



THE  
**HOME BUYING**  
PROCESS

SELECT AN AGENT / SECURE A LOAN / FIND A HOME / LOVE WHERE YOU LIVE



**MIKE BROWN GROUP**  
REAL ESTATE



# THE **HOME BUYING** PROCESS

**SELECT AN AGENT / SECURE A LOAN / FIND A HOME / LOVE WHERE YOU LIVE**

The Treasure Valley and surrounding areas provide the benefit of a mid-city life with a small-town feel. Surrounded by the mountains and desert backdrop, a place unlike any other, the valley provides the opportunity to love where you live, work, and play!

Whether you are new to the area or have lived in the valley for years, searching for a place to call home can often feel overwhelming. As one of the biggest and most important decisions you will ever make, feeling confident about your investment is paramount.

Using our experience and expertise, we have created the Essential Guide to Buying a Home to hopefully remove the uncertainty, help you feel prepared, and make the home-buying process as smooth and stress-free as possible.

Regardless if you are a first-time home buyer or you are searching for your last and forever home, this guide contains pertinent information and questions you need to consider before you begin your home search. Whether it's now or six months from now, when the time is right, we will be here to help you navigate one of the most important journeys you will ever take.

In this guide, we breakdown the home-buying process into manageable steps:

**1**

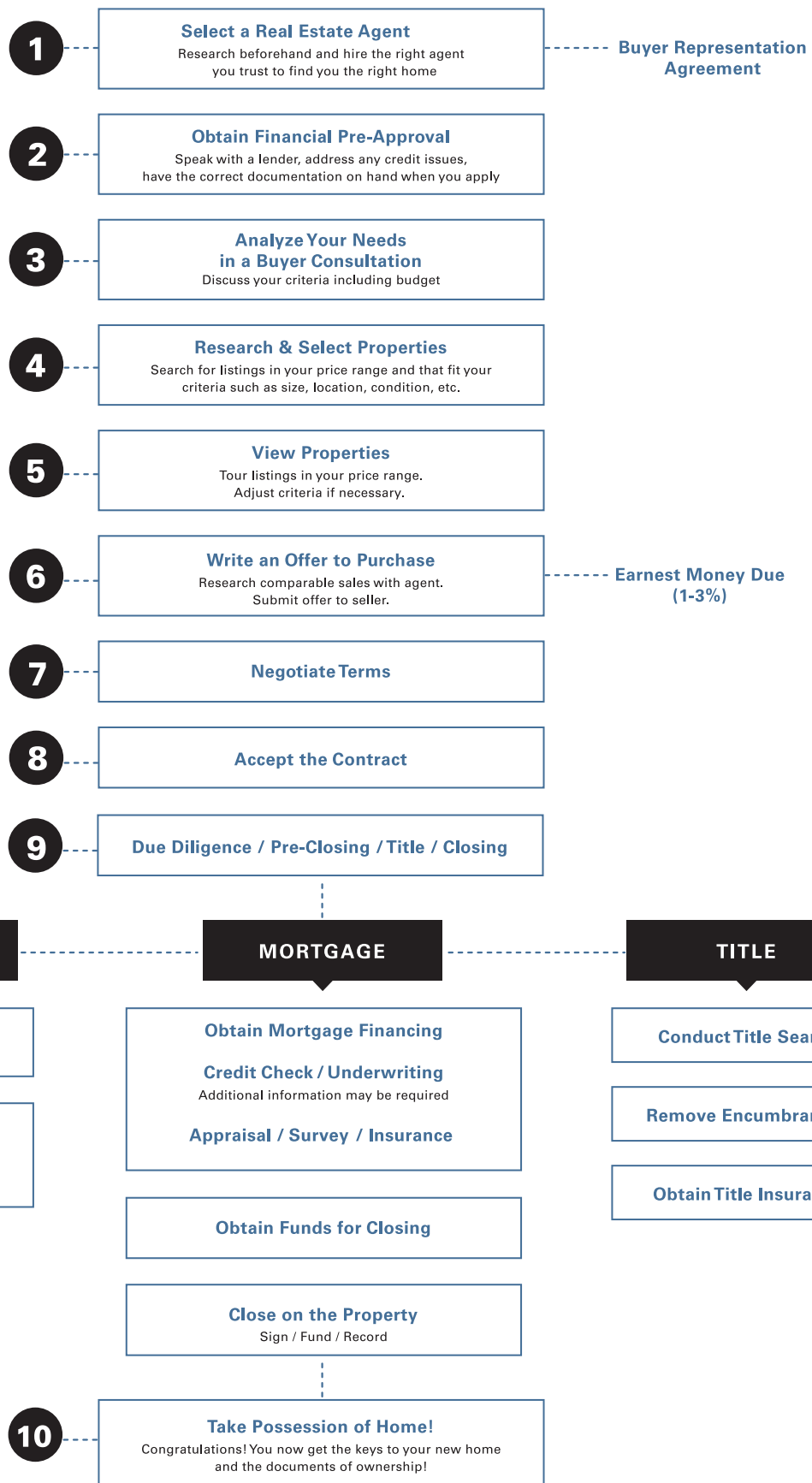
**CHOOSING A REALTOR**

**2**

**PREPARING TO BUY**

**3**

**THE NEXT STEPS**



# 1

## CHOOSE A REALTOR

### WHO YOU WORK WITH MATTERS

At the Mike Brown Group, we believe you should love where you live, and we know that begins with choosing the right REALTOR®. With thousands of Realtors to choose from, we are acutely aware that who you work with matters.

### EXPERIENCE MATTERS

When it comes to choosing an agent, you will want an experienced REALTOR® that has an established track record of being honest and trustworthy, educated and professional. Working with an agent that is calm under pressure, is adaptable to the shifting market, and is able to provide service within them, will make the home buying process easier and less stressful. The agent you select will not only represent you, but they will also be your voice in one of the most important decisions you will ever make.

### EXPERTISE MATTERS

Your agent's knowledge of the local market is vital to helping you find the home you love for the price that aligns with your budget. The Treasure Valley and surrounding areas offer multifarious lifestyles and landscapes; working with a local expert will help guide you through the nuances of your specific locality such as school ratings, and the characteristics of individual communities..

