Homebuyer's Toolkit

10 Steps to Choosing and Purchasing Your Home

Published by the Center for REALTOR ®Development

Maria Medina
(305)905-3370
Real Estate Broker

You Want to Buy a Home

It's a big decision with a lot to learn. That's why this comprehensive, **quick-reference 10-step guide** helps provide the information and tools to find, finance, and purchase the home that meets your needs and preferences:

STEP 1 Find a Qualified Buyer's Representative

STEP 2 Assess Your Credit and Finances

STEP 3 Assess What You Want and Need in a Home

STEP 4 Search for Your Home

STEP 5 Negotiate Terms

STEP 6 Obtain a Mortgage

STEP 7 Prepare for Closing Day

STEP 8 Close

STEP 9 Move

STEP 10 Celebrate

Being an informed buyer and getting the right assistance—including working with an agent who is a REALTOR®—can make big differences in your homebuying experience and final results.

STEP 1 Find a Qualified Buyer's Representative

Most people only purchase real estate a few times in their lives. So, you can hardly be expected to know all the ins and outs of such a major transaction with so many details.

In most transactions, sellers are represented by a listing broker who manages these details for them and acts in their interests. As a buyer, you also want someone to represent your interests in a real estate transaction. Buyer's representatives are responsible for protecting the best interests of their brokerage's clients—buyers like you—and can guide you through every step of the purchase process. But the first step, and maybe the most important one, is finding a qualified buyer's representative.

What is a buyer's representative?

Defined most simply, a buyer's representative is an advocate for the buyer—not the seller—in a real estate transaction. Real estate laws and regulations vary from state to state, but buyer's representatives usually owe full fiduciary (legal) duties, including loyalty and confidentiality, to their buyer-clients and must act in their clients' interests throughout the entire transaction.

Why should I use a buyer's representative?

A buyer's representative can provide the expertise you need throughout the entire transaction, greatly improving your buying experience and potential results.

Why choose an accredited buyer's representative?

Not all buyer's representatives are equal. All REALTORS® (members of the National Association of REALTORS®, or NAR) must subscribe to a strict Code of Ethics, which helps ensure that you will be treated honestly.

But a REALTOR® with the ABR® designation has gone a step further, by completing Accredited Buyer's Representative (ABR®) training, specialized education offered by the Center for REALTOR® Development (CRD).

In addition to knowing the dynamics of the local market, REALTORS® with the ABR® designation understand the special needs of buyers. They have additional knowledge and experience that take them a step beyond an agent who only concentrates on listing property for sellers. An ABR® can provide you with valued assistance throughout the transaction and help you make informed decisions that can lead to a successful home purchase.

To find a REALTOR® in your area who holds the ABR® designation, visit abr.realtor.

Issues to discuss when choosing a buyer's representative

Here are some of the most important issues to consider and questions to ask when interviewing prospective buyer's representatives:

- **Experience and credentials:** How long have you represented buyers? How many homes have you helped buyers purchase?
- **References:** Can you share the names and contact details for three past buyer-clients who can provide references?
- **Knowledge:** What are your areas of specialized knowledge? Which types of housing or neighborhoods do you know best?
- **Representation:** If I hire you, what duties will be owed to me? What representation choices do I have as a buyer?
- **Services provided:** How will you assist me at each stage of the transaction? Do you have a written buyer agreement that details your obligations to me and my obligations to you?
- **Finding properties:** Do you have full access to the multiple listing service (MLS)? The MLS is a broker cooperative that helps listing brokers sell their clients' homes and helps buyers who are working buyer's representatives find their homes in an efficient and transparent manner.
- **Personal support:** Will you personally handle all aspects of my transaction, or will I be working with assistants? Who will explain and complete the various forms, agreements, and steps required to reach closing?
- **Negotiating:** Will you counsel me on a negotiating strategy and appropriate contingencies? How will you present my offer to the seller?
- **Financing:** Will you provide guidance on affordability and mortgage options, and choosing a lender? And whether I should I consider a mortgage prequalification or preapproval?
- **Related service providers:** Can you supply referrals for providers of other services related to my transaction, including home inspectors, surveyors, movers , and other services?
- **Compensation:** How will you be compensated?

How is a buyer's representative compensated?

Compensation for buyer representation is negotiable between buyer's representatives and the consumers they serve. The types of compensation available for buyer's representatives take multiple forms, depending on these broker–consumer negotiations. Types of compensation include, but are not limited to:

- **A fixed-fee commission paid directly by consumers, including the buyer or seller.**
- **Concession from the seller to the buyer.**
- **Portion of the listing broker's compensation.**

The seller may not be offering any compensation to the buyer's broker, either directly or through the listing brokerage, in which case you would be responsible for paying your buyer broker's compensation. If you don't have funds to pay your buyer broker compensation at closing, talk with your buyer's representative about your options.

