

Buyers Page

The home buying process can be quite long and complex, but it can also be a great adventure. I hope to educate you as much as possible about the entire process.

Getting Started

Buying a home is the largest purchase most people will ever make. Home ownership has great benefits. Home ownership also comes with certain responsibilities.

If you're thinking about buying a home, you should also be thinking about your credit. The first step in the home buying process is understanding your credit.

When you apply for a mortgage, lenders will review your credit report. Your credit report is a history of how you've managed your finances: it's a record of money you've borrowed and your history of paying it back.

Your credit report is a record of all your credit transactions whenever and wherever you've used credit to purchase goods and services. Your credit will have a big influence on whether or not you can get a mortgage, the terms of that loan, and the interest rate. If you have good credit, you may have a much wider range of mortgage offers with lower rates.

Organizing your Finances

Get a free credit report. By federal law, you can now get a free credit report once a year from each of the three nationwide consumer credit reporting companies. Go to www.annualcreditreport.com for this. If you need to make corrections to your credit report, write each of the three companies below using the format provided:

Experian
P.O. Box 2002
Allen, TX 75013

Trans Union
P.O. Box 1000
Chester, PA 19022

1-800-916-8800

Equifax
P.O. Box 740241
Atlanta, GA 30374-0241

Sample letter:
Complaint Department
Name of Credit Reporting Agency
Address
City, State, Zip Code

Dear Sir or Madam:

I am writing to dispute the following information in my file. The items I dispute are also encircled on the attached copy of the report I received.

(Identify item(s) disputed by name of source, such as creditors or tax court, and identify type of item, such as credit account, judgment, etc.)

This item is (not accurate or not complete) because (describe what is not accurate or not complete and why). I am requesting that the item (state a specific change) to make the information accurate.

Enclosed are copies of (talk about any documentation you are enclosing like payment records, court documents) supporting my position. Please look into this (these) matter(s) and make the necessary corrections the as soon as possible.

Sincerely,

Next, create a household budget if you do not already have one. Know what your income and expenses are so that you can determine how much you want to pay each month as a mortgage payment.

Start gathering information for lenders. It is good to have copies of the last three tax returns, bank statements for the last three months, current pay stubs, records of any past derogatory credit history that has been paid off and records of any supplemental income you have had. If you are self-employed, you may need business records and income tax records for the past three years. If you are divorced or

have declared bankruptcy, make a complete copy of the settlements.

Most home buyers will need a loan in order to purchase a home. It is very smart to meet with one or more lenders before beginning your home search. This will help you know how much you can afford. Don't forget about your budget. It isn't always smart to plan on how much you can afford compared to how much you want to pay. These can be two very different numbers.

For a quick calculation of what you may be able to afford, multiply your annual gross income (before taxes) by 2.5. For example, if your annual household income is \$80,000, you might be able to qualify for a \$200,000 home. This is just a rough estimate - the actual number will vary based on factors like your debt and credit history.

Mortgage lenders typically use the housing expense and debt-to-income ratios to more accurately determine how much you can afford to spend on your mortgage.

Lenders recommend that your monthly mortgage payment should be less than or equal to about a quarter of your monthly gross income. This percentage can change based on the type of mortgage you choose and sometimes the area in which you're looking to buy.

You need to factor your other debts into determining an affordable monthly mortgage payment. Mortgage lenders look at whether your total debt is larger than 30-40% of your monthly gross income. Remember, debt is not just credit cards and student loans. It can also include alimony, child support, car loans, and housing expenses.

There are several benefits of being pre-qualified. One is the peace of mind you'll have when looking for a home. The last thing you want is to lose a home you really like because you haven't gotten your finances in order. There is also a benefit in sending a letter of pre-qualification with an offer. This lets a seller know that you are serious and that you can afford the home. When you actually get to this step, have the pre-qualification letter state the amount you are qualified for as the amount of the offer, not a higher amount as this could give away your negotiating position.

Do You Qualify For a Special Lending Program?

Many lenders offer special programs for people in certain professions. There are specific programs for teachers, police officers and fire fighters and other professions. Ask your lender if you may qualify

depending on your own profession or your spouse's. Many areas in Texas, including Bastrop County also qualify for special financing programs such as the USDA Rural Housing loan programs.

Beginning your home search –

The price of the home you buy is a huge factor in purchasing your home. Other decisions to be made are the size and type of home you want. Below I compiled a list of decisions that you will have to make while picking out your new home. I suggest you prioritize the list with which factors are most important to you at the top.

1 story or 2

What kind of yard

House, condominium, patio home or townhome

Age of the house – new?

Bedrooms

Bathrooms

Garage spaces

Study or office

Already landscaped

Fenced yard for kids or pets

Square feet

Additional Features:

Fireplace

Pool

Wet bar

Hot tub

Brick or stone exterior

Tile roof or composition shingle

Wood floors

Granite counters

View

Distance to:

Schools

Shopping

Restaurants

Highway access

Place of work

Churches
Parks
Golf
Lake

Once you put together a list of needs and wants, you can provide me with that information. I can then perform a detailed search for homes that might work for you. You don't have to make decisions on all the categories I listed, start with 5 broad categories, then we can narrow down the search with the remaining categories that I referenced.

Schools

If you have kids, this will be important. If you do not have kids, this may be an important factor for resale value. There are several good resources to help locate good schools. Look at school district boundaries to determine which schools serve which neighborhoods. You can also look at specific school performance reports.

