



# Achieving the American Dream

*How to Secure the Home of Your Dreams*



Home Buying Guide

Whether this is your first or third experience, buying a new home is a serious undertaking. It requires dedication, planning, and research to find the perfect place for you. Is the path to home ownership stressing you out? Relax – owning a home comes with many perks, which makes the whole process worthwhile, and Homes.com wants to be your partner through it all. We're here to help make your house hunting experience as enjoyable and stress-free as possible.

There are so many factors that go into buying a new home, which is why many find the task daunting. You most likely will need to secure a mortgage and will need to pre-qualify to learn what price range you can afford and figure out other finances such as down-payments and closing costs. You will need to find a real estate agent to help you with the hunt and secure the best offer, and, of course, find that perfect home for you and your family. And that's just the tip of the iceberg! Our goal with this e-book is to provide you with guidance during this stressful, yet very exciting time. You're on your way to achieving the American Dream, and Homes.com is with you every step of the way.



A two-story house with light-colored siding and a white picket fence in the foreground. The house has a gabled roof, a window with a flower box, and a garage door. The scene is set in a well-maintained yard with green grass and some plants.

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- 1 | To determine if homeownership is right for you, first you must:**
  - a. Determine if you can stay in the same home for more than five years
  - b. Be sure you have a lawnmower and garden tools
  - c. Understand tax law to determine your homeownership advantages
  - d. Compare the cost of purchasing a home to renting a home
- 2 | Which company can provide you with a copy of your credit report?:**
  - a. Experian
  - b. TransUnion
  - c. Equifax
  - d. All of the Above
- 3 | Which of the following is not contained in a credit report?:**
  - a. Accounts closed by you or the creditor such as a closed mortgage, revolving accounts, etc.
  - b. Accounts in good standing such as accounts that have a zero balance and have no history of late payments
  - c. Open accounts such as a current mortgage and credit card accounts
  - d. Checking and savings accounts
- 4 | The information on your credit report spans:**
  - a. 3-5 years
  - b. 4-6 years
  - c. 7-10 years
  - d. 10+ years
- 5 | Who can help you understand your monthly budget, fixed and flexible debt and what you can afford for a mortgage payment?:**
  - a. A mortgage lender
  - b. A housing counselor
  - c. A consumer credit counselor
  - d. All of the Above
- 6 | Who is typically responsible for paying the commission to real estate brokers?**
  - a. The purchaser of the home
  - b. The seller of the home
  - c. The brokerage firm
  - d. A combination of the brokerage firm and the seller
- 7 | Buying a home is probably the biggest investment you will ever make:**
  - a. True
  - b. False
- 8 | Homeowner Associations are organizations created to:**
  - a. Coordinate social activities for a particular neighborhood
  - b. Organize homeowners to be more effective in political elections
  - c. Maintain common areas and structures such as a shared roof or laundry facility
  - d. All of the Above
- 9 | A written appraisal report generally consists of:**
  - a. Description of the property
  - b. Analysis of sales of comparable properties
  - c. Information regarding current real estate activity and/or market trends
  - d. All of the Above
- 10 | The most important form to review at the closing on your home is:**
  - a. Truth in Lending Disclosure Statement
  - b. Loan Application
  - c. HUD – 1 Form
  - d. Real Estate Settlement Procedures Act

Source: [Colorado.gov](http://Colorado.gov)

# POP QUIZ: ARE YOU READY FOR HOMEOWNERSHIP?

Answers: 1d; 2d; 3d; 4c; 5d;  
6b; 7a; 8c; 9d; 10c

As you embark on this journey to homeownership, there are a few items to be aware of prior to purchasing a home. These tips will help prepare you to avoid the bumps in the road on the way to locating your new place.



### Identify your must-have list.

Unless you are building a new construction home, most homes will require you to compromise, whether on its location, square footage, price, or that mudroom for the kids. As you begin your search, identify your must-have items. Remind yourself of these items and why they are important for your life in your new home when you begin visiting potential homes.



### Avoid major purchases before buying a new home.

This includes a new car, vacations, electronic equipment, etc. You don't want to allocate all your funds on something and leave little money for one of the largest purchases you'll make in your lifetime! Remember you may need to buy window treatments, yard equipment and a ladder when your new home becomes a reality. And besides, maybe you'll want a new state-of-the-art refrigerator for your new home versus that trip to the Bahamas.



