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## 10 Steps to Home Ownership

Here is a summary of the steps that you will take from your home search to closing. If you are a first-time home buyer, don't be overwhelmed by the number of items listed or their complexity. Your real estate agent and loan officer will guide you through this process. Many of the tasks are handled directly by these parties. They will instruct you and will answer any questions that you might have.

**NOTE:** All dollar figures listed in this section are estimates and will vary.

1. ***Remember, when you are driving around neighborhoods, write down the homes you are interested in viewing and call your Realtor. There is **no charge** for Realtor services on the buying side. They get compensated through the commissions paid to the seller's listing agent.***

You should use one Realtor during the entire process. Once you sign a 'buyer's representation agreement', they are bound to you and will negotiate in your best interests over the seller's interests and are loyal to you.

**It is also a good idea to get "pre-approved" for a loan. This is different than a pre-qualification. The bank or mortgage company actually does a credit check for a pre-approval. Having a pre-approved loan gives you an advantage when making an offer. It allows you to look at homes within your comfortable price range, and allows you to better negotiate over non-approved buyers. I can recommend a loan officer if you don't already have one.**

2. When you find a home that you want to purchase, the next thing you do is make a bid through your real estate agent. Your agent will prepare the offer with you using a residential sales contract. The sales contract will most likely contain some contingencies on riders attached to the contract. Examples of some contingencies are: obtaining financing for a specified rate and term, selling your current home, and obtaining a satisfactory home inspection.

This offer will be accompanied by earnest money (deposit) depending on the price of the home. This indicates to the seller that you are making a serious offer. The earnest money is normally in the form of a check made out to the title company. It is deposited in an escrow account and will be applied to your down payment and credited at closing. If the sale is not finalized for a reason beyond your control (i.e. due to one of the contingencies), the earnest money will be returned to you. Subsequent offers and counter offers may take place until all terms are agreed upon by both parties. If the sale is finalized, the earnest money may be credited to your closing costs.

3. Have the home inspected by a professional, bonded inspector. (NOTE: The buyer pays for the home inspection - it will run somewhere in the area of \$300 - \$700 depending on the type of inspection and size of the home.) The home inspection takes place within the option period. If there are any major flaws in the home, they can be dealt with before



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you apply for the appraisal. This is where the negotiation continues. If these issues cannot be dealt with to the satisfaction of the buyer, your contract should allow you to back out at this time. I will guide you through this process.

4. Apply for a mortgage. You may decide to "lock in" the rate at this time, or the lender may allow you to do it at a later point in time. (If you have been pre-approved for a loan, some of the steps in this process will have already been completed.)

When you apply for a mortgage, what are some of the items that are needed? (These may vary depending on the lender.)

- Social Security cards and driver licenses
  - Residence addresses for the past two to five years
  - Names and addresses of each employer (past two to five years)
  - Your most recent pay stubs
  - Two years signed tax returns and W2s
  - Two most recent bank statements on all accounts
  - Details of all real estate owned
  - Application fee
5. You will receive a "good faith" estimate of the closing costs from the lender. This is called a "RESPA Statement." It includes the costs for: appraisal, title search, title insurance, survey, recording of deeds, and the bank's attorney fees.
  6. At this time, there are several other items that may need to be done before the lender gives final approval to the mortgage title, even though the title company stated it was clear.
    - Buyer's Title Insurance - This covers you, the buyer, in the event that the title is not clear. This is usually optional, but recommended.
    - Private Mortgage Insurance - Again, this is something that lenders require if your down payment is less than 20% of the purchase price. It is a protection for the lender in case you default on the loan.
    - Homeowner's Insurance - This is an insurance policy that covers the cost of repairing or rebuilding your home in the event of a natural disaster. Obviously, this is beneficial to both you and the lender. This is something that you will shop around for on your own. You can start with your auto insurance company. Your Realtor may also have some suggestions.

This means that you should count on having this much cash available besides the amount of your down payment. The down payment is usually a minimum of 5 percent to 10 percent of the selling price. Some lenders offer 100% financing depending on your credit history.



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7. If your mortgage is approved, the lender will send you a letter of commitment. Your Realtor will request an exact accounting of the closing or settlement costs and the required documents that you will need to bring to the closing.
8. All of the parties will agree on a closing date. For the closing, here is a list of some of the items that the three parties are responsible to bring.

**The lender:** RESPA, Truth in Lending Disclosure Statement, the mortgage, the mortgage note, application for any escrow accounts required for the buyer, and the check for the seller.

**The seller:** property deed, final utility bills, final tax bills, any documents required to clear the title, and keys to the house.

**The buyer:** cashier's check for the remainder of the down payment, plus the balance due for any other payments (you will be informed of the amount), any documents required by the lender, you may need your check book for small dollar amounts.

9. You will select a walk-through date. This is your opportunity to inspect the home one last time before closing.
10. CONGRATULATIONS! Closing day has arrived. After signing numerous documents and taking care of final payments, you will become the proud owners of your own home.

**As your REALTOR, I'm there to help you every step of the way!**

*Lenore Smith*

*CRS, ABR, ePro, QSC*



*19984 Southwest Freeway  
Sugar Land, TX 77479  
(Located in the HEB Shopping Center)*

*291-344-3226 Office/Cell*

*281-915-4813 eFax*

*visit [www.LenoreSmith.com](http://www.LenoreSmith.com)*

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