



Where do you  
**START?**

When you're ready  
to buy a home?

At the beginning...

# INTRODUCTION

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My name is Lisa Miller and yes, I am a Realtor®, let me take this moment to say, “Hello, and it is nice to meet you.”

I am a native Houstonian and I really love this city. I have seen Houston change with growth and advancement in wonderful ways.

I chose real estate as a career because you will always need a place to live and work (right?), but the most important reason is, I love to see the bones of a home’s architecture. It brings me joy and with each new client, the experience starts all over again.

After purchasing my first home, I still remember the proud and gratifying feeling it gave me. However, there are certain things I wish I had known then and maybe I would’ve been a bit smarter and a bit more prepared.

As a Realtor®, I would like you to be smarter and more prepared than I was, and it is what has motivated me to share the information contained in this book. Whether you are a first-time home buyer or an experienced one, I am sure you will find some, if not all, of the contents helpful as I explain the home buying process.



Thank you kindly.

*Lisa Miller*

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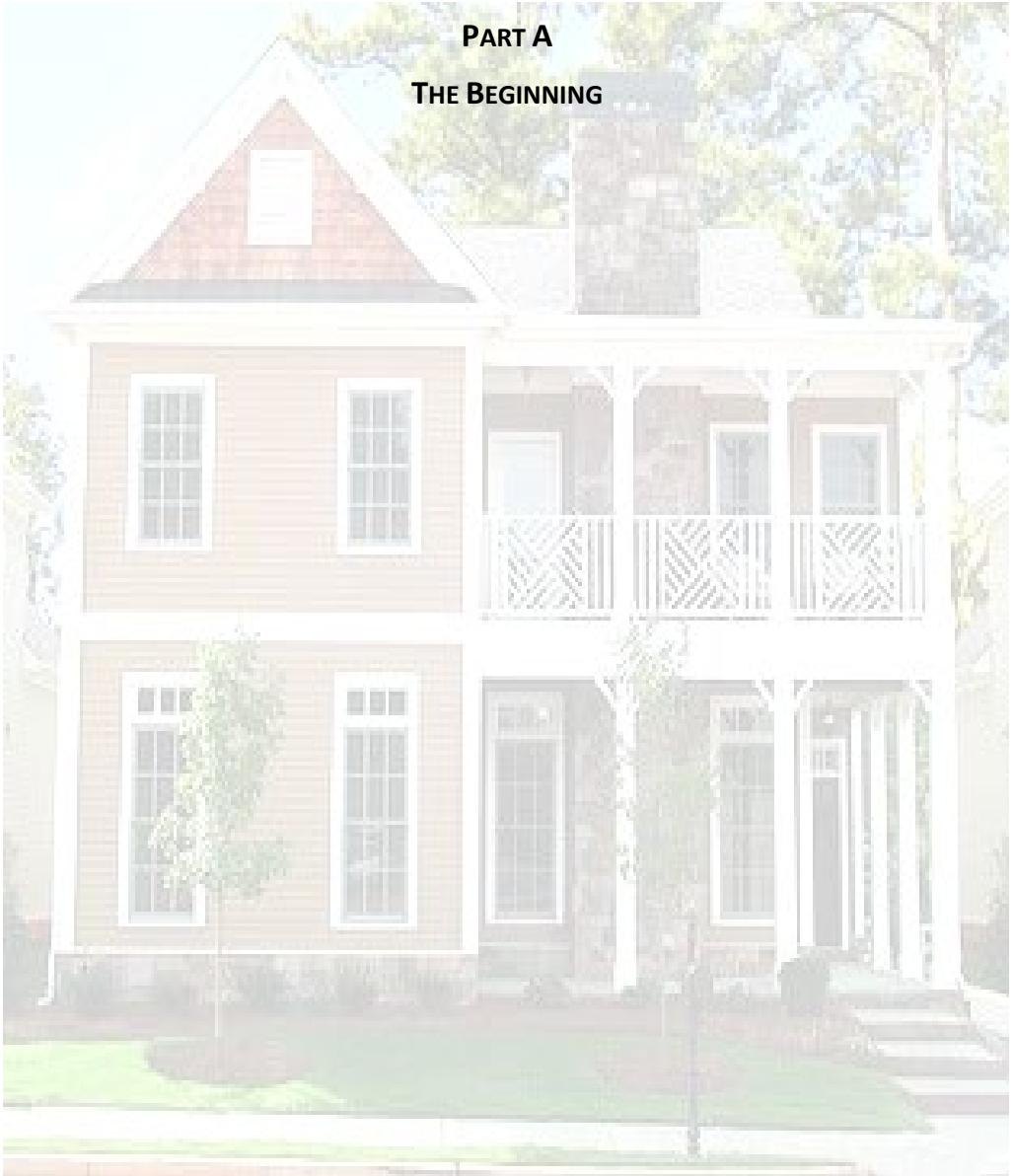
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**PART A**  
**THE BEGINNING**



## CHAPTER ONE

### OWNING VS RENTING

Whether to buy or rent the place in which you live is a major decision. It doesn't just affect how much money you have left at the end of the month; it also affects your lifestyle and the amount of savings you accumulate over the years. For many people, owning a home represents the fulfillment of the American dream. According to the U.S. Census Bureau, approximately 65% of Americans own their own home. For others, it is their worst nightmare.

Lifestyle can sometimes play a major role in the decision to own vs rent. Traditionally, home-buying was most often driven by household formation, such as marriage and family growth. For millennials, one major reported reason to purchase a home is dog ownership.

As of 2019, the U.S. Census Bureau has concluded the homeownership rate among households headed by someone who is 35 to 44 years old increased to 61.1% in the fourth quarter from 58.9% a year earlier. The rate for households with an owner under 35 years old jumped to 36.5% from 36% in the same period. However, most young people living independently are renting, enjoying lifestyle flexibility and decreasing the upfront costs associated with purchasing a home. It is also noted because of higher college tuition and the amount of student loans, this has impacted the homeownership rate of many millennials.

Will I stay in the home long enough to benefit from the purchase? Am I ready for the responsibility? Buying a home is a major financial move, so you're wise to look carefully at the positive and negative aspects.



So, before you decide to buy, consider the pros and cons of homeownership, based on your personal desires, future plans, and general financial position.



## CHOOSING the BEST FOR YOU

Buy or rent? Each have their own advantages and disadvantages, so it is wise to look carefully at the positive and negative aspects. When thinking about buying a home, many questions will come to mind. Here are some questions to ask yourself.

