



 **RAMSEY TRUSTED™**

Home Buyers

GUIDE





So you've started thinking about buying a home—or maybe you already got the ball rolling. Either way, buying a home is a big deal with a ton of money on the line! So how can you feel confident about buying an affordable home you love?

You came to the right place! We put all of our tried and true home-buying advice into a simple guide so you can buy a house that's a perfect fit for you and your budget.

This step-by-step plan will walk you through the home-buying process so you can:

- Figure out how much house you can afford and plan for additional costs.

- Get a mortgage that saves you thousands and learn how to get preapproved.

- Choose the right real estate agent, neighborhood and house.

- Know what to expect after you sign on the dotted line.

Whether you're looking for a new home right now or home-buying is part of your future, this guide will help you make the process as simple as possible.

Let's get started!

**Find the
right home.**



BUYING PROCESS: START TO FINISH

Since there's so much that goes into making a home purchase, we wanted to make it easier for you to understand the home-buying process from the get-go. So, here's a quick summary to reference as you move through each step:

1. Decide you're ready to buy. Being ready to buy means you're debt-free and have an emergency fund of 3–6 months of expenses. This is an essential step in helping you handle the expenses of homeownership.
2. Figure out how much house you can afford. Your monthly house payment should be no more than 25% of your monthly take-home pay.
3. Save for a down payment. Ideally, you'll want at least 20% of the home price. If you're a first-time home buyer, it's okay to only save 5–10%. But prepare to pay private mortgage insurance (PMI). Also, don't forget to consider closing costs and moving expenses on top of your down payment amount.
4. Get preapproved for a mortgage. To get a home loan you can pay off fast, talk to a [RamseyTrusted mortgage provider](#) about getting a 15-year fixed-rate conventional loan—which has the lowest overall cost. And whatever you do, stay away from expensive mortgages like FHA and VA loans.
5. Find an expert real estate agent. You want an agent who actually cares about your financial goals and offers guidance at every step of the home-buying process—like the [RamseyTrusted agents](#) in our Endorsed Local Providers (ELP) program.
6. Go house hunting. Create a list of your must-haves and discuss them with your agent. Most buyers search for a couple of months and view several homes before they find the home they buy.¹
7. Make an offer on a house. Once you find an affordable home you love, trust your real estate agent to help you make a competitive offer and negotiate with the seller for the best price. After your offer is accepted, you'll pay a type of security deposit called earnest money.
8. Get a home inspection and appraisal. Your home inspection will protect you from buying a house that isn't structurally sound and your appraisal will protect you from paying too much for a house.

BUYING PROCESS: START TO FINISH

9. Be patient as your lender finalizes your loan documents. There's a ton of paperwork that goes into getting a mortgage. On average, it takes a month or two to close on a loan.

10. Close on your house—finally! Review all of your closing costs, sign a mountain of paperwork, and make the final payments. Closing day is when you officially become a new homeowner.

Okay, now you're ready to take a deep dive into each of these steps.

1.



HOW MUCH HOUSE CAN YOU AFFORD?

The first step of any home-buying journey is to make sure you're debt-free and have an emergency fund of 3–6 months of expenses set aside. Then you'll be ready to figure out how much house you can actually afford. Remember, you're the boss! Your financial future depends on you making smart choices today.

So, it doesn't matter if you find a home with a fabulous kitchen or huge backyard. If you can't pay the mortgage each month or find the cash to fix what's broken, your home will become a burden—not a blessing. But no worries—we'll show you how to be smart with your home-buying budget.

You can buy a home that won't bust your budget.



CALCULATE THE COSTS

By simply crunching a few numbers, you can figure out how to buy a home that won't bust your budget. Follow the steps below to determine how much house you can afford.

1. **Figure out 25% of your take-home pay.**

If you're getting a mortgage, never purchase a house with a monthly payment that chews up more than a fourth of your take-home pay—otherwise, you'll be house poor!

And that 25% limit includes everything—principal, interest, property taxes, home insurance and homeowners association (HOA) fees. Not to mention, if your down payment is lower than 20%, you also have to pay private mortgage insurance (PMI)—which protects your lender (not you) if you stop making payments.

To be clear, take-home pay is also called net income—the amount that goes into your bank account after taxes and other deductions are subtracted from your gross income. If you're married, you'll also want to include your spouse's net monthly income in this amount.

Once you figure out what your monthly take-home pay is, just multiply that number by 25% to get your max monthly house payment. So, if you take home \$6,600 a month, your monthly house payment should be no more than \$1,650.

2. Use a mortgage calculator to try out different home prices within your budget.

Next, use a mortgage calculator to try out different home prices and down payments. That way, you can find a monthly payment that's within 25% of your take-home pay.

Let's test this out on our example of a maximum monthly house payment of \$1,650. Using our [mortgage calculator](#), if you enter in a 15-year fixed-rate mortgage with a 4% interest rate, a 1.14% property tax rate, a home insurance policy that costs \$1,200 per year, and a PMI

rate of 1% (for down payments below 20%), here are some home prices within your budget:

- \$176,000 home with a 5% down payment (\$8,800)

- \$185,000 home with a 10% down payment (\$18,500)

- \$225,000 home with a 20% down payment (\$45,000)

- \$253,000 home with a 30% down payment (\$75,900)

Remember, these are just estimates. Use our calculator to try other combinations and find the right mortgage amount, interest rate and down payment for your budget.