### COMPASSION MATTERS

Buying a home is an intimate decision that requires trust and transparency. If this is your first home, you might be surprised by how much interaction you will have with your agent. All real estate agents have different personalities, negotiation styles, and values- these have an impact on the way they treat their clients, find houses, and negotiation strategies. You will want to work with an agent that does not see you as a transaction but rather as someone that has your best interest in mind before, during, and long after you purchase your home. As your conduit to the many entities involved in the home-buying process (lender, inspector, title company, etc.), your REALTOR® is the advocate of your dream of homeownership.

# QUESTIONS TO ASK A BUYERS AGENT



## **Why would you make a good buyers agent for me?**

All real estate agents have different personalities, negotiation styles, and values. This question provides the opportunity for the agent to share these things with you, allowing you to determine if it's the right fit.

## **How will you represent me?**

Understand what services they will be providing you. Will they be actively searching for listings or will they put you on an email drip? It's important to know what their role will be in before, during, and after the transaction.

## **How often and when are you available?**

During a real estate transaction, you will need to feel comfortable communicating with your REALTOR®, and the majority of agents work diverse hours. Be sure you are on the same page when it comes to their availability, how they communicate (phone, text, email), and their response time as questions arise.

## **How quickly can you arrange for me to view a home?**

If you see a new listing you love, how quickly can your agent show you the home?

If your agent is not available to show you the listing you love within one to two days of the home hitting the market, you could miss out.

## **How many clients are you currently representing?**

As a buyer, you want someone you know will represent you well. Many agents represent buyers and sellers, but it's helpful to know about their current mix and how they anticipate prioritizing your needs.

## **When am I committed to working with you?**

A buyer representation agreement is the best way to ensure that your rights as a client are protected. You will want to confirm when you're obligated to stay with your buyer representative.

## **What sets you apart for other agents?**

Every agent will bring something different to the table- some specialize in working with first-time home-buyers, while some specialize in specific localities. What does this agent offer that you may not find with another other agent?