- 1) Do you really need to buy a home?
- 2) Are you creditworthy?
- 3) Are you financially prepared?
- 4) Can you pay the down payment costs?
- 5) Is your income going to grow?
- 6) Can you afford the monthly mortgage payments and its other factors?
- 7) Will you stay in the home long enough to benefit from the purchase?
- 8) Are you ready for the long-term commitment?
- 9) Are you emotionally prepared?

## OWNING

Before buying a home, it's important to consider how the purchase will affect your finances and your lifestyle. It is important to review the advantages and disadvantages of becoming a homeowner before making this big commitment.

### ADVANTAGES

- **Greater privacy, ownership rights and freedom.** You control who and when someone enters your home. The right to and freedom to make certain home improvements choices are yours. Creating the environment and changing it as often as you like is one of much advantage. Please note there may be certain homeowners' association rules to be followed (assuming the community has one in place) and building codes to be adhered to.
- **Homes typically increase in value.** The home will build equity and provide a nest egg for the future. A portion of each monthly mortgage payment is applied to the loan's interest. The remaining portion goes to homeowner's insurance, property taxes and the loan principal. Each dollar to your loan's principal is equity – represent of actual ownership of the property. The value of the property should increase (appreciate) each year, which in turn adds to equity (home sale price versus amount owed). The difference will be the equitable amount you have earned.
- **Your costs are predictable and more stable.** By selecting a fixed rate 15 – 30-year mortgage, you as a homeowner have assurance the mortgage costs will not increase over that period. This in turn is better than renting because the rent amount can increase each time a lease is renewed (depending on market rate).

- **The mortgage interest and property taxes are federal tax deductions.** It is important to understand your tax deductions when preparing your return. Itemizing your federal income taxes can reduce your tax burden. You will receive an Internal Revenue Service Form 1098 from your mortgage lender at the end of the year stating the amount of interest you have paid. The Tax Cuts and Jobs Act (TCJA) applies from 2018 to 2025 and limits the amount of deductions for certain taxes. To summarize a small part of this, if you are only living in your home, you can only claim up to \$10,000 in tax deductions on your property, however if you are in a manner earning income directly from your home, the limit may be waived. You are strongly urged to review this tax law to fully understand how it will affect you.
- **There's pride in homeownership.** There is a satisfying feeling attached to owning your home, it gives a sense of accomplishment, freedom and independence. Homeowners stay in homes longer than renters and closely ties you to your community.
- **Affordable options exist.** Like purchasing a lower cost manufactured home.

#### DISADVANTAGES

- **Upfront and closing costs.** Buying a home requires a down payment, closing costs and moving expenses. Some costs are paid up front following the seller's acceptance of your offer, such earnest money and the cost of a home inspection. Others will be paid at closing which would be the down payment (ranging from 3% to 20% dependent on financing type), property taxes, and the first year's homeowner's insurance.
- **Maintenance.** To keep a home functioning to its full capability, it requires maintenance and upkeep. From cracked floor tiles to a leaky faucet, items such as these are at the expense of the homeowner. The costs will fluctuate from year to year; however, approximately 1% of your home's value will be paid annually in maintenance. Routine maintenance such as lawn care and repainting should be kept in mind.
- **Loss of relocation flexibility.** Owning a home connects you to your community, making it more difficult to move suddenly.



- **Equity profit not totally guaranteed.** The value of your home may not increase for the first few years. Homeownership builds equity over time but may not equal profit. If home values in your area decrease or remain stagnant over time, the appraised value of your home may decrease. This may put you at a financial loss when you sell.

## RENTING

One of the biggest myths about renting is that you are “throwing away money” each month. Not true. You need a place to live, that costs money, in one way or another. It is true you aren’t building equity with monthly rent payments.

### ADVANTAGES

- **Financial stability.** You know the exact amount you will spend on housing each month. When owning, you may pay nothing more than the mortgage and routine bills one month, and unexpected \$1,200 plumbing repair bill the next. The expense of performing nearly all maintenance and repair work on the property belongs to your landlord.
- **Financial and career flexibility.** Renting means you can move without penalty each time your lease ends. This is a high consideration if your landlord decides to increase the rent by more than you can afford. If your job requires you to move frequently, renting may be the better alternative to owning.
- **No market risk.** When you buy a home, you take on the risk (and potential reward) of the home’s value changing. This puts the capital you “invested” in your home via the down payment and subsequent mortgage payments at risk and influences your ability to change course.
- **Decreased stress.** Owning a home carries with a certain amount of stress as you will have to deal with your home’s problems.
- **You can change your neighbors.** A major factor in the quality of life as a renter is the types of neighbors you have. The good thing is that neighbors move, and when they don’t, you can. Moving out of a home you love because of difficult neighbors is a much tougher decision.

### DISADVANTAGES

- ☒ **There aren’t any tax benefits.** Without ownership of the property, you are not eligible to claim any deduction for mortgage interest and property taxes when filing your tax return.
- ☒ **Housing costs rent fixed.** Your housing costs aren’t fixed like a fixed-rate mortgage. Your rent will most likely grow as often as each time the lease is renewed unless you live in a city with rent control and your apartment is covered by it.

- ☒ **No equity.** The monthly rent paid goes to the landlord who in turn gets the benefit of equity. Regardless of how long you have lived there; you have no ownership benefits.
- ☒ **Structural and/or decorative home improvements stay with the property.** Any improvements made belong to the property owner when you move. With this, prior approval will be required before making any of these major changes.

## **THE BOTTOM LINE**

Which option is best for you isn't solely about money, it is also about comfort and your vision for your life. Some people will tell you owning always makes more sense in the long run, that renting is throwing away money, etc. Housing markets and life circumstances are too varied to make blanket statements like these.

Despite the added expense and extra maintenance associated with owning a home, many people chose it over renting. It provides a more permanent place to raise a family and most often it offers the best way to have, or create, the type of residence people desire.

Ultimately, the decision to own or rent is not only financially, it is also emotional.

## CHAPTER TWO

### NEEDS AND DESIRES

Imagine your dream house and what it looks like. It meets both your needs and desires, gives you the security of having a place to call home, a sturdy structure, top notch appliances and fixtures, ample living space (e.g. family room, bedrooms) and functional rooms (e.g. kitchen, bathrooms, utility room). You might have an impression of what you need and what you desire to have in your new house but having a complete checklist can prove to be complicated.

You have fulfilled on your needs; it is now time to turn to your desires. A single or two story, tile or carpet, and a swimming pool with a hot tub. There may be some desires you will have to let go of for now because of affordability issues.

