

## Buying a Home

Buying a home is probably the biggest investment you will make, with long-term financial ramifications. It calls for many informed decisions and for good advice from a real estate professional. When buying a home, you can learn from the knowledge and skill of a Real Estate Agent.

### What can Real Estate Agents do to help you buy the right home for you?

- They will help you determine how much home you can actually afford. Often, they can suggest additional ways to accrue the down payment and explain alternative financing methods. They can also introduce you to a mortgage counselor and arrange to have you "pre-approved" which can improve your negotiating position and enable you to achieve your home-buying objectives faster and with less stress.
- Providing client level services, they can work for you as a buyer's agent and help negotiate the best price and terms for you. Or, they can serve as a seller's sub-agent (or disclosed dual agent), acting as a liaison between you and the seller to present offers and counteroffers until an agreement is reached.
- They will help you work out a realistic idea of the home best suited to your needs - size, style, features, location, transportation, shopping, the accessibility to schools of choice, and other personal preferences.
- They have access to a listing of all available homes in the multi-list system, can evaluate them in terms of your needs and affordability, and will not waste your time showing you unsuitable homes.
- They can often suggest simple, imaginative changes that could make a home more suitable for you and improve its utility and value.
- They can supply information on real estate values, taxes, utility costs, municipal services and facilities, and may be aware of proposed zoning changes that could affect your decision to buy.

- Although the law does not normally require an attorney to review documents or oversee real estate closings, they can provide you with a list of law practitioners to choose from if you would like to use the services of an attorney.
- They can help familiarize you with the closing process and they will obtain closing figures in advance of closing for your review.
- They can provide you with a list of qualified home inspectors, pest inspectors, surveyors, and help to coordinate inspection appointments.

## **Top 10 Tips to Successful Home Buying**

### **Tip #1: Research Is the Key To Discovery**

Home sellers won't call you with an offer to buy a maintenance-free home with a wonderful mortgage. You have to find the gems yourself! Only by reading available materials, talking to friends and experts, and spending time looking at different homes, schools, and neighborhoods will you end up with your, "American Dream home," and every buyer should avoid the nightmares by learning how best to buy and maintain a home.

### **Tip #2: Make a Plan and Get Pre-Qualified**

Every important decision needs to be clearly thought out. Developing a home buying plan can help you focus on the important factors and organize the entire process. You may even want to use a binder with sections on house hunting, home financing, service providers, etc. Loan pre-qualifying helps you determine the home price you can afford and presents you as a genuine prospect to the seller. A lender typically uses the 28% formula (your monthly mortgage can't exceed 28% of your monthly income) in approving your loan. Planning your actions and getting pre-qualified will keep you out of the panic mode and allow you to take advantage of opportunities. A thorough plan will save both time and money!

### **Tip #3: Value, Value, Value**

The days of 10-30% annual appreciation have passed. Homebuyers in the 1970's benefited tremendously from what seemed like ever appreciating home prices. Nowadays, you're looking at slow growth while guarding against the possibilities of falling prices, skyrocketing ARM rates and corporate layoffs that can dramatically affect your home values. The classic rule of buying the worst house in the best neighborhood still applies. If you buy with an eye towards improvement, you can customize the home to fit your needs. The saying, "make money buying a home, not selling one," should keep you focused on the long-term importance of the purchasing price.

### **Tip #4: Create A Top 10 List Of Amenities**

When shopping for a home, list the features (fireplace, fenced-in yard, new appliances, etc.) that are most important to you in deciding on which home to buy. Establishing "your criteria" early on will save time shopping for inappropriate homes and may keep you from buying a home on a whim. As detailed in Tip #3, your top reason for buying a home should be the value you are getting. Some of your top 10 amenities should logically be sacrificed if an incredible value is available.

### **Tip #5: Fixed vs. Adjustable Rate Mortgages**

Adjustable rate mortgages have an initial fixed rate, which is followed by a period of adjustment intervals during which the rate adjusts based on the performance of several key indexes. Typically the initial fixed rate on an ARM is slightly lower than the comparable rate of a fixed rate mortgage.

Fixed rate mortgages allow buyers to take out a long term loan without having to worry about changing interest rates or monthly payments. Most fixed rate loans are offered in either 15 or 30 year terms.

Most buyers will be well served by a fixed rate loan, but each situation is unique. While ARM loans have become less popular in recent years, they can still be a viable option for some buyers - especially those who plan on selling again in the short term.

Whichever loan you choose; make sure that you scrutinize all the closing costs. If you are required to have a mortgage escrow account and private mortgage insurance, make sure you understand the terms and cancellation procedures (your Real Estate Agent has publications to assist you). Also, make sure there are no prepayment penalties so that you can utilize an accelerated

mortgage plan. A good mortgage reduction plan can save you tens of thousands in interest costs, and shorten your loan term, with only small extra principal payments. If you experience negative changes in your job, health, or marital status, you can revert to the standard payments in your mortgage contract.

### **Tip #6: Sign a Contract That Protects You**

Make sure that the contract you put on a house allows you to arrange financing, inspect the home and negotiate any problems that you uncover. Ensuring that the contract you sign will minimize potential legal battles will let you swim in your new pool with your family and neighbors instead of with the sharks.

### **Tip #7: Put Yourself in the Seller's Shoes**

You are about to make one of the most important decisions that will affect both your life and the life of the seller. If you take time to understand the reasons the seller bought the home, their reasons for selling, and the home improvements they have or have not made, you'll be in a better position to evaluate the home and negotiate a better deal. In the end, the home buying process excludes the professionals and comes down to the individuals buying and selling the home. A closer look at the seller may help you in deciding whether and for how much to buy a particular home.

### **Tip #8: Develop a Mortgage Shopping Chart**

One of the biggest decisions to make before putting a contract on a home is how to finance the purchase. There are 10,000 lenders competing for your mortgage business. The days of simply walking into the community bank and negotiating with the loan department manager are over. Today, you can apply for a loan over the Internet or even use a mortgage broker to shop for your loan with hundreds of lenders. When choosing a lender, you want to avoid apples to oranges contrasts by comparing fixed rates to fixed rates, not fixed to ARM's. Create a chart that lists different types of loans, fees, and at least five mortgage providers (including a mortgage broker).

### **Tip #9: Get a Quality Home Inspection**

Although it is hard to believe, more people pay for inspections before buying used cars than when making the biggest investment of their lives - their homes. Paying for a qualified home inspection before you buy a home isn't just spending "a little extra" for peace of mind; it's absolutely essential for anyone who doesn't want to spend thousands of dollars for repairs.

## Tip#10: Peace of Mind: Home Protection Plans

To protect both you as a buyer, as well as the seller, it is a good idea to purchase a home protection plan. What exactly is it? A home warranty, or home protection plan, is a service contract, normally for one year, which protects homeowners against the cost of unexpected repairs or replacement of their major systems and appliances that break down due to normal wear and tear. A negotiable contract between the buyers and sellers which does not overlap or replace homeowner's insurance policy, this type of warranty can save the new homeowner lots of headaches, as well as put seller's fears to rest. The warranty covers mechanical breakdowns, while insurance typically repairs the related damage. For example: if a hot water heater burst and destroyed a wall in your home, the warranty would repair the water heater and your insurance would pay to fix the wall.

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