



Buying Process

Buying a home is one of the biggest purchases you will ever make. So it makes sense to understand as much as possible about the process before you begin. Whether you are a first-time buyer or already a homeowner, in the following you can learn about the home buying process step-by-step.

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Obtain Mortgage Financing

Find out how much home you can afford by pre-qualifying for your home loan. That way you're ready to purchase the home you want as soon as you find it. We can help with the process by providing a Pre-Qualification form for you to complete. You'll receive the results the next business day.

The first step for any buyer interested in purchasing a home is to be pre-qualified by a mortgage lender. Unless you plan to pay cash you will benefit from knowing what price range of homes you can afford. It's a free service and not a commitment to lend money.

It saves time to pre-qualify before you begin looking. That way you're ready to purchase the home you want as soon as you find it. We can help with this process by offering the Pre-Qualification form for you to complete.

Once you've completed this form we'll get back to you the next business day with your pre-qualification information.

Income Qualifications

Monthly Housing Obligation, also termed Principal, Interest, Taxes and Insurance consists of principal, interest, private mortgage insurance if applicable, taxes and hazard insurance.

Total Monthly Obligations consists of all long-term payments to creditors (minimum payments on credit cards, student loans, car and other loans).

What is the maximum a person can spend on their Monthly Housing Obligation? A good rule of thumb is 28% of your gross monthly income. Typically 36% percent of your gross monthly income is allowed by mortgage underwriters for Total Monthly Obligations which includes the 28% allowance for monthly payment. On average 8% of your gross monthly income is allowed for other obligations.

These percentage ratios are guidelines only. Borrowers who prevents of 20% or greater or with annual incomes greater than \$100,000 are generally allowed greater ratio flexibility.

For self-employed borrowers there are special programs available that accommodate lower reported income and higher cash reserves such as no income verification, no ratio, and no documentation loan programs.

Monthly Obligation

Private Mortgage Insurance, (PMI) is required for loans with a down payment of less than 20%. For loans with less than 20% down payment there are alternatives to paying monthly PMI, such as an 80-10-10. [Contact us](#) for details on these alternative programs.

Obtaining An 80-10-10 Mortgage eliminates the need for PMI since it pertains only to first mortgages. 80% for the first mortgage, 10% for the second mortgage and 10% cash downpayment.

Estimated taxes in the DFW area range from \$1.91 to \$3.00 per \$100 of assessed value. These estimates include the benefit of the homestead exemption. NOTE: The assessed value as reported by the Appraisal District may be less than the purchase price.

Hazard Insurance is required by lenders for the home in the amount of the loan. The average rate is \$.65 per \$1,000 of loan amount per month. Some lenders may require that only the improvement be insured for the cost to replace the structure.

Lenders usually require only fire and hazard insurance. For a little extra a homeowner can obtain extended coverage under a homeowner's policy which will include liability and other extended protection.

Choosing The Right Home

Here are the basic home types for you to choose from:

- Single Family House: a single family detached home with land in front and back
- Zero Lot Lines: similar to a single family house except the yard around the structure is very small
- Townhouses: share common walls and have little or no exterior land. Most townhouses are really condominiums, common areas are jointly owned and are managed by an association of owners for a fee.
- Flats: a form of condominiums but usually just one level. A flat is typically found in a garden style or high rise building. Like other condominiums there is an owners' association and mandatory fees for common maintenance.
- Duplexes: a house divided into two separate living units offering some rental income

Features And Amenities

We've developed a list of questions to help you create your wish list. Once you prioritize all the items on the list you can narrow your search.

Choosing A Neighborhood

- Research yourself by talking to neighbors, contacting the neighborhood association, and review back copies of their newsletter.
- Attend open houses without disclosing any more than you are "just looking"
- If you're ready to purchase a home a Realtor® can provide a great deal of assistance by recommending neighborhoods and researching homes that meet your criteria.

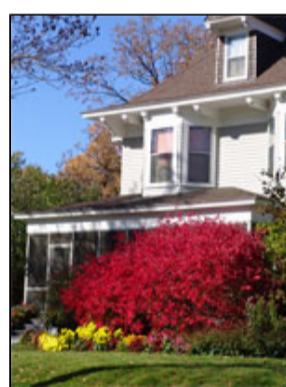
Obtain Representation

Get a professional to represent your interests. Someone who is available to give you information and advice. For example, the Buyer's Agent is someone knowledgeable who can guide you through the process of buying a home. Make sure you know whose interests a Realtor® represents. They are required by law to tell you.