Decide which qualities are your needs and which are desires.

- How far is it from nearby facilities?
- What is the distance from your job?
- Do you want a swimming pool? Is it a must to not view any home without one?
- What can you afford and what is your total max?

Needs, like basic requirements, can't be ignored or compromised. Desires, on the other hand, are to be left behind if circumstances demand it. A clear distinction needs to be made between what necessities are and which you would classify as desires.

### MAKE A CHECKLIST

How do you make sure you buy the right home? Between the home itself, the all-important location, and the limitations of your budget, there are a lot of variables to consider. It's quite a balancing act.



A checklist may look something like this and can be used as a guide to get you started:

### Basic requirements

Budget range \$ \_\_\_\_\_ to \$ \_\_\_\_\_

Minimum bedrooms  1  2  3  4  5+

Minimum bathrooms  1  2  3  4  5+

Minimum size \_\_\_\_\_ sq. ft.

### Structural features

- Garage (Min. doors: \_\_\_\_\_)
- Single-storey/level
- Multiple storeys
- Basement

### Miscellaneous features

- Quiet street
- Cul-de-sac
- Good schools
- Walking neighbourhood
- Safe neighbourhood
- Nearby parks/green space
- Nearby bars/restaurants
- Convenient local shopping/stores
- Good transit links/highway access
- Waterfront
- Views

### Interior features

- Open-concept living space
- Hardwood floors
- Granite counters/stainless-steel appliances
- Laundry room/in-suite laundry
- Finished basement
- Accessible features
- Energy efficiency
- Central A/C
- Fireplace

### Exterior features

- Deck/patio/balcony
- Porch/sunroom/solarium
- Gardens/landscaping
- Pool and/or hot tub
- Fenced-in yard
- Shed/workspace

### Other nice-to-haves/must-haves

- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_
- \_\_\_\_\_

## CHAPTER THREE

### GETTING A HOME LOAN

Buying a home can be a fun and exciting experience. But finding the right home is just one step in the process. Choosing the right home loan can be just as important. Since the housing market crashed in 2007, the recovery has been a bit uneven. Buyers are now faced with tight lending, new requirements and strict lending standards.

There are signs of improvement in the housing market. Lenders (banks in particular) are relaxing strict minimum requirements and lenders are once again offering mortgages with lower rate down payments. This may be a good time to consider going into the market and begin to prepare for what lies ahead.

### CREDIT SCORE AND HEALTH

Having a good credit score puts in a position to get the best deal on your home loan. It is a good idea to obtain a copy of your credit reports before starting the home buying process. This enables you to see your credit profile and what it looks like to potential lenders. It is usually recommended to work on improving your credit scores before applying for a mortgage.

How does your score affect your interest rate? Here is an example. A home sells for \$175,000 and two buyers both buy at that price and both are on a 30-year fixed mortgage with 20% down. One buyer has a low credit score of 620, while the other has a higher score of 750. The buyer with poor credit will pay higher interest rate – as much as 3.5% to 5%. The difference could cost hundreds of dollars per month in mortgage interest payments.

An individual's credit score is determined by credit payment history, length of credit history, current debt, credit type mix and frequency of new credit applications. The scoring systems are based on various criteria, weighted differently which in turn may produce different scores through the three major U.S. credit bureaus (Equifax, Experian and Transunion).

Here are some tips to help make finding right home loan as easy as possible:

- ⇒ **Check your credit score.** Your credit score is a crucial part of the final approval on a mortgage, and it is important to be aware of how our score is going to affect you. You should aim for the mi 700s. If your score is lacking, go to [AnnualCreditReport.com](http://AnnualCreditReport.com) to order three credit reports for free, and check for errors. Contact the rating agency immediately if you spot any. Do not let error and discrepancies on your reports affect your score and make you pay more than you should.
- ⇒ **Strengthen your credit.** Pay off a revolving balance and/or other outstanding accounts. Lenders and underwriters of your mortgage want

some certainty you are trustworthy and will be able to make your payments on time.

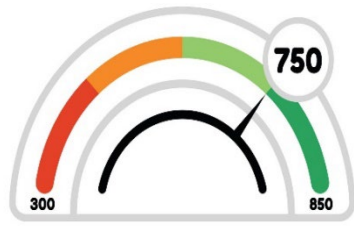
- ⇒ **Limit your credit card usage.** Using only 20% of your available credit decreases the percentage of your income that goes into paying debts (debt-to-income ratio). According to Bank of America, keeping your debt at a manageable level is a requirement of good financial health. Calculating your ratio can be done by adding up the payments you make toward debt during a month. Next, divide your monthly gross income (income before taxes) to get your ratio. Your ratio is often multiplied by 100 to show it as a percentage. The preferred maximum varies from lender to lender, it is often around 36%.
- ⇒ **Make 100% of your payments on time.** Not only with credit accounts but also with other accounts, such as utility bills. Bills that go unpaid may be sold to a collection agency, which will seriously hurt your credit.
- ⇒ **Build your savings.** Depending on your lender and the type of loan you choose, your required down payment can range from 2.25% to 20% of the purchase price of the home. Establishing a monthly budget will help you put away enough money for your down payment. If saving for a large down payment is challenging, it is possible you may qualify for an FHA loan, which helps home buyers who can only make a small down payment.
- ⇒ **Keep your credit clean before purchasing a home.** One negative move and you could lose the opportunity to purchase your new home. When purchasing a home, you be extremely careful on how your money is handled. It is best to postpone opening any lines of credit or car loans. If you absolutely cannot wait, discuss it with your loan officer or mortgage broker for advice. You could risk losing your home loan.

## PREPARATION TIPS

- ⇒ **Get financials documents in order.** When you apply for a mortgage, you will need to provide your lender with several financial documents. Having these documents already assembled will help accelerate the processing of your loan application. At a minimum, you should be prepared to provide your last two pay stubs, your most recent W-2, your last two years of tax returns, and current bank and brokerage statements. If the down payment is being made by friends or family, a written “gift letter” should be presented as documentation to the lender. If it isn’t, the amount will be considered a loan and will be included in your financial analysis.
- ⇒ **Track interest rates.** The interest rate will be one of the biggest factors in determining the cost of your mortgage. Interest rates for mortgages change almost every day and it is helpful to know which direction they are heading.



⇒ **Get pre-qualified.** Many real estate agents want you to be pre-qualified for a loan before they will start to work with you. The mortgage pre-qualification process is simple, usually just requiring some financial information such as your income and the amount of savings and investments you have. Once you are pre-qualified, you will have a better sense of how much you can borrow and



the price range of the homes you can afford. Being pre-qualified also helps when putting in an offer on a home. It will give you a better chance at having your offer accepted than someone who hasn't been pre-qualified.

