



Part 2

Buying a home

Smart • Money • Choices

Salary Finance



Stuff happens

We'll all face many changes in our lives, many of which involve money.

Some will be welcome, like buying a home— the subject of this guide. Others will be more challenging. Some are planned and happen slowly, while others come suddenly and out of the blue.

A helping hand

To help you navigate these changes, we've produced a series of easy-to-read guides.

Each guide looks at a different, life changing event, and sets out simply and clearly what you need to know and, more importantly, what you need to do to make smarter money decisions.

So, you've found your ideal property now what?

Once you've found your ideal home, you might think the hard work is over. But before you relax, there is still some way to go.

Because buying a home isn't something we do regularly, it's easy to get overwhelmed with the complexity and various moving parts.

So, in part two of this homebuying guide we outline how to:

- **Negotiate the purchase price**
- **Navigate the financial and legal processes**



View, negotiate & agree on a price

Find the right agent for you

One of the first and most important parts of the home-buying process is to find the right real estate agent for you. Do some research online and ask friends and family for recommendations on agents they have used in the past – particularly recent first time home buyers. Once you've narrowed down a list of agents you like, you may want to interview them to get a sense of how they like to work with buyers to see if they are a good fit. Don't be shy to ask for references as well – your prospective agent should be more than willing to share those with you.

Make a checklist and follow a set process

Buying a home is a big decision – especially as a first-time home buyer. It's easy for emotions to get involved, but following a set process will help you be as objective as possible. When you find an agent and begin looking at homes, make a checklist of your must-haves, and the things you're willing to sacrifice. If your home must be a certain distance from your job, or below a certain price point, avoid looking at homes that do not fit that criteria. You will also want to work in home inspections into your contract, and be prepared to walk away if you uncover issues that will be too expensive to resolve.



Make your offers

Once you've found the right home for you and you're ready to make an offer, ask your real estate agent to run comps, identifying similar for-sale or recently sold homes in the area to determine an appropriate offer price.

You'll typically want your initial offer to be lower than the offer price and the maximum price you're willing to pay. How much lower depends on various factors including:

- The general state of the property market, nationally and locally
- Whether the asking price is fair (if the property has been on the market for a long time it suggests the asking price may be too high)
- If there are competing offers
- How eager the seller is to sell
- How 'ready' you are to buy

You'll also need to determine your desired closing date and what contingencies you will be including in the offer. In a competitive market where multiple offers are submitted, contingencies and timeline can be the deciding factors.

If your initial offer is below other bids, the agent should tell you and give you a chance to make a revised offer. Just don't go above what you're happy to pay.

If the seller has received offers at the asking price and this is your dream home and property prices seem set to rise, you could consider raising your offer above the asking price to secure the deal.

This may all seem complex, but a trusted real estate agent can help you navigate it all and put in an offer you are comfortable with. Don't be discouraged if your offer is not accepted, continue your search and know the right home is out there for you.

What does a real estate offer contain?

Some parts of your offer may vary depending on location and market conditions, but here are a few basic items you can expect to include:

- Property address
- Buyer's name
- Seller's name
- Offer price
- **Earnest money amount**
- Contingencies or waived contingencies, including:
 - Financing
 - Home sale
 - Inspection
 - Appraisal
- Identification of title company and/or real estate attorney
- Offer expiration date and time
- Proposed closing date

How much to offer on a house so the seller will accept

If you're in a competitive market or a multiple-offer situation, you may need to offer more than the asking price. According to **Zillow research**, homes for sale in the U.S. sold for 98.2% of their listing prices as of June 2019. This varies from market to market – and your agent can help you navigate market conditions. In addition to raising your offer price, here are some negotiation tactics you may want to consider:

1 Accommodate the seller's timeline: if the seller needs to close quickly in order to buy a new home or relocate for a job, timeline may be very important.

2 Waive contingencies: waiving contingencies can make your offer stand out in competitive markets. If you're buying in cash, you could remove the appraisal contingency, and you can waive the home inspection contingency – though this is not generally recommended.

3 Put down more earnest money: the more earnest money you put down, the more serious you appear to the seller. Sellers want to know that you will not back out for no reason, so this is a way to build trust.



Get your full mortgage offer

Once you've agreed to buy a property (and if you're not a cash buyer) you should now contact your chosen mortgage broker to complete a full mortgage application.

To get your application processed quickly, take your time on it: answer all the questions you need to and mark 'not applicable' to any others. Leave no gaps in the form. Then send in your form with payment of the lender's fees and any documents they've requested to verify your identity, address and your income.

