THE HOME BUYER'S GUIDE

everything you need to know about buying a home

Marcos Rubio

HOME BUYERS GUIDE

CHAPTER 1

How Real Estate Agents Help Home Buyers

I'll come right out at the start and tell you I'm a real estate agent — proudly so! Nice to meet you! I'm not trying to sell you anything, but I'm pleased to be of service. In fact, generally, real estate agents for buyers are paid for out of the listing agent's commission. So, I'm not looking to part you from your money. Instead, I'm giving you the benefits of experience and advice I have gleaned throughout my career selling houses and being in real estate transactions — for both sellers and buyers. If you want me to help you find a house, we can talk. Call me if you need me.

Technology has changed the way homes are sought and bought today. In this "Information Era," most buyers are first introduced to the home they eventually purchase via the internet, through Zillow, Trulia, Yahoo! Homes, Realtor.com, Redfin or one of hundreds of other real estate websites.

So that means there's no real need for a buyer's real estate agent, right? The reason to use a real estate agent is to find a home and show homes available for sale, right?

If a buyer can find and visit a home on the web all on their own, why involve another party?

WHY HOME BUYERS NEED A REAL ESTATE AGENT

Ah, not so fast, friend. The reasons to use a real estate agent today are as valid as yesterday. The ease of online transactions and proliferation of services to assist buyers in handling their own real estate transactions came about recently, throughout the last decade. This has caused buyers to wonder if using a real estate agent is no longer necessary or if it's an expense that can be avoided. While doing the work yourself can save you money if you buy a "For Sale By Owner" (FSBO) house and the seller agrees to reduce the price by 3% (half of what a listing agent would receive), for many, a do-it-yourself home purchase might be pricier than a real estate agent's commission in the long run.

Besides, a buyer generally doesn't directly pay any commission to an agent on a house purchase. On most home sales, there is a listing agent (the agent engaged by the seller to sell the property) and a selling agent (the agent who introduces the eventual buyer into the transaction). The selling agent is sometimes called the "buyer's agent" because he or she is often working on a certain buyer's behalf, and it's easier than explaining that the *selling agent* is not the *listing agent* but really the *buyer's agent.*

There are some real estate agents that market themselves as "buyer's agents," "exclusive buyer's agents," or "buyer's representatives." These real estate agents have chosen to make a business of finding homes for prospective buyers and handling the negotiations and transactions attendant to the purchase. These agents want to accentuate the reasons a buyer shouldn't go directly to the listing agent when they purchase real estate.

A buyer who goes directly to the listing agent and allows that agent to "manage" both sides of the transaction is dealing with an agent who has conflicting responsibilities. Their job is to get a good price for the seller, and they might not zealously represent the interests of the buyer. Those who market themselves as buyer's agents indicate they're only working for the buyer in a real estate transaction.

The buyer's agent's commission is paid by the seller, with rare exceptions. They either get paid directly by the seller or set up the transaction so that the seller provides a "credit" to the buyer for how much the real estate commission is — then the buyer pays the commission. A maxim in real estate is, "No matter how it's set up, the buyer still walks away with the house and the seller still walks away with 94% of the purchase price."

MORE ACCESS TO THE REAL ESTATE MARKET

A real estate agent will have better access to the market and a special knowledge of local conditions. The agent is a full-time liaison between sellers and buyers. An agent will have ready access to other properties listed by other agents. Buyers' and sellers' agents know how to put a real estate deal together.

A real estate agent will track down homes that meet your criteria, contact sellers' agents, and secure appointments for viewing the homes. On their own, buyers have a more difficult time with these things. This is even more so the case when a buyer is moving due to relocation or employment opportunity and does not engage a buyer's agent to handle matters.

NEGOTIATING IS HARDER ON YOUR OWN

A real estate agent will keep the transaction "at arm's length," such that personalities and emotions do not become involved. Price negotiations take a special skill and understanding of the psychology of offering and counter-offering.

Agents keep the transaction dispassionate and rational. For example, a buyer (you) might like a home but despise its wood-paneled walls, shag carpet, and lurid orange kitchen. When you work with an agent, you can express your opinions on the current owner's decorating skills and complain about how much it will cost to upgrade the home without insulting the owner. Your agent will translate that to the seller — that you very much like the property but can see having to spend a certain amount in decorating costs, and thus can offer that much less.

CONTRACTUALLY SPEAKING…

There are many contracts and documents involved in purchasing a house. The stack is more than an inch thick.

Unless you're a real estate lawyer or title agent, these documents will be foreign to you. Yet, they require detailed and accurate completions. Buying a property is not necessarily a "fill-in-the-blanks" transaction. One mistake, let's say in title work, could haunt the buyer well down the line after purchase. This very situation happened. A property that sat on a double lot was put on the market. The neighbor bought it to carve off a bit of the second lot to expand his own yard.
The seller then put the home back on the market, and it sold. Months later, through a property tax notification, it came out that, in preparing new deeds for the properties, the expanded yard area was correctly in the name of the neighbor; however, the house had been transferred to the home buyer. The new homeowner now owned both houses, and the neighbor owned his expanded driveway and yard.

Fortunately, they were good neighbors and settled the matter with a few signatures.

A real estate agent deals regularly with these contracts, conditions, and unexpected situations and is familiar with which conditions should be used, when they can safely be removed, and how to use the contract to protect you.

YOU WON'T NECESSARILY SAVE MONEY

The point of not using a real estate agent would be to save money, right? Otherwise, why would someone turn down professional assistance in finding a home?

However, it's unlikely that both the buyer and the seller will reap the benefits of not paying real estate agent commissions. It works like this: An owner selling on his own (FSBO) will price the house based on the sale prices of other comparable properties in the area. Many of these properties will be sold with the help of an agent; therefore, the seller profits in getting to keep the percentage of the home's sale price that might otherwise be paid to the real estate agent (usually 6%).

Buyers looking to purchase a home sold by owner without an agent may believe they can save money on the home by not having an agent involved, and so they look solely at FSBO houses. They might

expect money to be saved and make an offer accordingly. Unless the buyer and seller agree to split the savings, they can't both save the commission — and that's if the listing price was not already lowered by near the commission amount to make it more market-attractive.
Here's a short list of the advantages that using a real estate agent can bring to your buying experience:

- Education and experience
- Neighborhood knowledge
- Price guidance
- Market conditions information
- Negotiation skills and confidentiality
- The ability to handle paperwork
- The ability to handle closing questions
- Relationships for Future Business

It's extremely important to know the "ins and outs" of real estate agents before you bring one along with you to help in your search for a home, just so that you might know what to expect, and what will be expected of you.

WHO A REAL ESTATE AGENT IS

Simply put, a real estate agent is someone licensed to list and sell real estate, including homes, multi-family properties, commercial, and industrial buildings. A Realtor®, however, is somewhat different. A Realtor® is a member of the National Association of Realtors®. While an agent is always a real estate agent, a real estate agent isn't always a Realtor®.

As mentioned, real estate agents who work on behalf of the best interests of the buyer are commonly called buyer's agents. All listing agents represent the seller, but other agents who don't have buyer-agency agreements with prospective buyers — even though they may show homes to those buyers — are working on behalf of the seller and must obtain the best price they can for the seller.
In contrast, buyer's agents work on commission, which is contracted in the listing agreement. When a buyer's agent brings the buyer, the listing agent must split the contracted commission with the buyer's agent.

**HOW TO CHOOSE THE BEST
AGENT FOR YOUR NEEDS**

You might feel the urge to pick the first real estate agent who appeals to or approaches you, but that's something to avoid. As with any professional, there are degrees of professionalism, dedication, and experience. The "wow factor" will simply wear off.
Meet with prospective buyer's agents in their offices. A good buyer's agent will want to know whether you're preapproved for a loan by a financer, what kind, and the terms of the loan you're getting. They

should spend adequate time to discover what you're looking for in a house. They should listen as much as talk and ask questions. Watch to see if the agent makes notes.

If the agent doesn't broach the topic, ask for an explanation of his understanding of agency relationships and obligations to you. The law requires agents to explain whether they'll be working for the buyer or the seller whenever they have substantive contact with a customer or prospective client. If the agent doesn't offer you a buyer's agency agreement, that agent is representing the *seller,* not *you.* If the agent can't explain agency concepts to you, then move to the next agent.

Be sure that the agent will be showing you all listings or properties on the market that meet your requirements, and not only listings that are handled in-house. Buyer's agents have the legal duty to put the buyer's needs ahead of their own. Even when an agent will be paid more for selling an in-house listing, they must inform you about other available, suitable listings and take you to see viable prospects.

A good buyer's agent will provide a home-buying education. The listing agent will point out all the features of a home; a good buyer's agent will point to the faults — or advise when they can be overlooked.
Competent buyer's agents help their buyers to think clearly as the home-buying process unfolds. For example, if a house is a good buy, a buyer's agent might suggest looking past the dated bathroom and kitchen and look at the space above the garage that will make the perfect art studio you desire. Likewise, a cute house with all the amenities but with knob-and-tube wiring or a 40-year-old roof might not be worth the asking price. According to the San Francisco Chronicle's Home Guide, if you decide to buy with the intention of building an addition, the agent should advise you to check the zoning before making an offer.

Agree to sign a buyer's agency agreement after you have met with an agent. Some people sign an agency agreement after attending a showing given by the agent. Working with a seller's agent is a mistake, according to an article by Amy Fontinelle of *Forbes' Investopedia.* Any information you reveal will become leverage that the seller can use in a purchase negotiation. A buyer's agent is legally required to maintain your confidentiality, disclose material facts to you, and maintain loyalty to you. These are fiduciary duties.

LOOK FOR PROPER CREDENTIALS

You wouldn't trust a doctor who didn't have the proper credentials and licensing. Don't trust a real estate agent who doesn't present theirs or doesn't have them at all. It's easy to find real estate agents who can take the job, but finding agents with special credentials — those who have gone that extra step to take additional classes in certain specialties of real estate sales — is worth looking into.

Here are just a few credentials within real estate that you should be on the lookout for:

- **Accredited Buyer's Representative (ABR):** Completed additional education during representation of buyers in their transactions.
- **Certified Residential Specialist (CRS):** Completed additional training during the handling of residential real estate, such as houses and apartments.
- **Seniors Real Estate Specialist (SRES):** Completed training for the purpose of helping sellers and buyers 50+ years old.

Similarly, if you choose to use a real estate agent who's also a member of the National Association of Realtors®, it will be a bonus. However, ensure they have credentials that are relevant to your need(s).

RESEARCH LICENSING

Your state will have a license board for all active Realtors® and agents, which you can easily access. You will also be able to see their contact information, disciplinary actions, complaints, or any other information that you'll need to help influence your decision — especially since most of the information is now posted online.

GIVE THE "WHAT ELSE" TEST

A good agent will know about all the other properties for sale in the area. Also, a good agent always does their research regarding the events in the current market, and those homes that are out there for the taking. In short, you want an agent who's an expert of the current market, and someone who always stays on top of things.

RESEARCH THEIR BUSINESS ACTIVITY

Learning the type of market presence that a real estate agent has is the best way to figure them out. Ideally, you're going to want an agent who specializes in one or two real estate markets, and who understands which types of homes and amenities are available within your price range. You can unearth this information by asking them or by asking the state licensing authority if you're not comfortable with asking the agent directly.

You're better off with an agent who's engaged actively in one area and price range — e.g., residential homes around the $200,000 to $250,000 range or the $400,000 and up range.

GOING THE BUYER'S AGENT ROUTE

So, you're ready to take the plunge and look for a place to call "home." To get the most out of it, use a buyer's agent to avoid a flurry of paperwork, stampedes of buyers competing for the same property, and other challenges. Home buying can be exciting and exhilarating, but it can also be complex and stressful — which is why having a pro by your side can make an enormous difference.

As discussed, you've probably heard of buyer's agents, seller's agents, listing agents, and so on. You're a buyer, so what's a buyer's agent? True to the name, buyer's agents assist home buyers every step of the way; they can also save you both time and money on the road to homeownership. When you find the right one for you, these real estate agents will work day and night to ensure all your needs and requirements are met when it comes to finding the right home.

WHAT BUYER'S AGENTS DO FOR YOU

Your buyer's agent will have a vast knowledge of the current real estate market for the area, which will include neighborhood amenities and conditions, the law, zoning issues, price trends, negotiations, taxes, financing, and insurance.

Once you meet with the buyer's agent, they'll generally help you determine your needs and wants when it comes to finding a home and a neighborhood. The agent will teach you what you can afford, help you set a budget, provide some insight on the current conditions of the market, and explain what you should expect while shopping for a home.

During the shopping period, you'll meet with your agent for tours of homes in which you might be interested.

They will give your insight into the floor plans, the home's pertinent selling points, and the overall crime rate of that neighborhood. They will also give you the rundown for local activities, restaurants, shopping centers, and schools nearby.

Your agent is responsible for ensuring inspections of the homes are complete, as well as the disclosures therein.

They're also in charge of ensuring coordination and completion is done through the roof inspector, attorneys, lenders, and all other professionals involved with the purchase of the home.