### Think of time frames.

Do you need to be out of your current place by a certain time? Are you looking to move because your family is expanding in nine months? In addition to your decision to buy a new home, think about the time frame you are allotting for you and your family to locate a new place and set expectations for meeting that time frame. Come up with a backup plan if you aren't able to find your new home within a certain period of time.



### Don't move money around.

When you go through the approval process for a loan it'll be easier for the bank to check your credit history and banking statements if you've had a consistent bank for the last few months and steady funds within those accounts.



### Don't change jobs.

This might seem basic but it's certainly something to think about. Buying a home can take months. If you're looking to switch jobs, think about whether you want to also buy a home at the same time. Lenders want to see stability when considering a mortgage approval and job changes can decrease your credibility with the lender.



### Anticipate surprises.

There is always a potential for hiccups to happen when buying a home. There are many factors that go into securing a mortgage lender, a trustworthy real estate professional, finding that perfect home and of course making an offer to purchase the dream home. There are a lot of steps and room for error. As such, prepare yourself for this journey that will have a couple missteps; but know that it's completely normal, and that ultimately you will be able to find the home of your dreams!

# GUIDELINES FOR BUYING A NEW HOME

## Adjustable-Rate Mortgage (ARM)

An ARM is an Adjustable Rate Mortgage. Unlike fixed rate mortgages that have an interest rate that remains the same for the life of the loan, the interest rate on an ARM will change periodically. The initial interest rate of an ARM is lower than that of a fixed rate mortgage, so an ARM may be a good option to consider if you plan to own your home for only a few years, you expect an increase in future earnings, or the prevailing interest rate for a fixed rate mortgage is too high.

## Annual Percentage Rate (APR)

1. The rate of annual interest charged on a loan. 2. The cost of the loan expressed as a yearly rate on the balance of the loan.

## Appraisal/Appraised Value/Appraiser

**Appraisal** - 1. A "defensible" and carefully documented opinion of value most commonly derived using recent sales of comparable properties by a licensed professional appraiser. 2. A statement of value or estimation of the value of a property as of a certain date conducted by a disinterested person with suitable qualifications.

**Appraised Value** - The estimated fair market value of a property as developed by a licensed certified appraiser following accepted appraisal principles.

**Appraiser** - An educated certified professional with extensive knowledge of real estate markets values and practices. The appraiser is often the only independent voice in any real estate transaction with no vested interest in the ultimate value or sales price of the home.

## Broker

A real estate broker is a person who acts as an intermediary between sellers and buyers of real estate and attempts to find sellers who wish to sell and buyers who wish to buy.

## Buyer's Agent

A buyer agency is the practice of real estate brokers and their agents representing a buyer in a real estate transaction rather than, by default, representing the seller either directly or as a sub-agent

## Closing/Closing Costs

**Closing** - In some states a real estate transaction is not consider "closed" until the documents are recorded at the local records office. In others, the "closing" is a meeting where all of the documents are signed and money changes hands.

**Closing Costs** - Closing costs are separated into what are called "non-recurring closing costs" and "pre-paid items." Non-recurring closing costs are any items which are paid just once as a result of buying the property or obtaining a loan. "Pre-paids" are items which recur over time, such as property taxes and homeowners insurance. A lender makes an attempt to estimate the amount of non-recurring closing costs and pre-paid items on the Good Faith Estimate which they must issue to the borrower within three days of receiving a home loan application.

## Commission

Most salespeople earn commissions for the work that they do and, in real estate, there are many sales professionals involved in each transaction. Real estate agents and brokers, loan officers, title representatives, attorneys, escrow representatives, representatives for pest companies, home warranty companies, home inspection companies, and insurance agents are just some of the people involved in the sale of a home who can earn commission. The commissions are paid out of the charges paid by the seller or buyer in the purchase transaction. Realtors generally earn the largest commissions, followed by lenders, then the others.

## Comparable Sales

Comparable sales are the recent sales of similar properties in nearby areas and are used to help determine the market value of a property. They're also referred to as "comps."