# 2 ARE YOU READY TO BUY?

Owning a home brings freedom and responsibility. Envisioning paint colors, dreaming of decorations, and plans to renovate the kitchen— these are one of the many freedoms of homeownership. There is something truly special about planting roots and purchasing a house and transforming it into your home. But owning a home isn't just about decorating any way you like. It's about being prepared to maintain your home over the years, realizing that part of your income and time will go towards maintenance. It's about the willingness to accept the risks of home ownership with along with the reward.

## **DETERMINE HOW MUCH YOU CAN YOU AFFORD**

Knowing what you can afford begins with meeting with a mortgage lender to get pre-qualified. A pre-qualification (or preapproval) letter is a document your lender provides showing how much they might be willing to loan you. To determine what a lender will loan you, they will establish an approved monthly budget based on the current interest rate, debt-to-income ratio, and down payment.

## **INTEREST RATE**

The interest rate is the amount a lender charges a borrower and is a percentage of the principal—the amount loaned.

## **WHAT IS YOUR DEBT-TO-INCOME RATIO?**

The debt-to-income (DTI) ratio is a metric used by creditors to determine the ability of a borrower to pay their debts and make interest payments. The DTI ratio compares an individual's monthly debt payments to his or her monthly gross income. It is a key indicator that lenders use to measure an individual's ability to repay monthly payments and accumulate additional debt.

## **MONTHLY DEBT PAYMENTS**

Monthly Debt Payments refer to your monthly bills such as rent/mortgage, car insurance, health insurance, credit cards, student loans, medical bills, dental bills, car loans, child support payments, and other payments.

## **GROSS INCOME**

Gross Income is the income of an individual before tax and other deductions.

The formula for DOI ratio—  $\text{monthly debt} / \text{gross income} \times 100$ .



### **REVIEW YOUR FINANCES**

Review your finances, including your savings, which could go towards a down payment. Break down exactly how much you're spending every month, including utilities, entertainment, food, insurance, and child support. This information will provide insight into your monthly expenditures and how much you can allocate to a mortgage payment. Make sure to include all of your spending such as utilities, entertainment, food, car payments, etc.

### **DOWN PAYMENT**

Typically, a buyer is required to have a determined amount of money as a down payment. Depending on the type of loan, the required amount will vary from 3% and up. By working with your lender, you will learn about your options, from possible down payment assistance programs to what you need to financially prepare for..

### **WHAT ARE YOUR PRIORITIES IN OWNING A HOME?**

To find the home that aligns with your goals, it's important to prioritize your needs versus your wants. A want is something you ideally would have; a wish-list item. A need is inalienable; an absolute "must have." For some, the number of bedrooms and bathrooms is non-negotiable, and a big backyard is a preference. Writing down your needs versus wants will keep you on track to finding a home that meets your needs within your dedicated price range.

It's important to remember that as you begin your home search, it may be necessary to re-evaluate your list based on the local market.

# 3

## THE NEXT STEPS

You've done your homework.

You've selected a REALTOR, you have secured your loan, and you've clarified wants vs. needs...

Now the fun begins! Researching and selecting properties \_\_\_\_\_. Search for listings in your price range that fit your criteria such as size, bedrooms, bathrooms, neighborhood, location, condition, etc. Touring homes makes the reality of owning a new home much more real! \_\_\_\_\_

### **MAKE AN OFFER**

Once you've found the home you want, the next step is to make an offer. Research comparable sales with your agent. Submit your offer to purchase to the seller.

### **NEGOTIATE TERMS**

Many times after the initial offer is presented, the seller will come back with a counter-offer. Let your agent help you make an appropriate counter-offer.

### **OFFER ACCEPTANCE**

The seller accepts the offer. Deposit Earnest money.

### **INSPECTION**

It's always a good idea to add a contingency clause into your offer stating that you have a certain amount of time to have the property inspected. This gives you the right to back out of the agreement if you and the seller can't agree on repairs. Resolving any issues includes negotiating repairs, confirming repairs are complete, and a pre-closing walk-through.

### **APPRAISAL**

The bank or lender orders the appraisal, title search and final financing is set. A qualified appraiser creates a report based on a visual inspection, using recent sales of similar properties, current market trends, and aspects of the home (amenities, floorplan, square footage) to determine the property's appraisal value

### **CLOSING**

Time to sign the papers and pop some bubbly! Congratulations! You on your new home! You now get the keys to your new home and the documents of ownership.