If bargains need to be made over the price, you won't have to negotiate yourself. Your buyer's agent will do that for you, along with signing the final closing documents. They will be present whenever there are documents to go through and sign.

DUAL AGENCY: THE BASICS

A "dual agency" relationship occurs when a buyer is being represented by a brokerage firm that controls the listing. Once an agent represents both the seller and the buyer within the same transaction, the situation is known as "dual agency." In multiple states, this is illegal because of the conflicts of interest that can arise regarding the broker.

All agents hold the same responsibility, which is to inform their clients of all potential risks that could arise due to conflicts of interest. Legally, agents are not allowed to work on both sides of any transaction without consent from the clients.
If you're selling your home and you don't want your agent to also work with the buyer of your home, it's your right to say so in the listing agreement. This is also true for buyers. A buyer can get out of an agreement with an agent if they are interested in purchasing a home their agent is listing.

When it comes to dual agency, there are definite advantages for the seller.

- Trust has already been gained with your listing agent, so representation for the buyer has been established.
- Your agent brought you the buyer knowing that you're selling, even if your property has not yet hit the market.
- Your listing agent will have already covered and researched your neighborhood's market to gain buyer inquiries, which means your agent will be working from all sides of the deal to sell your house faster, and with more incentive.
- Your agent works together with corporate relocation buyers who need to find a house quickly, and they will ensure it's your house that's bought.

There are also cons for the seller when it comes to dual agency, and they are:

- You can't be advised by your agent as thoroughly when they must act as a dual agent because impartial facilitation is required.
- Your listing agent is not allowed to negotiate the best or highest price for you if also negotiating both the best and lowest terms for the buyer.
- Earning a full commission, if the opportunity arises, may tempt the agent to coerce a deal that you might not accept otherwise.
- Your agent may inhibit all access to your listing through buyers with agents.

To avoid surprises or missteps in a dual agency sale, always ensure you have clarified important details with your agent ahead of time. You can do this by using an exclusive buyer agency agreement, or a listing agreement.

HOW REAL ESTATE AGENTS ARE PAID

The National Association of Realtors® 2017 Profile of Home Buyers and Sellers states approximately 8% of homeowners opted to put their homes up for sale in 2017 without using a real estate agent or Realtor®.
A handful of For Sale By Owner (FSBO) transactions dealt with sellers and buyers who previously knew each other or were directly related; 87% of buyers chose to work with a real estate agent or Realtor®, on the buyer's side.

Real estate agents and Realtors® — unlike professionals in different categories who bill by hourly rates or earn a salary — get paid through a transaction (commission) at the end of each sale.

For example, if an agent has worked with a seller or a buyer for months, they don't get paid for the time spent if there is no transaction during that period.

Agents receive a commission once the transaction goes through to settlement (closes) based on the selling price of the home. At that point, the commission is earned.
The commission itself is negotiated — in most cases, between the seller and the agent. Typically, an agent will earn a commission of 6% from the sale price, but some brokerages have commission discounts for the sellers with whom they work.
Essentially, the listing agent and the buyer's agent will split the commission. That can bring forth some issues. For example, sometimes the split might not be negotiated evenly. A seller could have agreed to pay a commission of 5.5% that, if further divided, the buyer's agent would receive 2.5% while the listing agent receives 3% of the commission.
Even though some agents are associate brokers, or brokers in general, all commission payments are instructed to go through to the broker who's managing the brokerage where the agent is working. From there, the commission is then split to the agent and the broker, according to the agreement that's been made. The split will vary; sometimes, newer agents will earn a small portion of the commission compared to the experienced or successful agents who generally sell more expensive properties or homes.

PAYING THE COMMISSION ITSELF

The overall commission is paid for at the settlement period by the seller. The fee is taken from the proceeds of the sale of the home or the property. However, the buyers pay the commission because they're literally paying to purchase the house, while the sellers take the commission for the agent into account during the process of determining the price for the listing.

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

CHAPTER 2

Owning vs. Renting

Owning your own home might be one of the defining qualities of the "American Dream:" the set of ideals that includes opportunity for prosperity and success and an upward social mobility for the family and children, achieved through hard work. Home ownership is surely ingrained as one of the strongest representations of that vision — 66% of Americans own their own home, and more hope they will or wish they did.

Something about home ownership plucks a strong chord with Americans. Financial security, permanency, status, and pride are values many of us seek.

Lifestyle plays a big role in the decision to own versus rent. Home buying is most often driven by household formation, such as marriage and growing a family. Less than 40% of people under 35 years old own homes, 60% of people over 35 years old own homes, and more than 80% of people 65 years old or over own homes. Interestingly, for the millennial generation, the primary reason for buying a home? Owning a dog.

The U.S. homeownership rate has fluctuated between 62% and 70% since the 1950s. Most young people begin their independent lives renting an apartment, maximizing lifestyle flexibility and minimizing the hefty upfront costs associated with purchasing a home. As they build careers, save money, and start families, many choose to buy a home, recognizing that home ownership, as opposed to rental living, is more appropriate to their growing family needs.

At the other end of the age spectrum are homeowners nearing retirement who may desire to sell their homes, downsize, avoid the maintenance and other obligations, and go back to renting.

WHICH IS BEST?

Is it better to rent or buy a home? Most adults ask themselves this at some point as they form their goals and plan for the years ahead. Before you answer the question, here are some things to ask yourself. Owning and renting each have their advantages, but what's best for you depends on your circumstances.

What will be the duration of your stay in the home? Each market is different, but whether the time you plan to spend in the house warrants its purchase is possible to predict. In general terms, it takes four to seven years to break even on a home (i.e., where there has been enough appreciation to pay back the cost of the transaction and cost of ownership). If you're thinking about buying a home and selling it in two years, buying is very unlikely to be cheaper than renting.

Do you think of or need your house as an investment in your retirement plan? Americans are used to their homes being a store for wealth to liquidate in retirement when downsizing their lifestyle. In 2015, Gallup reported that for the second straight year, more Americans named real estate than stocks, gold, savings accounts/CDs, or bonds as the best long-term investment. Real estate leads, with 31% of Americans choosing it, followed by stocks/mutual funds at 25%. A cautionary note though — although home prices have recovered their pre-2006 market slump and continue to rise, the value of your home can fall, as well as rise.

Are you financially ready? Owning a home is a financial commitment that requires planning how home ownership fits into where your life is headed. Ask yourself what your budget is and if either buying or renting would require you to stretch your finances. Crunch all the numbers. A frequent mistake of first-time home buyers is comparing a month's rent to a month's mortgage payment. Many people don't have all the numbers. There are many additional fees necessary to include to make a fair comparison: principal interest, property taxes, property insurance, homeowners' association (HOA) fees, and ongoing maintenance.

Are you prepared for the down payment? This is the lump sum payment that funds your equity in the property (how much of the property you actually own). Down payments vary; 20% is preferred and gets the best rates. There are some loans that allow down payments as low as 3%. Sometimes relatives help with the down payment. If you have a choice, take a gift rather than a loan because lenders will add the loan debt to other monthly obligations and potential mortgage payments to determine your debt-to-income ratio, which generally can't top 43% to qualify for a home loan.

Can you afford the monthly mortgage and its components? Generally, a mortgage includes loan principal and interest (both amortized over the life of the loan) plus homeowner's insurance and property taxes (prorated). These items can affect the monthly loan-only payment by several hundred dollars.

Are you emotionally ready? Can you handle the stress? A big factor to consider when buying a home is stress. The Holmes and Rahe Stress Scale, a landmark stress study, ranks many events that go along with buying a home in the top 43 most stressful circumstances in life. Four events are specifically home-related: change in financial state (No. 16), large mortgage or loan (No. 20), change in living conditions (No. 28), and change in residence (No. 32). If someone has recently made other life changes, such as marriage (No. 7), switching careers (No. 18), or having a child (No. 14), it might be wise to postpone buying a home. Stress overload can lead to missed payments, which can result in destroyed credit or even losing the home. It's better to rent if your life is in flux and then buy when your stress levels are lower.

Are you ready for commitment? Are you ready to make lots of decisions, from picking a real estate agent to picking paint colors? Are you confident enough to choose a neighborhood where you believe home values will continue to appreciate and that will serve your needs (i.e., proximity to schools, shopping, recreation, etc.)? Are you ready for devoting the time and attention to maintaining a home (i.e., leaf-raking, grass-cutting, appliance maintenance and repair, etc.)? Taking care of your biggest investment can be gratifying, but only if you're ready.

ADVANTAGES OF BUYING YOUR HOME

Control over housing expense. By selecting a fixed-rate 15-, 20-, 25-, or 30-year mortgage, the homeowner has assurance that housing costs won't increase over the period, and, in fact, will be eliminated at the end of the term (subject to refinancing).

You build equity. Some of each monthly mortgage payment goes toward the loan's interest. Other portions may go to homeowner's insurance and county taxes. The remainder pays down the loan principal. Every dollar put toward your loan's principal represents a dollar of equity — actual ownership of the property. Further, the property should appreciate in value each year, further adding to equity (what the house could be sold for versus what is owed on it). Discounting certain blip periods, such as the 2006 housing bubble burst, home prices in the U.S. appreciate nationally at an average annual rate between 3% and 5%. Remember, though, home value appreciation in different metro areas can appreciate at markedly different rates than the national average.

Improvements increase your home's value. A homeowner can also increase a home's value through home improvements, thus both making your home more comfortable and enjoyable while growing its loan-to-value (LTV) ratio. For instance, adding a bathroom or finishing a basement substantially increases the property's functionality and appeal, while potentially boosting its value.

Tax advantages of home ownership. There are significant tax benefits associated with buying a house, both at the time of purchase and for the duration of time you own the home:

- **Homestead exemption.** Many states exempt owner-occupied homes (homesteads) from a portion of the property tax amount that would normally accrue. For instance, Louisiana exempts the first $75,000 of a home's value from property tax assessments, so a $200,000 home in New Orleans is taxed as if it were worth $125,000.
- **Federal tax deductions.** When you're looking to purchase a home, it's important to understand what can be deducted on your tax return and what can't. Property taxes and interest paid on your mortgage can be deducted if you itemize your federal income taxes, which can reduce your income tax burden. Many home buyers, unfortunately, overlook the effect of mortgage interest on their federal income tax payments. Mortgage interest can be a powerful financial planning tool. Calculate the amount of mortgage interest deductions you are eligible for, and include that in your annual financial planning. Then, make a point of checking Internal Revenue Service (IRS) Form 1098, which you'll receive from your lender at the end of the year. This form shows the amount of mortgage interest that you've paid. The Tax Cuts and Jobs Act (TCJA) applies from 2018 to 2025 and limits the aggregate deduction for state and local real estate property taxes; state and local personal property taxes; state, and local, and foreign income, war profits, and excess profits taxes; and general sales taxes (if elected) for any tax year, up to $10,000 ($5,000 for marrieds filing separately). This limit does not apply

if those taxes are paid or accrued in carrying on a trade or business, or in an activity engaged in for the production of income. In other words, if you are just living in your home, you can only claim up to $10,000 in tax deductions on your property, but if you are earning income directly from your home in some way, the limit might be waived.

Current mortgage rates are relatively low. Interest rates vary through the years. Several years ago, interest rates were higher, and it was more expensive to obtain a mortgage. Since these costs have been reduced, it's now easier and less expensive to own a house.

Ownership rights and creative freedom. Your decorating and home-improvement choices are just that — yours, provided they don't break building codes or violate homeowners' association rules. You can paint walls any which way, add fixtures, update or finish your basement, or build a patio or deck. Changing your environment to suit whims is a freeing aspect of homeownership.

A sense of belonging to the community. Homeowners tend to stay in homes for longer than renters and are more likely to grow roots. They might join a neighborhood association, volunteer at a nearby community center, join a school group, or align with a business improvement district. Renters might not do any of those things, particularly if they know their lease is up in a year and they might move. There's an intangible pleasant feeling attached to owning your own house — a sense of freedom and independence. The home you live in belongs to you, and you can do what you want with it. You aren't daunted about increases in rent or losing the lease. You're free to make improvements and changes. Also, owning your home gives your children the guarantee of attending the schools in the area on a more permanent basis; you never need to worry about a notice from the landlord to vacate your rented house or apartment for a variety of reasons over which you have no control.

ADVANTAGES OF RENTING

It seems a shorter list, but one man's pro is another man's con, and there certainly are advantages to renting to factor into your buy-or-rent decision.
No responsibility for maintenance. Admittedly, this is a big one. As a renter, you're not responsible for home maintenance or repair costs. If a toilet backs up, a pipe bursts, or an appliance stops working, you don't have to call an expensive repair person — you just call your landlord or superintendent. Renters in condos, townhouses, or apartments don't have lawn and grounds care obligations.

Relocating is easier. When renting, relocating for work is easier. Though a sudden move may require you to break your lease, you can partially offset the cost by subletting your apartment or talking with your landlord. On the other hand, selling a home takes time and effort. If you have a short timeline to sell your home, you may be forced to accept a lower price and lose some of your investment.

No real estate market exposure. Home values fluctuate and can decline over time. If you're a renter, that's not your problem. If you're an owner trying to sell — it is.