⇒ **Understand the various loan options. Your parents had a 30-year fixed-rate loan.** Maybe your best friend has an adjustable-rate loan. That doesn't mean that either of those loans are the right loan for you. Some people like the predictability of a fixed-rate loan, while others might prefer the lower initial payments of an adjustable-rate loan. Every home buyer has their own unique financial situation and it is important to understand which type of loan best suits your needs.

⇒ **Be prompt in responding to your lender.** After applying for a home loan, it is important to respond promptly to any requests for additional information from your lender and return necessary paperwork as quickly as possible. Waiting too long to respond could result in a delay in closing your loan, which would create a problem with the home you want to buy. You do not want to put yourself in a position where you could lose your dream home, as well as any earnest money you may have put down.



## CHAPTER FOUR

### FIRST-TIME HOMEBUYER PROGRAMS

Becoming a homeowner is still seen as the American Dream. However, being a first-time home buyer can be a frustrating ordeal. The U.S. Census Bureau states approximately 65% of Americans own their own homes; that leaves many people who may not be able to buy their own home. This is often because they cannot pay the closing costs or cannot meet the down payment needed for home loans.

Fortunately, there are first-time home buyer programs, grants and down-payment assistance available. These programs can help cover the down payment and allow the opportunity to get a higher percentage of loans to finance.

#### GRANTS

Grants can be as important as loans when buying your first house. First-time grants for homebuyers will not have to be repaid, unlike a loan or debt can be a significant source of funding. Usually, grant programs are in areas the local government wants to encourage community revitalization. This in turn makes “urban homesteading” a doable and less expensive option for the first-time homebuyer.

Most often grants help with down payments or closing costs however there are also programs that provide funds for other purposes in the process of buying a house.

Programs vary per state and the conditions for home buying grants will vary as well. What they do have in common is that all states have specific grants for first-time homebuyers.

You can check different first-time home buyer grants in your state by going to the HUD website. You can also check your local county website for more information on first-time home buyer programs and down payment assistance programs.

Other programs to research and discuss with your mortgage lender:

- HUD First Time Home Buyer
- FHA Home Loan
- USDA Loan
- VA Loans
- 203k Rehab Loans
- Conventional 97% LTV 3% Down
- Good Neighbor Next Door Program
- HUD Dollar Home



## CHAPTER FIVE

### FIRST-TIME HOMEBUYER MISTAKES TO AVOID

It's easy to get swept up in the whirlwind of home shopping and make mistakes that could leave you with buyer's remorse later. This may be your first rodeo as a homebuyer or it's been many years since you last bought a home, and if so, knowledge is power. Along with knowing what issues to avoid, it's important to gather first-time homebuyer tips from the pros so you know what to expect and what questions to ask.

Knowing some of the common first-time homebuyer mistakes is key and how to avoid them is essential:

- **Looking for a home before applying for a mortgage.** Many first-time buyers make the mistake of viewing homes before ever getting in front of a mortgage lender. In some markets, housing inventory is still tight because there's more buyer demand than affordable homes on the market. In a competitive market, you could lose a property if you aren't preapproved for a mortgage.

**How does this affect you?** You might get behind the ball if a home hits the market you love. You also might look at homes that, realistically, you can't afford.

**What to do instead?** Before you fall in love with that gorgeous dream house you've seen, be sure to get a fully underwritten preapproval. Being preapproved sends the message that you're a serious buyer whose credit and finances meet the criteria to successfully get a loan.

- **Meeting with only one lender.** This one is a big one. First-time buyers might get a mortgage from the first (and only) lender or bank they talk to, potentially leaving thousands of dollars on the table. A good mortgage loan officer can assess your situation and diagnose any potential problems ahead to give you a clear understanding of your home-buying options.

**How does this affect you?** The more you shop around, the better basis for comparison you'll have to ensure you're getting a good deal and the lowest rates possible.

**What to do instead?** Shop around with at least three different lenders, as well as a mortgage broker. Compare rates, lender fees and loan terms. Don't discount customer service and lender responsiveness; both play key roles in making the mortgage approval process run smoothly.

- **Draining your savings.** Spending all or most of your savings on the down payment and closing costs is one of the biggest first-time homebuyer mistakes.

**How this affects you?** Homebuyers who put 20 percent or more down don't have to pay for mortgage insurance when getting a conventional mortgage. That usually amounts to significant savings on the monthly mortgage payment. But it's not worth the risk.

**What to do instead?** Aim to have three to six months of living expenses in an emergency fund. Mortgage insurance payments aren't ideal but depleting your emergency or retirement savings to make a large down payment is riskier.

- **Buying more house than you can afford.** It's easy and more likely to fall in love with homes that might stretch your budget, but overextending your finances is never a good idea.

**How this affects you?** Buying a home that exceeds your budget can put you at higher risk of losing your home if you fall on tough financial times. There is less wiggle room in your monthly budget for other bills and expenses.

**What to do instead?** Focus on what monthly payment you can afford rather than fixating on the maximum loan amount you qualify for. Just because you can qualify for a \$350,000 loan, that doesn't mean you can afford the monthly payments that come with it. Factor in your other obligations that don't show on a credit report when determining how much house you can afford. This is often how a homeowner ends up being "house poor."

- **Making decisions based on emotion.** Buying a house is a major life milestone. It's a place where you'll make memories, create a space that's truly yours, and put down roots. It's easy to get too attached and make emotional decisions, so remember that you're also making one of the largest investments of your life.

**How this affects you?** Emotional decisions could lead to overpaying for a home and stretching your budget beyond your means.

**What to do instead?** Have a budget and stick to it! Do not become emotionally attached to a home that is not yours."

- **Miscalculating the hidden costs of homeownership.** Having sticker shock from seeing your new monthly principal and interest payment, adding up the other costs of owning a home can be as daunting. As a new homeowner, you'll pay for property taxes, mortgage insurance, homeowner's insurance, hazard insurance, repairs, maintenance and utilities, to name a few.

**How this affects you?** On average a homeowner pays \$2,000 annually on maintenance services. Not having enough cushion in your monthly budget - or a healthy rainy-day fund - can quickly put you in the red if you're not prepared.

**What to do instead?** Your agent or lender can help you crunch numbers on taxes, mortgage insurance and utility bills. Shop around for insurance coverage to get compare quotes. Finally, aim to set aside at least 1% to 3% of the home's purchase price annually for repairs and maintenance expenses.