Sellers may authorize their listing broker to offer compensation to a buyer broker, expressed as a percentage of the gross sales price or as a flat dollar amount. In some situations, however, the compensation offered by the listing broker is less than what is agreed to in the buyer's agreement.

If you find a house that you think is the perfect fit for you, but the offer of compensation is less than what is agreed to in the buyer's agreement, it may be possible for your buyer's representative to contact the listing broker before viewing the property to see if the listing broker would pay additional compensation to satisfy what is stipulated in the buyer's agreement.

What's next?

Once you've chosen an ABR®, you can begin working as a team to find and purchase the home you want. The next step in the Homebuyer Toolkit helps you take stock of your finances and determine how much house you can afford.

STEP 2 Assess Your Credit and Finances

Financial considerations and preparations are central to any home purchase. So, getting a jump on your mortgage now can greatly alleviate headaches later. In addition, actions such as getting preapproved for a mortgage can put you in a better negotiating position when it's time to make an offer to a seller and can help you make better decisions about what you can afford in a home.

If you've already lined up a lender and secured a commitment on your mortgage, the process of closing will go much smoother.

Mortgage options and requirements change often. Your ABR® can discuss recent developments, suggest qualified lenders in your area, and help answer questions you may have about their programs.

Determine your credit status

Mortgage lenders begin by reviewing your credit history—it's wise to verify your credit rating at the start of your home search. Even if you're sure you have an excellent credit record, there may be blemishes in your credit history about which you are unaware. Identifying and resolving any credit issues will provide benefits, such as preferred rates from lenders and home insurers.

Acquiring a copy of your credit report is simple. The three major credit bureaus—Equifax, Experian, and TransUnion—are required by the Fair Credit Reporting Act to allow you to obtain one free credit report from each every 12 months.

To obtain a copy of your report, visit **annualcreditreport.com** or call **877-322-8228**. While you can find many other sources for credit reports, this is the only one authorized by the Federal Trade Commission.

Selecting a lender

When choosing a lender, your goal is to obtain a mortgage loan from a reputable provider with the terms that are most favorable to your situation. To find the best home loan for you, contact several lenders to discuss what they offer, their rates, closing costs, and other fees. If you already have a mortgage, contact that institution too.

Gather as much information as you can online and through phone calls. Once you've done your homework and narrowed your options, it's best to meet with a lender directly by phone, online, or in-person. This allows you to ask specific questions and decide if this is the right lender for you: Are they offering you attractive financing, as well as service and support in completing your transaction?

Rates and term

Two of the most important factors in choosing a mortgage are the interest rate and the term. Combined with the amount you borrow they will largely determine the amount of your monthly payment.

The interest rate is the percentage of the loan amount you are charged to borrow money; the higher the rate, the more you pay. But your monthly payment will also be determined by the term of your mortgage: The term is the length of time specified to repay the loan, typically stated in years. Repaying a loan over a shorter time period will result in a higher monthly payment.

The **mortgage calculator at realtor.com®** can be used to determine monthly payments for different rates and terms.

Mortgage rates change when various economic factors change. So, to be more certain of what you will pay, you may wish to "lock in" an interest rate when you apply for your mortgage. A "lock" means that the rate in the approved application will be unchanged for a set period—the time during which the deal must be closed. Regardless of what happens to market interest rates during that time, you'll pay the "locked-in" rate.

Mortgages are typically available with two rate formats:

1. **Fixed Rate Mortgage:** Usually 15- or 30-year terms, you pay the same interest rate over the life of the mortgage.
2. **Adjustable-Rate Mortgage (ARM):** The interest changes after a predetermined number of years.

Prequalification or preapproval

Typically, you will first prequalify for a mortgage—an informal determination by a lender or mortgage broker stating the amount of the mortgage you can afford. Then, before you find the specific home you wish to purchase, you may get preapproved—the lender guarantees in writing that they will grant you a loan up to a specified amount (subject to receiving full documentation). It's essential to understand the difference, and to clarify which your lender is providing.

There are two advantages of obtaining a loan preapproval as early as possible in your homebuying process:

1. **Sellers will find any offer you make more attractive if you are preapproved for a mortgage.**
2. **The length of time before closing can be shorter if you've secured a mortgage approval prior to signing a contract to purchase property.**

How much you can afford

Lenders look at a variety of factors when evaluating how much of a mortgage they will lend you for your home, but these two are the most important:

1. **The monthly mortgage payment, as a percent of your gross (pretax) income.**
2. **Your total debt load, including your mortgage payment, relative to your gross income.**

Another determining factor is what is called the loan-to-value (LTV) ratio, meaning the amount borrowed relative to the appraised value of the property. Higher LTVs represent a higher risk to lenders.