DISADVANTAGES OF OWNING

Maintenance. The renter's largest advantage might just be the homeowner's major disadvantage. While insurance might be available to protect against expense from major catastrophe, usual maintenance items are on the homeowners' dime. Maintenance and repair can be as simple as repainting the baseboards and can also be as extensive and expensive as replacing a HVAC system or sewer pipe. The expense will vary from year-to-year; however, you can expect to pay about 1% of the value of your home annually toward these expenses. If you live in a $200,000 home for 10 years, that's $20,000 over the period, and perhaps more if you must replace a costly, long-lived mechanical item, such as a furnace. Keep in mind the usual homeowner's chores of lawn care, snow removal, gutter cleaning, and other regular home maintenance needs.

Upfront and closing costs. Buying a home entails numerous upfront costs. Some are paid out-of-pocket after the seller accepts your purchase offer, while others are paid at closing. These include earnest money, down payment (typically ranging from 3.5% for FHA [Federal Housing Administration] loans to more than 20% of the purchase price), home appraisal, home inspection, property taxes, and first year's homeowner's insurance.

Loss of relocation flexibility. It's much easier to break a lease and move out of town than to arrange for the sale of a residence. Selling the home from out of town involves special logistics and financial matters, such dealing with the mortgage while the home is on the market.

Financial loss potential. Homeownership builds equity over time; however, equity doesn't equate to profit. If home values in your area go down or remain stagnant during your time as a homeowner, the appraised value of your home could decrease, putting you at risk of a financial loss when you sell.

DISADVANTAGES OF RENTING

No equity building. The monthly rent you pay goes to the landlord. It represents the fee you pay for using the property. You gain no ownership in the property, no matter how long you live there.

No tax benefits. While homeowners can deduct property taxes and mortgage interest on their tax returns, renters aren't eligible for housing-related federal tax credits or deductions.

Home improvements go to the landlord. Any structural and decorative home improvements that renters make belong to the building owner and will have to stay behind when you move to a different place. Additionally, approval for desired major redecoration will be necessary.

After all is said and done, the decision to buy or rent depends on the prospective home buyer's circumstances. There's no denying, though, that a home of your own is a good financial and a great emotional investment. An investment in a home can also mean an investment in your future.

There is much to consider when you want to buy a home. Switching from renting to homeownership is highly challenging, but an exciting and amazing decision to make.

CHAPTER 3

Buyers' Needs and Desires

After you've decided to buy a home, what sort of home it will be is your next decision point. It's a better approach to have a concrete vision in mind of what type, features, and amenities you want in your home, rather than a "shotgun look" at every listing that's out there in your price range.

Imagine your dream house. It fulfills both your needs and desires. It fits the need for a good roof over your head, a sturdy structure, modern fixtures and appliances, living space (i.e., bedrooms, living room), and functional rooms (i.e., kitchen, bathroom[s]).

Your needs fulfilled, you turn to your desires. Perhaps you envision a home on the beach or in the woods, a gourmet kitchen, a wood-paneled den, a crystal chandelier over a banquet table in the manor-sized dining room or an Olympic-sized swimming pool with a hot tub and sauna. Your priority in any home purchase should be ensuring all of your needs are met. Sometimes, you won't find everything you desire in a home and if you do, you may not be able to afford it. It's important to prioritize the things you want in a home by how important they are in your search.

Decide your *needs* vs your *desires.*

- Would you like a swimming pool? Enough that a home without one will not be looked at?
- In what areas or neighborhoods might the home be located? Where do you want to live? Where might you have to live for work commute or home price reasons?
- What features would make it special?
- What can you afford and what is out of your budget?

Budget usually constrains us most in selecting a home. While some things are necessary for any home (as mentioned, a good roof and working appliances), others will just stay on the list of desires for now (like the sauna).

MAKE A LIST; CHECK IT TWICE

You may have an impression of what you want in your new home. Putting that to paper and having a complete checklist can prove useful.
Before starting your hunt for a new home, it's advisable to make a list of all your basic needs and desires, then prioritize the desires, figuring that all needs must be met in any house under consideration. This will make the search easier and help weed out the ones that don't meet the basics. Realize, however, that it's nearly impossible to find a home that meets all requirements. Compromises will be necessary.

It's a good idea to work from outside-the-house factors to inside-the-house. For example, location is perhaps the primary concern and both "needs" factors and "desires" factors might be involved. A "need" would be "must be within 25 miles of work." A desire might be, "would like Westwood" (a favored neighborhood), while a need might be "on the west side of the city" (because work, family, friends, and recreation activities are all located there).

Location needs may include proximity to schools, frequently used recreation facilities, or mode of transportation (bus or suburban rail access). Whether an item is a need or a desire depends on circumstance.
Closeness to family might be a need for a couple with young children or elderly parents to care for — or a desire if those factors aren't involved. It's items like these that make a checklist most helpful.
After location needs and desires are compiled, housing factors can be considered. Needs include having all essential house structures and systems in good working order. Accepting a house with need for a new roof because the owner is willing to knock $7,000 off the listing price — but it will cost $10,000 to replace the roof in two years — is *not* a sensible deal.

Needs might include a minimum number of bedrooms and bathrooms, no steps, fenced yard, perhaps a first-floor laundry facility, and any feature the prospective buyers have decided they cannot accept a home without. Desires are features that make the home more attractive or enjoyable — an upgraded kitchen, walk-in closets, a master bedroom suite. Of course, one buyer's need is another buyer's desire. The point is to know your own needs and desires so you can easily assess potential properties and make the process smoother.

Regardless, buying a house is not a simple process. Much of the planning should be done well before contacting a real estate agent or looking at homes. Work the costs as well as your budget. Choose a general location. Contact lenders well ahead of home shopping, so that your offers aren't tied up in getting financial approval.

Having the image of your dream home is reality married with imagination. In fact, you may find that some aspects of the house you intend to buy are different. It's not the same as what your dreams told you. Different people have different requirements. It depends on your thought processes, as well as personality.
We understand important things and potential compromises differently. Needs are basic requirements that just can't be ignored or compromised. Desires, on the other hand, can be left behind if the situation demands it. You need to make a clear distinction between what your needs are and which items you would classify as desires.
No matter how many desires you have unfulfilled now, they can be worked on later. A pool can be added and paint colors can always be changed.

A NOTE ABOUT PETS

Consider your pets in your home shopping. Home buyers who are pet owners have specific requirements — they must provide for their pets. A third of millennial-aged Americans (ages 18 to 36) who purchased their first home (33%) say the desire to have a better space or yard for a dog influenced their decision to purchase the home, according to a survey conducted online by Harris Poll, on behalf of SunTrust Mortgage. Dogs ranked among the top three motivators for first-time home purchasers and were cited by more millennials than marriage/upcoming marriage, 25%, or the birth/expected birth of a child, 19%.

It's essential that the neighborhood in which you're going to buy a house has no restrictions on pets — or livestock, if that's something you desire. Do you raise American Staffordshire Terriers, also known as pit bulls? There are neighborhoods that ban this breed. What about goats? Vietnamese pigs? Have you always wanted fresh eggs from your own chickens? Include your animals in location planning.

Some pet owners choose wood or other hard flooring, not wanting to risk pet damage or odors.

An appropriate-sized fenced backyard is on the "needs" list for many pet-owning house buyers. Consider the arrangement of rooms and the structure of the house to ensure it's suitable for your pets, too. Traffic in the area could be another checklist item.

Pet services, such as veterinary, grooming, and exercising, should be conveniently nearby.

LOCATION, LOCATION, LOCATION!

You must make sure to limit your search to a neighborhood that offers the closest possible match to the kind of lifestyle that you like and want to live. Trulia recently conducted a survey with Harris Interactive, and the real estate site found 84% of Americans said the neighborhood would be equally important to — or more important than — the house itself, if they were searching for a new home.

Location is so important that people are willing to give up “must-have” features to buy into their desired neighborhood — 72% would forget about a pool, 55% would lose a finished basement, and 33% would accept less square footage.

What matters is living in a safe place with good schools. According to Trulia, 69% would drive through the neighborhood during different times of day to determine if the neighborhood was the right fit.

You can’t go shopping for a home without choosing a location where you’d like to live. Probably the most significant decision when buying a home is where it is.

Location influences your everyday life. Your property does not exist in a bubble; it’s part of a bigger community. It’s important to find a neighborhood or area that suits your needs. Do you want the peace of a secluded woods, or the energy of a bustling city center?

Do research before starting your search. Drive through the area and see if all the stores, activities, and features you want are there. Eat at local restaurants and walk through a nearby park. As price is mainly based on location and condition of the property, when someone starts looking for their house, it’s important to consider the location and how far it is from schools, shopping areas, and other facilities. Home means comfort, and comfort can’t come if the location isn’t suitable.

CHAPTER 4

Real Estate Horror Stories To Learn From

You’ve seen frightening stories like this on TV. Perhaps you’ve heard about them from neighbors or co-workers, but you still haven’t witnessed anything like them yourself. Be warned. The first time is one time too many.

Now that you’re in the market for your first home, or maybe a second or third, congratulations! Buying a new home is one of the biggest achievements for many people. Unfortunately, home buyers — especially first-time buyers — can be the victims of real estate horror stories. Absolute horror, from the buyer’s perspective. Here are a few examples.

Alex was excited about making her first home purchase in 2016. Being in the Washington, D.C., area, she was limited with pricing options, with many of the lower-cost homes around $250,000.

She went to several banks and got preapproved for different amounts at various lower interest rates. She found her dream condo, and, after some deliberating, she decided to go with the lowest rate of 4% offered by her lender.

She completed her paperwork and submitted it with her 10% deposit. The rate wasn’t her only deciding factor. Personnel had been friendly and great at communication, making her feel very comfortable about the process.

Until now. Suddenly, it seemed as though all of the bank corporation dropped off the map. A closing process that should have taken 30 days or less turned into several months of waiting and a larger deposit of an additional $20,000.

They ran her in circles, until the seller told her, through the real estate agent, that the deal was over if she didn't find another solution. Luckily, the seller's real estate agent referred her to another lender and was able to help her to obtain another loan (although at higher interest) much more quickly. It turned out the first lender was a scammer.

In another case, Ron and Jenna were planning on upgrading to a new home. After a long search, they found it — or so they thought. A bright and colorful kitchen, open living and dining areas, three bathrooms, high ceilings, a fireplace, and even a covered porch made the home seem perfect.

They were especially thrilled that the price was only $235,000. That was a steal. They signed the contract and were in the house a little more than a month later.

Less than six months later, the horror story began to unfold. Jenna was cleaning one of the bathrooms when she noticed tiny little ants with wings.

Following Ron's advice, she called the exterminator. When he arrived, he delivered the first blow — these winged ants were *termites.* The exterminator went under the house to assess the damage. He found that not only was the floor under the bathroom completely infested, but also the other two bathrooms, and the infestation was spreading to more of the house.

The grand total to repair this problem came to over $12,000! That's an unbelievable amount of money to unexpectedly invest in a house you've only lived in for less than six months.

The key lesson here is to really know the house that you're buying. You should always hire an exterminator on your own to investigate the house, particularly for termites.

If you're going to make such a huge investment in a new home, the small price of precaution is worth it.

The stories continue endlessly. I recently met a lady at a café with an incredible first-time buyer story. I happened to overhear her conversation, so I decided to step in and ask about it. Sue and her fiancé were searching for their first home with the intention of buying one before their wedding. They had been told about a great real estate agent in the city where they wanted to call home, and so they looked him up to ask his help in finding the right home.

The problem was that the only praise they heard about him was from clients who had hired him to sell homes, not from home buyers.

The agent met up with Sue and her fiancé to go over different homes he had on his list, and then it was time to take a trip around town to see them. There was one home that he talked profusely about, and so they went in person to take a look.

Sue and her fiancé knew what good quality was, and so they were able to see right away that there were problems. The basement doorway was weak. The upstairs bathroom floor bounced, and the light switches in the hallway seemed to pop and flicker. Although very nicely painted, this house didn't fool them.

When confronted with these concerns, the agent replied that they could always fix those problems later.

Although their gut told them not to move forward with making a purchase, they agreed to a $10,000 price reduction and took the house.

Big mistake! The problems they had noticed went much deeper. The weak basement doorway translated into unfortified walls leading downstairs. The bouncy bathroom floor had been wet under the linoleum and about three inches up two of the walls.
The flickering light switches were warning them of the outdated wiring which had to be replaced. In the end, their $10,000 savings only helped to give them a bit of consolation when they paid $27,000 for all of the remodeling!

The five-bedroom house sat on pastoral acreage in the American countryside. At less than $180,000, it seemed a steal. But it wasn't a bargain.
Ben and Amber soon realized the dream home they had purchased for their growing family was infested with hundreds of garter snakes.
Throngs of reptiles crawled beneath the outer walls. At night, the young couple said they would lie awake and listen to slithering inside the walls. It was like living in a horror movie.

The home was most likely built on a winter snake den, or hibernaculum, where the reptiles gather in large numbers to hibernate. In the spring and summer, the snakes fan out across southeast Idaho, but as the days get shorter and cooler, they return to the den.

At the height of the infestation, the home buyer said he killed 42 snakes in one day before he decided he couldn't do it anymore. He waged war against the snakes and "they won."