3. Factor in homeownership costs.

Your emergency fund can cover major home disasters, but some homeownership expenses also need to be factored into your monthly budget, like:

- **Utilities:** The cost of paying for things like electricity, gas, water, internet and trash pickup can vary depending on the house. If you're used to paying for utilities as a renter in a small apartment, you might need to double or even quadruple that budget as a homeowner.

- **Maintenance and repairs:** Depending on the age of the home you buy, you may have to tackle several home projects in a year. Projects could include things like maintaining the yard or HVAC system, repairing a leaky roof or cracked driveway, or solving a mold problem. Any of these things could cost upwards of a thousand dollars.

- **Upgrades and additions:** If you'll be saving up for a few major home upgrades, you need to build room in your monthly budget for those expenses too. Even something like a minor kitchen remodel could set you back tens of thousands of dollars. Always make sure you count the cost for upgrades and save the cash for them before you start.

After you figure out how much house you can afford, you'll have more confidence saving for the right down payment amount and finding a realistic home you love. You got this!

SAVING FOR A DOWN PAYMENT

Now you're ready to hit the ground running toward saving for a down payment. If you're getting a mortgage, we'll share some savings guidelines that'll set you up for success when buying your dream home.

How Much Should You Save?

As with any goal, it takes planning and preparation to buy a home the smart way—especially if you're taking out a mortgage. The most time-consuming task is saving enough cash for the down payment, closing costs and moving expenses—but hang in there. You can do this! Just take it one step at a time.

To give you a clear picture of what this step looks like, here's an example of how much money you'd probably need to save up if you were to purchase a \$350,000 house or condo:

(For this example, let's pretend you're getting a 15-year fixed-rate mortgage with a 5% interest rate. Keep in mind, in the real world, your interest rate would change based on multiple factors—but for simplicity, let's stick with an imaginary example of one set interest rate.)

How Much to Save (\$350,000 Home)	Dollar Amount	Percentage of Home Price
Down payment	\$17,500–70,000	5–20%
Closing costs	\$10,500–14,000	3–4%
Moving expenses	Around \$1,750	Around 0.5%
Total	\$29,750–85,750	8.5–24.5%

If these numbers feel too steep, we get it. Things like student loans, credit card debt and car loans might be slowing you down from being able to save up something as big as a home down payment. Remember, that's why you need to get out of debt ASAP and have an emergency fund of 3–6 months of expenses before buying a home. The good news is, we've shown millions of people how to do this through Financial Peace University—where you can learn a proven plan to pay off debt fast and save more money for your future.

Down Payment

Once you're in good financial shape, set a down payment savings goal. Ideally, you want a down payment of at least 20% of the home's purchase price. Putting down 20% allows you to avoid paying for private mortgage insurance (PMI). Remember, PMI doesn't benefit you at all.

If you're a first-time home buyer, saving 5–10% is okay too. But then you'll have to pay for that PMI (boo!). No matter what, make sure your monthly payment is no more than 25% of your monthly take-home pay on a 15-year fixed-rate mortgage. And stay away from expensive VA and FHA loans! (Don't worry, we'll cover more details on mortgage types in the next section.)

Sure, 5–20% of a home might feel like a crazy amount of money to save. But it is possible! Suppose you're buying a \$350,000 house or condo and want to save a \$17,500–70,000 down payment. If you tighten up unnecessary expenses and stash away \$1,800 of your monthly budget, you could have that down payment saved in around nine months to three years—not bad!

Closing Costs

On average, buyers might pay 3–4% of a home's purchase price for closing costs.¹ But yours could be more or less than that depending on where you live—so do your own research to get a better idea of what average closings costs are like near you. When you close on a house—which is basically just signing all the paperwork that officially makes your new home yours—you have to pay for expenses like:

- Loan origination fees
- Credit reports
- Underwriting fees
- Appraisal fees
- Title fees
-

Remember, you'll also need to cover property taxes and home insurance—lenders call these prepaid items. Your real estate agent and lender will give you a detailed list of these costs before your closing day.

Moving Expenses

You can always save money on moving costs by asking friends for help. Or you could rent a moving container or truck. Otherwise, hiring

movers can cost hundreds to thousands of dollars depending on how much stuff you're moving and how far away you are from your new home. If you go that route, be sure to get quotes from local moving companies ahead of time to help with budgeting.

You'll also want to prepare your budget for other moving costs, like utility transfer fees and any immediate updates to your home (like painting or installing blinds).

If you don't have enough money saved for these up-front costs, you'll either need to hold off on your home purchase for now (you'll thank yourself later) or shoot a little lower with your home price range. Whatever you do, don't let the closing costs keep you from making the biggest down payment possible. The larger the down payment, the less you'll owe on your mortgage!