Viewing Homes

The Realtor® you select to represent you can provide you with access to any home.

Once you have an interest in a particular home, review some of the documentation available such as the Seller's Disclosure Notice which tells you what the owner believes is the condition of the home. Or the seller's disclosure about lead-based paint for homes built prior to 1978.



Have your Realtor® ask the seller for any other reports available to share regarding the condition of the house.

Making The Offer

Here are some questions you will need to answer when writing your offer. For a detailed discussion of these questions and other issues please [contact us](#) for a free consultation. Here are just some of the questions to consider:

- How much will you offer to pay?
- What are your financing terms?
- How much earnest money will you deposit?
- How long is the option period, and what will you pay for this right?
- What date do you want to sign the closing papers?
- What date do you want possession of the property?

Negotiating The Offer

Your Realtor® will submit your written offer to the seller's Realtor®. If the seller changes the offer you have the option to make your own changes and resubmitting it to the seller. The offer will go back and forth until all terms are agreed upon. Then the contract is executed. At this point the buyer usually has to write two checks: for earnest money and the option fee.

The Buyer's Agent delivers the executed contract to the title company or the closing attorney with the earnest money check. The option fee is sent directly to the seller.

Inspections

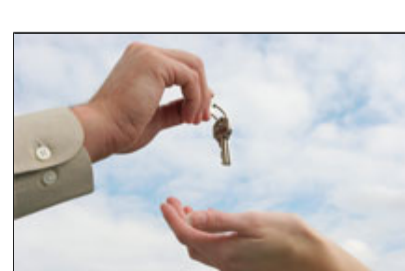
Your major goal now is to get the home inspected before the option period expires. You will need two inspectors: one for structural and mechanical systems and the other is for wood-destroying insects. Some inspection companies can do both. Your Realtor® can handle all the details of scheduling the inspections, and even meet with the inspector if you are unavailable.

Inspections can take a few hours. Once completed the inspectors will provide you with written reports on the condition of your home. If you find that the house has serious problems that you hadn't anticipated, you may want to approach the owner through your Realtor® about some relief. If you can't accept the property as is and the seller will not provide relief, you can terminate the contract if you are still within the option period, forfeiting the option fee and inspection costs.

If the home is in acceptable condition you can let the option period expire which means that you are now fully committed to the contract.

Obtain Home Owner's Insurance

Before closing you want to obtain insurance for the property you are about to buy. To avoid unexpected problems later it's ideal to get a quote within your option period. Once you've selected a provider inform the title company of your choice.



The insurance provider will supply the title company with proof of coverage, which is required to close, and the amount to be charged at closing. Insurance is a pre-paid expense so you will probably have to pay a year's premium plus two more months of the premium, fourteen months total.

Arranging The Move

If you are going to use a moving service or rent a truck check their availability as soon as possible. Holidays, end of the month, and end of the semester moves can be more difficult to schedule. And closings can be delayed so have a contingency plan. You also need to contact local utilities in advance to have the services switched to your name. Your Realtor® can give you contact numbers.

Previewing The Closing Statement

Shortly before the actual closing date the title company or closing attorney will prepare the closing statement, which tallies all the charges and credits for the buyer and seller. If possible, you want to preview the closing statement before closing. You want to verify the accuracy of the statement and understand all items. And you need to know how much the certified check should be to cover the balance of the down payment and closing costs.

Closing

Normally you will go to the title company or closing attorney's office to sign all documents, bringing with you photo identification and a certified check for the appropriate amount. You and the seller will probably have separate appointments to sign the documents.

The closer will review each document in as much detail as you want and you will sign them as you go. When the process is complete the closer usually makes copies of all the documents for you and you're free to go.

Once the seller has signed the documents, the lender verifies that everything has been processed to their satisfaction and then releases funds so the title company or closing attorney can disperse them to the appropriate parties.

Possession

Possession depends on what was negotiated in the purchase contract. Typically, once funding is completed you receive the keys to the property and the previous owner is completely moved out. It can vary, of course, but if possession is different from closing and funding a temporary lease should be signed.