Buyers had little recourse when they decided to flee the home. They had signed a document, noting the snake infestation. They said they had been assured by their agent that the snakes were just a story "invented" by the previous owners to leave their mortgage behind.

The buyers filed for bankruptcy and the house was repossessed. They left the home the day after their daughter was born, just three months after moving in.

The house briefly went back on the market. Now owned by the bank, it was listed at $114,900 a year later. The property has since been taken off the market, while the bank decides what to do with it.

The moral of the story is to have a good inspection. These buyers were attracted by a price. They didn't have a proper inspection of the home before purchasing. It seems the real issue was the agent who cared more about selling the home than his clients.

HOME-BUYER PLAGUES

Although a home inspector passed on Justin's and Kate's home, he missed some problems. For instance, the previous homeowner supposedly installed and tested the sump pump in the basement, and it failed shortly after moving in, flooding the basement.

Then, the sunroom was filled with termites, costing the couple $2,000 in repairs. After the termites were eradicated, they discovered the sunroom was entirely covered in mold, and there was no caulking around the windows to keep the moisture out.

A better home inspector would have been able to see the signs of termites and mold. The sump pump should have also been checked by the inspector, but it could have failed after the inspection.

Sump pumps can burn out, lose power, become clogged or misaligned, or malfunction in a variety of other ways. It's valuable to have a warning device installed that will signal water buildup. These alarms can alert homeowners or neighbors of flooding, so that it can be resolved before water damage occurs.

Be careful. Be smart. These horror stories are real and happen every day. Do your homework before signing paperwork or jumping into a new home. Too many people spend more time shopping for a car than they do on a home — a much larger and more permanent investment.

You have time to educate yourself, and I hope that this has helped you move forward in the right direction.

CHAPTER 5

Searching for the Right Home

Buying a home is an exciting event, but the process of finding the right one can be daunting. It's a major investment. It's an emotional time of making lifestyle decisions. It isn't like buying a pair of shoes from the department store that are a bit snug, because you can't just return the house if you're not satisfied. Once you buy, you're in for the long haul.

To avoid costly mistakes that could haunt you for years, you need to make sure you do your homework properly when house hunting.

VIEWING A HOME

For most people, the prospect of going to view homes they like is a thrilling experience. It's tempting to think that this is the first step to buying a home, but it's not.
Assuming you have your down payment, mortgage preapproval, and other financial issues handled, the first thing you need to do before viewing any home is to determine what you're looking for.

- What is your criteria?
- Do you need a certain number of bedrooms and bathrooms?
- Do you want a yard? Is a separate garden area necessary to your lifestyle?
- Do you want property only in particular neighborhoods?
- How much are you willing or able to spend?

Answering these questions will save you significant time and effort in running around to view homes that don't suit you.

Once you've decided upon your criteria, call your real estate agent. Let them know what you're looking for and what your price range is.

They will get to work on your behalf, shortlisting the properties that meet your criteria so you can start your viewing from there. Then comes the fun part: Finding that perfect home you've been dreaming of!

SCHEDULE ADEQUATE TIME

When going to view homes, make sure you've got plenty of time to really view the home from a critical perspective. Schedule enough time to do a proper inspection. Look into all closets and crawl spaces. It's possible you will be living there for years to come, so five minutes strolling around is not going to be adequate to form an opinion. Two hours to view your potential house is an appropriate calendar entry. Research suggests that when buyers spend a longer time viewing a home, they are more likely to pay below the asking price.

BE THOROUGH

Related to scheduling adequate time to view the home, be thorough when checking it out. Open drawers, cabinets, and cupboards. Look behind furniture, and even under it to find stains or signs of wear not readily evident. Lift up rugs, if necessary. While this may seem rude, it's not. You're about to make a substantial investment and you need to know exactly what you're getting.

An artfully positioned chair could be hiding something, so feel free to look where you need to.

Of course, if you've dismissed the home from the start, do only a minimal walkthrough or don't bother with the inspection at all. But if the property has potential and is something you like, open every door and look in closets.

WHAT COMES WITH THE PROPERTY

Confirm what comes with home — e.g., whether the stands or fixtures are for the exclusive use of that home or if the owners will remove them. Are appliances, such as refrigerator and washer/dryer, included in the sale? Make sure to get confirmation in writing if you decide that you would like to buy the property.

DON'T BE FOOLED BY STAGING

Sellers use clever tricks to make a home more appealing. They can strategically light a room to draw attention from a problem or apply fresh coats of paint to cover water damage or mold issues. While you're viewing the house, look beyond the immediate aesthetics of the interior décor. Focus your attention on what you'll get when the furniture and interior décor are stripped away.

KEEP EMOTIONS AT BAY

When viewing a home initially, try not to get attached immediately. Keep emotions out of considerations and only consider the potential property as a building you need to inspect and assess for others. Rapid emotional attachment may cloud your decision-making, or allow you to overlook failings in the house you might see differently without an emotional lens. If you get attached from the get-go, you might make an emotional decision and overlook major problems. Certainly, an emotional attachment will affect your ability to calmly and dispassionately negotiate.

VIEW MULTIPLE TIMES

If you have found a likely prospect that strongly interests you, view it multiple times. You're more likely to identify potential problems if you view it several times at different times of the day. You'll also glean knowledge of the neighborhood at various times. Is a street that's not busy in the late morning a commuter route in early morning and mid-afternoon? This way, you'll know what traffic is like in the area and the noise levels that occur at different times.

CONSIDER THE OVERALL CONTEXT

When viewing, don't just consider a property on its own; view it in the context of its location. What's the area like? Is the property adjacent to a train track or noisy intersection? Is there a pub or restaurant close by that gets noisy at night? How close are you to the things you might need, such as schools, public transit, a grocery store, or hospital? These are important questions to consider when viewing properties, as they can add or subtract from the overall enjoyment of your home.

LET YOUR AGENT DO THE JOB

Don't go viewing on your own. There's a security factor in traveling to unoccupied houses alone. Additionally, there are other ways this makes you vulnerable. A seller's agent might think you're unrepresented and attempt to take advantage of you.

Let your Realtor® do the job. If you come across a property that interests you, but your agent hasn't told you about it, it might not meet all your criteria. If you think you want to view it, give your agent the address and phone number. Your agent can then arrange a proper viewing for you, together, without the owner being present.

THE CONDITION OF THE PROPERTY

In assessing a home for potential purchase, there are important items to be on the lookout for — the primary one being the condition of the property.

Is the home structurally sound? Walk around the interior of the home, checking the walls and ceilings for cracks. Hairline cracks are to be expected in some places. Check the exterior for cracks. Cracks could be a sign that the property isn't structurally sound. Points at which extensions join are places to look, as cracks often occur there. Also look for loose or broken tiles on the roof or broken guttering, evidence of damage to the drywall and weaknesses on the floors. It's acceptable to ask how long it's been like that, and whether it will be fixed. If you see major cracks or bowing walls, have a structural engineer assess the situation.

Look (and smell) closely for evidence of mold. Mold and mold damage are major problems that will cost you a lot to clean and repair. Don't just look for it — use your nose as well. Mold frequently gives off a musty smell, even when there are no visible signs. Inspect all crawl spaces, basements area, and walls. Plaster that's flaking, watermarks on walls or ceilings, or even a fresh coat of paint in part of a room could be indications of mold. Don't overlook the ceiling and around the skirting boards properly for evidence of leaks or water damage.

Ensure heating, air-conditioning, and electric is in good working order. Other aspects to consider when looking at the general condition of the property are the heating and air conditioning systems. Have an expert assess that they're the appropriate models and capacity, and that they're working properly. Check the electrical panel. It shouldn't be old or outdated, must be easily accessible, and in good working condition. Ensure wiring was done properly. You don't want to spend a fortune rewiring the home to bring it up to standard. Consider if there are enough power outlets and if they are in good condition.

Inspect basements and attics. Check the attic for water leakage issues. Look for water damage or leaks that may have affected the insulation, walls, and ceiling of the attic. Make sure the insulation is adequate for where the property is located. In the basement, look for evidence of moisture problems. Is there water leaking onto the floor or water around the foundation? There should be no cracks in the basement walls, and any wood, such as those in exposed beams, should be in good condition with no rot.

Look at pipes and turn on taps. Check that the plumbing is up-to-date. Run taps to ensure they work properly and the water pressure is strong enough. Exposed pipes in unheated areas should be insulated, as frozen pipes will eventually cause water damage. It's particularly important from a health perspective to determine that the pipes aren't made of lead. If they are, you'll have to replace them. Also, check the age and condition of the hot water heater.

Is the exterior of the home in good shape and well-maintained? Check for evidence of water around the foundation, which may indicate drainage issues. The ground should slope away from the foundation. If there's a porch, it should have a foundation, not simply sit on soil. Check that driveways and walkways leading up to the house don't have cracks and aren't crumbling. Check that the siding of the home is in good repair. Look at the landscaping on the property. It shouldn't be unkempt and unsightly, as that can indicate a lack of care. The sprinkler system, if there is one, should be in proper working condition. If there's a deck, ensure there is no decay or damage from termites or beetles.

PROPERTY HISTORY

It's a good practice to know all that you can about the sales history of the property you have under consideration. Don't simply settle for the information contained in the customer copy of listings. Ask

your agent for more detailed information. Find answers to how long the property has been on the market and whether it was previously listed, withdrawn, and/or relisted for a lower price. These kinds of questions can help you decide how much to offer.
You'll also need detailed information on the property, most of which will be available from the public records. A bit of research online will disclose the name of the owner, original age of the home, mortgage history, parcel number, previous sales of the property, property deeds, and any judgments or liens filed against the seller. Information about how much the property taxes are, and whether they're paid or in arrears, will also be available in the records.

You'll also be able to see if there were permits obtained to make improvements on the home. These permits could complicate the sale of the property if liens were attached by workmen or improvements were not done up to code.
Don't skip this search because it reveals important information about the property in which you're interested and could save you money. You can get this information through your agent, since most agents subscribe to services that give them access to such data. If you're not using an agent, you can obtain this information through a local title company or order online for a small fee.

MAKING THE CHOICE

Once you've done all your homework, you need to decide whether to buy the house. It's important that you step back and evaluate all the information available to you from viewing the house, inspecting its condition, and obtaining public records.
Keep in mind:

- You will likely need to compromise on some of your priorities. No home is completely perfect, and a first home is often a "starter" on the way to a dream home. However well it fits your needs, desires, and lifestyle, there will be things you wish you could change. Examples might include wishing the home was facing the lovely park you saw nearby or in another, fancier neighborhood. At the end of the day, you'll need to decide the factors that are most important to you. If you prefer the neighborhood over the house, you may decide to look for a different type of property within the same community. A condo, for instance, instead of a townhouse.
- If finances are the issue, you might want to discuss with your bank whether they would be willing to increase your mortgage. But use caution, and only do this if you can afford it — there's no point in getting into financial trouble just to get a specific property, when more affordable ones could do just as well.
- Lower your expectations on the condition of the home. If your inspection revealed a few small problems, you could still buy the property and do the repairs yourself. Use the problems as a bargaining chip to get a reduced price from the seller after getting a quote from a professional for the cost of repairs. Don't estimate based on your judgment, and don't let the seller decide how much he thinks it will cost. Ask a professional yourself. Also, don't let the seller get the quote.
- Be prepared to walk away. This echoes to our earlier point about not getting emotionally attached until you have bought and moved in. If, at the end of the day, you

find out the compromise required is more than one you're prepared to make, just walk away.

CHAPTER 6

Buying a House: Negotiation Dos and Don'ts

You visited dozens of open houses and met with builders and sellers. You looked for the ideal neighborhood and searched for the best available offers. Now, you've finally found a property you would like to call "home" and are willing and able to pay for. Or, maybe you were lucky, and it was love at first sight, and you're eager to close the deal as soon as possible. Congratulations!

Welcome to the most important and challenging part of the home-buying process: the price negotiations.

Start with knowledge of your financial status estimation and available options of financing. If you're a first-time home buyer, there will be federal programs and state loans to help you with the down payment and mortgage interest rates. You likely know how much money you wish to spend. Considering all the opportunities and possibilities will give you flexibility during the negotiation process.

HOW TO MAKE YOUR FIRST OFFER THE BEST OFFER

Making your first offer is an important step that needs a significant amount of preparation and analysis. Go in knowledgeable, with consideration of all the components of your price offer, when submitting the proposal to the seller. You are not so much responding to their listing price as using your own factors in arriving at your offer. The two aren't necessarily related.

An important component is a Comparative Market Analysis (CMA), which your real estate agent can provide — another benefit of working with a buyer's agent — and is a mathematical model to find out the value of your future home. It calculates the basic conditions, such as number of bedrooms, bathrooms, existence/size of the yard, or swimming pool. Then, it compares your potential home to similar houses on the market in your area. This model will give you an idea of the average local cost, which will be fundamental information to inform your offer.

After the approximation, add or remove the components that respectively increase or decrease the value. For example, you could know that the current owners have recently changed all the plumbing in the house. Or, conversely, that their plumbing is 25 years old and will probably start breaking down soon. Get estimates for any necessary immediate repairs, or ask for estimates.