Lenders can provide qualification details for various types of mortgages, including Federal Housing Administration (FHA) and Veterans Administration (VA) loans. Qualification guidelines are subject to periodic changes, so be sure to obtain the most current rules.

If you need help finding a lender or determining affordability, your ABR® can suggest providers and sources of information on mortgage programs, including online tools for estimating affordability.

When considering how much you can afford, don't forget to consider other expenses, beyond your loan payment, that could impact your monthly budget. Most mortgage payments are actually composed of four components: the principal of the loan, interest, tax, and (homeowners) insurance, collectively called PITI. (See **Step 6** for more details on homeowners insurance.)

Beyond PITI, other expenses commonly associated with homeownership include:

- Mortgage insurance
- Home maintenance expenses
- Homeowners' association fees
- Parking expenses
- Utilities

Down payments and mortgage insurance

To help ensure that borrowers are serious about their interest in buying a home, lenders often require a down payment on mortgages. Typically, down payments may range from 3 percent to 10 percent of the appraised value of the home. You can also make a larger down payment on the purchase to reduce the size of your mortgage.

You can obtain a mortgage with a lower down payment, but you will need to obtain mortgage insurance, which helps protect the mortgage underwriter from default—an additional monthly expense to consider when evaluating the total costs of homeownership.

Next steps

When you are ready to apply for a mortgage, several additional steps and documents will be required.

See Step 6 for more details on obtaining your mortgage.

STEP 3 Assess What You Want and Need in a Home

Finding a new home can be exciting. But deciding what you truly want and need begins with setting priorities among many different preferences, with the likelihood of making some trade-offs.

Your ABR® can play a key role in helping you sort out your options. He or she can also offer important insights specific to your local market.

Basic criteria

- **Ideal price**
- **Total square footage**
- **Single-family detached, condominium, or other type of home**
- **Number of bedrooms**
- **Number of bathrooms**
- **Garage or parking space for cars(s)**

Other home preferences

- **Ranch, two-story, split level, etc.**
- **Age and style of home (Victorian, bungalow, modern, etc.)**
- **Preferences regarding floor plan**

- High-priority home features (fireplace, premium kitchen appliances, etc.)
- Specialty rooms (home office, hobby space, etc.)
- Storage needs (closets, basement, outdoor shed, etc.)
- How important is energy efficiency? Other green home features?

Location

- Preferred areas/communities
- Commuting considerations
- Proximity to desirable area offerings: community center, schools, hospitals, houses of worship, etc.
- Views—how important is an ideal view or avoiding a bad one?

Lot characteristics

- Size and shape (back, front, and side yards)
- Landscaping considerations (open areas, privacy, patio space, decking, etc.)
- Home orientation—do you want your home to face a particular direction?

Life at home

- If you'll be sharing your home with children, pets, live-in parents, or others, how does this impact your housing preferences? Both now and in the future? For example, older parents may need one-floor living; pets may require a fenced-in yard.
- What are your preferences regarding proximity to neighbors?

Trade-offs

- If you can't find exactly what you want, how much are you willing to invest, beyond the purchase price, to pay for improvements or in terms of sweat equity?
- Are you willing to consider other areas or neighborhoods?

Resale

- How long do you plan to live in this home? How does this impact the type of home you will buy, how much you'll spend, and your choice of location?

STEP 4 Search for Your Home

Choosing a home often starts with selecting a neighborhood. It's important to choose a home and neighborhood that you and your family will enjoy living in, and one that would help future resale value if you should decide to move. If you prefer a particular neighborhood, you should share your preferences with your ABR®.

Your ABR® can direct you to helpful sources for evaluating neighborhoods. Under federal fair housing laws, it is unlawful for an agent to engage in any conduct that is discriminatory on the basis of race, religion, color, national origin, sex, handicap, or familial status; a real estate professional should never steer you toward or away from a particular neighborhood if the homes there fit your needs and are within your range of affordability.