You likely will need to get an appraisal (estimate of the home's value) as part of the loan application so the lender can make sure the home is worth the amount you want to borrow. The lender will schedule the appraisal, and you will be responsible for the cost, which is generally a few hundred dollars.

Once your lender has run all their checks – and is happy that you can afford the mortgage and that the value of the property covers the mortgage – they'll send you an offer stating how much they'll lend you, over what term in years and at what rate of interest.

How long does this take?

The time it takes (from application to offer) varies between mortgage lenders but typically takes 30 to 45 working days. So, you'll want to get this process moving as soon as you've come to an agreement with the sellers.

Additional steps to take before closing



Have the home inspected

Having your prospective home checked by a professional home inspector can help you identify any major issues prior to closing. A typical inspection lasts a few hours and you should be present for the inspection to get a firsthand explanation of the inspector's findings and ask questions.

Your inspection will tell you:

- **If there are any safety issues or major defects you should be aware of.**
- **Which items need to be replaced, repaired, or serviced.**
- **Items that do not need to be replaced or repaired, but should be monitored closely due to nature or age.**

Once you have the results of the inspection, you can weigh the scale and cost of the issues. If the problems are too expensive to fix, you may choose to walk away. Otherwise, you can ask the seller to fix them, reduce the purchase price, or give you a cash credit. Keep in mind, no home is perfect and your inspector will likely find some issue. The seller is under no obligation to honor your request, so be reasonable and look to your agent for guidance.

Buy homeowners insurance

Some insurance companies have restrictions on who they are able to lend to, depending on the age and location of your home – e.g. if the home is in an area prone to hurricanes. Start shopping for homeowners insurance fairly soon after you have an accepted offer, and consider additional hazard insurance if you are in a flood zone or area vulnerable to natural disasters. Bundling insurance may be a way you can save money, through multi-policy discounts.

Hire a real estate attorney

Around the same time your mortgage application is under review, you should hire a real estate attorney to handle the legal side of your purchase. Real estate attorneys specialize in legal matters related to property, from sales transactions to disputes between parties. Their responsibilities may include:

- Preparing or reviewing all of the documents that are signed at the closing of a real estate purchase
- Attending the closing to represent the buyer's (or the seller's) interests
- Write title insurance policies
- Complete title searches on the property
- Transferring the funds to purchase the property
- Handle real estate disputes

These are vital tasks, so take care in hiring an attorney. Your real estate agent likely can recommend trustworthy professionals in your area.

Schedule a final walk-through

The walk-through should be one of the final steps you take before you close. Even if you've recently completed a home inspection, accidents happen and a walk-through can help you identify any discrepancies from when you last saw the home and make sure any agreed-upon repairs were made. If there are any issues, the walk-through is your opportunity to point them out. Your agent can help with getting any problems resolved quickly to keep your closing from being delayed.