## Conventional Mortgage

This is a type of mortgage loan that is customarily made by a bank, savings and loan association, or other financial institution that is without governmental underwriting (such as FHA insurance or a VA guarantee) and conforms to the lender's own standards.

## Credit/Credit History/Creditor/Credit Report/Fair Credit Reporting Act

**Credit** - an agreement in which a borrower receives something of value in exchange for a promise to repay the lender at a later date.

**Credit History** - a record of an individual's repayment of debt. Credit histories are reviewed by mortgage lenders as one of the underwriting criteria in determining credit risk.

**Creditor** - a person to whom money is owed.

**Credit Report** - a report of an individual's credit history prepared by a credit bureau and used by a lender in determining a loan applicant's creditworthiness.

**Fair Credit Reporting Act** - a consumer protection law that regulates the disclosure of consumer credit reports by consumer/credit reporting agencies and establishes procedures for correcting mistakes on one's credit record.

## Deposit/Earnest Money Deposit

**Deposit** - a sum of money given in advance of a larger amount being expected in the future. Often referred to in real estate as an "earnest money deposit."

**Earnest Money Deposit** - a deposit made to a seller showing the buyer's good faith in a transaction. Often used in real estate transactions, earnest money allows the buyer additional time when seeking financing. Earnest money is typically held jointly by the seller and buyer in a trust or escrow account. An earnest money deposit shows the seller that a buyer is serious about purchasing a property. When the transaction is finalized, the funds are put toward the buyer's down payment. If the deal falls through, the buyer may not be able to reclaim the deposit. Typically, if the seller terminates the deal, the earnest money will be returned to the buyer. When the buyer is responsible for retracting the offer, the seller will usually be awarded the money.

## Discount Points

Discount points are an amount of money called "points" where one point equals one percent of the original principal loan amount which a borrower or a seller must pay to a lender in order to get a loan at a stated lower interest rate.

## Down Payment

The down payment is the part of the purchase price of a property that the buyer pays in cash and does not finance with a mortgage.

## Fixed-Rate Mortgages

A mortgage that has a fixed interest rate for the entire term of the loan is called a fixed-rate mortgage. The distinguishing factor of a fixed-rate mortgage is that the interest rate over every time period of the mortgage is known at the time the mortgage is originated. The benefit of a fixed-rate mortgage is that the homeowner will not have to contend with varying loan payment amounts that fluctuate with interest rate movements.

## Fixture

This is an item of personal property which, through its attachment to, or association with, real estate, loses its identity as personal property and becomes real property. An example might be a ceiling fan, fence gate, or pool pump.

## Foreclosure

A foreclosure happens when a homeowner is unable to make principal and/or interest payments on his or her mortgage, so the lender, be it a bank or building society, can seize and sell the property as stipulated in the terms of the mortgage contract.

Now that you've tested your knowledge about homeownership, have read the guidelines and terms to know, your next step in the home buying process is to get pre-approved.

Getting pre-approved is a necessary first step as it lets you know how much you'll be able to afford as well as the down payment for which to budget. Not only this, it prepares you for the monthly mortgage payment and what type of loan you are going to use to finance your new property. There are so many different loans to apply for as a homebuyer; it all depends on what you're looking for.

There are many types of mortgage loans to suit your needs. Do your research and see which fits best with your situation.

According to [Shashank Shekhar](#), a premier mortgage expert and author of "First Time Home Buying 101," there are seven items to check for when receiving a [pre-approval letter](#).

- 1 Loan Amount: Base loan amount and gross loan amount
- 2 Status and Expiration Date: The majority of Pre-Approval Letters are good 90 days from when credit report is run
- 3 Mortgage Type: FHA, VA, USDA, Traditional, Jumbo
- 4 Term: 40-, 30-, 20- or 15-Year Fixed
- 5 Occupancy: Owner Occupied, Secondary Residence, and Investment
- 6 Contact Info: Lender's Name and Address
- 7 Conditions: Document and Funding Requirements Prior to Acceptance

[Homes.com's mortgage calculator](#) will you estimate what you'll be able to afford, but we always recommend contacting a professional. Sellers take you more seriously when you're pre-approved for a loan because that makes you more qualified for buying a home.