Factors to consider when evaluating a neighborhood

Ask yourself, "What kind of neighborhood do I want to live in?" Spending time in a neighborhood can tell you a lot about it, but not everything. You will also benefit from doing some research, such as:

- **Neighborhood profile:** Aspects such as population density and the level of commercial development.
- **Crime rate:** No neighborhood is totally immune from the risk of crime, but you can make an educated decision about where to live by researching crime information.
- **Quality of schools:** Even if this doesn't apply to you now, school quality is an important factor for resale value. School performance is about more than test scores—to get the best picture of a school's quality and character, consider attending a school tour or connecting with the PTA.
- **Amenities:** The features you want in a neighborhood could include shopping, transportation, parks and recreation, restaurants and nightlife, cultural institutions, and natural resources.

Viewing and comparing homes

Once you've decided on a neighborhood, it's time to begin viewing houses. Some buyers find it helpful to review their home preferences (Step 3) and prioritize their "needs" versus "wants." Setting up a comparison table with your highest-priority factors listed first can help you evaluate different properties.

But there is also a certain amount of emotion and intuition in buying a home. In addition to meeting your criteria, ideally, a home should "feel right." If you are not finding what you want, share your reactions with your ABR® so he or she can help you refine your search.

If you decide to view homes on your own (an open house, for example) make sure the seller's agent knows you are already working with someone, and share your ABR®'s business card or contact information, if possible. Ask lots of questions but be careful not to divulge too many details about your own situation (e.g., motivation to buy a home, timetable, or preferences) as this may hurt a future negotiating position if you are interested in the property.

Using websites

The internet makes shopping for a home, even in the preliminary stages, easier than ever before. Realtor.com® provides online information on millions of properties, as well as information on neighborhoods and other topics.

Many real estate companies and agents have their own sites too, which often include homebuying information and links, in addition to property listings.

It's important to understand that not every site is an all-inclusive source of real estate property listings. And that your ABR® is a valuable resource for property information; he or she can share listing information with you faster and more easily than any public website, including houses that buyers might not find on their own. Your ABR® can also provide the most current information, such as whether or not a property is under contract.

STEP 5 Negotiate Terms

When you've found a home that's right for you, it's time to make an offer. Depending on market conditions, you may have to act quickly, before another buyer steps ahead of you.

Your ABR® can play a key role in helping you sort out your options. He or she can also offer important insights specific to your local market.

Making the best deal

When deciding what to offer for a property, current market prices are the most important factor. Your ABR® can provide valuable assistance in this regard— counseling you on market conditions, price ranges, and negotiating strategies.

To help guide your decision of how much to offer for the home, by giving you a better sense of whether the seller's listing price is higher or lower than prices of comparable properties, your ABR® may do a Comparative Market Analysis (CMA) on the property you are interested in buying.

If the property seems overpriced, the CMA will help you determine a more reasonable price. Keep in mind that an excessively low offer on any property may prompt a negative reaction from the seller and reduce your likelihood of successfully negotiating a purchase.

Negotiation considerations

Beyond price, there are several other factors that can affect your negotiating position. For example, your bargaining position is strong (the seller will look more favorably on your offer) if:

- **You are an all-cash buyer.**
- **You are preapproved for a mortgage.**
- **You do not have to sell your current home or meet other contingencies before you can complete the purchase.**

On the other hand, in a "hot" seller's market, if your "perfect" home comes on the market there may be multiple offers and you may want to offer the list price (or even more) to beat out other offers.

Your ABR® may be able to learn more about the seller's situation and motivations. Knowing factors such as whether the house is already vacant, how long it has been on the market, and reasons for selling could help you determine how eager the seller may be to complete a transaction.

Making an offer

Real estate transactions require a written contract, which conveys an initial written offer; negotiations begin with that initial offer and conclude with acceptance of the final offer. A check for earnest money usually accompanies an offer.

Your offer will specify the price, plus all the terms and conditions of the purchase you want to negotiate. Contract forms can change and can vary from one state to another; your ABR® will provide you the most current and correct versions.

Your ABR® can also guide you through structuring and negotiating the offer. If you have questions about your offer that involve topics that real estate agents are not allowed to address, such as specific legal or tax advice, your ABR® can refer you to qualified experts.

What does an offer include?

Keep in mind that if the seller accepts your initial offer, or a subsequent counteroffer, it becomes a binding sales contract—known in some areas as a purchase agreement or earnest money agreement—and serves as a blueprint for the final sale. That's why it's important that your initial offer includes the terms and items you want.