Research the market trends. Has the local market gone up or down over the last few years? Do people buy or sell more? Are there houses being built that will soon be for sale? For example, teardowns and new construction would indicate rising local home prices.

Those calculations and forecasts may take time and effort, but they will ideally leave you with options to consider and choose from. The real estate agent's services will be very helpful. It won't take a professional as much time to evaluate all the pros and cons and come to you with a proposal.
Your real estate agent will assist in this process and usually help to decide. The agent may advise on offering price and factors involved.
After you agree on a price, the agent will send the proposal to the seller or seller's agent. The seller's agent will either accept it, or present you a counteroffer. Negotiations will go back and forth until you settle and reach an agreement. After that, the home buying will move into the escrow.

NEGOTIATING THE PRICE:
WHICH TACTICS TO USE

The goal of your negotiation is to buy a house for money you're willing to pay, and if you get it for less then you were willing to pay, you have exceeded your goal. Decide upon the highest maximum amount that you can afford, and don't ever offer more. If you pay more than your maximum amount, you have already lost.

Depending on what kind of market you're in, strategy and tactics will vary. In a buyer's market (i.e., there are more houses on the market than buyers looking), you have more possibilities to succeed. You can make a less-than-reasonable offer, demand for some house improvements, a better closing date, and even closing fee payment by the owner.

In a seller's market (i.e., there are fewer houses available, with more people looking than selling), you have less leverage, as you're not the only one in line. You're most likely to succeed by offering a seller's price. If they don't get it from you, they will easily receive another offer soon from someone else.

It's a good idea to find the reasons that the owners are selling the house. Do they want to sell it because they're moving for a new job? Are they moving soon and thus "motivated sellers?" Has the property price been reduced due to an extensive time on the market?

In most cases, it's likely they'll want to sell quickly. You can stand your ground if they have a counteroffer.
If the house has been listed several times with a stable price, that's a sign the homeowners are taking their time and might be waiting for the highest offer.

It’s vital to understand that both the buyer and the seller may forget the final goal: to buy and to sell. Sometimes, the parties get carried away in a battle of negotiating. Lock your eyes on the ball, but at the same time, be realistic in your expectations of the situation.
The following tactics will help you to stay focused:

- **Use the “middleman.”** Your real estate agent should be your middleman to negotiate with your seller’s representative. Using him as a buffer will save you time and aggravation. He may also provide useful information concerning the sellers and their intentions, which the other party will not disclose to you.
- **Wait for the “Big Boss.”** A third-party person (preferably an attorney) needs to see and evaluate the offer and give his or her expertise. This is a chance to lower the seller’s counteroffer and keep your positions. In addition, you’ll make the seller wait. This could make the seller believe you’re considering *other options.*
- **Be curious.** Asking questions may reveal valuable information from the seller. It might help to find the reasoning behind the house sale. This could be your priceless leverage, if you don’t know it yet.
- **Consider compromise.** Be ready to give away something during the negotiation process.
- **Focus on the main goal.** Remember your main goal: to get the house. Sometimes, you’ll get stuck negotiating on minor details. It can be a good tactic to wait until you come to an agreement on the main points before proceeding to the details.

HOW TO AVOID MISTAKES DURING NEGOTIATIONS

Whether you’re buying a house for the first time or just got carried away in the negotiation intensity, mistakes happen. Keep these simple rules in mind:

- **Be nice.** No one likes rude people. Try not to offend your seller during a house visit. For example, discussing necessary renovations and poor taste of the decorations may hurt feelings, if not the entire deal.
- **Be calm.** Don’t express too much of an interest! Most of the specialists agree that when sellers see how much you want this house to become yours, they won’t accept your first offer. To avoid a counteroffer, you should always play it cool, no matter how perfect this property is for you.
- **Think like a seller.** Change your perspective. Take a different look at this situation. Imagine you must sell this house in 2, 5, or 10 years. Will it be possible, or does it lack some basic features that the housing markets consider essential?

- **Don't expect the price to lower after inspections.** Bid lower than you can pay, and make your final offer with the most comfortable price you can afford. Repairs after the inspections will not, most likely, cost the seller millions.
- **Sign cautiously.** Make sure you acknowledge all terms and realize all liabilities before you sign any documents. Once you sign the contract, there's no way to make amendments without renegotiating and signing a new one.

WHAT IF THERE ARE MULTIPLE OFFERS?

In a seller's market, you'll probably have competition for the house you wish to buy. Sellers might be considering several offers at the same time. They will make their decision based on the best offer. They may also choose to work with one potential buyer and only send counteroffers to them.

You, as a buyer, won't know. The best way to protect yourself from multiple offers is to make your offer better than the others. Receiving a preapproval for the mortgage will be a good start to becoming the seller's top choice.
Also, let the seller know the financial options you have – for example, if you plan to put down 20%. Some mortgage conditions and funding programs are more attractive and may influence the seller's decision.

Bid close to listing price. There isn't much sense in offering significantly less in a seller's market. Doing this will save you time on the ongoing counteroffer process.

It would be helpful to review the contingencies list. The fewer clauses you have there, the more attractive your offer seems to the seller. However, it's recommended not to remove home inspection. This means the seller won't be liable for any uncovered issues with the house, and you'll have to pay for the repairs on your own.

Showing your intentions by making a large good faith deposit and down payment will usually convince the owner of your commitment. This may finally tilt the balance toward your proposal.
Negotiating the price is a very stressful period in a home-buying process. You're not quite sure what the results will be, or exactly how much money you'll spend.
In any case, keep in mind that the owner is interested in selling his home, and you're willing to buy it. With a little time and a little effort, you'll both be able to achieve your goals!

CHAPTER 7

What to Know About

Home Inspections

The house hunt is over, and you decide to start the closing process on your soon-to-be home. You have visited the house and seen it at its best — beautifully polished, shiny, and welcoming. What if this is just part of the picture and something is hidden underneath its glossy surface? Issues here may vary, from termites and mold to leaking pipes or cracked support walls.

This is why, before closing a deal on your highly anticipated new property, you need to order a home inspection to be conducted. It will help to evaluate the house's condition and let you sleep safely at night before and after the purchase.

WHY DO YOU NEED A HOME INSPECTION?

Some buyers tend to skip this step, especially if the market is hot and you're competing with several other buyers. Home inspections cost money and take time; however, if there are serious issues found, more time and money is saved after a fair deal is closed. You need a house inspection to know what, exactly, you're buying and what to expect from your property in the future.
During this process, specialists will examine the house to determine its condition and the viability of all the house systems. Don't confuse the house inspection with house appraisal. The inspection will clarify the current state of the house, not what it's actually worth.
After the inspections, you'll receive a report on the state of the house. The report will contain suggestions on future maintenance or repair steps or the need for additional expert opinions — for example, a structural engineer, should the inspection disclose faults in the building structure, or an HVAC expert if the furnace isn't in working order.

**INSPECTIONS, INSPECTOR,
AND COMMON MISTAKES**

There are different types of house inspections available. General or residential inspections will observe and give an evaluation of the house elements and systems.
The list below contains points that can be enhanced or some of the points excluded. Nevertheless, here's an idea of what should/will be examined in a comprehensive residential inspection (which costs approximately $300 to $500):

- **Exterior:** Water drainage systems and condition of outside elements, such as yard, trees, pathways, fences, decks, stairs, including cosmetic issues.
- **Structural elements:** Construction type and notes, visible foundation and framing condition, structure's upright position.
- **Roof:** Installation quality, visible damages, shingles, and gutters' condition.
- **Plumbing system:** Leaks, water pressure, faucets, showers, material and aging of pipes, hot water system, septic tank (if one exist).

- **Electrical system:** Electric box for condition and code, fuses, visible wiring, type and condition, and other safety issues.
- **Heating, Ventilation, and Air Conditioning (HVAC):** Chimneys, vents, house insulation, and ducting. All furnace and AC systems for age, condition, and proper functioning.
- **Laundry room:** Ventilation and dryer systems; leaks and potential fire hazards.
- **Bathrooms:** Bathtub, shower, sink, and toilet inspection. Proper ventilation and plumbing.
- **Kitchen appliances (if part of purchase):** Properly working devices and correct installation.
- **Fire safety:** Smoke detectors in place and operating, fireplaces, and stoves.
- **Pest inspection.** Presence of wood-boring and other insects, molds, and fungi.

If you live in certain high-risk areas, it's wise to order an additional service — for example, earthquake, tornado, or flood inspection. The specialist will help you to estimate the resistance of the property during natural disasters.

Your inspector may recommend you ask for a specialized opinion, such as a structural engineer in case weakness is suspected in bearing walls. Don't procrastinate and wait to get this done. There have been situations in which the closing meeting had to be postponed because of failure to properly deal with discovered inspection issues in time.

A good expert is hard to find. Choosing the right inspector is the key to a thorough and comprehensive report. You may search online, paying attention to reviews of that inspector. Many real estate websites have a list of professionals with ratings and reviews. Ask your friends and family for a recommendation. An excellent source of recommendations is the real estate agent with whom you're working — your buyer's agent, not the seller's agent.

Some buyers don't attend the inspection along with the inspector, looking only at the report that the inspection company provides. This is a common mistake during the home-buying process. This is one of your first opportunities to fully take a tour around the house, with a house inspection expert, and see its features and condition up close.

The second most common mistake is to go to the inspection and be too afraid to ask questions about what you see. Some things that are common knowledge to the inspector might be new to you. Ask. Don't be intimidated about asking for an explanation if you don't understand what's going on.

Another mistake that buyers make is leaving without checking the utilities. They might be turned off, but you should ask for them to be turned back on to make sure there are no leaks and that everything is connected correctly.

All house inspection conditions apply to new construction, as well. Newly built houses can also have issues. Buying a house will likely be the biggest purchase in your life, and this isn't the time to gamble with such a large amount of money at stake. When buying a home, always get an inspection prior to signing.

WHAT TO DO AFTER THE INSPECTION

After receiving an inspection report, there are two possible outcomes about how the situation may develop. In the best-case scenario, everything is fine, the house is in exemplary condition, and no further work is required. You're good to go with other paperwork.
A more typical scenario is that the house requires minor repairs. This may involve negotiations that the repair be done and inspected before moving along, or some price concession to account for your expense to make repairs.

The worst-case scenario is that the house needs major investment not contemplated in the offer — for example, the roof has exceeded its useful life and is in immediate need of replacement or the sub-structure leaks and can't be inexpensively remediated. You might ask the seller to vastly reconsider the sale price, ask for the full amount to fix the problem(s), or walk away. A full inspection should be part of the conditions/ contingencies in a home sale, thus failing the inspection, any earnest or escrow money will be returned.

Regretfully, there's no standard template and step-by-step guidance about what to do if there are issues with the house. It depends on how you crafted your conditions. The best buyer option (and probably would only happen in a buyer's market) is where the seller is liable for all the repairs. Some contracts may include cost limits or split liabilities. In case you buy the house "as is" and your inspection was only for informational purposes, sadly, you will now have to calculate the repair costs and plan how you fix your new home.

Some of the common problems that should be considered include the roofing, replacing the pipes, fixing any leaks, and the requirement for new wiring for any 30- to 50-year-old houses.

WHEN TO WALK AWAY

Professionals say you should cancel the deal if you can't buy the house you want on the conditions that you want and for the money that you have. In a buyer's market, the seller will negotiate on minor repairs disclosed by an inspection long before the thought to walk away hits you.

However, some repairs are just not worth it. If the problem that the homeowner refuses to fix or pay for is dangerous and you can't fix it, then it may be time to walk away.

If the problem is something you need to fix soon, but it is too expensive for you, walk away. If the issue is likely to cause a chain of other problems, and it is hard to estimate how much it will cost, walk away.
Consider the pros and cons carefully, and listen to your real estate team's advice. They are usually more experienced and may explain to you the advantages and disadvantages better than anyone else.

Also, listen to your own gut. If the doubts and uncertainties are too anxiety-provoking, it might be better to turn it down and start over.

CAN INSPECTIONS AFFECT THE HOUSE VALUE?

The short answer is "Yes, they can," but don't count on it too much. Thinking of the inspection period as another chance to revisit price isn't a good strategy. It's not often that the house inspection greatly affects the sale price. That has generally been negotiated prior to the inspection and the inspection is used to validate the home's apparent condition.

The role of the home inspection is to protect the buyer from inheriting major issues along with his purchase. Home appraisal, on the other hand, ensures a lender does not pay more than they should. During the appraisal, the appraiser determines the market value of the house based on its square footage, the number of rooms, bathrooms, size of the outside territory, and the garage.
The appraiser uses analytic data based on home features, comparable sales ("comps") in the area, and other pricing factors to set a value, or market price, and makes his summary based on complex mathematical calculations.

Home inspections focus on home conditions. If those conditions aren't obvious, the home appraiser won't factor them into the market price of the home. For example, a tilted facade and moldy basement are highly noticeable, and will be reflected in the appraisal; however, not-to-code electric wiring and condition of the insulation or foundation will not.