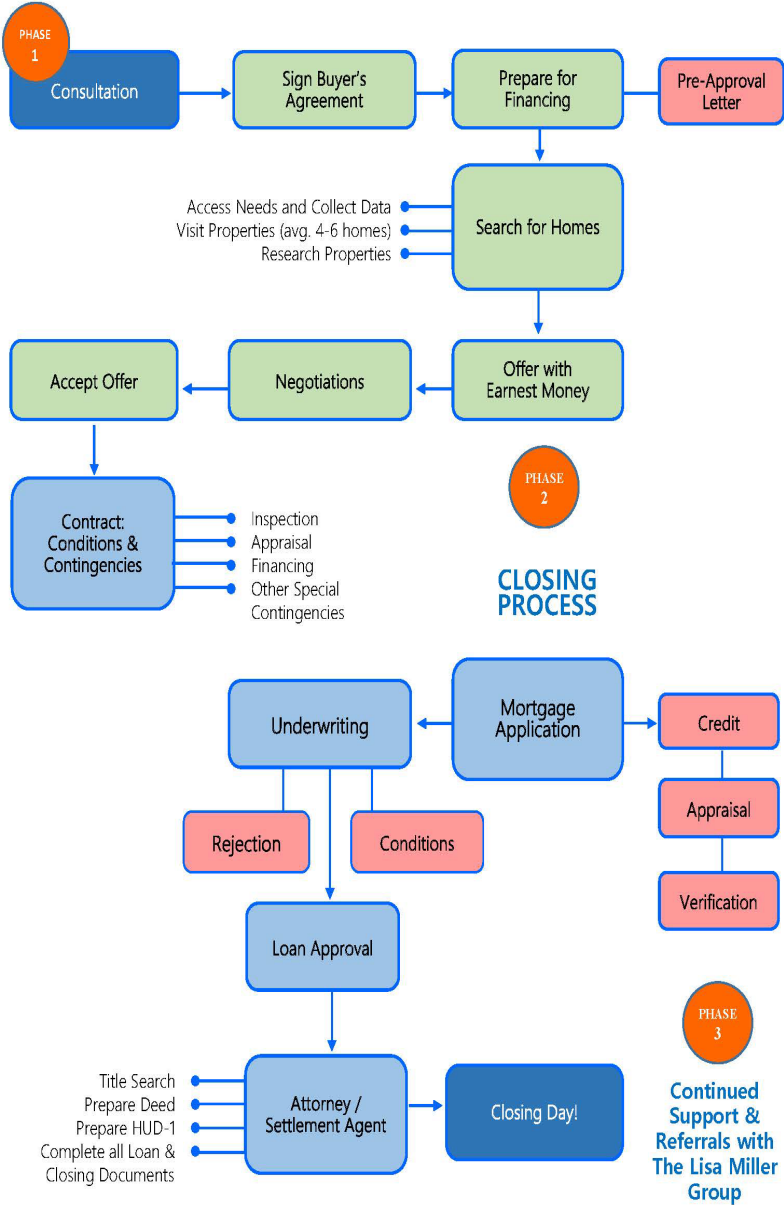


## **PART B**

# **HOME BUYING PROCESS**



# The Process (Quick View)



## CHAPTER SIX

### HIRE A REAL ESTATE AGENT OR NOT

With so much information available online, it is common to ask, “Why should I hire a real estate agent?” Some people do well on their own, without representation by using the Internet or other marketing tools. Yes, I am a real estate agent – and I love what I do! Hello and nice to meet you! Generally, real estate agents representing buyers are paid for out of the listing agent’s commission, please know I am not seeing to sell you on anything – however I am pleased to be of service. I am offering to you advise from the experience and training I have gained in my career as a real estate agent. If you would like me to help you find a home, contact me. It would be my pleasure.

Today’s technology has advanced, and the way homes are found and bought have changed. Most buyers first see the home they may eventually buy via the Internet using sites such as Zillow, Realtor.com, Redfin, Trulia and Yahoo! Homes.

If a buyer can find and visit a home by engaging through the Internet independently, why involve someone else, right? Something to be noted: when a buyer goes directly to the listing agent and allows that agent to handle both sides of the transaction is working with an agent who has conflicting responsibilities. The agent’s job is to get the best price for the seller, and in the end, the interests of the buyer may not be fully represented. Agents who market themselves as a buyer’s agents indicate they’re working for the buyer only in a real estate transaction. Well, the reason to hire a real estate agent today are as valid as yesterday.

### EDUCATION AND EXPERIENCE

Hiring a real estate agent means you do not need to know everything about buying and selling real estate. Noted as America’s No. 1 Salesman, R.H. Grant once said that when you hire people who are smarter than you are, it proves you are smarter than they are. The trick is to find the right person. For the most part, they all cost roughly the same, so why not hire a person with more education and experience than you? We’re all looking for more precious time in our lives, and hiring pros gives us that time.

### ADDITIONAL ACCESS TO THE REAL ESTATE MARKET

Real agents have more access to the market and possess intimate knowledge of local conditions. They can identify comparable sales and hand these facts to you, in addition to pointing you in the direction where you can find more data on schools, crime or demographics. For example, you may know that a home down the street was on the market for \$350,000, but an agent will know it had upgrades and sold at \$285,000 after 65 days on the market (after twice falling out of

escrow). Buyers' and sellers' agents are experienced on how to put a real estate deal together.

A real estate agent will find homes that meet your criteria and contact the sellers' agents to set appointments for viewing the homes. This can be imperative when time is of essence because a buyer is moving due to relocation and hires a "buyer's agent" to handle these matters.

### **NEGOTIATION SKILLS AND CONFIDENTIALITY**

Agents negotiate well because, unlike most buyers because they can remove themselves from the emotional aspects of the transaction and because they are skilled. It's part of the job description. Good agents are not messengers delivering buyer's offers to sellers and vice versa. They are professionals who are trained to present their client's case in the best light and agree to hold client information confidential from competing interests. Price negotiations take a special skill and understanding the psychology of offering and counteroffering.

### **HANDLING VOLUMES OF PAPERWORK**

One-page deposit receipts were prevalent in the early 1970s. Today's purchase agreements can run in excess of ten pages or more. That does not include the federal- and state-mandated disclosures nor disclosures dictated by local custom. Most real estate files average thicknesses from one to three inches of paper. Unless you are an attorney or title agent, these documents will be foreign to you. One tiny mistake or omission could land you in court or cost you thousands.