The more demands you make of sellers, the less favorably they may look on your offer. Some things, however, are included in most purchase offers:

- Property address (sometimes its legal description).
- Sales price and terms (cash and monies acquired for the purchase through a mortgage).
- Seller's promise to provide clear title (ownership).
- Date for closing (the actual transfer of title).[1]
- Earnest money—whether check, cash, or promissory note—with provisions for how it will be refunded to you if the offer is rejected or kept as damages by the seller if you are found in breach of the contract.
- Prorated amounts for payment of real estate taxes, utilities, assessments, and other costs that may be incurred by the seller before closing but not billed to the property until afterwards.
- Who will pay for title insurance, surveys, inspections, and similar costs associated with the transaction.
- Type of deed to be transferred.
- Federal and state requirements, such as environmental review, hazard, and property disclosures.
- Provision for attorney review.
- Final walk-through inspection shortly prior to closing.
- Length of time that the offer is valid.
- Fixtures and personal property that will be included.

1. If you have a rate lock on your mortgage, make sure closing occurs before it expires.

Contingencies

It's not uncommon for an offer to include a contingency—a term or condition that must be met for an offer to become a binding contract. Contingencies may make an offer less attractive to a seller, yet some are considered normal, including:

- **A home inspection by a third-party inspector within a stipulated period of time after the seller's acceptance of the offer. If you find the inspection unsatisfactory, this contingency allows you to "walk away" from the contract. (See Step 7 for more information on inspections.)**
- **Obtaining specific financing terms, such as an acceptable interest rate and the duration of the mortgage. If you can't obtain the mortgage terms you're looking for, as specified in your offer, you cannot be bound by a contract based on your offer.**
- **Selling your current home. Though sellers may prefer an offer that does not have this stipulation, for many, purchasing a new home cannot be finalized without the sale of their current home.**
- **Securing a specific job. If buying this home depends on consideration for a job transfer, you'll want to include this provision.**

After your offer has been drawn up, it is presented to the seller(s). Exactly who presents your offer can vary. Your ABR® may present your offer to the seller's agent and the seller. Or the seller's agent may receive your offer from your agent, then present it to seller.

Other important considerations

- **Earnest money.** This is a cash deposit—typically in the form of a check—you make when submitting your written offer on a property to show your "good faith." Sellers are understandably suspicious of offers that are not accompanied by such a deposit. The amount expected can vary by the negotiating situation and from market to market. Your earnest money is held by one of the brokers, the title company, or an attorney. If your offer is accepted, these funds become part of your down payment at closing. If negotiations fail to result in a sales contract, your earnest money is usually refunded. These funds will be handled in accordance with state law.
- **Seller disclosures.** Most states and many local areas require sellers to disclose any known material defects in the home. Lead-based paint disclosure, for example, is required in all states for properties built before 1978. Make sure you read and understand these documents because your recourse options will be limited once you accept any disclosures.
- **Multiple offers.** If other buyers are interested in the same property, the seller may be comparing your offer to others. Multiple offers do occur, even in slow markets. If you learn that you are in a multiple offer situation, it is quite possible that you have submitted the winning bid. With a home that has multiple offers, stay involved for at least one round of negotiations, but also establish your maximum price.

The seller's response to your offer

Sellers have typically decided how much money they want from the sale of their property when it is listed for sale and have probably planned a negotiating strategy. When your offer is presented, the seller's options are to:

- **Accept your offer.** If, after reviewing your written offer, the seller signs their unconditional acceptance, then you will have a binding contract as soon as you are notified of that acceptance.
- **Reject your offer.** If the seller rejects your offer, you are released of any obligation. The sellers cannot change their minds later and bind you to a contract based on that offer.
- **Counteroffer.** If the seller likes most aspects of your offer, they may present a counteroffer that includes the changes the seller wants to make. You are then free to accept their counteroffer, reject it, or make your own counteroffer in response. This process can repeat itself as many times as it takes for you and the seller to agree on the sales contract. A counteroffer becomes a binding contract when either 1) you sign unconditional acceptance of the seller's counteroffer, or 2) the seller signs unconditional acceptance of your counteroffer. At this point, negotiations are over, and the terms of the sale are final.

Withdrawing an offer

In most cases, you can take an offer back right up until the moment your offer is accepted. In some cases, you can withdraw an offer before you've been notified of its acceptance.

If you want to withdraw your offer after acceptance, be sure to do so only after consulting a lawyer who is experienced in real estate matters. You want to avoid losing your earnest money deposit or a lawsuit for damages the sellers incurred because of your actions.

From contract to closing

Many details included in the following steps happen quickly or occur simultaneously. Your ABR® is a valuable resource in helping you keep every aspect of your transaction on track, from now to closing.

STEP 6 Obtain a Mortgage

If you've already done the legwork discussed in Step 2, you are one major step closer to obtaining a mortgage. Still, securing the actual mortgage is more complex, and often more expensive, than many consumers realize. There are numerous documents and details that must come together in a short period of time.