How to Save

Okay, now let's cover the smartest ways to save for a house. We already mentioned how being debt-free and having a full emergency fund is essential before buying a house—plus, it frees up your cash flow! And that'll help you save for a big down payment faster. But how else can you speed up your timeline? Try these tips:

- **Follow a budget.** The best way to control your money? Budgeting! Here's how: First, list your monthly income, and then list your monthly expenses (including your monthly down payment savings goal). Next, subtract your expenses from income (this should equal zero, giving every dollar a job). Finally, track your spending (all month long), and make a new budget before the next month begins. (P.S. this process is way easier with our free budgeting app, EveryDollar.)
- **Tighten your spending (temporarily).** Once your budget is under control, try cutting unnecessary spending. Things like postponing fancy vacations, eating out less, and suspending subscriptions (bye-bye, Netflix) will go a long way in helping you pile up more cash in your down payment fund. And don't worry—you can always add these things back into your budget after you've reached your savings goal.

- **Use a money market savings account.** Keep your down payment savings in a safe place that's easy for you to access—like a simple money market savings account. And definitely don't put this money into any sort of risky investment account. Sure, you're not going to make tons on interest in a money market account. But you won't lose money either!
- **Hold off on your retirement savings (temporarily).** You can pause your contributions to your retirement accounts (even the match) if you want to go crazy and save up your down payment as fast as possible. Just don't pause for more than two years. If it takes longer than that to save up your down payment, start investing again while you continue to save.
- **Start a side hustle.** To really hit the gas on your down payment savings, pick up another job on the side. It doesn't have to be anything fancy. You won't be working there forever. So, choose something simple you won't totally hate doing after your day job. Deliver some pizzas, drive for Uber, or try a freelance gig.

Saving for a home down payment is hard work, and it'll take time. But you got this! Stay focused each month, celebrate every win, and before you know it, you'll be sitting on a giant pile of home money that you've earned with your own blood, sweat, and tears. It'll be well worth it!

CHOOSING THE RIGHT MORTGAGE

Look at you go! You're on your way to buying your first freakin' house! Now it's time to get serious. If you're going the mortgage route, you need something to show home sellers just how serious you are: a preapproval letter.

**Show sellers
you're serious.**
Get preapproved.



What's a Preapproval Letter and Why Get One?

First, don't confuse prequalified with preapproved. A lender can prequalify you to buy a house after a quick conversation about your income, assets and down payment. But getting preapproved will take a little more work.

A lender will need to verify your financial information and submit your loan for preliminary underwriting. That extra effort will pay off when you begin your home search. A preapproval letter shows your “throw me the keys” level of seriousness as a buyer to sellers.

Imagine a seller, who's eager to move, scanning through buyer offers and finding that you're already preapproved for a mortgage. They'll be relieved and confident you're ready to do the deal—no ifs, ands, or buts about it. Plus, since your information is already in the lender's system, being preapproved speeds up the loan process—which definitely helps in a competitive market.

How Do You Get Preapproved?

Sure, having a mortgage lender shove your financial life under a microscope probably isn't your idea of fun. But if you gather all the documents you need before meeting with a lender, the process will be a piece of cake. Here's what your lender will ask for:

Identification

- Driver's license or U.S. passport
- Social Security card or number
- A copy of the front and back of your permanent resident card (if you aren't a U.S. citizen)
- Credit history (or talk to our friends at [Churchill Mortgage](#) for manual underwriting if you have no credit score)

Income

- Employment verification (proof of status and yearly salary)
- Pay stubs covering the last 30 days
- W-2 forms from the last two years
- Proof of any additional income
 - Federal income tax returns (personal and business) with all pages and schedules from the last two years

Assets

- Bank statements proving you have enough money to cover the down payment and closing costs

A gift letter saying your down payment is a gift, not an IOU (if a

- family member or friend is helping you pay for your down payment)

- Latest quarterly statements for asset accounts like your 401(k), IRA, stock accounts and mutual funds

What Exactly Is a Mortgage?

Okay, now that we have the preapproval part straight, what about the mortgage itself? When you take on a mortgage, you'll be paying back more than just what you borrowed from a lender. There are a bunch of other expenses packed inside that monthly payment.

To help you familiarize yourself with what you'll actually be paying for each month, here is a complete breakdown of what's included in a monthly mortgage payment:

Principal. Remember, this is the original amount of money you borrow from your lender to buy a house. It's the main thing you want to knock out fast as you're making house payments.

Interest. Lenders are interested in letting you borrow their money because they make a profit on what they loan you by charging a fee called interest—calculated as a percentage of the principal.

Property taxes. Local governments raise money through property taxes to fund things like schools, law enforcement, fire departments and (supposedly) fixing potholes.

Homeowners insurance. Since your mortgage lender will require you to have coverage, this will add a few more dollar signs to your house payment. But it'll (literally) pay off if you ever have a fire or something like it. So set up a policy with one of our trusted insurance agents.

Private mortgage insurance (PMI). As we learned in the last chapter, PMI is a fee you pay on top of your mortgage if your down payment is less than 20%. It goes toward protecting your lender (not you) from losing money if you stop making payments on your loan.