### **ANSWER QUESTIONS AFTER CLOSING**

Even the smoothest transactions that close without complications can come back to haunt. For example, taxing authorities that collect property tax assessments, doc stamps or transfer tax can fall months behind and mix up invoices, but one call to your agent can straighten out the confusion. Many questions can pop up that were overlooked in the excitement of closing. Good agents stand by ready to assist. Worthy and honest agents don't leave you in the dust to fend for yourself.

### **DEVELOP RELATIONSHIPS FOR FUTURE BUSINESS**

The basis for an agent's success and continued career in real estate is referrals. Few agents would survive if their livelihood was dependent on consistently drumming up new business. This emphasis gives agents strong incentives to make certain clients are happy and satisfied. It also means that an agent who stays in the business will be there for you when you need to hire an agent again. Many will periodically mail market updates to you to keep you informed and to stay in touch.

### **WHAT IS A REAL ESTATE AGENT AND CHOOSING THE BEST AGENT FOR YOUR NEEDS**

In definition, a real estate agent is someone licensed to sell and list real estate, putting buyers and sellers together and acting as their representatives in

negotiations. Real estate would include homes, multi-family properties, commercial and industrial buildings as well as land.

A Realtor® is a bit different. A Realtor® is a member of the National Association of Realtors. A real estate agent isn't always a Realtor® but is always an agent.

Most people feel the urge to choose the first real estate agent who presents themselves and appeals to them, that is not always the best choice. There are levels of professionalism, experience and dedication. Meet with the agent in an agreed location. With today's mobile technology, meetings are not always held in the agent's office but can be in a suitable location.

An experienced and good buyer's agent will want to know if your loan has been preapproved, what type and the terms of the loan you are receiving. The agent should be listening as much as talking, taking notes, asking questions and assure you understand the process.

### **LICENSING RESEARCH**

Each state has a licensing board for all active real estate agents and Realtors®. This is easily accessible via the Internet and you are able to see their information, complaints, disciplinary actions and other information to assist you in making your decision.

### **COMMISSION**

Overall, the commission is paid at the settlement period by the seller. The fee is deducted from the proceeds of the sale of the property during closing. The buyers pay the commission because they're literally paying to purchase the home, while the sellers take the commission for into consideration during the process of determining the list price.

The commission is then divided during the settlement process between the buyer's agent brokerage and the listing agent's brokerage. The agents who made the real estate sale are then paid by their brokers.

As a note, the commission fee is why some sellers choose to take the For Sale By Owner (FSBO) route. This doesn't necessarily mean a represented buyer cannot purchase an FSBO. Your agent should always work on your behalf and will be able to contact the seller for you.

### **INFORMATION ABOUT BROKERAGE SERVICES**

The Texas Real Estate Commission requires agents to explain if they are working for the buyer or the seller whenever there is substantive contact with a customer or prospective client. Upon this meeting you will be presented with an Information About Brokerage Services (IABS) form to be reviewed and explained to you regarding the agent's role in the real estate transaction. This form should be signed by you to confirm you have received a copy and a copy will be given to you for your records.



## Information About Brokerage Services

*Texas law requires all real estate license holders to give the following information about brokerage services to prospective buyers, tenants, sellers and landlords.*



**TYPES OF REAL ESTATE LICENSE HOLDERS:**

- A **BROKER** is responsible for all brokerage activities, including acts performed by sales agents sponsored by the broker.
- A **SALES AGENT** must be sponsored by a broker and works with clients on behalf of the broker.

**A BROKER'S MINIMUM DUTIES REQUIRED BY LAW (A client is the person or party that the broker represents):**

- Put the interests of the client above all others, including the broker's own interests;
- Inform the client of any material information about the property or transaction received by the broker;
- Answer the client's questions and present any offer to or counter-offer from the client; and
- Treat all parties to a real estate transaction honestly and fairly.

**A LICENSE HOLDER CAN REPRESENT A PARTY IN A REAL ESTATE TRANSACTION:**

**AS AGENT FOR OWNER (SELLER/LANDLORD):** The broker becomes the property owner's agent through an agreement with the owner, usually in a written listing to sell or property management agreement. An owner's agent must perform the broker's minimum duties above and must inform the owner of any material information about the property or transaction known by the agent, including information disclosed to the agent or subagent by the buyer or buyer's agent.

**AS AGENT FOR BUYER/TENANT:** The broker becomes the buyer/tenant's agent by agreeing to represent the buyer, usually through a written representation agreement. A buyer's agent must perform the broker's minimum duties above and must inform the buyer of any material information about the property or transaction known by the agent, including information disclosed to the agent by the seller or seller's agent.

**AS AGENT FOR BOTH - INTERMEDIARY:** To act as an intermediary between the parties the broker must first obtain the written agreement of *each party* to the transaction. The written agreement must state who will pay the broker and, in conspicuous bold or underlined print, set forth the broker's obligations as an intermediary. A broker who acts as an intermediary:

- Must treat all parties to the transaction impartially and fairly;
- May, with the parties' written consent, appoint a different license holder associated with the broker to each party (owner and buyer) to communicate with, provide opinions and advice to, and carry out the instructions of each party to the transaction.
- Must not, unless specifically authorized in writing to do so by the party, disclose:
  - o that the owner will accept a price less than the written asking price;
  - o that the buyer/tenant will pay a price greater than the price submitted in a written offer; and
  - o any confidential information or any other information that a party specifically instructs the broker in writing not to disclose, unless required to do so by law.

**AS SUBAGENT:** A license holder acts as a subagent when aiding a buyer in a transaction without an agreement to represent the buyer. A subagent can assist the buyer but does not represent the buyer and must place the interests of the owner first.

**TO AVOID DISPUTES, ALL AGREEMENTS BETWEEN YOU AND A BROKER SHOULD BE IN WRITING AND CLEARLY ESTABLISH:**

- The broker's duties and responsibilities to you, and your obligations under the representation agreement.
- Who will pay the broker for services provided to you, when payment will be made and how the payment will be calculated.

**LICENSE HOLDER CONTACT INFORMATION:** This notice is being provided for information purposes. It does not create an obligation for you to use the broker's services. Please acknowledge receipt of this notice below and retain a copy for your records.

