

There's No Place Like Home!

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your own



The home buying process can be long and drawn out. Be sure you are a smart home buyer. Buying a home should be overly EXCITING, not overly confusing! Follow these tips to make your home buying process a great experience!

Get Pre-Approved

The first step you'll want to make before you begin looking for a home is to get pre-approved with a lender. Don't be confused between a pre-qualification and a pre-approval, there is a difference. A pre-qualification is really just a guesstimate from a lender of what you may be able to afford.

Items you will need to bring along to your pre-approval appointment with a lender are:

- Federal tax returns and W-2 forms from the last two years.
- Recent paycheck stub(s).
- Checking and savings account statements.
- Investment records such as 401K, pension, IRA's, stocks, bonds, etc.

Being pre-approved makes the home buying process a lot easier and faster. Sellers like to see that you are pre-approved because it lets them know you are a serious buyer.

A pre-approval actually starts the entire application process, so in theory, you are applying for a home loan and will need to sign papers. This does not lock you into using that lender. You can choose to use any lender. You can also get pre-approved from multiple lenders which is a good idea, especially if you are a first time home buyer.

With each pre-approval you will receive many forms either at the pre-approval meeting or within three business days, including, but not limited to:

- **Good Faith Estimate** - This form spells out the fees associated with the loan.
- **Early Truth in Lending Disclosure** - this allows you to compare apples to apples when shopping for a fixed rate loan. Most lenders have different types of fees assessed with the home closing. Check out the note rate listed and also look at the Annual Percentage Rate (APR) to compare costs from different lenders. The note rate is the contract interest rate or the rate you pay on your loan. The APR provides a rate for comparison shopping purposes because it includes the closing costs with the note rate to give you a true cost of your home loan.

What do you want in a home?

Before you begin looking at homes to buy you should write down what you want and don't want in a home. If you are buying a home with another person (spouse, fiancé, etc.) be sure that these wants are from both of your points of view. There are endless decisions to be made such as:

•Type of home

Existing, New, Two story, Ranch, Split-level, Duplex, Handicap accessible or Condominium

•Construction choices

Brick, Vinyl, Aluminum, or Wood

•Number of rooms & types

Bedrooms, Bathrooms, Living Room and Dining Room

•Extras

Garage (including size), Porch/Deck, Basement, Air Conditioning, Fireplace, Gardens/Pool

•Location

Neighborhood, School District, Proximity to work, school, church, etc.

For a first time home buyer, odds are that you won't find the "perfect" house to buy. Consider the following so you know where you can make compromises:

- How much work and money are you willing to put into the house?
- The number and ages of people living in the home.
- Anticipated life changes such as marriage, kids, pets, etc.

Now that you've got your housing priorities in place, your home search will be more focused.

A great rule of thumb is to look for homes that are at least 10% LESS than the amount you are pre-approved for. This ensures you are able to afford your monthly home loan payment and any unexpected costs you will now have as a home owner. Those unexpected costs may be a new washer, dryer, water heater, electrical or plumbing issues. You'll also want extra cash so you can somewhat stick to the lifestyle you had before you bought a home.

The skinny on Realtors

As a buyer it doesn't cost you anything to use a Realtor's service. They are very knowledgeable about the community and the homes you may look at. "Choose a Realtor you connect with personality wise," suggests Jon Alft a lender at Fox Communities Credit Union. "Let them know what you're looking for - they have tools to track your preferences and will let you know immediately if a property comes up as a match."

A little something you may not know is that all Realtors work to get the best deal for the seller - unless you get a "buyer-agency contract." This type of contract is paid for by the buyer and the Realtor will work for the buyer's best interests. This is not very common in our local communities, unless someone is relocating into the area.

You also have the option of not working with a Realtor at all. A lender does not required you to use a Realtor. There are many homes available that are "For Sale By Owner." Keep in mind you may have a much bigger job finding a home that fits your needs if you choose not to work with a Realtor.

You found it!

So you found a home you want to buy, the next step is to complete an "offer to purchase." This is a binding contract that must be filled out to purchase a home. You may place an offer to purchase for any price - even higher or lower than the listed price. If you wish to show the seller you are very interested in buying their home, you have the option of putting a cash deposit with your offer. Usually \$500 does the trick. This is called "earnest money" and it will be credited to your loan at closing.

Your "offer to purchase" can include contingencies such as financing, home inspection, repairs, the sale of your house, closing date & the date the sellers should be out of "your new home." All contingencies listed must be taken care of, for your "offer to purchase" to be accepted. Many times the seller will "counter-offer" your "offer to purchase" because of the price or contingencies listed.

If a Realtor helps you to find a property, the Realtor will write your "offer to purchase" contract.



Home Inspections

Usually a home inspection is not required by your lender, but Heather Ebeling, a Fox Communities Credit Union lender, advises all of her members to invest in one. She says, "The home purchase is usually the largest purchase people make in their lives. You wouldn't buy a used car without a mechanic looking at it; so I strongly suggest a home inspection before you buy."

Choose a home inspector that is well known and is recommended by your lender. Inspectors check over the reliability of the home structurally and mechanically. They look at things you most likely didn't, such as; the roof, heating, plumbing, electrical wiring, air conditioning, attics and crawl spaces. Inspection fees are usually not included in your closing costs and are about \$250 in our area.

If you choose to have a home inspection done, be sure that your offer to purchase lists an "inspection contingency." If that is noted in your offer, you have an average of seven to ten days to get an inspector into the house. If the inspection reveals an issue, a "right to cure clause" would allow for you and the seller to come up with a compromise to rectify the issue.

Title Search & Title Insurance

Just like a car, homes have titles too. All lenders help to protect themselves and you, by making sure that the home you are purchasing has a clear title. This ensures that no one else has a right to the property and the seller is the sole owner. The history of the property is researched to be sure there are no legal claims against the property such as unpaid taxes or a contractor's lien for unpaid bills. The seller is responsible for paying any of these claims before closing. The title company will then issue an insurance policy that guarantees the accuracy of their work and that the home's title is clear. There are two types of insurance policies the title company issues - one to protect the lender and one to protect the buyer. Most of the time, the fees of the title search and the title insurance are added to your closing costs.

Appraisals

An appraisal for the home you are purchasing is usually required by your lender. The \$250-\$300 fee is typically included in your closing costs. A licensed appraiser will complete a physical inspection of the property and evaluate other sale prices of comparable properties in the same neighborhood. They will then arrive at an estimated value of the home. This appraised value is used in determining the rate and terms of your home loan through the lender of your choice.

Finalizing the sale

The date that you sign all of your paperwork for your new home is called the "closing date." If you did your homework from the beginning of the pre-approval process, you should feel confident with the MANY papers you will be signing. Your lender will let you know if your closing will be completed at their office or the title company office. They should also let you know 24 hours before closing what you will need to bring. You may need to have money ready to pay all of your closing costs at this time. Depending on your situation and the type of loan you have chosen, you may be able to have these costs added into your home loan and owe nothing at closing time.

I can't say it enough - buying a home is the largest purchase you'll probably ever make. Be sure to do your homework and ask a lot of questions. Your local credit union is a great place to start. Don't be afraid to shop around and get additional opinions and options. Credit unions have a lot to offer including low rates, convenience and local service.

To start your pre-approval process, and for a copy of this complete article (including last month's "Home Buying 101") visit www.foxcu.org.