In addition to your mortgage payment, you might also have to pay a monthly homeowners association (HOA) fee. Basically, HOA fees are for community maintenance and upgrades. If you buy a house in a community that has an HOA, you automatically become a member and will be expected to pay the fee and keep your home up to HOA standards to help increase the overall property value in that community.

As a reminder, if the total monthly house payment is more than 25% of your take-home pay, take it as a red flag that you're just not ready to buy a house yet—or try finding a cheaper house or saving a bigger down payment to make the numbers work.

“As a reminder, if the total monthly house payment is more than 25% of your take-home pay, take it as a red flag that you're just not ready to buy a house yet”

What Mortgage Option Is Right for You?

Now let's cover types of mortgages. Taking on a mortgage is no walk in the park. A bad choice here can offset your other financial goals or even lead you down a path to bankruptcy or foreclosure. That's why getting the right mortgage is so important! If you set boundaries on the front end, it's easier to find a home you love that you can pay off fast.

The only kind of mortgage we recommend is a 15-year fixed-rate conventional loan. Here are the main reasons why it's the best:

- **Helps you get out of debt faster.** A mortgage with a 15-year term keeps you on track to pay off your mortgage in half the time compared to one with a 30-year term.

- **Saves you thousands (even hundreds of thousands) of dollars in interest fees.** While a 15-year mortgage comes with a higher monthly payment than a 30-year mortgage, a larger amount of that payment goes straight toward paying down the principal (the portion that actually pays back your loan, as opposed to interest fees).

- **Protects you from rising interest rates.** A fixed-rate loan is one where your interest rate is secure for the life of the loan. So you'll never have to worry about paying a higher interest rate on your mortgage than when you first took it out.

Avoid These Rip-Off Mortgages

Any other type of mortgage than a 15-year fixed-rate one will drown you in interest and fees and keep you in debt for decades. We don't want that to happen to you! To safeguard yourself, here are some rip-off mortgages to avoid:

- 30-year mortgage. It can be tempting to choose a 30-year term for your mortgage because the monthly payments are lower than one with a 15-year term. But the problem with 30-year mortgages is that the interest rate will be higher and you have to keep making payments on it for decades—meaning you'll pay thousands (we're talking tens or even hundreds of thousands) of dollars more over the life of the loan compared to a 15-year term!

- ARM loan (Adjustable Rate Mortgage). This option offers a lower interest rate (and monthly payment) for the first few years. But the risk of higher interest rates down the road is transferred from the lender to you. When the rate increases, the payment can quickly become too much for you to afford. While you may start out with a low interest rate, it can go up. And up. And up!

- FHA loan (Federal Housing Administration). Sure, an FHA loan will allow you to buy a house with a down payment as little as 3.5%. But in exchange, you'll be charged an extra fee for the life of the loan—on top of all the extra interest you'll pay and decades you'll spend in debt for not saving up a big down payment. Bad idea.
- VA loan (U.S. Department of Veterans Affairs). A VA loan helps veterans get into a house with no money at all! But when you purchase a home with zero money down and things change in the housing market, you could end up owing more than the market value of your home—yikes! Also, VA loans come with a funding fee. No thanks.
- USDA loan (U.S. Department of Agriculture). A USDA loan is designed to help people who can't really afford to buy a home yet to get into a house with zero money down. But again, that'll crush your budget over the years with all the added interest payments! Plus, if you can't afford to put any money down on a house, you're not in an ideal place to handle maintenance and all the other unexpected costs that come with homeownership.

When you're ready to get moving on your mortgage preapproval and want to work with a lender who follows the principles we teach, connect with our friends at [Churchill Mortgage!](#)

FINDING A REAL ESTATE AGENT

You set your max budget, saved up your down payment, and even got preapproved for a mortgage. What a rock star!

Now it's time to find a home. Right?

Hold up! You're about to enter the real estate realm. There's no telling how many unknowns are out there waiting to snag you and your

money. After all, a house will be one of your biggest financial possessions, and you want to make the most of your investment. Don't do this alone.

Sure, you can fill your brain with everything there is to know about a home purchase until your head explodes. But nothing compares to the ongoing support of a local expert who eats, sleeps and breathes real estate. You need a veteran who knows how to find you the best deal on the house of your dreams.

You need a real estate agent.

Why Work With a Real Estate Agent?

Aren't real estate agents only for people who want to sell a home? No way! There are real estate agents, called buyers' agents, who specifically work to guide and support you throughout the entire home-buying process. Here are some things a great buyer's agent will do for you:

Help you find the right house: Local agents have insider connections. They can get you the latest updates on homes in your price range—sometimes before a home hits the market. This helps you beat competing buyers who are only searching online. They'll also arrange viewings that work with your schedule so you can take your time in each house and really picture living there.

Guide you to make the right offer and negotiate a good price: The best agents are expert negotiators. They know what similar houses are selling for in your area, so they won't let you lowball an offer so much that you miss out on a great buy—but they won't let you overpay, either.