## Two Kinds of Loans

### Conventional Loans:

*not insured or guaranteed by the federal government. Typically these have higher down payment and credit score requirements than government loans.*

### Government Loans (FHA loans or VA loans):

*backed by the federal government. Most popular is FHA, which is backed by the Federal Housing Administration. Another common government loan is the VA loan, which is backed by the Department of Veteran Affairs.*

# 5 GETTING PRE-APPROVED

## Mortgage Options

### 15 or 30-Year Fixed

### Adjustable-Rate Mortgage

There are many types of mortgage loans to suit your needs. Do your research and see which fits best with your situation.



To assist you in finding your new home, having a team is extremely beneficial. [Eric Tyson](#), an expert in the real estate financing industry, advises, "Learn enough so that you can evaluate these people and make a good hiring decision." It is never a bad idea to do your own research first.

There are many tasks, important deadlines, documents, and responsibilities that need attention while buying a home. Your [agent](#), [appraiser](#), [title company](#), and [home inspector](#) should all effectively communicate with one another to make this process easier for you. Trust is key, so find a team in which you can put your trust in one hundred percent. Their goal should be to help you by making this process easier.

[Homes.com](#) conducted an interview with real estate agent [Christian Phillips](#) from [Coldwell Banker](#) to get his opinion on assembling your home-buying team.

"The three most important people to have as part of the 'team' would be your real estate agent, loan officer and home inspector.

It doesn't matter if your real estate agent works for a big company or a small company. What matters is that he or she is knowledgeable, motivated and a good communicator.

The loan officer that you choose needs to have the same qualities as your real estate agent, (knowledgeable, motivated and a good communicator) but the company that they work for is important as well. Pick a mortgage company that is either locally-owned or national. Either way, make sure that you have heard of them before, as a no-name mortgage company or an internet only lender makes for a weak offer.

Use a home inspector that has a reputation for being thorough. Do your research and read the online reviews about them. This is not the time to use a friend; it is too important."

You should also consider bringing a close friend or family member when shopping for a home as he/she can help you look at things you may overlook. Once you have your team assembled, you're ready for the next step in the home-buying process.

## HOME BUYING TEAM

More and more home buyers are shifting the way they search for new homes. While some prefer to look at the homes for sale in publications on newsstands, other are searching online and or browsing apps and websites on their mobile phones while they're on-the-go. **As you start searching for your new home, here are some tips to help you get started:**



### Online:

Searching for a home online has many advantages. It allows you to quickly see a vast number of properties on the market and crucial details about each of those properties, such as photos, asking price, square footage, etc. To make the process easier, there are a couple options that you can use for searching for a new home online. One in particular, [Homes.com](http://Homes.com), makes searching for a new home effortless. You can search based on city or zip code and browse thousands of homes for sale nationwide. You can also save your searches or share them via email with family and friends to get their input. As an added bonus, you can also set up alerts to be notified when a home's price changes.

Additionally, Homes.com partners with many local Multiple Listing Services (MLS) to receive their listings on our site, so you can be sure that we have a comprehensive property count in your area.



### Mobile:

Are you driving around looking at homes for sale in your area? Use your mobile device to find out more details! By downloading and using the [Homes.com mobile app](#), you can find additional details about that listing and even check out others within the vicinity. Some key features of our app include: interactive maps to instantly find nearby homes or rentals with a GPS driven location finder; full-screen photos that allow you to scroll through vivid, photos of the homes you're interested in; and turn-by-turn driving directions from your current location to the property of interest so you can go see that home as soon as possible!

Additionally, Homes.com's app offers assistance to help you to determine the best financial options, loan amounts, and monthly payments. You can instantly check your credit scores and complete an optional online loan pre-qualification application.



### Social Media:

Are you on Facebook and/or Twitter? Homes.com is and we are looking to help you with your search on those channels as well. Send us your search criteria and we'll do a customized search just for you. We strive to be your partner in the home search process. So check us out on [Facebook](#) or [Twitter](#)!

# SEARCHING FOR YOUR NEW HOME

Finding that “perfect home” can be a lengthy and difficult process. There are many factors that go into the decision, such as family needs, pets, the location’s proximity to work sites, as well as nearby schools and shopping centers. Here are four factors that will lead the way in finding the perfect home.

