

7 Things Every Homebuyer Should Know

By Maryalene LaPonsie (October 21, 2013 - 1:00 AM)

It seems like everyone gets new-house fever in the spring, but if you're serious about buying, prime time for making a purchase may be right around the corner instead.

Real estate site Trulia says house searches cool off in the fall and slow to a crawl in December. What does that mean for you? Less competition and more opportunities to score a deal on the house of your dreams.

But before you jump head first into a house search, check out what Money Talks News founder Stacy Johnson says every homebuyer should know.

Know what you need vs. what you want

Before you even think about hitting an open house, you need to know what you are looking for. Otherwise, you may find yourself falling in love with something impractical or, worse, sweet-talked by an agent into placing an offer on a home that doesn't fit your needs.

Start by sitting down with a pen and paper – and your honey if you will be buying a house with one – and write down two columns: “needs” and “wants.”

Under needs, list your non-negotiables. For example, if you have a growing family, you may need three bedrooms, two baths and a fenced-in yard for the dog. Under wants, put your wish list. Maybe you crave a gourmet kitchen or a large master suite. These are things you can live without, but life would be nicer if you had them.

Armed with this information, you can quickly weed out the homes that don't meet your needs. Then you can focus on whittling down your short list to the ones with features on your wish list.

However, it goes without saying there is no perfect house and, especially if you don't have a lot of money to play with, you should be prepared to sacrifice some items on your want list in exchange for an otherwise serviceable house in your price range.

Know the right process for buying a home

Now we get to the nitty-gritty. You need to follow certain steps if you want your home search and purchase to go smoothly.

Let's review:

Financing first. Your first stop should always be the bank. There are three reasons to get a loan preapproval, if you can.

- You know what price range you can afford.
- It can give you an edge in the event there is a competing offer on a house.

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- It can speed up the underwriting process once you have a purchase agreement.

Unfortunately, many banks no longer issue preapprovals and only offer to pre-qualify a potential buyer. It's not as helpful as a preapproval but it may be the best you can do.

Agent second. Once you know how much you can afford, it is time to find your agent. It may be tempting to go it alone until you find a promising house, but a buying agent can provide an inside track on hot listings or steer you toward perfect properties not on your radar screen.

You want someone who is going to negotiate a great deal, so now is not the time to sign on with your cousin simply because she's family. Find the right agent by asking the following:

- How long have you been licensed?
- Do you work part time or full time?
- What percentage of your clients are buyers?
- How well do you know the area?
- How often will you provide me with new listings?
- Do you specialize in a certain type of property?

Then make a fair offer. OK, you've found the perfect house and are ready to make an offer. Remember that buying agent you found? This is where she earns her keep by helping you settle on an offer that isn't insulting to the seller but is still a deal for you.

Confirm with an inspection. Finally, shell out the couple hundred dollars it costs to have the house inspected by a professional. Walk through the house with the inspector if at all possible. Sure, you'll get a written report, but it is so much better to be able to ask questions and have potential problems pointed out to you in person.

Have a Plan B. And if the inspection turns up a major problem, you need to have a Plan B in mind. Your most excellent buyer agent has, of course, included a provision in the purchase agreement stating the sale is contingent on a good inspection. When an inspection finds trouble, you need to implement your second option, whether that is to back out of the agreement and retrieve your deposit or renegotiate the price with the seller.

Know what other costs are involved

Let's say you sit down with the loan application officer and learn your monthly payment will be only \$750. Yes! That's cheaper than renting.

Or is it?

Having your own property is great, but homebuyers need to walk into ownership with eyes wide open. That means factoring in all the costs associated with having a place of your own. When calculating the affordability of a property, ask for estimates on the following costs:

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- Taxes.
- Utilities.
- Insurance.
- Lawn maintenance and/or winter snow plowing.
- Homeowners association fees.

In addition, remember that when the roof springs a leak, there is no landlord to call for a fix. Don't buy a home if you don't have an emergency fund or if you aren't able to put money aside each month in a repair and maintenance fund.

The winter months mean home sales tend to go cold, but they can be a hot time to get a low price on the house you want. Stay tuned for Stacy's video next week when he'll share a hot homebuying tip that could save you thousands.