What To Expect When Buying a Home

Tips for Home Buyers

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Congratulations! You're finished!!

Now it's time to do what this whole journey is all about:

enjoying your amazing new home!

Disclaimer. The information provided in this handout has been gathered from several sources to give buyers a general overview of the home buying process. Always talk with your REALTOR® and mortgage lender for the most current and accurate advice and information.

What To Expect When Buying a Home

Tips for Home Buyers

Buying a home can be nerve-racking, especially if you're a first-time home buyer. These tips will help you navigate the process, save money and avoid common mistakes.

STEP 1: <u>Prepare Your Finances</u>

<u>Check your credit and pause any new activity</u>

When applying for a mortgage loan, your credit will be one of the key factors in whether you're approved, and it will help determine your interest rate and possibly the loan terms. So check your credit before you begin the home buying process. Dispute any errors that could be dragging down your credit score and look for opportunities to improve your credit, such as making a dent in any outstanding debts.

To keep your score from dipping after you apply for a mortgage, avoid opening any new credit accounts, like a credit card or auto loan, until your home loan closes.

There are three major U.S. credit bureaus (Experian, Equifax, and TransUnion), and each releases its own credit scores and reports (a more detailed history that's used to determine your score). Their scores should be roughly equivalent, although they do pull from different sources. For example, Experian considers on-time rent payments while TransUnion has detailed information about previous employers.

The better your credit history, the higher your score—and the better your opportunities for a home loan. The Federal Housing Administration requires a minimum credit score of 580 to permit a 3.5% down payment. If your score is lower than 580 a 10% down payment is required. For additional information, please visit the following websites:
www.fha.gov
www.fha.com

Conventional mortgage loans are offered to homebuyers through lenders, banks, or credit unions and usually require a minimum credit score of 620 to 640, depending on the type and size of the loan.

STEP 2: <u>Know How Much House Can You Afford</u>

<u>What you want vs reality</u>

Before you start looking for your dream home, you need to know what's actually within your price range. Use a home affordability calculator to determine how much you can safely afford to spend or meet with a mortgage lender.

Knowing you want to buy a home is one thing; knowing how much of a mortgage payment you can handle is quite another. Too often, dreams and reality collide: You may want a four-bedroom home but given your income and debt owed, you may need to adjust your expectations.

Step 3: Save Money for a Down Payment, Closing Costs on a New House, Moving Expenses and Things You May Need or Want To Do Once You Move into your New Home

Here a few ideas to help you reach your goal of owning a home:

Trim those quiet, unnecessary expenses

- Replace your $250 monthly cable service with a $10 Netflix standard streaming account, and you'll save $2,880 per year.
- Cut that languishing gym membership—at $50 per month, you'd save $600 a year. Go running instead!
- Packing lunch will save you about $60 a month—or $720 a year.
- Turning down your thermostat just 3 degrees could shave almost 10% off your electrical bill, netting you $20 a month on a $200 bill, or $240 a year.
- Curb those dinners and drinks out at restaurants, which can quickly add up. If you typically shell out $40 three times a week, reduce that to one evening a week, and you'll save $80—or $4,160 per year.
- Setting aside tax refunds and work bonuses.

Open a dedicated account

If you don't have a savings account, now's the time to open one. To help even more, have part of your pay automatically deposited into this account.

Check out down payment assistance programs

Visit the Department of Housing and Community Development MARYLAND MORTGAGE PROGRAM to see the different programs offered https://mmp.maryland.gov/Pages/Programs.aspx. You may be eligible for down payment assistance programs, which provide money to help people buy a home. Most require your income to be below the area median. But even if you make more, do your research—there are programs that provide funds for higher-income households.

If saving up for a down payment is a challenge, it may surprise you to know that you don't always need to save 20% for a down payment. With certain kinds of loans, you can get away with a down payment as low as 3.5% (for FHA loans) or even 0% (USDA loans).

Closing costs

Closing costs are fees related to processing your loan that can range from 2% to 7% of your home's price. Closing costs are not paid monthly; rather they are due at closing, when you get your keys. So make sure to set aside enough money to cover this sizable expense.