Licensed Broker /Broker Firm Name or Primary Assumed Business Name	License No.	Email	Phone
Designated Broker of Firm	License No.	Email	Phone
Licensed Supervisor of Sales Agent/ Associate	License No.	Email	Phone
Sales Agent/Associate's Name	License No.	Email	Phone

Buyer/Tenant/Seller/Landlord Initials                      Date

Regulated by the Texas Real Estate Commission

Information available at [www.trec.texas.gov](http://www.trec.texas.gov)

IASB 1-0

## THE CONSUMER PROTECTION NOTICE

Be informed. Other information provided to you by the Texas Real Estate Commission is the Consumer Protection Notice which is designed to ensure you (the consumer), understand where to find help if you should need it.

THE TEXAS REAL ESTATE COMMISSION (TREC) REGULATES  
REAL ESTATE BROKERS AND SALES AGENTS, REAL ESTATE INSPECTORS,  
HOME WARRANTY COMPANIES, EASEMENT AND RIGHT-OF-WAY AGENTS,  
AND TIMESHARE INTEREST PROVIDERS

YOU CAN FIND MORE INFORMATION AND  
CHECK THE STATUS OF A LICENSE HOLDER AT

**[WWW.TREC.TEXAS.GOV](http://WWW.TREC.TEXAS.GOV)**

YOU CAN SEND A COMPLAINT AGAINST A LICENSE HOLDER TO TREC  
A COMPLAINT FORM IS AVAILABLE ON THE TREC WEBSITE

TREC ADMINISTERS TWO RECOVERY FUNDS WHICH MAY BE USED TO SATISFY A CIVIL  
COURT JUDGMENT AGAINST A BROKER, SALES AGENT, REAL ESTATE INSPECTOR, OR  
EASEMENT OR RIGHT-OF-WAY AGENT, IF CERTAIN REQUIREMENTS ARE MET.

REAL ESTATE INSPECTORS ARE REQUIRED TO MAINTAIN ERRORS AND OMISSIONS  
INSURANCE TO COVER LOSSES ARISING FROM THE PERFORMANCE OF A REAL ESTATE  
INSPECTION IN A NEGLIGENT OR INCOMPETENT MANNER.

PLEASE NOTE: INSPECTORS MAY LIMIT LIABILITY THROUGH PROVISIONS IN THE CONTRACT  
OR INSPECTION AGREEMENT BETWEEN THE INSPECTOR AND THEIR CLIENTS. PLEASE BE  
SURE TO READ ANY CONTRACT OR AGREEMENT CAREFULLY. IF YOU DO NOT UNDERSTAND  
ANY TERMS OR PROVISIONS, CONSULT AN ATTORNEY.

IF YOU HAVE QUESTIONS OR ISSUES ABOUT THE ACTIVITIES OF  
A LICENSE HOLDER, THE COMPLAINT PROCESS, OR THE  
RECOVERY FUNDS, PLEASE VISIT THE WEBSITE OR CONTACT TREC AT



TEXAS REAL ESTATE COMMISSION

P.O. BOX 12188

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## CHAPTER SEVEN

### LOOKING FOR THE RIGHT HOME

It is normal to harbor fears about making the wrong decision when looking at homes to buy. Many first-time home buyers wonder how they will know when they have found the right one for them.

Here are preliminary things you should know about finding the right house:

- 1) An ethical real estate agent will never, ever, pressure into buying a house.
- 2) You will instinctively know it in your gut.
- 3) You may want to sleep on the decision. Don't.

You may be asking what is wrong with sleeping on it. Trust yourself. Don't second guess your instincts. They will not steer you in the wrong direction. You will not be the only home buyer looking for house with your criteria. You snooze, you may lose.

There are ways to know you have found the right house.

#### YOU WANT TO GO INSIDE THE HOUSE

Part of the excitement of looking at homes is not knowing which could be your new home when you pull up to the curb. Is it the one on the left, or does the house on the right strike your fancy? If it is the house on the right, and you like it better than the house on the left, that could be a sign. It means there is something about this house that appeals to you. It is curb appeal in action.

#### THE HOUSE EMBRACES YOU THE MOMENT YOU ENTER

Immediately after entering the house, you will know whether it feels warm and comforting. Does it seem to speak to you? Does the house invite you to explore? Does it feel - Right? Like home? Then it probably is.

#### YOU ARE POSSESSIVE ABOUT THE HOUSE

Your agent points out a flaw. You want to defend every flaw you see. If you even see the flaws, because right now, flaws do not matter. You love the house.

#### THE HOUSE FITS YOUR BASIC NEEDS

The dynamics might not hit every bullet point on your checklist, but it meets the basic requirements. The house has the number of rooms and space you need. For example, there may not be a garage, and in a flash of enlightenment, you realize that buying a house with a garage is not important.

#### YOU WANT TO STOP LOOKING AT OTHER HOMES

All the other homes you've been looking at no longer appeal to you. The remaining homes your real estate agent wants you to view is insignificant. Moreover, the home that was previously you at the top of your list has now fallen to second choice. The homes you have seen pale in comparison.

## **EVERY THOUGHT IN YOUR MIND TELLS YOU TO BUY THAT HOUSE**

Except for that nagging little thought – that wonders if you should sleep on it – every other thought in your head says this is the perfect house for you. You can't think about anything else apart from owning this house. You need this house. The next family gathering you will happily host.

**NOTE:** The items listed above are geared toward the overall feelings you may receive when walking into the house that is the *ONE*. In addition, refer to the checklist you compiled that has your needs and wants clearly stated.



## CHAPTER EIGHT

### NEGOTIATIONS: THE DO'S AND DON'TS

Keep your options open as you begin negotiations. Be willing to walk away over major issues and be willing to compromise where it makes sense to you. Negotiation is your friend. These tips help to make your purchase that much more rewarding.

#### DO'S

- **Have your real estate agent negotiate for you.** An experienced and knowledgeable agent will help you get the deal you want. They should know the market, pressure points for sellers, common and flexible areas of negotiation, and the timeline of offers and counteroffers. Much of the negotiating process is a business dance of sorts and your Realtor® will know how to dance well.
- **Know what is most important to you.** This will help calm the desire to win over the seller. If you get what matters most to you, you will know what areas are more flexible when. For example, is a rock-bottom price more important than having the seller make expensive repairs to the home? Are you more interested in the closing date or that the seller pays the closing costs?
- **Learn the seller's motivation to sell the home.** Knowing whether the seller is looking for a quick sale, has not been able to sell the house for some time, or other factors can help you and your Realtor® craft an offer that satisfies the seller better.
- **Get it in writing and pictures.** If appliances, furniture, or other features are included, be sure they are included in the contract. It is advisable to take pictures of what's included too, so it is very clear to both parties what has been agreed to.

