

Surprising Insider Secrets for the 5 Stages of Buying Your First Home

By Tara-Nicholle Nelson (<http://www.trulia.com/profile/taranelson/>) |

Broker in San Francisco, CA

Tara's Blog: http://www.trulia.com/voices/blogs/San_Francisco_CA--33063?user_type_filter=all

Buying a home is not a discrete event; it's a process - a sequence of events that happens over time, sometimes over as long as several months or even years! While general guides to buying a home are a dime a dozen, I'm excited to share with you some insider secrets you may not have heard elsewhere - one for each stage involved in buying a home. Here's to helping you make the best decisions at every phase of your home buying process!

Stage One: Deciding Whether . . . It's the Right Time to Buy.

Insider Secret: The market is the least important factor you should consider when deciding whether and when to buy a home.

Why: Everyone knows affordability is at an all-time high. Home prices are low, and so are interest rates. But trying to time the market is a fool's errand; many who get caught up in that game of trying to make sure they buy at the absolute bottom will end up losing out on very, favorable conditions.

Beyond that, the most important considerations when deciding whether and when you should buy a home are personal, not market driven.

On today's market, **it only makes sense to buy a place if it's going to be sustainable** and **works for you for at least the next 4-5 years** [if your town's real estate market has been fairly recession-proof] or 7-10 years [if the housing/foreclosure crisis has hit your area pretty hard].

Against this "smart holding period" backdrop, smart buyers decide to buy when it makes sense for:

- Their life plans (i.e., they are comfortable making the commitment to live in the same town, and the commitment to)
- Their family plans (i.e., whether they plan to get married, have children or empty their nest in the time they plan to own the home - and the implications of these plans on their space needs and location priorities)
- Their career plans (including, but not limited to: whether they have job or income security, whether they feel they will be working in the same area for the foreseeable future, and whether they want to work less or start their own business in the months or years to come)
- Their financial plans (including foreseeable changes in income and expenses, e.g., kids going to college or making partner at the firm).

Stage Two: Getting Pre-Approved.

Insider Secret: Working with a mortgage broker referred by your real estate broker or agent may save you money.

Why: Bolstered by the real-life stories of a couple of bad apples, TV pundits and some consumer advocates have spun the tale of a real estate industry cartel, whereby sinister agents hook unsuspecting buyers up with shady mortgage brokers, who place them in bad/poor loans and kick back some bucks to the agent. I'm here to tell you, in my experience, the opposite is true the vast majority of the time.

When you work with a mortgage broker, who has a strong track record helping real estate agent's clients out . . . You the **Buyer Client** ends up in a best of all worlds situation, nine times out of ten. First off, your agent will take you more seriously once a mortgage broker they know and trust has run your credit, checked your income and approved you for a loan, as well as communicated with your real estate pro about your qualifications and what you can afford. **Secondly**, your agent can help you communicate with your mortgage broker, sometimes helping get past appraisal glitches or facilitating other workarounds, as they come up. **Third**, you get the assurance of working with a mortgage pro that has been vetted and vouched for by someone you not only trust, but someone who can verify that the mortgage broker has the ability to get transactions closed in the timely manner required of today's real estate sales contract. Otherwise, you may end up working with a competent mortgage broker who has a great track record when it comes to refinancing, but can't keep up with the pace and common obstacles to getting a home financed in the context of a sale.

On top of that, sometimes the relationship can help you negotiate out of a couple of line item loan fees (if your particular mortgage rep has the power to get them down at all), if push comes to shove and cash is tight to close the deal. Assuming you are working with a real estate pro you really trust, working with a mortgage broker they trust can save you, rather than cost you, money.

Stage Three: House Hunting

Insider Secret: "Distressed" doesn't always equal "discounted" - in some cases, a "regular" sale can be a deeper deal.

Why: Short sales and foreclosures have grown to comprise roughly 30 percent of the homes sold on today's market, even higher in some areas. The average sale price of foreclosed homes was 32% lower than the average sale price of non-foreclosed homes, at last count. However, it's not always the case that foreclosed homes or short sales - homes which are being sold for less than what the seller owes on their mortgage(s) - offer the buyer a fabulous discount.

Mortgage servicers and asset managers who make decisions about distressed properties are on the hook to their investors to recoup as close as possible to the current fair market value of every home they sell. Some banks even have a general rule of rejecting offers more than 10 percent or so below the home's list price, preferring instead to reduce the price by that amount and put the home back on the open market to see if any new buyers are activated by the price reduction to make an offer better than the lowball offer that was initially put on the table. **On short sales**, the bank is trying to get as close as possible to recovering what the seller owes - and may or may not be concerned with what the fair market value of the home is. (Nine times out of ten, there will be a big gap between fair market value and the seller's outstanding mortgage balance. If there wasn't, the seller wouldn't need to do a short sale!)