One possible way to avoid paying closing costs is by asking the seller to cover some or all of the fees. You might not have much luck in a red-hot market, but then again, a seller might agree to cover closing costs if they are able to get the selling price they want. This works for buyers who might be short on cash but can handle adding a bit more to their loan balance. FHA loans allow sellers to contribute up to 6% toward closing costs; VA loans allow 4%, and conventional loans permit 3% to 6%.

Most experts recommend closing on a house at the end of the month. Closing costs also include any interest that accumulates before the end of the current month—so closing on the 29th rather than the 1st of the next month will save you money.

Those extra expenses

Once you've saved for your down payment and budgeted for closing costs, you should also set aside a buffer to pay for what will go inside the house. This includes furnishings, appliances, rugs, updated fixtures, new paint and any improvements you may want to make after moving in.

Another expense to take into consideration is the cost of moving. Whether you are moving yourself or using a professional mover, make sure to budget in the cost. Even the cost of packing materials can add up quickly.

Step 4: Talk to a Mortgage Lender – Mortgage Options, Finances, and Fees

Now that you have a budget and savings, you're in a better position to meet with a lender and discuss loan options, current interest rates and how much you can borrow. Once you find a loan that fits your needs, get a **pre-qualification letter**, which estimates your borrowing power based on your financial information. Keep in mind pre-qualification is not a commitment to lend. You will need to submit additional information for review and approval. Still, having this letter in hand when you make an offer shows sellers you are serious and gives you some negotiating leverage.

Find a trustworthy and responsive mortgage lender

Many first time homebuyers make the mistake of only talking to one lender or bank. The more you shop around, the better basis for comparison you'll have to ensure you're getting a good deal. Shop around with at least three different lenders. Compare rates, lender fees and loan terms.

How mortgage pre-approval can estimate your mortgage payment

You can get **pre-qualified** for a mortgage, which simply gives you an estimate of how much a lender may be willing to lend based on your income and debts. But as you get closer to buying a home, it's smart to get a **pre-approval**, where the lender thoroughly examines your finances and confirms in writing how much it's willing to lend you, and under what terms. Having a **pre-approval letter in hand makes you look much more serious to a seller and can give you an upper hand over buyers who haven't taken this step.**

Explore your down payment and mortgage options

There are lots of mortgage options out there, each with its own combination of pros and cons. If you're struggling to come up with a down payment, check out these loans:

- Conventional mortgages. They conform to standards set by the government-sponsored entities Fannie Mae and Freddie Mac, and require as little as 3% down.
- FHA loans Loans insured by the Federal Housing Administration permit down payments as low as 3.5%.

- In addition to federal programs, many states offer assistance programs for first-time home buyers with perks such as down payment assistance, closing cost assistance, tax credits and discounted interest rates. Your county or municipality may also have first-time home buyer programs.
  HUD offers different first-time home buyer grants and programs. Visit https://mmp.maryland.gov/Pages/Programs.aspx to see what types of grants they offer and eligibility requirements. Local Governments also offer a variety of home buyer grants and down payment assistance programs. Just go to your county website and search for home buyer assistance.
- VA loans guaranteed by the Department of Veterans Affairs sometimes require no down payment at all. (Servicemembers, Veterans and eligible surviving spouses) https://www.benefits.va.gov/homeloans/

For most people, the choice comes down to the two main types of loans:

- Fixed-rate mortgages: offers home buyers an interest rate that remains the same for the life of the loan.
- Adjustable rate mortgages (ARMs): have an interest rate that is fixed for an initial period (say, five years), then adjusts at regular intervals (typically one year) to reflect market indexes—which means that your payments will fluctuate, too.

Making a higher down payment will mean having a lower monthly mortgage payment. If you want the smallest mortgage payment possible, opt for a 30-year fixed mortgage. But if you can afford larger monthly payments, you can get a lower interest rate with a 20-year or 15-year fixed loan.

Don’t drain your savings to make 20% down payment. The median down payment on a home is 13% according to the National Association of Realtors. Homebuyers who put 20% or more down don’t have to pay for mortgage insurance when getting a conventional mortgage. But that savings is not worth the risk of living on the edge from draining your savings account. You can put as little as 3 percent down for a conventional mortgage. Keep 3-6 months of living expenses in an emergency fund.