This is why it's important to select a reputable loan provider with a competent mortgage loan officer who is attentive to your needs. Your ABR® has helped other buyers work through the mortgage application process and can also provide valuable assistance.

Applying for a loan

If you've already made an offer on a house, decided what type of mortgage you want, and selected one or more preferred lenders, your next steps are to get a Loan Estimate(s) and complete a loan application.

Loan Estimates are federal forms that specify all costs associated with a loan. To provide this, a lender needs six key pieces of information: your name, your social security number, the address of the home you plan to purchase, an estimate of the home's value (typically the sale price), the amount you want to borrow, and your income. The lender may charge a fee for the credit report, but that is the only fee a lender can charge.

If considering alternative lenders, it's best to ask each to supply an estimate for the same loan features so you can easily make comparisons and select the best loan. ***Requesting a Loan Estimate is an inexpensive step that can result in substantial savings over the life of a mortgage. When you select a lender with whom you wish to work, notify them of your intent to proceed with your application, which will likely require additional paperwork.***

The Consumer Financial Protection Bureau provides excellent tools and resources on obtaining a mortgage so you'll "Know Before You Owe." Go to **ConsumerFinance.gov.**

Finalizing your mortgage

Lender requirements differ but commonly include these items that you and any co-borrower will need to supply after you have selected a lender and told them you intend to proceed with them. Your loan will probably be finalized sooner if all required documents are submitted at the same time. If you were preapproved for a mortgage, you may have already completed some of this process.

- **Social Security number(s) and birth date(s).**
- **Photo identification card.**
- **Current assets:** Most recent statement of assets such as Individual Retirement Accounts (IRAs), employee retirement accounts, certificates of deposit (CDs), stocks, and bonds. If you own securities, your lender may require a current brokerage statement with names of the stocks, value per share, and number of shares owned.
- **Liabilities:** The lender for each outstanding loan, with the name and address of the creditor, monthly payment, and total balance due. Liabilities include auto loans, student loans, credit cards, and other installment debt.
- **Paycheck(s):** most recent pay stub showing year-to-date earnings.
- **W-2 or 1099 tax forms:** for the past two years.
- **Employers:** names, addresses, and telephone numbers of any employers over the past two years.
- **Accounts:** current statements of checking, savings, and other accounts.
- **Current and previous addresses:** If you currently own a home, provide your new lender with the property address, current market value, current mortgage lender's name, account number, current monthly payment, and outstanding balance. If you rent, provide your current address, the name and address of your landlord or the management company, and the monthly rent. Additional information may be required if you've lived at your current address for less than two years.
- **Sales contract:** Bring along a signed copy of the completed Agreement to Purchase for the property you are buying, any amendments to the Agreement, a copy of the listing form for the property, the legal description of property, and receipts for earnest money or down payment deposits already paid.

Additional information required for special situations

Different lenders may have different requirements and may ask for additional information under certain circumstances, such as:

Self-employed or compensated on a commissioned basis

- Provide your federal tax forms for the past two years, along with a current year-to-date profit and loss statement. Employment and business locations of self-employment must be independently verified. Tip income must also be verified.

Separated or divorced

- Provide a copy of your divorce decree and separation agreement, including details on alimony or child support payments. If you receive alimony or child support and would like the lender to consider these monies as income, provide proof of this income for the past 12 months.

Social security, pension, disability, or any form of public assistance benefits considered as income

- Provide a copy of an award certificate or a check from the issuing agency.

Bankruptcy, foreclosure, or any judgments against you in the past seven years

- Provide information about the proceedings. For bankruptcies, documentation should include a copy of the bankruptcy discharge and a schedule of both debts and assets. Judgments against you should include an attorney's letter that explains the outcome of the proceedings.

Department of Veterans Affairs (VA) Loan Application

- Provide your DD214 Form (discharge papers) or your certificate of eligibility.

Your lender may also ask you to provide some documentation that may seem odd. For example, if you have been a student, your lender might want a copy of your degree. Or special documentation if the source of your down payment is a gift or money borrowed from relatives.

While all the forms and paperwork involved in securing a mortgage may seem like a lot, these steps exist to meet various mortgage program requirements and to ensure that lenders are extending safe credit.

Other important considerations

Point and rate options

Some stated mortgage rates include what are called "points." A point is one percent of the amount of the mortgage. Lenders charge borrowers a percentage of the loan in the form of points to cover their costs. Sometimes borrowers can lower the interest rate of the mortgage by paying the lender higher points upfront.

Changing your financial picture

Your financial position must be the same at closing as it was when you were approved, or it could prompt your lender to revoke their mortgage commitment. For example, don't buy a new car, purchase major appliances using credit, or change jobs during this time.