# KEY TERMS

## REAL ESTATE TERMS TO KNOW



**Interest Rate** - a percentage of the loan amount that the lender charges for borrowing their money

**Debt-to-Income Ratio (DTI)** - compares how much you owe each month to how much you earn. Specifically, it's the percentage of your gross monthly income (before taxes) that goes towards payments for rent, mortgage, credit cards, or other debt.

**Credit Report** - This report shows a record of your personal credit history. It's based on information that your previous lenders have submitted to reporting agencies. This public record is one of the most important documents used to determine whether or not you can be trusted to pay back future loans.

**Private Mortgage Insurance (PMI)** - a type of mortgage insurance you might be required to pay for if you have a conventional loan. Like other kinds of mortgage insurance, PMI protects the lender—not you—if you stop making payments on your loan.

**Escrow** - a legal arrangement in which a third party temporarily holds money or property until a particular condition has been met (such as the fulfillment of a purchase agreement).

**Property Taxes** - an annual government fee used to fund local and community services, schools, infrastructure, and other projects. The property taxes you owe can vary from location to location, but it's generally based on the property's value.

**Homeowners Insurance** - a form of property insurance that covers losses and damages to an individual's residence, along with furnishings and other assets in the home. Homeowners insurance also provides liability coverage against accidents in the home or on the property.

**Equity** - the difference between how much your home is worth and how much you owe on your mortgage.

**Square Footage** - the amount of flat space that covers an area, like the floor in a room

**Seller** - the party trying to sell a property.

**Buyer** - the party trying to buy a property.

**Listing** - when a property is put on the market for sale, it's referred to as a "listing."

**Market** - a term for all the properties currently listed for sale in a defined area.

**Comparable Market Analysis (CMA)** - This is an analysis done during the appraisal process. Properties with similar characteristics are compared to the property you want to buy to determine how much the home you want to buy is worth.

**Appraisal** - An appraisal is the estimation of a home's current market value. A licensed appraiser completes this estimation, which is calculated by comparing the recent sales of homes in the area as to the property that is being appraised. This is required by mortgage lenders to be sure that the money they are lending to a new homeowner or a current homeowner is a fair amount for the home.

**Submitting An Offer** - a conditional proposal made by a buyer or seller to buy or sell an asset, which becomes legally binding if accepted.

**Commission** - Real estate agents and brokers don't get paid until the property sells. A commission is negotiated prior to final execution of a contract.

**Property Inspection** - a non-invasive inspection of a building, carried out by a fully qualified professional trained and experienced in evaluating buildings and their components. The inspection is designed to provide you with all the information you need to make an informed decision about your potential purchase. You will be able to walk away from the inspection with a clear knowledge of what major issues (if any) are involved with your property and which items will need maintenance in the short and longer term.

**Closing** - the final step in executing a real estate transaction. It is the last step in purchasing and financing a property.[1] On the closing day, ownership of the property is transferred from the seller to the buyer.

**Closing Costs** - processing fees you pay to your lender when you close on your loan. Closing costs on a mortgage loan usually equal 3 - 6% of your total loan balance. Appraisal fees, attorney's fees, and inspection fees are examples of common closing costs.

**Multiple Offer Situation** - when the seller receives several competing purchase offers and informs the potential buyers that there are other offers "on the table."

# LOVE WHERE YOU LIVE



The decision to buy a home is an exciting one! The experience of finding the home you've always dreamed about should be enjoyable, with the least amount of hassle.

Your real estate agent will work hard to not only find you the perfect home, but also to handle every last detail of the purchasing process, from negotiating the terms of the sale to recommending moving companies. Realtors help you with procuring honest, accurate information so you can make well-informed decisions regarding the purchase of your home.

This guide gives you an idea of what to expect during each phase of your real estate transaction. It also contains information on time lines, what to expect during each phase of the process, and checklists to help you along the way.

Your real estate agent will help ensure that buying your home is as seamless as possible. If you don't understand something or need more information at any time, communicate with your Realtor and they will make sure you have all of the information you need to feel comfortable and confident before, during, and after your real estate purchase.