Why your mortgage payment depends on your income

Getting a ballpark estimate of how much house you can afford starts with looking at your income, or how much money you're pulling in.

The general rule of thumb is that you can purchase a home that costs two or three times your annual income. So if you're earning $80,000 per year (and you have a reasonable amount of job security and don't expect wild fluctuations in your income anytime soon), you can afford a house up to three times that, or $240,000.

That said, income isn't everything, and this is just a ballpark figure to get you started. Tripling your income is only an estimate and does not account for your monthly bills.

So let's dive into more specifics on what makes your payment is in line with your income.

Why your mortgage payment depends on your income *and* debt

Your income is only half the picture of what determines the monthly mortgage payment you can afford. The other half is your debt—meaning the debt you owe to credit cards, college loans, and other credit sources. Even if your income is high, having high credit debt means you have less money to put toward a monthly mortgage.

One way to factor your income and credit debt into how much mortgage you can afford is to follow the 28/36 rule, a simple but effective ratio for mortgage affordability.

The “28" refers to your monthly housing payment—things such as mortgage, home insurance, and property taxes—which should not be more than 28% of your gross monthly income (ideally this payment should be *less*). This payment is easy to calculate, because all you need to do is multiply. For example, if your gross (meaning before taxes are taken out) monthly income is $6,000, you would multiply that by 28% (or 0.28), which equals $1,680—this is the maximum amount of your monthly housing payment.

The “36" refers to your debt-to-income ratio. This ratio compares your debt, or how much money you owe (to credit cards, colleges, car loans, and—hopefully soon—a home loan) to your income. This ratio should be no more than 36%, ideally, this ratio should be much lower.

Think about this ratio in terms of your monthly expenses: If you have a monthly income of $6,000 but also spend $500 paying off credit cards or other debt, you would divide $500 by $6,000 to get a debt-to-income ratio of 8.3%. This ratio is great, but adding $1,680 in monthly mortgage payments would push up your debt load to $2,180 and your debt-to-income ratio to 36%. This ratio is exactly the maximum experts say you can afford. Going past this threshold is a risky move. Ignore this ratio, and you could end up with a house that, over time, could drive you even deeper into debt.

Once you know both the down payment you plan to contribute as well as your monthly income and debt, you can easily work out the maximum monthly mortgage payment you can afford—and by extension, the priciest house you should buy. (You can find a home affordability calculator by doing a google search.)

Beyond your monthly mortgage payment: What else do you have to pay?

In addition to your down payment and monthly mortgage payments, you'll want to budget for some other costs. The big one is closing costs, which are fees related to processing your loan that can range from 2% to 7% of your home's price. Closing costs are not paid monthly; rather they are due at closing. So make sure to set aside enough money to cover this sizable expense.

The other big ongoing expense to factor into your monthly budget is property taxes. Property taxes are often folded into the monthly payments. You can typically find the exact amount (or an estimate) of the property taxes you'll pay on real estate listings, or by entering your address into an online home value estimator.

Appraisal fees

The lender will select the appraiser who will come out to the house and determines the amount the bank will lend you based on a detailed report that they will put together. Typically, the cost will range between $400 - $600.

Home Inspection fees

It is in the best interest to have the home inspected. Your realtor will help you set up this/these appointment(s). Cost depends on the size of the house and types of inspections.

Lender fees

Different lenders require different fees, and buyers (or your agent) should keep an eye out for “junk fees” like for the application, credit check, processing, and even the frustrating but all too common “miscellaneous” fee.

Also take a close look at the loan estimate you receive from your lender at the beginning of the process and compare it with the closing disclosure statement, which you'll get three days before your scheduled closing. Make sure no unexpected charges snuck their way onto your bill.

Discount points

If you decided to pay for discount points at closing to lower your interest rate, well, the bill is due. However, with the current low interest rates, that might not make sense for many buyers anyhow.