With so many distressed properties and homes with depressed values on the market, in many areas, the individual, non-distressed home sellers who are putting their homes up for sale right now are those who are **very** motivated to sell. Further, they are more likely to be flexible with you on everything that is negotiable, from contingency and escrow periods, to price, to repairs and included items.

Also, individual sellers can be emotionally motivated to sell to move on with their lives, get into their bigger (or smaller) house, or move on to their next job; banks, on the other hand, aren't people (!), so lack that emotional sense of urgency to get the properties sold, no matter how urgently you may think they should be trying to get rid of the foreclosed properties they own. (If you've heard the old advice that banks don't want to be in the home-owning business, I can tell you this. That is true, in a very general sense, but now they are and will be - for a long time to come. They have no emotions, have no urgent need to sell or move, and are not willing to give houses away at pennies on the dollar to get out of it, no matter what those infomercial folks say.)

Long story short: you can sometimes negotiate a better deal with an individual seller on a "regular" sale than with a bank on a distressed home sale. So, don't limit your house hunt to foreclosures and short sales, if you're looking for a good deal on your home.

Stage Four: Negotiations

Insider Secret: Your family and friends can cause you to lose your dream home.

Why: *With so much information on the web and the news every day about the recession and the buyer's market, everyone seems to be an armchair economist/real estate savant.* But much of that news is national and based on medians, averages and trends. *That is,* it might not necessarily apply to every home on the market in every city, *and* more importantly, it might have nothing to do with "your" particular home.

When I ([Tara-Nicholle Nelson](#)) was a little girl, my best friend's grandfather would very carefully hand each of us a quarter, always doling it out with the sage admonition: "Don't spend it all in one place." We'd always smile, look at each other, and then go ask our Moms for ten bucks apiece. In the same vein, people who are not currently in the market for a home have any idea what an individual home should "go for." If you tell your parents, church pals, or colleagues at work the blow-by-blow details of your offer, counteroffers, etc., you should expect to hear things like, "Oh, you're paying way too much!", "I think you should push them down another \$10K," or "You know, you're in a better bargaining position than that." And sometimes, taking that sort of advice will end up blowing your deal. **Work with your trusted real estate professional developing a smart strategy** - with their experience in your local market - about what price and terms to offer. Then keep working with them to manage and maintain realistic expectations as you proceed through negotiating the contract to buy your home.

Stage Five: Escrow, Inspections and Underwriting

Insider Secret: It's critical that you attend your home inspections.

Why: When it comes to inspections, many first-time buyers expect that a home will either pass or fail. Except in a few jurisdictions where the government imposes certain condition requirements for a home to be sold, the home inspection is more about educating you, the buyer, as to the details and nuances of the home's condition than about seeing if the place hits a particular target for "good" or "bad" condition.

Home inspectors don't just look for things that need fixing, they also look to understand the home's systems and features, as well as to point out areas that will require your ongoing maintenance, highlight emergency shutoffs and other need-to-knows, and indicating where you should have specialists further inspect items of concern. Many home inspectors create vivid, detailed electronic reports - some, complete with color photos. But that's not enough!

If you're physically onsite at the home during the inspections, **the inspector can physically show you the shutoffs for water, gas and electric - and how to use them**. **They can also point out**, in person, any things that need repair, and give you some tips for maintaining the place in tip-top shape. Also, in many states, the general home inspector is legally prohibited (vs. the pest, roof or other "specialty" inspectors) from issuing a written quote or bid for repairs, to avoid a conflict of interest where they'd try to fabricate flaws in the home to get the repair job. However, the repair costs are one of the most important things a smart buyer wants to know!

If you show up, many inspectors will give you a rough range it would cost you to do various repairs, or otherwise indicate to you whether the needed repairs are "big deal" or "\$10 home improvement store" fixes; some will even give you a few references to contractors they trust.

All around, you'll get much more of the detailed information you need to know whether and how to move forward with the transaction if you should up in person to the home inspections, rather than just waiting for a copy of the report to come to your email. Your Broker/Agent **is not a part of the home inspection** --- they are only required to give you a list of available inspectors which are approved to complete home inspections. They are not required to explain the Home Inspectors work and finding . . . remember, the Home Inspector is working for you, the Buyer!

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Ron P. Hidalgo
Realtor® / Broker

Associated with



1st Choice

8439 Crossland loop
Montgomery, Alabama 36117

Ron's direct number : 334-546-1410

E-Address : Ron@RonSellsAlabama.Com * Web site: www.RonSellsALabama.Com