

A Guide to Buying Your Own Home!

1. Visit Open Houses

As you go about your weekends, stop by open houses around the areas you would like to move in. Get inspired by thinking of all the wonderful memories you can create: holidays, family reunions, celebrations, and sporting events. This process should be fun and inspiring. Get to know the agent conducting the open house. Ask him questions such as places to eat, shop, schools around the area and things you are interested to know about the area.

Get motivated and excited. Drive around the area as many times as you can and get inspired as this will be the area you will live in for many years to come.

2. Set Up a Personal Financial Plan

Did you spot your dream home? Now, let's do the math. Figure out what your monthly income is and how much you expenses are. Make sure you are able to save more even after you purchase your home. The time you spend in making sure you can afford the home will pay off big.

The first step is to look at your income and expenses. Most buyers make home purchases without understanding exactly how much they can afford and make these decisions based on their emotions. Yes, buying a home is very exciting because they immediately picture themselves in their own home and they start thinking about all the wonderful memories they can create.

The process can be simple and will depend on your personal financial situation. When I work with clients, I help them create a personal financial plan, which includes specific expenditures, short-term goals, and long-term goals. I list all their short-term goals; such as taking a vacation, purchasing a car, or eliminating current debts. I also list their long-term goals, which can include purchasing a home, helping children pay for college or saving for a business venture.

I then look at their cash flow, which is the income they take home from work and what they pay for their bills. The last thing I look is at their credit history and score to assess whether or not they can qualify for a home loan taking into account debt to income ratios. I spend a great deal of time with my clients going through this process and learning about how serious they are about owning a home so that I make sure they know what they are getting into. This step is crucial because it can determine how successful they will be at keeping their home.

3. Interview Buyer's Agents

Let's face it! Not all agents like to work with buyers because the process can be lengthy and complicated. Your agent must be able to show you between 3 to 4 properties everytime you go out to view properties. The buying process may take 2 to 3 months, so make sure you hire the one that is going to be patient enough with you to walk you through the process. You will have many questions and concerns as you will be making, perhaps, the biggest transaction of your life.

4. Get Pre-Qualified for Your Loan

If you are able to get financing yourself, this can be great. Contact your local bank and request for a pre-qualification letter. This document is like having cash in your pocket because that's how much the bank is willing to lend you for the purchase. Communicate with your agent about the loan status so that he/she can help you with negotiations. Many times purchases are not made because of lending issues.

These are the most common documents you will need:

- Paystubs for the last 30 days
- W-2 and 1099s for the last 2 years
- Federal income tax returns for the last 2 years, including all schedules and attachments
- Government-issued photo ID and if applicable, resident alien card
- Last 2 bank statements for all your bank accounts; borrower and co-borrowers
- Last 2 investment account statements; borrower and co-borrowers

I recommend you shop around with at least three lenders as the annual percentage rate differs with every lender. Always get the best terms and conditions for your loan.



5. Negotiate Your Contract

Once you have zeroed in on the property you like, make an offer confidently. If you really want the property, you must be able to compete with all-cash buyers and investors. Give your agent enough ammunition to go out there and get you your home.

Here are some things you might be able to negotiate...

- Selling price
 - In an environment where there are many offers coming in, you might need to at least offer what the asking price is to have the opportunity to compete with other buyers. If this is the case, considering offering above asking price might not be a bad idea, specially if you really want to get this home.
- Other things you might be able to ask before you submit your offer for consideration:
 - Termite clearance
 - Time frame to close
 - 1-year home warranty insurance
 - Appliances

Always remember, the more items you ask, the less attractive your offer will be. If you are competing with many offers including cash buyers, you might just need to not include these items. Talk to your realtor and ask him about what the situation is with this home.

6. Open Escrow

If your offer is accepted, submit your deposit check and open escrow as soon as possible. Make sure you understand that the deposit can be forfeited if you back out of the deal for no reason. Remember, you are entering into a serious transaction. Think about it, the seller is willing to stop accepting other offers because he/she is electing you as the buyer.

7. Pay for Your Home Inspection

Once escrow opens, you have the right to hire a professional inspector to give you a report about the condition of the home. This report may have major problems as well repairs that could be fixed quickly and at a low cost. Always negotiate with seller.

8. Congratulations New Homeowner!

Purchasing a home is a lengthy, draining and complicated process. Be sure to stay on top with your lender, escrow officer, agent and seller's agent. Because there are many variables and parties involved, constant communication is required. Be patient and stay strong at all times.

Before you move in, make sure you turn on your utilities: Gas, phone Electricity, Water, Garbage, Internet & your TV/cable. Enjoy!



Art De La Rosa

Financial Advisor/Realtor
USC Graduate/Author

DRE Lic#: 01791246 - CA Lic#: 0D32909

WealthyDollar
money advice

(626)820-9013