be a delicate process. The current market condition, time of year, work needed on the home, and the length of time the home has been on the market can all affect your offer – not to mention your own budget. The price is not the only factor within an offer, either; you can also negotiate closing costs, necessary repairs, etc.

8. Inspect the home: Once your offer is accepted, it's customary to schedule a buyer's home inspection. This is when you have the opportunity to get a professional opinion on the condition of the home and determine any red flags (like damage, pests, structural issues, etc.).

9. Sign a purchase agreement: The sales contract, or purchase agreement, will outline the specific directions of the transaction. This contract will outline the details of the sale, negotiated repairs to be made prior to close, fixtures sold with the house, certain disclosures on the property, etc. This, along with a payment of earnest money, will be held by your attorney or escrow officer, depending on your geographic customs.

10. Close the transaction: The process of closing on a new home can require several weeks (or longer) and many steps. During the escrow period, you will work with your lender to secure your mortgage. This process will involve gathering a wealth of financial paperwork as well as arranging a lender's appraisal of the property. During the closing, your lender may require you to purchase a policy of homeowners insurance, and you will have the option to purchase an owner's policy of title insurance. When the requirements of your purchase agreement have been fulfilled and your mortgage has been approved, you will be given a final walk-through of the property to determine that all repairs were made as negotiated. On the closing date, you will sign your mortgage documents and receive the keys to your new home.

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