Title insurance

In many states, title insurance is a lender mandate that protects your ownership of the property, heading off a number of unsavory situations such as fraudulent claims, courthouse errors, liens, and family disputes. If your lender requires you to purchase title insurance, you can shop around for a better quote. Unlike home insurance, title insurance is a one-time fee, which can make its high cost (the average buyer pays $3.50 per $1,000 of purchase price) easier to swallow.

Seller's contribution

One easy way to avoid paying a mountain of closing costs is by asking the seller to cover some or all of the fees. You might not have much luck in a red-hot market, but then again, a seller might agree to cover closing costs if they are able to get the selling price they want. This works for buyers who might be short on cash but can handle adding a bit more to their loan balance. FHA loans allow sellers to contribute up to 6% toward closing costs; VA loans allow 4%, and conventional loans permit 3% to 6%.

Home insurance

Another housing expense to keep in mind is homeowners insurance. One ballpark payment to keep in mind is that the average annual premium costs just shy of $1,000. This payment will vary by area and home, too. Typically, this will be added to your mortgage payment.

Step 5: Find an Experienced REALTOR®

Choosing a REALTOR®

When choosing a REALTOR® (Yes, there is a difference between a Real Estate Agent and a REALTOR®), you have many choices. Each Real Estate Agent, REALTOR®, Broker is different. You owe it to yourself to conduct several interviews. Make sure you feel comfortable with the person who will be representing you. Find one with experience selling and/or buying in your desired area.

Have a long chat with your REALTOR®

Only you will ultimately know which home is just right for you, however, a good REALTOR® will have a better handle on the market. Not only is your REALTOR® keeping a constant eye out for newly listed homes you might love, but they can also quickly go through your wish list and help you understand what is (and what isn't) realistic.

Tell your REALTOR® not only what you're looking for, but *why* you're moving, too. Are you downsizing? Moving to be closer to work? Accommodating a growing family? All this matters because a REALTOR® will point out things you might not have considered—such as the importance of a one-story home if you're near retirement.

Step 6: Let the Search Begin!

Narrow your search to homes that fit your financial criteria

You have done your research, saved up for a down payment and other expenses, talked with a lender, and found a REALTOR®. Now comes the next step: the fun part -- finding your home!

Save time and emotional energy by narrowing your search to homes that fit your financial criteria. Preview properties online, and have your REALTOR® show you only listings that are right for you. When you find a match, your agent can help you make an intelligent, informed offer. If it is accepted, a purchase contract is drawn and typically contains a good-faith deposit ("earnest money") that you are willing to put in escrow to show your commitment.

Having a certain mortgage payment ceiling in mind, based on concrete numbers like your monthly income and debt, means you won't end up busting your budget. You can choose a house that fits comfortably in your payment profile, so you know you can handle the monthly bills with ease.
If you find your monthly income and mortgage budget aren't enough to buy the type of home you want, you'll have to start weighing what you absolutely *must have* in your home—and what you're willing to sacrifice if necessary.

Use the "pick 2" rule

Use the "pick 2" rule: payment, quality, location. Typically, you can prioritize two of those categories, but not all three. Your best bet is to stick to your preferred neighborhood and a monthly mortgage payment you are comfortable with. This may mean you might have to let go of some of the things on your wish list. These trade-offs are just the reality of managing a mortgage and a house without getting deep in debt—so don't be disheartened.

If your monthly payments are falling short of your dream house, try widening your search to different neighborhoods or knocking a few items off your must-have list until you find the location and amenities that best fit your budget. Weigh what really matters for your dream home, then start performing preliminary searches online using sites such as realtor.com. And try to stay optimistic!

With enough searching and some luck, you can find a dream house that not only has all the features you want, but also meets your payment profile—from your income to debt to credit score and more.

Don't worry about timing

Patience is difficult. You want your new home *right now.* Waiting for something to fall into place can feel like an endless journey. But that doesn't mean you should rush the hunt.

Certainly there's nothing wrong with finding a great home right away. But it's best not to prioritize timing above all else unless it's absolutely necessary (during a relocation, for example). The idea of purchasing one of the first homes a buyer sees can be very unsettling for buyers. They somehow think they're not doing their due diligence if they don't look for a predetermined amount of time.