Your Custom Home Search

Once you have figured what you want in a home, what you can afford or want to spend and where you want to be, I will set up a custom search for you. Within the local MLS, I can set up a custom search using your specific search criteria. Every time a new listing that matches your criteria comes on the market or has a status change, you will be notified via email to go to your personalized web page. Using this web page, you can view and manage the listings being sent to you. Want a sample? Just email me with some search criteria and I'll set you up.

Making An Offer on a Home

The first reasonable offer made on a home will most likely get a good response, being either countered or accepted. Make your offer one that will be seriously looked at. I will do a search for properties that have sold within the last six months that are good comparisons to the home you are making the offer on. This will give you a good idea of the market value of the home.

You will need to write an earnest money check for around 1% of the offer price. If the offer is accepted, this money will be put into an escrow account with a title company. This money will be applied to

your closing cost.

You should also write a check to the seller for an option period. More on this later.

The sellers will either make a counter offer, reject or accept you offer. You may go back and forth a time or two before having your offer accepted or rejected. If it is rejected, we will request a refund of your earnest money from the title company. If it accepted, it is time for the next steps.

Residential Service Contract

Most sellers will provide a residential service contract (RSC) as part of their closing costs. These are often called home warranties, but they are actually service contracts. The RSC will generally cover central heat and air, electrical, garage door openers, plumbing, garbage disposal, and more. Companies who provide the service contracts are regulated by the state and are fairly consistent in terms of what is covered. Additional coverage can be provided at an extra cost. If you would like more information on RCS contact me and I will provide it to you.

The Option Period & Inspections

If you are buying a resale home, you should ask for an option period of about 10 days. Your option check should reserve this right. During the option period you should schedule inspections. Make sure you use a state licensed home inspector. I will happily provide you with a list of inspectors to contact. The inspection will look for flaws in the home, anything that needs to be repaired and things not to code. Keep in mind that inspectors are generally extremely thorough. The report will most likely be quite long, but this isn't necessarily anything to worry about.

In Texas you should also have a pest inspection done. Termites are the main concern. If there is a termite infestation, and these are not uncommon, make sure there is nothing major wrong with the structure. If there is, you may want to back out of the contract. If the infestation is minor, we may ask the seller to pay for treatment.

If the home has is not on a public water or sewer system, you should have the septic system and well inspected. You will pay for these, but

these are for your own protection.

You will not be the only ones looking at your inspections. Your lender will want to see them as well. Any repairs required by your lender will need to be taken care of. In many cases, you can ask the sellers to pay for these.

As I said, the list of repairs will probably be fairly long. Don't expect the seller to pay for everything. Ask for the major things, like septic system, air conditioning, windows, etc. If you love the home, don't let a bunch of small repair items kill the deal. If the seller agrees to make repairs, make sure they use licensed contractors and get receipts before closing to prove that the repairs have been made.

OK, so you're near the end of the option period. Having cold feet? Find another home you love even more? The option check you wrote buys you the right to terminate your contract for any reason whatsoever as long as you are within the option period.

This is also a good time to gather information about area utility providers. Much of the area will have water, sewer, gas and cable. However, some of the area will have other options such as well water, septic systems, propane tanks and satellite cable.

Contract to Close

After your option period has expired, you are on your way to home ownership. Check with your lender periodically to make sure that she has everything she needs and that everything on her end is being taken care of. You will also need to secure homeowner's insurance. You won't close without it.

I will provide you with a list of utility providers. I will also coordinate with the selling agent to have the sellers turn off the utilities so that you can arrange to have them put into your name and turned on.

During this time, the title company will do behind the scenes work to ensure that you can close on time. The contract to close process is somewhat involved and you will probably not even be aware of what the title company is doing for you. They will do a complete title search, arrange for title insurance and coordinate with your lender to ensure a smooth closing.

During this period you will receive a title commitment in the mail or via email. This is an important document that can be a bit difficult to

understand. If you have questions on your title commitment, contact me and I will help you to better understand it.s

Closing on Your Home Purchase

Closing is an exciting day. If you are in town, you will meet with title company closer to review and sign documents. There are a variety of items you will need to provide the title company at or before closing:

Homeowners insurance - make sure the title company has your insurance agent's name and contact information prior to closing.

Proof of repairs - make sure the lender and title company have proof of any lender required repairs prior to closing.

Certified funds - the Texas Department of Insurance requires certified funds at closing. This can be in the form of a cashier's check, certified funds or wired funds. Make the check payable to the title company. Your closing officer should contact you prior to closing with the amount of money needed at closing.

Wired funds - if you want to wire funds, please make arrangements prior to closing with your closing officer.

Identification - don't forget to bring a valid photo ID like a driver's license or passport.

If you will not be present at closing, make sure to coordinate everything needed for closing with your closing officer. Closings via overnight mail are not uncommon. They just need to be carefully planned.

When you are done with all the signing, you will be provided with copies of everything for your records. Keep these in a safe place. Before you leave, don't forget your house keys!

One more thing...Don't forget to file for your Homestead Exemption after living in your home January 1. This can reduce your property tax bill and save you money. Need help with this? Contact me right away.

Questions about Central Texas Real Estate, contact me 512-304-8760 or caitlyn@stanberry.com.

Unrepresented Buyers Should Read This

Do you have representation? Do you need representation? In the state of Texas, if a home buyer is talking with a real estate agent and the buyer has not signed a Buyer's Representation Agreement with the agent, that agent actually is a subagent of the seller. In other words, the agent isn't working for the buyer. Some buyers think they can do all their own research. Some think they can save money by not working with an agent. Many times this simply isn't true.

The truth is that a Buyer's Agent can be a buyer's best friend when purchasing a home. A Buyer's Agent can be of tremendous help in the complicated process of buying a home.