Some mortgage guarantors require home inspection along with the appraisal, as they have specific requirements of what should and shouldn't be in the house. A property that possesses any of the red flags can't be approved until all of them are eliminated. If inspections are made properly, you'll be able to know your future house's exact conditions. Be absolutely sure that you have a trustworthy and reliable home inspector on your side, as essentially the whole deal now depends on him or her.

CHAPTER 8

Shopping for a Home Loan

The decision to buy a home puts you into a realm full of things you have not dealt with prior, especially if you used to rent your home. Owning a house brings a whole new experience.
For example, consider taxes and mortgages. When you're looking to purchase a home, it's important to understand what can be deducted and what can't. A powerful piece of information many home buyers overlook is the effect of mortgage interest on their federal income tax payments. Mortgage interest is deductible and a powerful financial planning tool. Calculate the amount of mortgage interest deduction and include that in your annual financial planning. Then, make a point of checking

Internal Revenue Service (IRS) Form 1098 from the lender at the end of the year. This form shows the amount of mortgage interest that you've paid.

Some of the nondeductible items include home repairs, general closing charges, homeowners' association dues, as well as property hazard insurance premiums.

Getting a loan to purchase a home can be a tricky business, and there are terms one might find hard to understand — e.g., the term "mortgage points," which refers to the interest that's been prepaid. It's possible to lower your mortgage loan's interest rate by "buying points." Mortgage points, or discount points, are fees paid directly to the lender at closing in exchange for a reduced interest rate. This is also called "buying down the rate," and will decrease your monthly mortgage payments.

One point costs 1% of your mortgage amount (or $1,000 for every $100,000). Essentially, you pay some interest upfront in exchange for a lower interest rate over the life of your loan. In general, the longer you plan to own the home, the more points help you save on interest over the life of the loan.
For example, Bank of America, Better Money Habits, uses a chart illustrating points using a loan amount of $200,000.

It's possible to buy the points to ensure the interest rates are low when you're getting the loan. Buying the points can help you down the line by guaranteeing that you save money, especially if you plan to stay in the house for an extended period.
However, the amount of cash you'll save by buying the points depends on the number of points you buy. For instance, if your mortgage is $200,000 and you buy two points, you will owe $4,000 when closing.

Further related to taxes and property ownership is that once you own a house, you're a property owner, with the attendant obligation to pay property taxes.
The usual method of paying property taxes is to escrow the amount of annual taxes within the mortgage payment. The mortgage servicer will pay the taxes as they are due.
When buying a house, your lender will calculate the total amount of real estate taxes, as well as the number of days in a property tax year that you were the owner of the said property and escrow that amount, adding it to the mortgage payment.
People have been known to spend months looking for the best possible home and eventually find a good one. However, many of these individuals fail to understand the importance of finding a good loan. In the end, the new homeowner has a nice home, but a bad deal when it comes to the mortgage.
Not many people have the capability to buy a house for cash; most people will require a mortgage. Therefore, you not only need to go shopping for a house — you also should go shopping for the best loan deal. There are different types of loans out there, and it's best to check several and then compare them. That way, you'll have better chances of securing a mortgage that won't be a burden in the future. It also means you'll have an opportunity to save some money at the end of each month.
Shopping for the best loan on your own can be a daunting experience, and it might be a difficult task to accomplish by yourself. To overcome that hurdle, it's recommended that you hire a mortgage professional for many of the same reasons you should engage a real estate professional. If possible, you should engage the professional before you even start searching for the house.

Another task you should work on before you begin looking for a house is organizing your credit issues. It's important to ensure your credit is in order, because making any mistakes at this juncture can take months to correct and might even end up sinking your chances of owning a home.
After getting your credit in order, the next step is to do research on the houses that you can afford. This is simple today, since many online tools can help in doing these calculations. These tools will give you a rough idea of what you're getting yourself into by calculating income, expenses, and mortgage affordability. However, don't forget to involve the mortgage professional because he or she is the one who will help determine the best loan for your needs after the calculations are done.

Finding the best mortgage deal is made even more complicated by the fact that the mortgage rates change daily, or even several times in a single day. One can get a good mortgage deal from a mortgage broker, a bank, or a mortgage lender. It's up to the buyer, depending on the situation.

However, if you're going to buy a home and your down payment is less than 20%, you're going to need private mortgage insurance. That can add about $100 per month for a home valued at $100,000. To find the best mortgage professional to guide you through the process of buying a home, seek advice from real estate agents, colleagues, or friends. Banks are generally known for having the fewest mortgage options because their products are tailor-made to suit the bank's interests. However, they can also be more flexible, as they are the ones lending the money. If the buyer owns other substantial assets, making a deal with a bank will not be a complicated process.
Mortgage brokers are known to offer the largest amount of options. Working independently and with several financial outlets, brokers can find the best loan for the buyer from different lenders.

Now that you've identified the house that you want to buy, and you have a professional mortgage advisor, how do you get the best mortgage deal?
The first step is a comparison of different interest rates. It's easy to get quotes from companies, since most of these companies offer these services online. However, you, as the buyer, should be careful to not just compare interest rates. The best option is to compare the interest rates, as well as all the fees, including origination fees, points, and any other fees that the lender might include in the deal.
Any loan regarded as a no-fee loan means that all the fees have been included in the rates and as the buyer, you should make a point of noting that.
You have the responsibility of ensuring you understand every aspect of the mortgage deal. Therefore, it's upon the buyer to interview the person handling the loan.

Another important step when buying a home is getting your credit report. The purpose of getting the credit report is not just to give you a chance of getting the best bargaining terms, but helping you know where you stand.
It's important because you might find that you aren't creditworthy, and that will torpedo the deal. If you find yourself in that situation, it might be a good idea to use a credit repair company. Search for a reputable credit repair company because there are credit repair companies that are either not good enough or charge too much. The company will help you repair your credit, as well as assist in correcting any mistakes that might be in the credit report.

As a new homeowner, it would be wise to remember that monthly mortgage payments aren't the only expenses that you'll be paying. You will be paying property taxes, homeowner's insurance, and maintenance costs. Therefore, you should ensure you have budgeted for all these issues.
Understand that once you have the house, it will become the focal point in your life. That means when you purchase that house, you'll be investing in the surrounding community, as well. You'll be commuting to work from that house; your kids will be going to school in that community and any other activities that your family will be involved in will revolve around that community. All these considerations should be in your mind before closing the deal.

The buyer should also make it a point of being involved. Real estate agents have a complicated job in getting their clients the best deal. Therefore, as a buyer, you should also make efforts to ensure you're also part of the whole process and that you're involved in every step of the deal.

Research has shown that most people spend more time shopping for cars than they spend thinking about mortgages. As a result, many people seeking to buy homes end up paying more in closing costs, or a higher interest rate than they might have because they didn't bother doing enough research or they didn't adequately shop the mortgage market. The real estate mortgage interest rates can move up and down quickly, due to various financial and market factors. The ever-changing rates can confuse almost anyone, and timing is important. For instance, one day, the rate might be 5% and the following day it could rise to 6%.

Many people overlook the shopping aspect and tend to approach a single lender. As a result, these people will probably get their "dream" home, but it may come with a substantially higher monthly mortgage payment than if appropriate and adequate research had been done.

CHAPTER 9

Programs For Home Buyers

According to the Census Bureau, 67% of Americans own their homes. That still leaves a huge number of people who cannot buy their own houses, often because they can't afford the closing costs, or they don't meet the down payment requirements of commercial loans.
The U.S. Department of Housing and Urban Development (HUD) provides billions of dollars every year to housing grants, turning the home ownership dream into reality. If you're buying a home for the first time, you can file for a buyer's grant. There are national, state, and local programs and grants available to first-time home buyers. These programs and subsidies can help cover portions of acquisition costs, including the down payment, and allow buyers to get a higher percentage of loans to finance.

GRANTS FOR FIRST-TIME HOME BUYERS

Grants can be just as important as loans when buying your first house. First-time grants for home buyers can be a significant source of funding, and unlike a loan or a debt, a grant won't have to be repaid. Often, these programs are aligned in areas where the government wants to capitalize on the revitalization of a community. This makes "urban homesteading" a viable and less expensive option for the first-time buyer. These grants are a boon for both home buyers and the community.

Most grants help to connect with down payments or the costs of closing. There are also programs that provide funds for other purposes in the process of buying a house. Many of these programs offer loans that don't have to be repaid, a very helpful thing for someone who has all the elements of a successful home buyer but needs down payment assistance.

Given the lower requirements for down payment, Federal Housing Administration (FHA) loans are a natural — if not a perfect — fit for the many down payment assistance programs available to help you on your way to buying a home. Most federal grants are targeted to the first-time home buyer and are intended to help those individuals get started toward home ownership.

These grants shouldn't be expected to cover a large percentage of the new home's cost, however. Most cover less than 10% of the home's value or can be expected to help pay for certain expenses, such as closing costs.

For example, a down payment with an FHA loan is 3.5% of the cost of the home. Current FHA loan guidelines allow for the down payment portion of your home loan to come from several different places — a gift, personal savings, tax returns, and down payment assistance programs. Down payment assistance programs are funded at the city, county, and state levels; due to this funding, the assistance programs are ever-changing. Each program operates on its own budget, and operates with its own set of requirements. Credit score, income levels, and other factors will factor into your eligibility for down payment assistance programs.

Since home buyer grants are meant to be used toward the purchase of a new home, there are qualifying rules for these funds. According to the U.S. Department of Housing and Urban Development, grants won't be given to anyone who doesn't qualify for a mortgage.

Different states have different programs and conditions for home-buying grants. The one thing they have in common is that all 50 states have explicit grants for first-time home buyers. Do your research, and check what grants are available in the community you're planning to move to.

There are steps to follow when applying for a buyer grant. First, find a home buyer grant that fits you. Then, check the requirements of that grant program. Finally, find an approved lender and fill out all the application forms correctly. The HUD website is a great resource for buying a home, whether it's your first or your tenth! (https://hud.gov)

PENALTY-FREE IRA WITHDRAWALS FOR FIRST-TIMERS

First-time home buyers are eligible to withdraw $10,000 during their lifetime from their Individual Retirement Accounts (IRAs) without paying the 10% penalty for withdrawal before the age of 59½, assuming certain requirements are met. The biggest requirement is that the money must be used to buy or build a primary residence (not a vacation home).

If you have a traditional IRA, you'll have to pay income tax on the money withdrawn. Roth IRA accounts, however, aren't subject to additional taxes, as they are funded with money that has already been taxed. The $10,000 lifetime amount that can be withdrawn penalty-free from an IRA is specific to each individual; this means a couple could withdraw $20,000 combined to pay for their first home. The person withdrawing also doesn't have to be the future homeowner — a person under the age of 59½ can qualify for the tax exemption if they are helping a child, grandchild, parent, or another immediate family member purchase their first home.

The money withdrawn from either a traditional or Roth IRA must be used within 120 days or it becomes subject to the penalty, so be sure to plan ahead. Depleting your retirement savings is also risky business, as it might — over time — be more cost effective to keep the money earning interest rather than applying it to your down payment. Speak to a financial advisor for help with your specific situation.

OTHER HOMEOWNER TAX BREAKS:

- **The Mortgage Interest Deduction.** This is one of the most beneficial tax breaks that home buyers can take advantage of, whether they are first-time buyers or otherwise. The IRS allows you to deduct from your taxable income the interest you pay your lender. Home mortgage interest is one of the largest deductions for those who itemize. Lenders will report your mortgage interest on a 1098 form sent out annually. The Mortgage Interest Deduction (MID) is valid for mortgage debt up to $750,000 or mortgage debt up to $375,000 if you are married but filing separately. Home buyers can receive a large benefit in the first years after buying, as the first repayments have the highest interest. To claim the MID benefit, home buyers will have to file an itemized tax return.
- **Mortgage Points.** Discount points (also known as mortgage points) are fees paid directly to the lender at closing in exchange for a reduced interest rate. The cost of discount points is equivalent to 1% of your mortgage ($1,000 for every $100,000). Discount points involve prepaid interest and can reduce your total mortgage payment. The interest rate on your mortgage typically lowers by 0.25% with each point you buy. If you elect to do this, the fee for the points is tax deductible for the year in which you paid them, assuming the loan you obtained is for your full-time, year-round home (as opposed to a second home or a vacation home).
- **Mortgage Credit Certification.** The Mortgage Credit Certification (MCC) is another program that helps thousands of first-time home buyers secure a tax break. This IRS-based program is aimed at helping lower-income groups afford their first home by essentially subsidizing the loan. The MCC program is designed to help first-time home buyers offset a portion of their mortgage interest on a new mortgage to help them

qualify for a loan. Because it's a tax credit and not a tax deduction, mortgage lenders will often incorporate the estimated amount of the credit (prorated on a monthly basis) as additional income to help the potential borrower qualify for the loan. Depending on the price at which you purchased your home, you can get back up to 30% of the interest you pay as a tax credit. The program is administered by local authorities and can vary according to the state in which you live. To qualify for this tax credit, you'll need an MCC issued by the local government, which your loan officer may or may not know how to do.