Walk you through the paperwork: Buying a house creates a mountain of paperwork. Your agent will help you stay organized and on time—making sure all your i's are dotted and t's are crossed.

Advise you on the home inspection: Your agent should be able to guide you on what to do if the inspection uncovers serious flaws.

Calm your nerves when things get tough: Whether it's a problem with the appraisal or a hitch in your financing, a great agent knows how to keep things moving smoothly.

How to Choose the Right Agent

You may know some real estate agents in your area, but not all of them bring the same knowledge and experience to the table. It may be tempting to hire the first agent you talk to just to save time and effort, but fight that urge! Interview at least three agents before you make a decision.

To choose an agent you can trust, make sure you only consider agents who meet these qualifications:

Close more homes than 90% of the agents in their market or close on at least 35 homes per year

- Have been a full-time real estate agent for at least four years—10 is even better

Serve both buyers and sellers in all types of markets

- Maintain a super-serving attitude that makes you feel like you're their only client

- Provide contact references so you can find out how they treated past clients

Agents who meet these standards can earn the right to be called RamseyTrusted. We came up with these criteria back when we started our Endorsed Local Providers (ELP) program—a free way for home

buyers like you to quickly find real estate agents who follow what we teach and are known as the best agents in their market.



How Much Does a Buyer's Agent Cost?

Guess what? Working with a real estate agent is usually free for buyers! It's common for the seller to cover the commission for your buyer's agent, so you probably won't have to worry about the cost. In fact, a good agent will actually save you money. Your agent will put their negotiation skills to work to get the best price and the sweetest deal.

Navigating the Market With a Pro

It's difficult to predict what will happen with the housing market. Even if you already have some experience buying a home, the housing market can change rapidly from one month to the next. And what's happening in the Arizona housing market might be quite different from what's going on in Iowa. But if you work with an experienced real estate agent who can navigate the trends in your area, you'll stay on track with your home-buying plan.

Helping You Buy a Home in Any Season

Think nobody's going to sell you their home during the cold months of winter? Wrong! Sure, back in the day before the internet, the change of seasons dictated the real estate market. But now, with 24/7 access to property listings, serious home buyers are always on the lookout—whether they're scrolling through the latest listings on their phone during their kid's hockey game or browsing on their tablet before bed. Today's home sellers know you're out there and ready to buy no matter the season. So, don't feel like you need to wait for spring. Now might

be the best time to get a awesome deal on a home you'll love.

For a quick and easy way to find a RamseyTrusted real estate agent in your area, try our free Endorsed Local Providers (ELP) program. Agents in our ELP program earn the right to be called RamseyTrusted for being the best in their market and for supporting you in your financial goals.

[Find your real estate agent today!](#)

HOUSE-HUNTING TIPS

Now that you've got an experienced real estate agent on your side, you're finally ready to start house hunting with confidence!

**Find the neighborhood
that feels like home.**



Create a Must-Have List

Before you dive into your search, create a list of must-have home features. For example, maybe your deal-breakers are homes that don't have central air conditioning, a laundry room or a jacuzzi in the master bedroom (no judgment).

Then, share the list with your real estate agent (and your spouse, if you're married) and use it as the foundation for your home search. This way, your agent will know your nonnegotiables and can help you find your dream home in an area you can afford.

Don't Mix Up Must-Haves With Nice-to-Haves

Be careful not to confuse things you need with things you want. Sure, it'd be nice to have a house with a beautiful bathroom and perfect color combos. But don't let an ugly, lime-green bathroom keep you from an otherwise great home in a perfect location. Some buyers may not be able to look past easy-to-fix details like décor and paint color—and that could score you a deal. That lime-green bathroom might mean more green in your pocket!

Focus on Location

Okay, now that you know your must-haves, your next home search priority is to find a location. A good location will make your home even more valuable in the future, and a great neighborhood can turn a nice house into a special family home.

So, what's a good location? Generally, a neighborhood where you'd like to live is probably a neighborhood where lots of people would like to live—whether you're a 20-something buying a condo in a swanky part of the city or a family looking for a two-story house with a big backyard in the suburbs.

Personal preferences aside, upscale urban areas and family neighborhoods share common traits that make them good places to buy a home. Here are some things to look for when scoping out the location for your new home:

- **Easy access.** Most people don't want to spend a lot of time driving to work, school or shopping centers. You don't have to live right next to a business center, but it should be easy to get to important places. Other pluses include nearby libraries, parks and public transportation.
- **Good school districts.** Obviously, schools are important if you have (or plan to have) kids. But even if you don't, choosing a location near a high-scoring school district usually means more money in the bank when it's time to sell your home. Most states provide test score information online, so take the time to research schools in the area where you want to buy.
- **Solid reputation.** A neighborhood's reputation is based on several factors, including the crime rate and how well the residents maintain their homes. You can research crime rates online and drive through the neighborhood to see how your potential neighbors care for their homes.
- **Beautiful view.** That's right, if you find a home within budget that has a gorgeous view overlooking a body of water or with mountains in the distance, you've found a keeper. Since you can only change so much about a house's appearance, something as permanent and rare as a natural view adds a ton of value to a piece of property.