Homeowners insurance

The financial institution providing your mortgage will require you to obtain homeowners insurance before closing and provide proof of the policy. In some areas flood insurance is also required. Allow plenty of lead time before closing to secure homeowners insurance. Costs and coverage can vary. When evaluating which company's policy is right for you, consider questions such as:

- **What is and is not covered?**
- **How much will the insurance cost?**
- **How much is the deductible?**
- **Is the home in an area prone to hurricanes where wind insurance may be a separate policy?**
- **Is the home in a flood zone where separate flood insurance is required?**

Escrow accounts

You will need to decide if you want to pay your property taxes and homeowners insurance policy on your own or wrap them into your monthly mortgage payments through funds held in an escrow account from which they are typically paid by the lender. An escrow account assures that property taxes are paid and helps smooth these substantial expenses out over the year.

STEP 7 Prepare for Closing Day

Your ABR® will help you stay on track with the many important details that must fall into place before you close on your home, including:

Completing a home inspection

Assuming this contingency was in your offer, schedule a thorough inspection of the property with a qualified home inspector. Your ABR® can assist you in identifying several inspectors to choose from.

The inspector should provide you with a written report detailing the condition of the home and describing any flaws found, including the severity of those issues. If serious problems are found, your contingency clause should permit you to cancel the contract without obligation.

Alternatively, you may want to negotiate performance and payment for any significant repairs suggested by the inspection. But also remember that no home is perfect, and small repairs and maintenance issues should not derail the transaction or require another round of negotiations.

Requesting attorney review

If specified in your offer, ask your attorney to review your sales contract and, if desired, schedule his or her participation in your closing.

Finalizing your mortgage

Make sure you have supplied your lender with all necessary documents and that your financing is in place by closing day.

Getting ready to move

Moving may be the biggest job you face in buying a home. Review **Step 9** to get a jump on these preparations.

Scheduling a final walk-through

A pre-closing walk-through is a final check to ensure that the home is in the same condition it was during the inspection, and to make sure all contracted items, such as appliances, are still in the home. The timing of the final walk-through will vary, depending on practices in your market.

Preparing to pay for closing costs

When you applied for your mortgage, you received a Loan Estimate that included estimated closing costs. Three days prior to closing, you'll receive a Closing Disclosure, which specifies how much money you will be expected to bring to closing and what forms of payment are acceptable.

Check that the closing costs and other loan terms outlined in your Closing Disclosure match your initial Loan Estimate. If changes are needed, the three-day period prior to closing may need to be reset and a new Closing Disclosure statement may need to be issued.

STEP 8 Close

The actual, legal transfer of ownership is called the closing or settlement. Possession is usually transferred at closing too. In some scenarios, the seller may request to close the sale but retain possession of the home and pay rent to the buyer until vacating the property.

Though a few states do not require face-to-face closing meetings, they are common in most states. Who attends the closing can vary, and your ABR® can provide details for your situation.

Participants in the closing usually include:

- You, the buyer.
- The seller.
- The closing agent, the title insurance representative, and the escrow agent. (One person may fill all these roles, coordinating and recording the exchange of the documents and money, disbursing funds, and handling the details of the closing.)
- The real estate agents.
- Attorneys for the buyer and seller.

During the meeting, you'll sign many documents, including:

- A settlement statement—a kind of balance sheet of all the funds changing hands between the parties.
- The mortgage papers, detailing your obligation to the lender.
- Any additional documents required in your state.

You will need to provide your payment of closing costs, proof of insurance, and approval of the inspections.

Possession is usually transferred after all documentation has been signed and all monies paid. You then receive the keys to your home.

Note: Make sure you keep all your closing documents in a safe place. Some of the expenses associated with your home purchase may be tax deductible. But you'll need to share these important papers with your tax preparer to confirm details.

STEP 9 Move

After the contract has been signed and before the closing date is set, begin planning for moving day.

Costs

First-time and even repeat buyers can be surprised by the variety of expenses associated with moving, from packing materials and utility connections to insurance for your valuables and the actual cost of the movers, or truck rental. You can reduce many of the surprises and hassles of moving by investigating moving companies, estimating moving costs, and making a moving checklist early in the process.

When selecting a moving company, ask friends and family for recommendations. Call at least two companies for estimates, which should be cost- and obligation-free. You should expect professional movers to discuss your move in detail and provide recent references, including from the Better Business Bureau, especially if you didn't find the mover through a personal recommendation.