## 1 Safety/Condition of Home

- When shopping with infants or toddlers, make sure all dangerous areas (kitchen, stairs, pool, etc.) can be outfitted with safety gates.
- Check that the windows’ locks are in working order as well.
- See that all safety mechanisms are in place, the pool is in working order, and that the stairs are sturdy and secure.
- Find out the age of the home’s water heater, air conditioning unit, and roof, as these are costly replacements.

## 2 School and Education Opportunities

- Finding the right school system for your children is important, and choosing a home that is close to your child’s school (as well as your work) will save you time during the commute process.
- Check to see if the area has a local YMCA or any other facility that offers after school programs, tutoring, and enrichment activities, such as youth athletics leagues.

## 3 Functionality

- When buying a home, think about how long you’ll be living there. Will you be starting a family in the next couple of years in this home? Make sure the home has the amount of rooms and square footage that you desire.
- Also be sure to check the storage capacity the home offers. Clutter is never fun. Is there enough room for your tools? Kids’ toys? Shoes and clothes? Make sure the home has plenty of storage solutions or offers places for improvement when needed.
- A “special place” is also an important factor to consider. A “special place” could range from a garage, a craft room, a nursery, or maybe even a tree house. Find something within the home that makes your heart happy.
- Ensure that there is enough room to create those unforgettable family memories as well as showcase them. No one likes feeling claustrophobic.

## 4 Location

- Check out the local area to see what it has to offer. Is there a playground nearby? Can you walk to it? Maybe even consider how many children live in the area so that your children will be able to easily make friends. What other attractions are available?
- With the price of gas sometimes reaching staggering levels, your home’s location in relation to interstates, bus routes, and your job may be another important aspect to consider. According to the [Consumerist](#), a leading online resource for consumer driven advice, **75 percent of home buyers said that gas prices are influencing their home buying decisions**, pushing them to choose homes that are closer to their work.
- Proximity to the nearest hospital for any emergency.

# FINDING THE RIGHT HOME

*“Make sure that you love the things that you can’t change about your home. Location and floorplan are critical. You can change the finishes of your home at anytime, but you can’t change the street that you live on, how close the neighbors are located or the floorplan,” states Christian.*

# HOME CHECKLIST

## Walls

### Y N

- Stains?
- Need Re-painting?
- Soundproof?

## Doors

### Y N

- Open & Close Properly
- Weather Proofed
- Working Doorbell

## Bathroom

### Y N

- Stain-free?
- Mildew/Mold-free?
- Leak-free?
- Cabinet & Storage Space?
- Working Fans?
- Functioning Toilet?

## Stairs

### Y N

- Creaky?
- Signs of Damage?

## Up-To-Date Systems

- Hire Home Inspector  
[before purchase]
- Electrical
- A/C
- Heating
- Security
- Plumbing
- Water
- Sewer Insulation

## Landscaping & Curb Appeal

- Trees – Condition? \_\_\_\_\_
- Lawn [front] – Condition? \_\_\_\_\_
- Lawn [back] – Condition? \_\_\_\_\_
- Fences – Condition? \_\_\_\_\_
- Landscaping – Condition? \_\_\_\_\_

## Siding

### Y N

- Paint Peeling?
- Cracks/Splits?

## Kitchen

### Y N

- Stain-free?
- Mildew/Mold-free?
- Leak-free?
- Cabinet & Storage Space?
- Working Fans?
- Working Garbage Disposal?
- Appliances Included?

## Rooms

### Y N

- Natural Lighting?
- Even Floors?
- Smoke Detectors?
- Carbon Monoxide Detector?

## Flooring, Windows & Ceiling

### FLOOR

- Age? \_\_\_\_\_
- Condition? \_\_\_\_\_

### WINDOWS

- Condition? \_\_\_\_\_

### CEILING

- Condition? \_\_\_\_\_

## Foundation, Driveway, & Pool

### FOUNDATION

- Visible Cracks? \_\_\_\_\_

### DRIVEWAY

- Visible Cracks? \_\_\_\_\_

### POOL

- Visible Cracks? \_\_\_\_\_
- Above Ground? \_\_\_\_\_

## Roof

### Y N

- Sagging Roof Line?
- Discoloration?
- Holes?