- **Home improvements.** Improving your home will not only add to its livability and comfort, it could also earn you tax deductions in multiple ways. You can use a home improvement loan to finance the cost of improvements on your primary or secondary home, which will then likely qualify you for mortgage interest deductions. The interest on a home improvement loan is deductible in full, up to a sum of $100,000 in debt. Be sure to keep track of home improvement costs. When you sell the property, if the selling price of your home is more than what you spent to procure it, the extra amount will be considered taxable income. You can add the improvement cost to the value of your property to reduce the amount of this taxable income. This can help you save money in taxes following the sale.
- **Home office deduction.** If you are self-employed and work from home, the amount of space in your home that's dedicated towards business activities is tax deductible. This deduction will include loan interest, insurance payments, utilities, repairs, and more. However, with the TCJA going into effect for 2018 - 2025, people who are not filing as self-employed are ineligible for the deduction. There are other specific guidelines for taking advantage of this deduction, so check with your professional tax preparer before filing.
- **Home energy tax credits.** The IRS rewards homeowners who make efforts to create eco-friendly homes. Solar is particularly lucrative, as the installation of a solar power system or solar hot water system earns you a 30% federal tax credit until the end of 2019. After 2019, the credit falls by a few percentage points each year until 2022, when the credit is scheduled to expire. Unfortunately, a large amount of other federal energy efficiency credits expired in 2016, but that doesn't mean you should give up on being eco-friendly: there are still many state and local tax credits, incentives, and rebates on offer for upgrading your home's energy efficiency.

CHAPTER 10

The Closing Process

Deciding to buy a house brings many challenges, especially so for those unfamiliar with the intricacies of real estate purchase, transfer, and financing. This section is a brief, user-friendly guide to help you find your way through the issues of insurance, warranty, appraisal, and mortgage statement on the property. In this section, we also present "10 Things to Know if You're Closing a Home Deal for the First Time," which offers some of the best tips to follow in order to avoid letting things get out of hand.

HOMEOWNER'S INSURANCE:
MAKE SURE YOU'RE COVERED!

Unless you're paying the sale price of the home in cash, your lender will require the purchase of homeowner's insurance before closing. After the agreement to purchase, but before closing and title has transferred, it's the seller's obligation to ensure appropriate insurance coverage on the house and property. Immediately on closing the sale and when title transfers, the seller no longer has an insurable interest in the property, hence seller's coverage ceases. The new owner must have homeowner's insurance coverage in place.

In most cases, you'll be asked to provide proof that you've prepaid one year's worth of coverage before the lender will set closing. The lender holds a lien on the property until the mortgage has been paid off. To safeguard their interest, lenders want financial protection in the form of a home insurance policy to pay for the cost of rebuilding your home, should disaster occur.

A standard homeowner's insurance policy generally protects against:

- Fire and lightning
- Damage from hail and windstorms
- Theft and vandalism
- Smoke damage
- Falling objects, like tree branches
- Damage from the weight of ice, snow, or sleet
- Frozen plumbing, heating, AC, or other household systems
- Vehicles (and even aircraft) — not the vehicle itself, which is the object of auto insurance, but damage *from* vehicles — e.g., in the event a car runs into your home.
- Riots or civil commotions
- Explosions

Homeowner's insurance policies also generally include coverage for liability, personal belongings, other structures on your property like carports and fences, and additional living expenses if your home becomes temporarily unlivable.

There are advantages of paying homeowner's insurance up front at closing, rather than escrowing the cost within your monthly mortgage. Paying your homeowner's insurance premium all at once and before closing allows you to exclude that premium from your closing costs, which generally include lender and other fees for which you're responsible, in addition to your down payment. Closing costs are generally paid in one lump sum.

You may also choose to set up an escrow account, depending on your mortgage agreement, to avoid paying large sums for homeownership costs.
Essentially, an escrow is a savings account designed to help you pay your mortgage, property taxes, and even homeowner's insurance in smaller, periodic installments. Your lender usually deals with payments from your escrow, which means less stressful financial management for you.

A HOME WARRANTY LETS YOU SLEEP BETTER AT NIGHT

Whether you're a first-time home buyer or empty nester downsizing after several previous home buys, it might be a smart idea to have a warranty plan, so that you can sleep well at night.

The advice also applies to the experienced real estate owners who just don't want to have the thought of maintenance and repairs hanging over their heads. A home warranty is a way of protecting yourself from expensive, unexpected repair bills. Depending on the local market as well as on the deal, the home warranty can be paid either by the seller or by the buyer. A home warranty paid for by the seller can be a negotiation point or inducement offering to protect the buyer from having to do any additional, expensive repairs to the house after the deal is closed.
The cost of a home warranty is generally not too high — often between $350 and $600, depending on the coverage. The payment must be made one year in advance.

In case you need to use such a warranty, the procedure is simple. When there's a problem, the owner calls the warranty company, which then announces the service provider who will be fixing it. The provider will call the owner to schedule an appointment and fix the problem. The insurance company will pay the service bill.
Be careful when choosing a plan because there are many existing coverage differences. Pay attention when reading the fine print relating to the conditions for coverage and the reasons claims may be denied. The secret to getting a good insurance plan rests in dealing with a reputable company and knowing all the details.

GETTING AN APPRAISAL DIFFERS FROM THE EVALUATION BY A PROPERTY INSPECTOR

A real estate appraiser is a state-licensed expert who determines the value of a certain property. When it comes to closing a financial transaction involving a property, both the seller and the buyer depend on his or her evaluation.
This procedure is meant to protect the buyer — as well as the bank that offers the mortgage loan — from purchasing an overestimated and overpriced piece of real estate. Property appraisers aren't the same as property inspectors. The difference between an appraiser and an inspector is that the former will look only for obvious issues, while the latter checks, in a more detailed manner, items such as

the plumbing or the air conditioning system. The appraisal report is required by the bank, and the cost is included in the mortgage cost.
The appraisal expert evaluates the property using one of these two methods: sale comparison approach, by comparing your home with other similar ones that were sold in the area, or the cost approach, used mainly for new buildings — a method that evaluates the cost of replacing the structure of the home.

VALUE OF PREPAYING YOUR MORTGAGE

It's a great idea to prepay your mortgage if you can. By doing so, you can reduce the costs incurred together with interest and save thousands of dollars in the long term. To prepay the mortgage means that you pay the amount you owe to the lender *before* due term. To do so, it's important to understand some of the most popular methods of doing this.
Some people decide to pay a monthly sum above the mortgage payment. This amount gets applied to principal (not the interest), and doing so consistently can save you a small fortune in the long run. Another way of reducing interest is through a system of making 13 payments in a year instead of 12.

This is part of shopping for a mortgage. Some mortgages have a flexible policy, which allows you to make extra payments as you consider fit and without restrictions. In other cases, however, the terms of overpaying a loan are strict and require a penalty for those who are planning on prepaying the mortgage.
These terms are detailed in the prepayment penalty disclosure section of the documents. Be sure to examine the documents carefully.

THINGS THAT CAN DISRUPT YOUR DEAL

Until the closing statement is signed by both you and the seller, nothing is certain.
The deal might fall apart from one day to another. Here's a list of common mistakes that may seem insignificant for the buyer at the first glance, but for the lender may mean a "yes" or a "no."

Be careful with other big purchases while trying to obtain a mortgage. Avoid charging your credit cards with thousands of dollars for unnecessary things. Buying furniture or opening a new line of credit may threaten the deal, as the lender may suspect that you're cutting funds reserved for the real estate payment.
It's highly important to act responsibly and turn in all the required paperwork on time. Ensure you have enough time to review the closing statement; don't be the reason the signing is delayed.
One more detail involves the money you receive from family or friends. This kind of income should be cleared with the lender early in the process, in order for the sums to avoid being considered as further debt.
Another way to delay the closure is by changing jobs or switching positions. These actions are highly questioned, especially if they lead to your main income no longer based on a monthly salary, but on commissions or performance bonuses. The unstable nature of a commission-based income might threaten the deal.

**10 THINGS TO KNOW IF YOU'RE CLOSING
A HOME DEAL FOR THE FIRST TIME**

#1. Open an Escrow

The first step to closing the deal and unlocking the front door of your own house is to open an escrow. An escrow is a contractual arrangement in which a third party receives and disburses money or documents for the primary transacting parties, with the disbursement dependent on conditions agreed to by the transacting parties. Escrow, on average, will last approximately one month. During that time, the third party is taking care of transactions on both the seller and buyer's behalf.

For example, if you're providing an inspection as a buyer, you deposit funds to the escrow account. Costs of this service are to be negotiated beforehand. Be conscious of the escrow company's fees. Some contain unexpected fees you might only become aware of during payments because they're hidden. Understand escrow company fees before entering into an agreement.

#2. Lock in the Interest Rate

The price for a mortgage loan is typically expressed as "points" paid to get a certain interest rate. Points are essentially prepaid interest, so the more points paid, the lower the interest rate. One point equals 1% of the loan amount.

A mortgage rate lock guarantees that a mortgage lender will give a buyer a certain interest rate, at a certain price, for a specific time.

A rate lock protects the borrower from rising interest rates in the period between sales agreement execution and closing (often a month). If the buyer locks in a rate of 4.5%, she will only have to pay 4.5% interest even if rates rise while going through the loan application process. A rate lock is commonly good for 30, 45, or 60 days, though that time period can be shorter or longer. After that period expires, the buyer is no longer guaranteed the locked-in rate unless the lender agrees to extend it. This is why arranging a prompt closing is crucial.

#3. Have a Home Inspection

Making sure roofing shingles don't fall off on the first day in your new home or the furnace doesn't operate under 45 degrees is generally enough reason to have a home inspection.

Engage specialists to check the conditioning system, plumbing, and electricity. This could save you thousands of dollars by uncovering existing issues. They will also check mold growth and other possible environmental health threats caused by lead, fungus, and asbestos.

Even new houses need to be checked duly and thoroughly. It doesn't matter that the house recently had all the municipal inspections by the builder.

#4. Have a Pest Inspection

The best approach is to hire a licensed pest inspection company. They'll check your future property for contamination by flies, mosquitoes, cockroaches, fleas, rats, mice, bedbugs, termites, beetles, carpenter bees, ants, and other types of pests.
There's no need to explain how much harm even a small number of termites can do. These issues will lead to major repair expenses and even health issues.

Presence of any kind of contamination is a subject of renegotiation of terms, or a reason to rethink the deal completely.

#5. Fix All the Issues after the Inspections

If inspections revealed any problems, you may want to ask for a price adjustment to cover the cost of repair or ask the seller to fix the problems. Some inspectors advise to look deeper into the issue. They say you should ask for a second opinion, or evaluate it further with a specialist. It's highly recommended to discuss the estimates and fix the issues as soon as possible.

#6. Ask for Title Search and Insurance

Title insurance is needed to eliminate the potential of loss by third-party ownership on the property that you're buying. Title insurance protects real estate owners and lenders against loss or damage due to liens, encumbrances, or defects in the title. Each title insurance policy is subject to specific terms, conditions, and exclusions.
Auto and homeowner's insurance protect against potential future events, and is paid for with monthly or annual premiums. A title insurance policy insures against past events for a one-time premium paid at the close of the escrow. Title defects include another person claiming an ownership interest, improperly recorded documents, fraud, forgery, liens, encroachments, easements, and other items specified in the insurance policy.

#7. Conduct a Home Appraisal

A home appraisal determines the estimated market value of your soon-to-be property. The appraiser evaluates it based on general condition, geographic location, proximity to objects of interest, value of the nearby houses, recent sales, and neighborhood growth and potential, among other factors.
Mortgage lenders use this information to make sure the amount you borrow is supported by the home's value. There's always a risk of a low appraisal. In that case, the lender won't go through with the transaction at that price.
The seller might adjust the sale price accordingly but also might not. Appraisal value isn't a binding figure — what the seller sells for and the buyer pays determines the sale price. The situation might be that you negotiated a deal with the seller for a price already lower than initially wanted. This likely is due to the home selling in a buyer's market and its location in a declining market area. This may slow or disrupt the closing process while further negotiations are conducted.

#8. Set the Time and Date of the Closing

The closing date is a negotiable factor during the offer and acceptance phase of a home sale transaction. When making an offer, the buyer will include a closing date, and, depending on the seller's circumstances, it might be acceptable or could be countered with other terms.
Don't choose a date casually. The right date can ensure a smooth closing and reduce closing costs; the wrong date puts the home buyer at risk of not closing on time, needlessly complicating the move, increasing expenses, and even losing your new home.

Expenses are prorated through the closing date, so generally, there's no better day of the month to close. However, in financing a mortgage, there are some differences in what is collected as a prepaid item and when the first mortgage payment is due.

Some advice and tips:

- Give yourself enough time. Don't set a short closing date unless you're paying cash. There are many steps involved with a home purchase. It takes time for the loan process. A short closing date might predate final loan approval.
- Avoid closing at the end of the month, if possible. This is the busiest time. Unexpected issues are better dealt with if title officers and lenders are readily available.
- Make your closing align with the actual move from your old residence to your new house. Ideally, your move should be from one to the other without a hotel stop in between.
- Arrange with your local utility companies to ensure they can start service on the closing date. Living without water, heat, air-conditioning, or Wi-Fi until they are activated is unnecessary — not to mention unpleasant.
- Mortgage payments are almost always due on the first day of the month and the payment is for the preceding month. As an example, if you close in July, your first payment is due on the 1st of September. However, interest is due for the month of July from the date of closing. If you close early in the month, say on the 10th, you would have to pay for 21 days, but if you close on the 25th, you would have to pay six days of interest. If money is tight, closing toward the end of the month will reduce your immediate out-of-pocket expenses.