Think of the Future

Even if you believe you're buying your forever home, you should shop with resale value in mind. Make sure the home you purchase has room to grow in value. Buy the least expensive home in the best neighborhood you can afford. Why? Because future buyers who are shopping in a \$200,000 neighborhood won't be looking for a \$300,000 home.

Pay attention to what's happening in the community where you're looking to buy. Are home values rising or declining? Are businesses booming or closing? Will the area be attractive to buyers several years down the road? If new homes are being built in the area, that's a good sign growth will continue. But be careful. You don't want the area to develop into a business district with your home in the middle. That'd be awkward.

Take Your Time to Do This Right

It can seem like a lot to remember, but don't worry! You have a real estate pro to guide you through the parts you forget. And don't be surprised if it takes you a few months before you find the perfect house in the perfect neighborhood. Be patient. You need to do this right. If you follow these tips, you'll be well on your way to finding an affordable house that's the best fit for you.

MAKING AN OFFER AND NEGOTIATING PRICE

Okay, now you're getting really close to the finish line. You're probably exhausted after weeks of driving to open houses and repeatedly scrolling through every real estate app known to man. But all that searching has finally paid off because you feel like you've found the one. This house checks all the right boxes: It fits within your budget, it's in a great neighborhood, and it even has that white picket fence you've always dreamed about. It's time to make an offer the seller can't refuse!

Get the Price Right

A seasoned real estate agent has knowledge and experience in dealing with home prices and can put you ahead of the competition when it comes time to make an offer on your home. By working together with

an agent, you can submit a solid offer that'll grab the seller's attention.

Your agent can provide you with a comparative market analysis (CMA) on listings and sale prices for homes in the neighborhood where you're planning to buy. If comparable homes are selling for 5% less than

their listing prices, you can reasonably offer 8–10% less than the listing price and leave yourself room to negotiate.

Your agent will guide you through this part, but make sure you listen to their advice. If the market is slow, you could get a deal by making a low offer. But if it's a seller's market, other hungry buyers could quickly outbid you. And that's exactly why you should work with a [Professional Agent](#).

Once you've settled on a price, your agent will help you fill out a sales and purchase agreement. It's basically a legal document that includes all the terms and conditions of the deal, along with important details like:

- Buyer and seller information

- Address of the property

- Closing date

- Purchase price, lender information and down payment amount

- Earnest money deposit amount (which can be used toward your down payment or closing costs)

- Items to be left with the home (like appliances or furniture)

- Contingencies (like home inspection, appraisal and final mortgage approval)

Once that's complete, you'll send the form over to the seller.

Remember: Your offer is a legally binding contract. That's another reason to work with an experienced pro who can make sure to dot the i's and cross the t's correctly. A mistake in this document could cost you big time!

Agreeing on terms can sometimes be quick and painless, but it can also be one of the most difficult parts of the process. If you end up in a bidding war with other buyers, don't panic. Keep a cool head and put your best foot forward. Being preapproved with your lender and having a flexible closing date can give you a leg up on the competition.

Negotiate for the Best Deal

It would be awesome to turn in an offer, have the seller accept it word for word, then live happily ever after. Unfortunately, that rarely happens. The reality is sellers usually come back with a counteroffer that changes or adds to the terms of your offer. And that means it's time to negotiate!

This is when working with a real estate agent really pays off. Your agent will help you understand how the counteroffer affects you and, if necessary, help you develop a counteroffer of your own.

If you play your cards right, negotiating the purchase contract can save you thousands of dollars not only on the price of the home, but also in valuable amenities (like a refrigerator or oven). That sounds like a fairy-tale ending to us!

“If you play your cards right, negotiating the purchase contract can save you thousands”

When You Get a Counteroffer

No matter what you're negotiating for, you always want to start from a position of strength. You'll have the high ground in home-buying negotiations if you:

- Are a cash buyer
- Have been preapproved (not just prequalified) for a mortgage
- Don't have to sell your current house before you buy

If your negotiations get intense, remind yourself that both parties want the same thing: The seller wants to sell their home, and you want to buy it. Sometimes it pays to compromise on small details to keep moving forward, and a good real estate agent can give you advice about when to give in and when to stand firm.

Understand Walk-Away Power

You know how they say predators can sense fear in their prey? In the same way, a seller can sense if you're desperate to buy their house—and they'll often take advantage of it.

That's why you always need to be prepared to walk away from a deal. Until both sides sign an agreement, either party can reject the offer and end all negotiations. Sometimes it's just a bluff, but other times it's best to walk away and live to buy another day—without regrets! Unfortunately, some sketchy real estate people will wait until you sit down to sign the closing papers before they try to change a deal on you. Why? Because they know you're emotionally committed to the home and probably won't back out at that point. The sad part is they're usually right. It's dangerous to get too attached to a house before you sign on the dotted line.

Give and Take

Here's a little home-buying secret: There's much more to negotiating than simply wrestling over the price. As a buyer, you can negotiate anything. All you have to do is ask! Sellers are often eager to make their deal as attractive to buyers as possible, so you might be

surprised at what they'll agree to.