See beyond the décor

Decorating styles and preferences vary.   You may not be impressed with the color choices or décor, but you shouldn't let stylistic choices affect your judgment of what a home *could* be. Look beyond those outdated drapes to the bones beneath. Is the picture window hidden behind them stunning? Is the hardwood floor good quality, despite the stained rugs layered on top? Think of the long term. Remember, the current owners' furnishings will go with them, leaving the home ready for your personal touch.

Take notes

When you're shopping for homes, remembering which one had the hardwood floors and which one had the wall-to-wall stained carpet can get more confusing than you might think. After a dozen showings, recalling exactly what bothered you so much about the bathroom of one home requires an impeccable memory and keen attention to detail.   Writing down what you liked or didn't like about a house can be very helpful.

Tune in to how you feel

House hunting isn't just about what you see. It's also about how you feel. A big part of home buying is pure emotion. And this swirl of feelings may surprise you, drawing you toward homes you never thought you'd love and away from ones that hit every box on your checklist.

Don't forget your must-have list, but don't feel bad about skipping something you thought you wanted.   You just might have to adjust your expectations.

It is important to keep in mind that there is no such thing as the perfect house. You will find some place that hits the high notes and that includes the things that were most important to you.

Buying a home for today instead of tomorrow

It's easy to look at properties that meet your current needs. But if you plan to start or expand your family, it may be preferable to buy a larger home now that you can grow into. Consider your future needs and wants and whether the home you're considering will suit them.

Step 7: Making the Offer and Getting it Accepted

You found your home. Your REALTOR® will work with you and will represent you and present an offer to the sellers, one that will be give you the best chance of being accepted.

Pick the right price

Just because the home is listed at $300,000, it doesn't mean it's actually worth that much. It all depends on the market. If you're buying somewhere hot—especially places with low inventories—offering substantially below asking price is probably wasting your time. You may even need to consider making an offer above the asking price. But if the place has been sitting unsold for a few months, even the sellers probably don't expect full price. Your best reality gauge are comps, or what similarly sized homes nearby have sold for recently.

Work with your REALTOR® to determine a fair asking price; he or she will have the best read on pricing and marketplace dynamics and can walk through the comps with you. Your agent can help you determine what a fair discount (if feasible, depending on the market) would be without offending the seller. While specific numbers will depend on your market, experts estimate that it's unrealistic to go below 5% of the list price unless it's been sitting on the market for months. Which leads us to...

Lowball with care

Sometimes a home is priced too high or perhaps it's been sitting unsold for half a year. In those situations, a lowball offer might be the right strategy to get the home you love for a bargain price. However, this is a tool to be deployed rarely and with great care—especially if the current owners have lived there for many years. Market conditions also need to be taken into consideration.

Longtime owners usually have tons of pride in their home, and want the new owners to love it like they do. Buyers who lowball run a risk of angering the seller and losing the house. Ideally, you're looking for a closing where both sides feel like they got a fair deal.

So don't lowball unless both you and your REALTOR® agree that it's the best strategy for the occasion. Think about the big picture: if a couple of thousand dollars is going to keep you out of a home you love, consider how little that amount translates into a monthly payment.

Consider contingencies

Along with the price, you'll also want to factor contingencies into your contract: For example, do you need to sell your own home first, requiring a selling contingency? Work with your REALTOR® to decide what you'll ask for and consider dropping some (or all) requests if the market is hot.
Your chances are best if you ask for the fewest things. Don't put yourself at risk to get the home you love, though. Some people might advocate dropping the inspection clause to sweeten your offer, but that can be dangerous, especially in older homes.

Keep your emotions in check

Yes, the search seems to have dragged on forever; yes, this home has everything you need. But keep your wits about you.

Sometimes, even an excellent offer may not be accepted. Don't assume a rejection is an insult—the sellers might just dislike some of your contingencies or are holding out for a better offer or it is just a crazy market. So, don't assume it's over until it's over.

If your offer is accepted, you will need to move onto the next step: landing a home loan.
Once the seller accepts your offer, you typically have 45 to 60 days to fulfill your purchase contract, so you need to move fast. You will need to meet with your lender to review your financial information and receive final approval for the loan amount. Within three days of submitting your application, your lender sends you a loan estimate, including your approximate interest rate, monthly payment and closing costs. Review this document carefully. To move forward, you need to verify your income and assets. This requires extensive documentation, which is necessary for the lender to ensure you'll be a successful homeowner who can handle loan payments over the long term.

