

## COUNTDOWN TO HOME OWNERSHIP

### PRELIMINARIES

The decision is made. It's time to purchase a home. Whether it's your first or your fifth, there are always questions as to what needs to happen and when. This timeline, provided to you by your Ann Bell & Company agent will help answer some of these questions.

**MAKE A BUDGET.** Determine how much money you have available for a down payment. Then decide how much you can afford to pay on your mortgage each month. Don't forget to include pesky little items like taxes and insurance which are sometimes collected by the lending institution and put into an escrow account to be paid when they come due. Also, many lenders charge a monthly fee for "Private Mortgage Insurance" (PMI) if your down payment isn't a certain percentage of the loan amount. Utilities should also be included in your monthly budget total. If you aren't sure, always err on the side of budgeting too much; you don't want to be "house poor."

### **CHOOSE A LENDING INSTITUTION AND APPLY FOR MORTGAGE**

**PRE-APPROVAL.** Contact several lending institutions to get the most favorable interest rate you can. Some lenders will "lock-in" a quoted rate for a specified time period when you apply for your mortgage pre-approval. This means that your interest rate will not increase during this time frame, but it could go down. Mortgage pre-approval is not the approval for your home loan. It means that you have been approved to finance up to a certain amount of money. When you sign a contract for the purchase of a home you will then have to apply for a mortgage loan.

**CHOOSE A REAL ESTATE AGENT.** Interview several real estate agents before you sign an *Agency Agreement* which states that this real estate agent is representing you. Make sure you are comfortable with the agent you choose; you are going to have a close relationship with this person for the next few months. *Why choose a real estate agent?* A real estate agent has information on all of the properties available in your area. Real Estate Agents are members of the National Association of Realtors and have agreed to abide by a strict code of ethics beyond

what is required by law (and they can be disciplined if they do not.) A good agent will listen to you, ask questions and understand your likes and dislikes before scheduling properties for you to see.

**START LOOKING FOR A HOME!** Your real estate agent can give you information sheets on properties that fit your criteria. The information sheets (or e-mail files) usually contain interior and exterior photos of the property so you can choose which homes interest you. Your agent will make appointments for you to view these properties. Once you find “the” house...

**MAKE AN OFFER!** Rely on your realtor to help you arrive at a fair price and strategize about the offer. Your agent will deliver your offer to the seller’s agent, along with a check for your “earnest money.” The seller will either accept the offer or come back with a counter-offer which you can accept or counter. (See some of our other tips in “Negotiating the Deal”.)  
Once the offer is accepted...

## **1-2 MONTHS BEFORE CLOSING**

**SIGN THE FINALIZED PURCHASE AGREEMENT.** The finalized Purchase Agreement spells out in detail what you are paying for and whether or not certain items in the house are conveyed with the house (such as oven, microwave, refrigerator, window treatments, etc.) It also spells out who is paying for what inspections and a limit on what the sellers will pay to correct any deficits the inspectors may find. Your real estate agent will explain the agreement to you in detail and answer any questions you have.

**SUBMIT A FORMAL LOAN APPLICATION.** You’ve already been pre-approved; now is time for the formal loan process. This loan uses the property as collateral, and lets you know exactly what your total monthly principal, interest, PMI and escrow payments will be.

**CHOOSE A REAL-ESTATE ATTORNEY.** Your real estate agent will give you a list of local attorneys’ who specialize in real estate closings. The attorney does a title search, draws up the deed to the property and makes sure all the details of the

closing come together without any problems. The attorney also makes sure all deeds are filed properly at the courthouse.

**HAVE THE HOME INSPECTED.** Your real estate agent has a list of inspectors from which you can choose to make sure the home you're purchasing is structurally sound, all electrical and plumbing is up to code and works as it should, radon levels are at acceptable levels, and the home is free from wood-destroying insects. Your agent should be present for the inspections and will get a written report from the inspectors.

### **3-5 WEEKS BEFORE CLOSING**

**GET HOMEOWNERS' INSURANCE.** The choice of company is totally up to you. We do suggest that you get *replacement* insurance which covers the replacement cost at the time of a loss; not the cost when you originally purchased your insurance. A good insurance agent will suggest this to you.

### **2-4 WEEKS BEFORE CLOSING**

**ARRANGE FOR UTILITIES AT NEW HOME.** Schedule the transfer of utilities to your name to be done on the closing date. Your agent can give you a list of these phone numbers.

**RECEIVE OFFICIAL MORTGAGE-COMMITMENT LETTER FROM LENDER.** These are part of the papers your attorney will need at the closing.

### **1 WEEK BEFORE CLOSING**

**RECEIVE COPY OF SETTLEMENT STATEMENT.** This statement lists in detail all of the costs incurred in the transfer of the property to you. It states how much money will be transferred from your mortgage company and how much you will need to have in the form of a cashier's check at closing.

**FINAL WALK THROUGH OF THE HOUSE.** You and your agent will make sure that the house is ready for you to move in and that everything meets with your approval. (You may want to consider getting the name of a professional cleaning

service from your real estate agent to give the house a thorough cleaning before your move in.)

**CLOSING!**

**CONGRATULATIONS!** You now have a piece of the American Dream!