In exchange for paying their full asking price, maybe you can ask the seller to throw in a washer and dryer. Do you see something that

needs to be fixed or replaced? Push for them to pay for repairs.

Everything from a new paint job to furniture is fair game. Use your imagination!

You might have to pay a slightly higher price than you originally planned, but you can get something of value in return too. Just remember not to get too hung up on minor details (like paint colors and carpeting) during the overall home-buying process.

HOME INSPECTION AND APPRAISAL

You've locked down a deal on your home. Great work! But don't get so gung ho about moving in that you seal the deal without knowing the house has a nasty problem or two. Big mistake. That'd be like taking a bite out of a juicy apple and finding out it's rotten with a worm

inside. Yuck!

Save yourself a lot of pain. No matter how good the deal sounds, never skip a home inspection.

Never skip the home inspection.



What Is a Home Inspection?

During a home inspection, a professional examines the condition of the home you want to buy and helps you decide whether it's worth what you agreed to pay for it. If the inspection reveals major problems with the home—like structural issues or expensive repairs—you can ask the seller to:

- Fix the problem
- Reduce the price
- Cancel the contract

Depending on your real estate agent's advice and the age and condition of the home you're about to buy, you might also want to get other professional evaluations like a radon test or termite inspection.

How Much Does a Home Inspection Cost?

A home inspection usually costs several hundred dollars. You'll likely pay for the home inspection shortly after the seller accepts your offer. Keep in mind, the cost depends on factors like the location and characteristics of the home. It may sound steep, but it's worth paying a few hundred dollars to avoid an expensive surprise down the road!

How to Find a Good Inspector

To find a good home inspector, you can get recommendations from your real estate agent or family and friends who have recently bought a house. You could even run a simple search online. Whatever you do, make sure your inspector has plenty of experience and is someone you feel you can trust.

Other Contingencies

Now, before we get into this, contingencies are certain conditions that have to be met to finish a home sale. It's pretty standard to make your offer contingent on a home inspection. But that's not the only

contingency that should be on your mind. Here are a couple more real estate contingencies you should know about so you don't get stuck with a bad deal or a delayed closing date:

Appraisal: If you're getting a home loan, your lender will require an appraisal—which you'll also have to pay for (bummer). This is when a professional appraiser takes a look at the house you're buying to estimate its fair market value, and it protects you from paying more than what the home is worth. If the appraisal comes in lower than your offer price, check with your real estate agent for guidance about what to do next.

Final mortgage approval: This is when your lender plunges into the depths of your finances to finalize your mortgage. Whatever you do, don't open a new credit account, take on more debt, or change jobs once you're under contract. Taking on debt is a bad idea anytime, but any changes to your income and overall financial situation can jeopardize your loan process.

Closing Time

Whoa. Can you feel it? Your journey is almost over. These last few chapters are designed to prepare you for closing, the final step in the home-buying process. Ready? Get set. Go!

CLOSING DAY: WHAT TO EXPECT

You did it! All the planning, house hunting and waiting are over. But before you get the keys to your new home and officially call it your own, you'll face one final opponent: closing day.



The Battle of Pen and Paper

That's right. A battle is coming. It's a battle between you and your closing documents. But don't worry. You'll win! At least three business days before closing, your lender must send you a Closing Disclosure. This form lists all the final terms of your loan like closing costs, how much cash you'll need to bring to closing, and the details of who pays and receives the money. Then there won't be any surprises on closing day—when the house legally becomes yours. If there are any confusing terms or conditions as you work through the paperwork, don't be shy about asking questions. This is one of the biggest purchases you'll ever make, and you should know exactly what you're signing up for.

What to Bring on Closing Day

To make sure everything runs smoothly, you'll need to bring a few things to your closing appointment. Luckily, your title company representative and mortgage loan officer will provide a checklist of everything you'll need. This list typically includes:

- Photo identification

- Certified or cashier's check made payable to the title or closing company for closing costs

- Anyone's name who will be on the title needs to be present for signing

What Happens on Closing Day?

If you bring everything you need on closing day, get ready for a John Hancock party! Here's what to expect:

You'll pay any remaining closing costs listed in your Closing Disclosure.

- You'll sign lots of forms—including a settlement statement listing all costs related to the home sale, a mortgage note stating your promise to repay the loan, and a mortgage or deed of trust securing the mortgage note.

The seller will sign documents to transfer property ownership to you.

The title company will register the new deed in your name.

It sounds simple, but be prepared for a ton of paperwork!

You Own a House!

Once you've survived closing day, breathe a sigh of relief. You're officially a homeowner. Wait! What? That's right. You own a house! Congratulations! Jump for joy! Let the confetti fall! You worked hard for this. The home-buying process may not have been easy, but having a beautiful new home to call your own is worth it in the end.

TIPS FOR NEW HOMEOWNERS

What? There's more? Don't worry. We've got just a few more notes to set you up for success as a new homeowner. Remember, your home is likely one of the largest assets you'll ever own. That means it has the power to make or break your financial future. So, what can you do to make sure your home helps you build wealth instead of draining it over time? Follow these tips.