Passing up the chance to negotiate

Depending on the market, a lot can be up for negotiation in the homebuying process, which can result in major savings. Are there any major repairs you can get the seller to cover, either by fully handling them or by giving you a credit adjustment at closing? Is the seller willing to pay for any of the closing costs? If you're in a buyer's market, you may find the seller will bargain with you to get the house off the market. If it is seller's market, your chances of negotiating may be limited or not in your best interest.

Making an offer in a Seller's Market

Making an offer in a Seller's Market can add a whole new level of frustration to the home buying process, especially if one or several of your offers were not accepted. When inventory is low and there is a demand for homes, making an offer that will be accepted takes careful thought and strategy. Buyer's may want to make an offer above the asking price (sometimes thousands of dollars over), forego inspections, not ask for seller's help, and sell their present home before making an offer to avoid contingencies. Discuss your options with your REALTOR®. They will work with you, keeping your best interest in mind, to present a sound and reasonable offer.

HOA or Condo Docs

If your new home has an HOA or if it is a condo, the seller needs to provide you a copy of the HOA or Condo docs within a certain time period. You should review these documents so you are aware of the rules and regulations of the association and/or condo. Check the financial stability of the HOA and/or Condo Association. Check if the property is FHA approved.

Step 8: Home Appraisal

If you've applied for a mortgage, your home-to-be still has to undergo a comprehensive appraisal of its worth—and an unfavorable home appraisal can kill a real estate deal.

Appraisals estimate a home's value with fresh eyes

Just because you and the sellers have agreed on a price doesn't mean it's a done deal—your lender needs to be on board, too. After all, it's the lender's real estate investment as well. To get a mortgage, you'll need a home appraisal because the home serves as collateral for your lender. If for some reason you end up unable to make your mortgage payments, the lender will have to foreclose on your home, then sell the property to recoup its costs. So your mortgage lender will have to know the value of your home before handing over that large amount of money.

While the home appraisal process is somewhat similar to getting comps—as you did to determine a fair offering price—the appraiser delves in deeper to determine the home's exact value. They will also evaluate the current real estate market in the neighborhood to help determine the value of the property.

An appraiser will investigate the condition, the square footage, location, and any additions or renovations. From there, he or she will appraise the home and determine its value.

An appraiser is trained to be unbiased, it doesn't matter what the seller wants or feels their home is worth, even if they put a lot of money into home projects – some will add value; other not so much.

The lender or financing organization will order the appraisal. Because it's in the best interest of the lender to get a good home appraisal, the lender will have a list of reputable pros to appraise the home.

An appraiser sets out to determine if the home is actually worth what you're planning to pay. You might be surprised by how little time that takes; the appraiser could be in and out of a home in 30 minutes, and that's not a reason to panic.

An appraiser doesn't have the same job as a home inspector, who examines every little detail. While they'll pay particular attention to problems with the foundation and roof, the home appraisal process includes noting the quality and condition of the appliances, plumbing, flooring, and electrical system. With data in hand, they make their final assessment and give their report to the lender. The mortgage company is then required by law to give a copy of the appraisal to you.

Appraisers work for your lender—not you

As the buyer, you'll be paying for the home appraisal. However, just because you pay doesn't mean you're the client. This ensures that appraisers remain ethical—in fact, it's a crime to coerce or put any pressure on an appraiser to hit a certain value. Appraisers must remain independent.

They protect buyers from a bad deal

In essence, the home appraisal process is meant to protect you (and the lender) from a bad purchase. For instance: If the appraisal comes in higher than your asking price, it's generally fine. Sure, the sellers could decide they want more money and would rather put their home back on the market; but in most cases, the deal will go through as expected.

If your appraisal comes in lower than what you offered, this is where things get tricky: Your lender won't lend more money than the appraised price. So if you and the sellers agree on $125,000 but the appraisal comes in at $105,000, it creates a $20,000 shortfall. If your appraisal comes in low, and your contract with the seller was contingent on an appraisal, you could walk away and have your earnest money returned.