## Garage

### Y N

- Functional – Manual?
- Functional – Remote?
- N/A

## Notes

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# 10

## MAKE AN OFFER

At this point you have probably toured countless homes and have finally found the perfect home that meets all of your needs! What do you do now? Make an offer! Not entirely sure how to do that? Don't worry – your agent is there to make the purchase process run smoothly, including making the initial offer.

Your agent will be your partner in this process; he/she will consult with you on where to start with an offer and what items should be included in order to help you negotiate the best deal. The real estate professional is a valuable part of this process because he/she brings years of knowledge to the bargaining table from their brokerage. According to Quicken Loans, most sellers will price their homes a little high, knowing there will be some bargaining involved. Your agent will assist you in looking at a variety of factors in a comparable market analysis (CMA) for properties nearby to help you determine what price point is fair. That said, the decision is ultimately left up to you to offer what you are comfortable with.

If there is an opportunity for negotiation, there are ways to get the seller to care about you as opposed to the number you're offering. According to Elizabeth Weintraub from About.com, putting a human face to the offer can also assist in getting your offer accepted. "Sellers have an unexplained desire to know that the house they are selling will fall into the hands of a worthy buyer," Weintraub states. With that sentiment in mind, sending a photo or a short story about your family and your life in that home might help the sellers to form a connection with you. Additionally, writing a clean and positive offer with your agent's credentials will be appealing to the selling agent. It'll be easier to process the offer and make working with your agent desirable if they know your agent has a strong, credible background and history of willingness to cooperate.

One more thing to ease your mind about your home purchase: your agent should include a home inspection as part of the offer to ensure that there are no problems with the home prior to buying.



### **What happens if there are multiple offers on this home?**

*This may bring you into a bidding war. You can increase your bid, make your offer firm, or sadly, let the home go. If you choose to increase your bid make sure that you don't let your emotions get the best of you, causing you to offer a higher bid than you can reasonably afford. Also, be sure to set an expiration date for your offer so you don't fall into the waiting game. Typically offers stand for 48 hours but, depending on the situation, they could stand longer.*

The closing happens when the home's ownership is transferred from the seller to the buyer. A successful closing requires that all of the key players come together with numbers and figures that match. The closing signifies the highly-anticipated time in which you finally get the home you want. Get your pens ready and crack your knuckles because, as the buyer, you will have a lot of paperwork to sign. (There is a reason why you hear closing a home feels like signing your life away!)

Once the conditions of the sale have been met, all parties will agree to sign the seemingly endless array of closing documents. Throughout this stage, you'll sign your name anywhere from ten to thirty times. You'll have to sign mortgage documents, legal disclosures, tax records, itemization of amount financed, a truth in lending statement, a monthly payment letter, the title, and various other documents. Also, you must provide a check with the amount owed to the seller for the purchase price of the home. Then, the seller will then sign the deed over to you and finally hand you the keys. When the title company registers the new deed, you will be a proud homeowner once and for all!

[Home Buying Institute](#)



# 11. CLOSE THE SALE

We at Homes.com hope that this e-book has helped you with any questions or concerns you have regarding the home-buying process. While we want to be there for you during this procedure, we want to be more than that. Our goal is to be there for you during all aspects, including buying a home, selling a home, and home ownership. We want to be a resource to help you throughout these monumental life milestones. We hope that, with our help, home ownership will be a chapter in your life that you can fully enjoy!

### About Us

As one of the nation's top online real estate destinations, [Homes.com](https://www.homes.com) inspires consumers to dream big. From affordable houses to luxurious estates, condos, and more, Homes.com features more than 4 million property listings and a user-friendly format, making finding your next home or a licensed real estate agent easily accessible. Visitors to the Homes.com blog will find a collection of rich content and posts on DIY projects, painting, gardening, and more, providing the ultimate resource for everything home-related. Whether you're purchasing your first home, upgrading or downsizing your current home, or just looking for neat ideas, Homes.com is an inspiring and engaging partner in every phase of the home-buying and ownership process.

