

Tips for Buyers

- **Have a family discussion about the idea of purchasing a home BEFORE you start looking at homes!** Include all household members in the discussion, even the kids if you feel they're old enough, we suggest (5+). This can be a fun family activity, and hopefully it will provide the kids with memories about homeownership that can be beneficial to them in the future.
Topics to discuss are:
 - **Your needs and wants** - apply the 80/20 rule, meaning focus on 80% of your needs and 20% of your wants.
 - **Area(s)** - Try to narrow down your choices to primary and secondary areas. Discuss their pros & cons and start driving around the areas during the day and evening.
 - **Schools** - Will a move cause a change in schools? If so, start getting as much information as possible regarding potential schools. Find out application & admission deadlines as soon as possible.
 - **If you have kids, talk to them about what they would like to have in the house, and in their rooms.** Have fun with it and realize their imagination will be working overtime.
- **Check your credit report.** Each adult member that plans to purchase should do a thorough review of their credit report. Everyone is entitled to a free annual credit report, but purchasing a tri merge report directly from the source at myfico.com is well worth the costs. Check with your bank, credit union, or credit card companies to see if they offer discounted pricing on Mortgage Fico scores. If credit issues or errors exist, focus on getting them resolved (removed or updated) ASAP.
- **Start or Increase your Savings** – purchasing a home can be an expensive task so start saving as much as you can. At a minimum, lenders will want to see at least a 3% contribution from you. Yes, there are grants available, but everyone doesn't qualify for them, and funds aren't always available. Even if you do qualify for a grant they usually don't equal the total amount needed to close a transaction.
- **Learn and continue the conversation** – cruise our site to learn more about purchasing a home so you can familiarize yourself with the process. Once you gather some information, continue the conversation with the family. You can also read through our glossary to get an understanding of some commonly used terms.
- **Seek out a Realtor** – If you and your family are ready to proceed forward with purchasing a home you should contact us or seek out a Realtor to assist you with your search. A competent Realtor should be able to answer any questions or concerns about the items mentioned above, and guide you through the entire process. Ask friends and family members for possible referrals and speak with a few of them before you make a final decision. The goal is to choose a Realtor that you feel comfortable with, not the first one that's willing to show you properties!

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Key Terms for Buyers

Appraisal

a detailed document or set of documents showing how a property's value was determined.

Buyer's Agent

when an agent or broker agrees to act in a buyer's best interest during a transaction.

Buyer's Market

when market conditions are favorable to buyers. There's usually more supply (houses) than buyers. This condition usually keeps prices stable or sometimes lower depending on other economic factors.

Closing Costs

charges and fees associated with a mortgage from the lender and settlement service providers.

Closing Disclosure

mandated by the Real Estate Settlement Procedures Act, this disclosure breaks down the costs associated with a mortgage and purchasing a particular piece of property. The lender must deliver this disclosure to the borrower 3 days prior to closing

Contract of Sale

a written agreement between a buyer and a seller detailing the terms and conditions of a property for sale or exchange.

Deposit

a certain amount of consideration (usually money) that a purchaser gives a seller to show "good faith" or "true intent" of purchasing the property. This is a negotiated figure between the parties of the contract.

Down Payment

a contribution towards the purchase of a property. This requirement is dictated by the lender, and is usually a percentage of the sales price or mortgage amount.

Typical down payments are: 3%, 5%, 10%, and 20%.

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Home Inspection

a detailed report summarizing the current condition of a property. The report will usually have separate sections for the different components of a house. For example: plumbing electrical, HVAC, interior, exterior, etc.

Mortgage Pre-Approval

a process that allows a lender to examine a potential customer's income, debt, assets, and credit prior to them completing a formal mortgage application. Once examined and satisfactory a maximum mortgage amount is determined based on the type of loan the customer most qualifies for. Obtaining this approval should be the first formal step in the home buying process, and usually establishes the budget for the customer.

Mortgage Application

a formal written request to a lender to borrow money to purchase property, or to refinance a property that's already owned

Mortgage Approval

a lender's written document stating that they are willing to lend (commit to lending) to the applicant(s) applying for the mortgage based on the terms and conditions outlined in the document.

Seller's Market

when market conditions are favorable to sellers. There's usually less supply (houses) than buyers. This condition causes prices to increase due to high demand.

Settlement Costs

the total amount needed to close a transaction.

Typically, Down Payment + Closing Costs + Pre-Paid = Settlement Costs.

Title Search

detailed examination of a property's title to see if any problems exist. It involves the examination of names and familial status to determine ownership, examining public records for ownership and liens, and shows easements and encumbrances from 3rd parties.