If you prefer to buy the home anyway (or waived your appraisal contingency), there are some other paths you can pursue:

- Come up with the cash to cover the difference between the appraisal and offer price.
- Ask the seller to cover the difference.
- Challenge the appraisal, and pay for a second opinion.

Keep in mind, though, that your new report could come out identical. Also keep in mind that if you do choose to walk away, that's actually *good* news, although it may not seem like it at the time because the appraisal kept you from paying too much for your home.

Step 9: Home Inspections

After your offer is accepted, you'll pay for a home inspection to examine the property's condition inside and out, but the results will only tell you so much. Not all home inspections test for things like radon, mold or pests, so be sure you know what's included. Separate specialized inspections can be ordered. Make sure the inspector can access every part of the home, such as the roof and any crawl spaces.

Hire a top-notch home inspector

While it may be tempting to hire any run-of-the-mill home inspector to get the job done—particularly if the price is right—the inspection is no time to cut corners. After all, buying a home is an enormous investment.

Check your local requirements: Many states require an inspector to have a license or insurance, and not having either is a big, waving red flag. Even if insurance is not mandated, you're better off choosing an inspector who is insured, which protects both of you against errors and omissions. Membership in a professional trade organization, such as the National Association of Home Inspectors, indicate the inspector is up-to-date on the latest developments in the field—another giant plus. Your REALTOR® will assist in recommending a home inspector.

Attend the home inspection

Even though you will receive a written report after the home inspection, you should attend the inspection while it's being done. It provides a valuable opportunity to learn all about the inner workings of your would-be new home. It is much easier for the inspector to explain the ramifications of an issue when we're standing in front of it.

Don't be afraid to ask questions. Really stick your nose into the home inspection. You and your inspector will be looking at all sorts of things you might have skipped during your showings, like the attic and crawl space, and under the sinks. Don't be afraid to delve into the details. Even the best home will receive a laundry list of to-do's and potential problems, and fixing them will be much easier with a hands-on understanding of the issues involved.

Don't panic (until it's time to panic)

The vast majority of issues raised during a home inspection are repairable—after all, you are buying a used home. Just like a used car or an old computer or second-hand clothing, there are bound to be problems. Some of them may be small and easily fixed, like leaky pipes and rattling doorknobs. But if an inspector discovers a *major* problem—with, say, the foundation or water intrusion—even that may not be a deal killer. In fact, it could be a bargaining chip you can discuss with the sellers before closing the deal.

Work with your REALTOR® to determine the best approach. If your offer was contingent on a successful inspection (and most are), you have a good basis to request that the current owners make repairs before closing. You'll want to get this in writing, along with provisions if the sellers fail to fix the problems.

But there's no obligation for sellers to address the inspector's discoveries. If they aren't willing to shoulder the burden, you need to assess whether the cost of a new roof—or mold abatement, or fixing the foundation, or whatever the problem is—is worth the reward. With no solution beyond paying $30,000 from your own pocket, you might need to move on to a more habitable home. You may be invested in the home and want to buy it. This all becomes a very overwhelmingly emotional experience but you need to listen to the advice of the inspector, take a look at the financial ramifications, and make a clear-headed decision.

Step 10: The Walk-Through

Ensure required repairs were completed

Most sellers are good, ethical people, but some are not. Sometimes a seller will have indicated that a repair previously negotiated during the due diligence period was completed, but the buyer finds out during the walk-through that it has not.

The REALTOR® should ask for copies of paid invoices prior to the walk-through. If it's a simple repair—such as patching up drywall or replacing a faucet—ask them to send you a photo of the completed work before the walk-through.

If you do find something wrong that they'd agreed to address, it's worth the awkwardness of bringing it up face to face and demanding compensation.

Inspect previously hard-to-reach spots

During your final walk-through, inspect everything you couldn't check out earlier. You always want to ensure that you aren't stuck with problems that were previously hidden from view. Did an enormous Persian area rug cover the living room floor before? Was the couch pushed flush against the wall? Take a careful look at the hardwood below for any water damage or rot. This goes double if you're buying a home with a basement once filled with boxes or clutter. Basements are ground zero for mold, water damage, and other structural issues, and it's easy for sellers to hide (or miss) problems behind a layer of clutter.