#### DON'TS

- **Don't base your offer on an estimated value you saw online.** Online services that list home values can be extremely inaccurate. Trust your real estate agent to help you come up with the right offer to present. If the home is listed at or below fair market value, it's unlikely you will get it for less. However, if it's priced above fair market value and it's been on the market for a while, a lower offer would be an appropriate starting point.
- **Don't give a lowball offer.** Using a real estate agent will help prevent you from offering too low and insulting the seller. You would rather get

a counteroffer from the seller, rather than have the seller tell you to take a hike or simply not get a response at all.

- **Don't get hung up on decor.** Paint color, window treatments, light fixtures, appliances, countertops, and carpet can all be easily changed. Don't make these a focal part of your negotiations. Focus on more important things instead.
- **Don't show your hand.** While you want to learn the seller's motivation for selling, you do not want to let the seller know any vulnerabilities, for instance how much you'd be willing to concede to get the home. Especially don't show any desperation, no matter how much you want the home. This could be construed as bargaining power for the seller.

## CHAPTER NINE

### HOME INSPECTIONS AND WHAT TO KNOW

A home inspection is a professional, third-party inspection of a property that you intend to buy. Its goal is to evaluate the home from a structural and safety standpoint, as well as to ensure you're buying a hazard-free, up-to-code property that's a good investment of your dollars.

Home inspections aren't required, but there are few cases where you'd want to forgo one. It is important to understand the inspection process.

Your first step is to make sure there's a home inspection contingency in your sales contract. This gives a specified time period to have a professional inspection performed on the property.

Understand how the home inspection contingency works. In most cases, the inspection period is anywhere from one to two weeks from the date your sales contract is signed, though it depends on your specific agreement. The contingency period is supposed to give you enough time to find an inspector and set up your appointment. Meeting with the inspector at the property after the inspection has been done is a good idea.

Hiring a thorough, experienced home inspector is incredibly important. They should be current on all certifications (NACHI, ASHI, etc.) and up to date on all training and educational coursework. They also need a full insurance policy (this protects you if they're injured on your property) and should have deep experience in the area you're buying in. This ensures they're aware of any current problems with soil, pest and even home builders in your region. Every inspector does things a little differently, but there is a basic, standardized home inspection checklist they're supposed to follow. Certain inspectors may go above and beyond this, or they may report their findings in a different way.

Read your home inspection report. A full report will most likely be emailed to you and will state anything that needs repairs, is damaged or isn't functional. If needed, additional inspections by a specialist may be needed if you have questions about any major defects that are listed.

The decision to move forward with the purchase is yours after receiving the inspection report. If there are factors that may affect the home's sale value and you are within your contingency period, it is an opportunity to renegotiate the sales price or require repairs before closing.

If choosing to have the seller make repairs to the home, confirmation the repairs have been made to your standards will need to be made. Your agent will schedule a walk-through of the home after the repairs have been completed and enables you to keep the closing on target.

## CHAPTER TEN

### THE CLOSING

#### **CONGRATULATIONS! Making it to this point feels good.**

The closing process begins just after the seller accepts your purchase offer. Typically, that is 30 to 60 days before your actual closing date – assuming a loan underwriting issue, low appraisal, or major defect discovered during a routine home inspection doesn't delay the deal. During this period, the sale of your home is said to be “pending.”

In a real estate transaction, the word “closing” is the same as “signing.” The name of this process comes from the fact that the escrow account that you were using to complete the home buying process will now be closed.

During closing, the property title passes from the seller to the buyer. The closing agent, usually an attorney or official from a title or mortgage company, and not to be confused with your real estate agent, supervises this process, which usually takes place at a title company or escrow office.

Your closing agent will explain the specifics of your settlement process, and who needs to be there. This agent acts as a mediator between the selling and the buying party and ensures that all documents are signed and recorded. Finally, he or she will oversee that all funds, including closing fees and escrow payments, are paid and properly disbursed.

Once your loan has been approved, the home closing begins.

During closing (also called settlement or account settlement), you will have to review, authorize, and date numerous legal documents. It is tedious but when it is all done, you are officially a homeowner. Some of the documents presented will be:

- Closing Disclosure
- Promissory Note
- The Deed of Trust
- Certificate of Occupancy
- Notice of Right to Cancel



#### **BE INFORMED**

Closing can feel like a whirlwind. You are finalizing agreements, signing documents, and exchanging forms. Many small charges add up to one of the largest payments you will probably ever make. It's a big transaction that will change your life, so take the time to request and read all the documents before closing. Being informed and prepared will ensure that you protect yourself and are able to enjoy a quick and painless closing process.

## **LOAN SERVICING**

The closing process doesn't necessarily mean all is done once you have signed papers. Loans are commonly transferred to other companies for servicing, sometimes even before the first payment is made. I simply like to be sure buyers are aware this is a strong possibility and there is not a reason for panic when receiving notice in the mail.

When a lender transfers servicing, they hand over the management of the loan to a new mortgage or servicing company. For the borrower, this simply means is a new institution will be collecting your payments, handling your escrow accounts, dealing with any insurance or tax matters, and answering your questions.

This transaction will not impact your initial mortgage agreement in any way. Your loan amount, interest rate, contractual payment obligation and payment schedule will remain the same. The only change will be where you send your monthly mortgage payment.

### **NOTICE**

When the servicing of your loan is being transferred, you should receive two notices in the mail:

- A letter from your current servicer, which should be provided at least 15 days before the effective date of the transfer, commonly referred to as a "goodbye" letter.
- A letter from your new servicer, which should be provided within 15 days of the effective date of the transfer, commonly referred to as a "hello" letter.

Both documents will contain information regarding the impending transfer, including the name, location, and phone number of the new mortgage company. The welcome letter from your new loan servicer will also include where and when you should begin sending your monthly payment. Each letter will provide a statement explaining your rights and what to do if you have any questions or complaints about the servicing of your loan.

### **AVOID LOAN SERVICING TRANSFER SCAMS**

It has been noted in some cases, borrowers may receive a single letter indicating the transfer of loan servicing. This could be a mortgage scam, designed by a thief who is posing as a new loan servicer to collect your monthly payments.

**To avoid scams, always double-check with your current servicer.**

I hope the information contained in this booklet has enlightened you on the home buying process. If you are not in the market for a new home, but know someone who is, feel free to pass this on.

If you would like to contact me directly, I am here to help. You will have no obligation to hire me.

Lisa Miller, Realtor®



**LISA MILLER REALTY**  
FINDING WHAT YOU SEEK! GROUP

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