Beware of Rip-Off Insurance Offers

During the first few months of being a new homeowner, you'll wonder if your mail carrier thinks your mailbox is a trash can thanks to all the junk mail you'll receive. As you sort through it, watch out for rip-off insurance offers like mortgage life insurance policies or home warranties. When you get offers like these, toss them into your actual trash can. You don't need that overpriced garbage. If you're not sure which types of insurance are a gimmick and which kinds you actually need, take our [5-Minute Coverage Checkup](#).

Update Your Coverage When You Update Your Home

We get it. Insurance is probably the last thing you want to think about, and it might not even cross your mind when you plan future updates and additions. But projects like these change the value of your home, and that impacts the coverage you need.

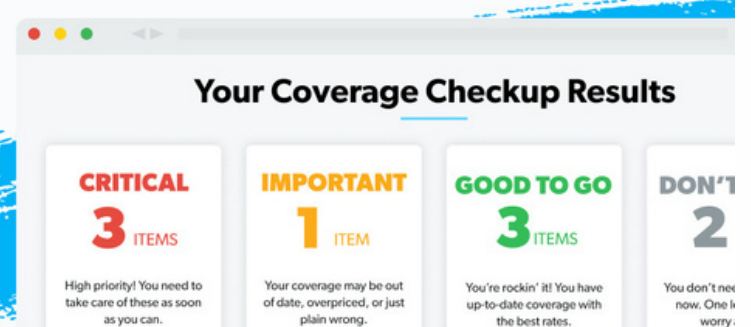
Whether it's a project as complicated as adding a new room or as simple as building a shed in your backyard, the value of your home will increase and your insurance coverage might fall short of truly protecting you and your property. So, update your policy before trouble comes knocking on your door. The key is to make sure the replacement coverage matches the value of the items in and around your home.

On the flip side, upgrades like a new roof, HVAC or a security system could actually save you money on coverage. If you need help figuring this out, [connect with an independent insurance agent](#) we trust.

Don't Be Surprised During Tax Season

Okay, there's one more thing, so stay with us. Beyond changes to your insurance coverage, purchasing property also impacts your income taxes come April. For example, you can deduct the interest you paid on your mortgage up to a certain limit. If you want to make sure you file your taxes correctly, [connect with a RamseyTrusted tax advisor](#). They'll help you find out if you need to make any withholding adjustments now so you don't owe (or get an overly large refund) later.

Get the home coverage you need.
Take the 5-Minute coverage checkup.



TOTAL COST BREAKDOWN

We've covered a ton of ground! That's why we want to help you make sure nothing slips through the cracks—like unexpected housing costs. So, let's walk through a simplified budget of everything that goes into buying and owning a home so you can step into homeownership with confidence.

(Again, for simplicity, these examples assume a 15-year fixed-rate mortgage with a 5% interest rate and other set costs for taxes and insurances that—in the real world—would change based on factors like your down payment amount.)

How Much to Save(\$350,000 Home)	Dollar Amount	Percentage of Home Price
Down payment	\$17,500–70,000	5–20%
Closing costs	\$10,500–14,000	3–4%
Moving expenses	Around \$1,750	Around 0.5%
Total	\$29,750–85,750	8.5–24.5%

When you break down each home-buying cost, it's easier to see why you need more than just a down payment saved up to purchase a house. Never steal from your hard-earned down payment amount to pay for closing costs and moving expenses—that'll only eat into your equity and add more interest.

Now let's see what monthly house payments might look like after you purchase a \$350,000 home with a 15-year fixed-rate conventional mortgage.

Total Mortgage: \$280,000–332,500	Monthly Payment
Principal and interest (5% rate)	\$2,214–2,629
PMI (1% of loan)	\$0–277
Property taxes (1.1% of home value)	\$321
Home insurance (\$1,500 per year)	\$125
Total	\$2,660–3,352

The biggest thing to remember here is that your monthly house payment isn't just made up of principal and interest—it also includes property taxes and home insurance. And don't forget that it could also include private mortgage insurance (PMI) if you put down any less than a 20% down payment.

Keep in mind, you never want your monthly payment to be more than 25% of your monthly take-home pay. If it looks like you'll be going over that 25% mark after doing the math, save up a bigger down payment or look for a lower-priced house. That way, you won't end up house poor.

HOA and Home Maintenance

Aside from your mortgage, if you happen to buy a home that's part of a homeowners association (HOA), membership fees could be another several hundred dollars per month!

And remember, homeownership means you're on your own when it comes to things like home maintenance. No more calling up the landlord to fix the air conditioning. It's up to you to either fix it yourself or budget for a pro to fix it for you. Home maintenance can cost upwards of a \$1,000 per year. So make sure you have room for it in your budget.

THE END

That's right, folks! You did it. You're done. You now have what it takes to buy an affordable home you love. If you follow this guide on your home-buying journey, you'll avoid common money mistakes and start building wealth that will help you leave a legacy.