If you schedule a closing and fail to complete it on that day, there are consequences. You'll face increased closing costs the next month, in addition to any penalty for the delay. Although most sellers will work with you if the transaction does not close on time, failure to close opens the door to canceling the sale. This is most likely to occur in a seller's market, in which the seller may have taken backup offers that are potentially better than yours.

Closing can be held in any agreed-upon location. For example, at the attorney's office, or at your lender's or title company's offices.

#9. Be Present at a Walkthrough

A final walkthrough is a last chance to see your future house before you buy it. Commonly, it's scheduled 24 hours before the closure.
The property should be in the condition that's specified in your sales contract. You may inspect for any changes made subsequent to the home or pest inspections. Check if everything is in order and if any additional replacements are necessary.
If there's an issue, the closing day could be shifted, or, upon agreement, the repair costs will be submitted to the escrow account. *Don't skip* this step because missing the final walkthrough is one of the reasons for closure delays.

#10. Get Ready for Your Closing Day

Now you have run the escrow marathon and survived all the possible obstacles in your way. It's finally time to sign the papers and get the keys to your new home.
Prepare all the paperwork that you've collected during the process. This includes the title search and insurance, inspection reports, bank statements, home appraisal, checks of down payment closing costs, and prepaid interest.
Several people could be present at the closing, e.g., your attorney, a seller or seller's representative, seller's attorney, real estate agents (both yours and seller's), lender's representative, a title company's representative, closing agent, and a public notary. The exact number and function depends on the state and county. In some states, it's as few as the buyer(s) and the closing agent, with all documents pre-executed by the other parties.

Basically, the purpose of the meeting is to sign the following documents:

- **Closing Disclosure (CD).** This document contains your final payments, costs, and charges upon agreed terms and periods. You're supposed to receive it three business days before the closing date and compare it with the conditions of the initial loan estimate.
- **Mortgage note.** In signing this document, you agree to your mortgage terms and conditions, as well as penalties, in case you're not able to pay duly and on time.
- **Deed of trust or mortgage.** In real estate, a deed of trust or trust deed is a deed wherein legal title in real property is transferred to a trustee, which holds it as security for a loan (debt) between a borrower and lender. The equitable title remains with the borrower.
- **Certificate of Occupancy (for new houses only).** The Certificate of Occupancy provides authorization from the local government for a building to be used as a public edifice or as a private residence. The purpose of the certificate is to provide verification that the building is in full compliance with current building codes and is safe for occupancy. This type of certificate is issued whenever a new building is constructed within the city limits of the local government. Inspections are conducted to ensure the basic construction, wiring, plumbing, and other elements of the building are up to code, and can be certified as being safe for occupation. Such a document is needed to move into a house.

If your home-buying team is competent enough, you won't be seeing those documents for the first time at the closing. Don't sign anything that's unclear to you, different from what you agreed to, or seems wrong. Make sure that you understand what you're signing and how your payments will be distributed over time. Charges change differently depending on the mortgage type and may also depend on your insurance or taxes.

AFTER YOU SIGN THE PAPERS

Take the keys and start moving into your new house. Now you're a legitimate owner and a person who is responsible for a mortgage loan. Nothing can be compared to buying your first home. When you finally get through with it, you'll be able to relax and enjoy your new property.

Don't worry — most of the time, you'll reach the finish line with a smile on your face and a beautiful new home to call your own. So, get out there and start searching for the perfect home for you and your family. After all, we all know that there is no place like home. Hopefully, these basic steps will help the first-time home buyers handle this incredible process with less stress and more energy.

CHAPTER 11

Organizing Your Move

Moving is one of the most stressful and tiring things anyone can ever go through. It can also be an uplifting, refreshing experience. *I give you this to take with you: Nothing remains as it was. If you know this, you can begin again, with pure joy in the uprooting* — Judith Minty.

Whether the move is across cities or within the same area, it needs careful planning. From sorting to packing, labeling, unpacking, and arranging all your "stuff" in your new home, it involves a lot of work.

Unfortunately, it's something most of us have to go through at some point in our life. It's a necessity that can hardly be avoided or ignored. Luckily, the stress can be minimized and the possible problems avoided with a bit of help and resources.
As with most tasks, organization and careful planning is key to moving. A checklist will help you remain organized with the tasks of sorting, labeling, and packing your things.

PREPARING YOUR CHECKLIST

Moving your entire home means that you need to prepare at least two checklists. The first is a checklist of all the items you'll be bringing with you, grouped according to the room to which they belong. In addition to indicating the room, it's a great idea to number the boxes. This way, you can indicate on your checklist where each item is packed. It will make it easier to sort and identify your things while moving.

The second checklist that you need is a list of all the tasks involved in your move, such as packing, labeling, disposing of items not being moved with you, utility turn-off and turn-on at the new home, and others. No task is too small for your checklist. It pays to be prepared.
To help you with this list, here's a comprehensive sample to which you can refer. You might divide it into segments of time to keep you organized.

A MONTH BEFORE THE BIG MOVE

- Ask friends and relatives for referrals to moving companies and inquire about their services, procedures, and policies. Get at least three estimates from different companies so that you can compare their services and choose the one that best suits your needs and budget.
- Go through all your "stuff" and identify the things that you'll keep and those that you'll dispose of. Remember, less is more. If you no longer use it, give it away or sell it. This will make packing easier and quicker for you.
- Keep a file of all your moving documents, such as contracts, invoices, bills, etc. This file should be readily available when you need them.
- Inform your utility company of your moving date so they can disconnect services (i.e., water, electricity, cable, Internet) on the date after your move.
- Schedule an activation or transfer of these same services to your new address, so that you already have them in place once you move in.

THREE WEEKS BEFORE THE BIG MOVE

- Bring out the boxes and start packing the items you won't be using in the coming weeks. Label the boxes with the room the items belong to. This will make unpacking systematic.
- Make a list of the items that go in each box. You could also take pictures so you'll know where to find each item.
- Decide on whether you're going to hire a moving company to help you or if you decide to do it yourself. If hiring, now is a good time to finalize the details of your big move.
- Enlist the help of family and friends. Let them know when they can come and help you with packing, or with unpacking.
- Update all personal documents that include your address. Notify your employer, banks, and insurance companies of your change in address.

TWO WEEKS BEFORE THE BIG MOVE

- Clean up every room once you've packed all the items in it.
- Disassemble furniture that you won't be using in the following days and pack or prepare for moving.
- Set aside all items that you won't be needing, and schedule for a pickup by the local Salvation Army or any organization you decide to donate them to. If you're planning on a garage sale, now is the perfect time to do that.
- File your leave from work for the days that you'll be concentrating on the move.
- Prepare a suitcase of things that you'll need on the day of your big move, like towels, toiletries, and clean clothes, etc.
- Check the condition of your new place and make sure everything is ready for moving day. Clean up all the clutter, and check if the switches are working and whether electricity is already available.
- Throw away all unneeded and unusable items, especially flammable items, such as leftover paint, spray cans, or propane.
- Call up your relatives and friends who enlisted to help with the packing and moving and inform them of your schedule.

ONE WEEK BEFORE THE BIG MOVE

- If you're hiring a moving company, make a call to confirm details, such as time of arrival and pickup.
- Draw up a timetable for moving day, including items like time to start loading boxes, where/when to stop for lunch, estimated time of arrival at the new place, etc. This will give you a sense of what to expect and prepare for on the day itself.
- With the help of volunteer family and friends, finish packing all your things, leaving behind only the essential items that you'll be using every day.
- Make sure all your boxes are properly packed and numbered, color-coded by room, if possible. This will help you in the unpacking process. Make sure there are labels on the tops and sides of the boxes.
- Prepare a snack bag for moving day. Make sure to bring lots of water and high-energy food to sustain your strength while moving.
- Have your checklists and pens ready with you in your bag.
- Clean up your refrigerator, stove, and other kitchen appliances. Make sure most the food in the fridge will be consumed by moving day.
- Make sure all your items for donation/giving away are picked up or delivered to their new owners.
- Check if all utilities are already working properly in your new home.
- Prepare several pieces of post-it notes with your new address and your contact numbers to be given to your movers, or to your entourage on moving day.

ON THE DAY OF THE BIG MOVE

- Pack away your beddings and disassemble all the beds in your home. (Or do this a day or two prior, and sleep on an air mattress for your last night.)
- Have a last-minute meeting with your movers, if hiring one, and make sure they know how you want things to be done. Inform them of the box labels, where each box must go, and how they should be loaded. Make sure all your items are loaded and nothing gets left behind.
- Distribute your post-it notes with your contact numbers and the new address to every driver in the moving group.
- Double-check every room in the house before leaving, making sure nothing is left.
- Turn off all light switches, and lock all windows and doors.
- Make sure you arrive at your new home before the movers/entourage.
- Inspect your new home, making sure all utilities are in working condition.
- Clean up your new home while it's still empty. Open windows and cabinet doors to let in fresh air.
- Direct your movers with unloading your boxes; show them where each box must go.
- Finally, unpack what you need for the rest of the day and set up your beds and beddings while you have help.

CHOOSING AND HIRING A MOVER

The checklist above is as thorough as it gets, with the weekly tasks to tick off as you go along the way. However, a big factor to consider is whether to hire a mover. Movers are a big help with all the items you need to pack, load, and transport over a long distance. If you're bringing several rooms of furniture and a family load of personal possessions, hiring a moving company will decidedly be the practical choice.

With intrastate moves costing an average of $2,000-$3000, and interstate moves averaging $7,000-$8,000, you need to consider all your moving options carefully (including whether you might want to drive or ship off your car in advance). We recommend that you get at least three to four bids from different moving companies before you decide who to work with. That will ensure you get a fair price — and maybe even a good deal out of it.

The first thing to consider while analyzing these bids is verifying that the movers you want to work with are legit and up-to-date, with all the required insurance and approvals.

The issue is choosing the right moving company to work with you. Here are some things to consider when hiring movers:

- **Consider reputation.** Ask around for movers whom friends and relatives recommend based on their experience. Have at least three companies to compare services and reviews from before making your final choice.
- **Choose local.** Oftentimes, local companies are the better choice in terms of budget and availability.
- **Ask for an in-house cost estimate.** Let the movers see your belongings and inform them of the distance to your new home so they can quote you an estimate.
- **Look at the fine print.** Check their cost estimate for hidden charges, insurance coverage, payment terms, and policy on damage to items. Compare these with the other movers you're considering and base your decision on your comparisons.

When making your final choice for a mover to hire, keep in mind that getting the cheapest mover doesn't guarantee that you'll save in the end. Cheap could mean mediocre service and damaged items, and you may incur other problems along the way. Choose wisely, and take the above factors into consideration.

RENTING A U-HAUL

The U-Haul truck you rent to load and move your things when moving to a different location is a less-expensive alternative to professional moving firms. Unlike movers, you do the packing, loading, and driving yourself. This could be a great way to save on moving costs, but only if you have a manageable amount of property to bring with you.

The truck size matters. It's imperative that you pick out the right transportation for your impending change of houses. While the objects from a one-bedroom apartment might just fit a 16-cubic-meter truck, the content of a fully furnished three-bedroom house might require up to two or three trips of a 26-cubic-meter truck. Make sure that you spare yourself a lot of grief and get the right size for your moving truck, especially if you're facing a long-distance move.
You can call on your friends for help in packing and loading your things into this rented truck. This will make it easier to do the moving without professional help.

To get the best U-Haul deal and pull off a successful and uneventful move, keep in mind the following:

- Time your move. Mid-month and mid-week are the best days to get a good price, since most movers say the weekends and month-ends are the busiest times for them.
- Look for inexpensive but serviceable packaging. Recycled boxes are less expensive.
- Start packing a long time off. Plan months ahead regarding which items you'll bring with you and which ones to give away or donate.
- Organize a moving team. You'll need all the help you can get, from packing and labeling to unpacking and sorting your stuff.

- Time your departure from your old place. Make sure you'll be able to stop and rest when needed at convenient times and places. You want to be able to get to your new house while there's still light outside for ease in unloading.

If you decide to do the move with a U-Haul, make a specific timetable. Include all the things that you would be doing in preparation for your move. If you'll be proceeding without professional help, you may even want to ask for advice from people you know. Their moving experience will provide you with tips on what to avoid and areas of preparation you may have overlooked.

Whether you make your big move with professional help, family and friends, or by yourself, preparation and organization are key. You might have asked for all the help you can get and hired the best movers. But, without your personal involvement in planning and organizing, you won't be able to keep track of everything that needs to be monitored and prepared.

SETTLING IN

It's probably after 11:00 p.m. by now, the first night in your new place. Pizza boxes are stacked on tables not yet positioned. Soda and water bottles stand guard in the eerie quiet of unfamiliar surroundings that feel somehow like, well, home. You've got days of settling in yet to make this your home. But good job for getting to this point! **And welcome home!**