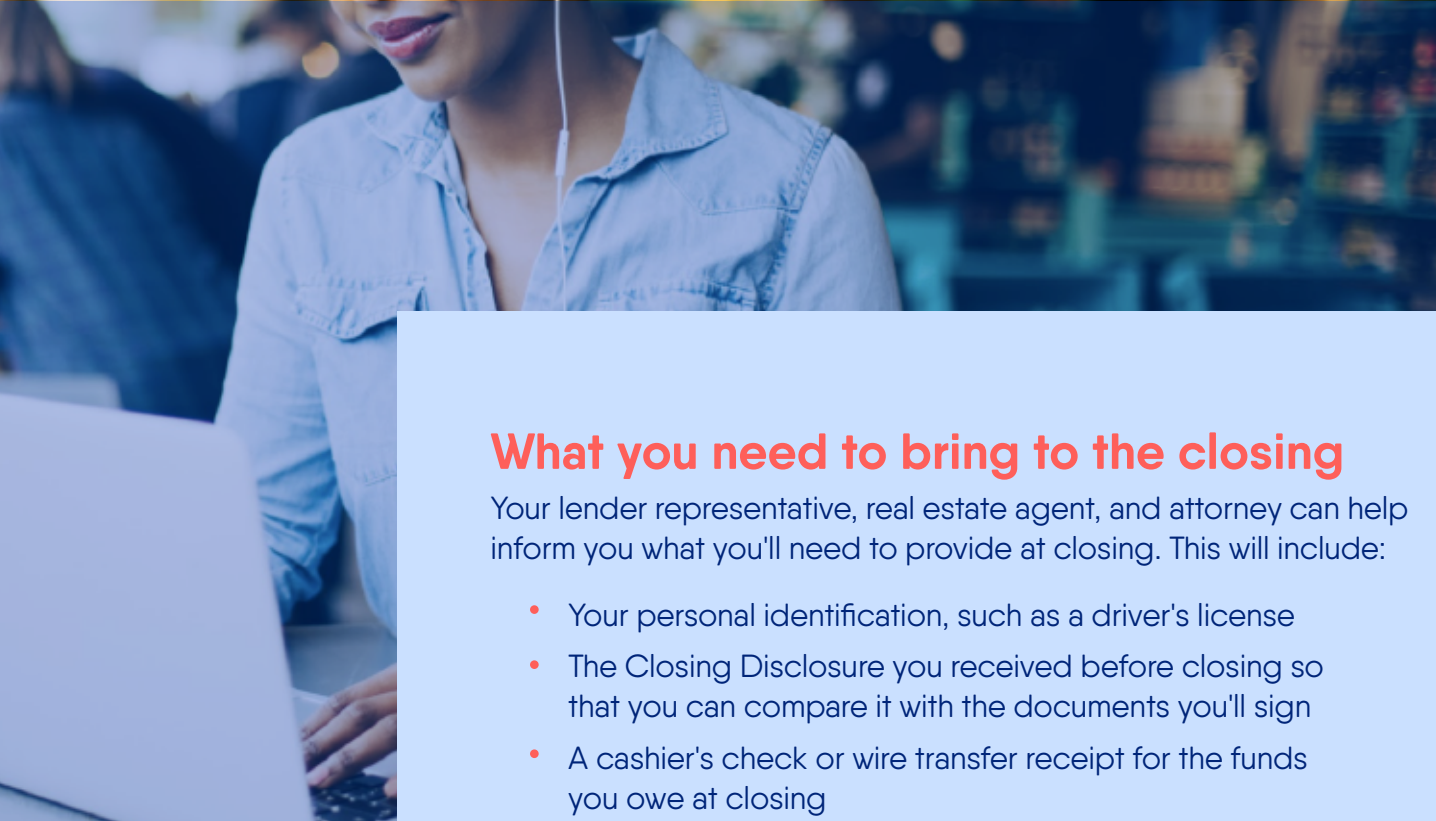
Closing on your home

What happens at a mortgage loan closing

At closing, you'll carefully review and then sign all of the legal documents required for the lender to issue a mortgage and transfer the ownership of the property to you. The loan proceeds equal to the purchase price will also be distributed to the seller.

Closing paperwork for the buyer includes:

- **The promissory note**, committing you to repay the loan
- **The mortgage**, giving the lender the right to foreclose on the property if you don't pay
- **The escrow disclosure**, detailing the charges that will be included in your monthly payment
- **A right-to-cancel form**, allowing you three business days to call off the deal



What you need to bring to the closing

Your lender representative, real estate agent, and attorney can help inform you what you'll need to provide at closing. This will include:

- Your personal identification, such as a driver's license
- The Closing Disclosure you received before closing so that you can compare it with the documents you'll sign
- A cashier's check or wire transfer receipt for the funds you owe at closing

Who is present at the closing

Generally, the following parties will be present at the closing:

- Closing agent, who might work for the lender or the title company
- Real estate attorney
- Title company representative, who provides written evidence of the ownership of the property
- Home seller
- Seller's real estate agent
- You, also known as the mortgagor
- Lender, also known as the mortgagee

What you'll pay at closing

Your Loan Estimate and Closing Disclosure will detail all the expenses you will be responsible for. These are a few things you can expect to pay:

- Lender origination fee and third-party fees that haven't already been paid
- A prorated portion of property taxes
- Interest that will accrue before your first mortgage payment
- An amount applied to the homeowner's insurance coverage
- Title insurance premium
- A portion of HOA fees, if applicable



Get ready to move in

So, you've closed on your new home – congrats! It's been a long road to get here with multiple parties involved, so take sometime to celebrate this accomplishment.

As you move in to your new home, here are some things to keep in mind to start off this new chapter on the right foot:

- 1 — **Connect the utilities.** Turn on all your must-have utilities (water, gas, electricity) before you move in. Depending on your neighborhood and local providers this may be a multi-step process.
- 2 — **Check smoke and carbon monoxide detectors.** Make sure these are in good working condition, and install fresh batteries if needed.
- 3 — **Take care of any must-do maintenance.** If anything came up in your home inspection that you were advised to take care of ASAP, avoid putting it off for too long.
- 4 — **Change the exterior locks.** Install new locks yourself or call a locksmith to secure your home.
- 5 — **Review and adjust your household budget.** Your expenses may have changed due to your new expenses, plan ahead to avoid taking on additional debt.

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Find out more by visiting
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