Look for missing items—or secret swaps

Make sure all appliances and fixtures you'd liked during earlier visits are still present—or haven't undergone a subpar substitution.

Basically anything connected to the home by plugs or pipes should stay—or if the sellers intended to keep something other than their furniture and belongings, it should be specified in the contract. Swapping out the bronze cabinet pulls for mediocre chrome replacements isn't okay, either, and you have every right to demand them reinstated before the home changes hands.

Don't panic over a little dirt

You might be expecting a picture-perfect, ready home, with polished hardwood floors and shining countertops—but few real estate contracts mandate those expectations, instead asking for the place to be “broom clean.”

Everyone has a different definition of broom clean, and if the place is a little dirty it's not the end of the world. Don't stress over minor problems such as scratches in the hardwood or marks on the walls. It's certainly not worth raising a fuss over—not only will it annoy the sellers, but chances are you'll cause more damage during move-in.

Step 11: Closing/Settlement

Closing Disclosure

Once your mortgage is approved and at least three business days before you close, you receive a closing disclosure. It lists the fees you must pay, which typically totals 2 to 7 percent of the home price, depending of your loan. Read this closely and tell your lender if anything seems off. Your REALTOR® should also review this with you. Know what to bring to your closing—such as your ID and any payments that are due. If you have a cosigner, that person needs to be there. Most likely you will be given instructions from the title company on how to wire the needed funds prior to settlement. Pay close attention to these instructions and only wire the money per the instructions from the title company. If you have any concerns, please contact your title officer to avoid the risk of being a victim of a scam. At the settlement table, most of the time is taken up carefully signing forms. Once the loan closes, you get handed the keys and the home is yours!

Anti-Fraud

Cybercrime is an ever-present danger in todays world of technology. Be alert to possible scams. Buyers or Sellers will never receive instructions via email to wire funds or to provide private information that could put their money or identify at risk of being stolen. If you are asked to do so, you should verify by phone—using a trusted number, not one in a suspicious email.

Don't forget the utilities

Make sure you switch over the utilities into your name (water, gas, electric, cable TV, internet services, etc.).

Step 12: Moving into your new home

Packing/Moving

Moving is a complicated, messy affair—so take the opportunity to make an inventory of your belongings during packing, labeling each box with what's in it and what room it should go in.

Cleaning

The best time to clean your home is before you move in. No matter how clean the seller's may have been, you will probably want to wipe out those cabinets before unpacking and placing your dishes in those cabinets. Now is the time to wipe down those baseboards before furniture is in place.

If you can afford it, hire a professional cleaner or a professional to steam clean the carpets.

Do repairs and painting first

Before moving in, go through your home looking for any necessary improvements. Do the walls need a fresh coat of paint? Is the hardwood floor scuffed and dirty? Before your movers start lugging in boxes and placing heavy furniture, get it done.

Skipping this step now can mean a headache later, when you're forced to shove furniture into the center of the room just to paint the walls—or even take everything *out* of the space so you can access those scratched floors.

Change the locks

As soon as you get the chance, hire a locksmith to change all the locks on your house (don't forget the back entrance or any other access points). While we're certain the seller is trustworthy, you never know who else might have keys to your new home. Better to be safe than sorry.

Doors aren't the only locks that need changing: Buyers who use a community mailbox should make sure to have it rekeyed by the local post office.

Figure out the best nearby takeout

So you had a long day of moving in your belongings into your new home! How exciting! Now it's time to celebrate. You will probably be too tired to cook – or can't find those pots and pans… and you are hungry!! What better way to relax than ordering pizza and have a cold beverage! Do your research ahead of time so you know what you want to eat, and aren't left scrambling an hour before closing time.

Congratulations! You're finished

Now it's time to do what this whole journey is all about:

Enjoying your amazing new home!

Disclaimer. The information provided in this handout has been gathered from several sources to give buyers a general overview of the home buying process. Always talk with your REALTOR® and mortgage lender for the most current and accurate advice and information.