Insurance

Before selecting your mover, confirm that the company is insured and provides coverage for your belongings. Three of the most common forms of insurance coverage are basic liability, declared value protection or actual cash value, and replacement value.

You may need to buy more or specialized coverage for certain items such as antiques, musical instruments, and works of fine art. Contact your homeowners insurance company to see if your policy also covers moving.

Income tax

If your move is job related, many of your moving expenses may qualify as income tax deductions. Be sure to save receipts and consult a tax professional for details.

Packing

Over time, many of us accumulate many things. So, you might begin with a general assessment of your possessions, disposing of clothes, furniture, and other things that you no longer want or need. Simply put, the less you move, the less it costs. To reduce some of the costs of moving, consider holding a garage sale or donating items to charity.

Instead of paying the mover to pack your belongings, you can save money by doing some or all of the packing yourself. You can purchase boxes and other packing materials at any moving and storage company. Some important packing tips:

- **Begin packing as early as possible.**
- **When packing, go room by room.**
- **Make a list of what's in each box.**
- **Label all boxes by room so the movers know where to put them.**
- **Cushion the bottom and sides of boxes first.**
- **Pack heavy items in smaller boxes, light items in larger boxes.**
- **Packed boxes should not exceed 30 pounds.**
- **If moving your washer and dryer, fill them with clothes, linens, and other light items.**
- **Wrap and secure cords to electrical appliances.**
- **Use rope or elastic to secure furniture doors and drawers instead of tape, which can cause damage.**
- **If you have children, include them in the moving process by letting them help you pack their toys.**

Never pack

- Combustibles
- Flammables
- Corrosive liquids (read label of household cleaners)
- Jewelry
- Important papers
- Prescription medicine

Consider keeping moving day essentials in a separate box, including:

- Basic toolkit
- Extension cords
- Pail and rags
- Kitchen basics such as disposable plates, cups, and spoons
- Paper towels
- Toilet paper

You may also want to pack a couple of suitcases with a few days of clothes and other personal items that you'll need as soon as you arrive at your new home— before the movers arrive with all of your belongings.

Moving checklist

This list contains most of the big tasks you'll need to do (and some you may not) and suggested timeframes.

8 Weeks Before Your Move Date	
☐	Start a file of moving-related papers and receipts.
☐	Call moving companies for estimates.
☐	Start compiling an inventory of your possessions.
☐	Remove and dispose of unnecessary possessions.
☐	Get a floor plan (with room dimensions) of your new home to help you decide which furnishings you want to keep and which room they will go in.
☐	Locate schools, health care professionals, and hospitals in your new location.
☐	Arrange to transfer your children's school records and family medical records.
6 Weeks Before Your Move Date	
☐	Choose a mover and sign the contract.
☐	Contact your homeowners insurance agent about coverage for moving and secure more, if necessary.
☐	Contact insurance companies (auto, homeowners, medical, and life) to arrange for coverage in your new home.
☐	Secure off-site storage, if needed.
4 Weeks Before Your Move Date	
☐	Create a file of important papers, such as auto license, registration documents, and title; any medical, dental, and school records; birth certificates; wills, deeds, stock certificates, and other financial documents.
☐	Notify the following of your change of address: post office, banks, credit card companies, relatives and friends, insurance agent, lawyer, tax/financial advisor, and magazine subscriptions.
☐	Notify utility companies of the date to discontinue/transfer service and/or establish service at your new home. Also arrange for final readings and bills, including refunds on prepaid services. Utilities include electric, heating oil, internet service, natural gas, telephone, television, trash collection, and water.
☐	Notify your state's department of motor vehicles of your new address.
☐	If moving from an apartment, arrange for refund of your security deposit.
☐	Discontinue additional home services (housekeeper, gardener/lawn service, snow removal, and pool cleaner), if applicable.
☐	Start using up things you can't move, such as perishables.

3 Weeks Before Your Move Date	
☐	Make travel plans, if necessary.
☐	Arrange for child care on moving day, if needed.
☐	Make arrangements with the condo or homeowners association to reserve elevator usage time if moving into or out of a high-rise building.
☐	Arrange to close existing bank accounts and open accounts in new area.
2 Weeks Before Your Move Date	
☐	Arrange transportation for pets and plants.
☐	Contact your moving company and review final arrangements for your move.
1 Week Before Your Move Date	
☐	Pack moving-essential boxes—important documents, travel clothes, personal items, and prescription medications.
2–3 Days Before Your Move Date	
☐	Confirm all final arrangements with your mover and other service providers.

STEP 10 Celebrate

Congratulations!

You've worked hard to achieve the dream of homeownership. The Center for REALTOR® Development and the National Association of REALTORS® wish you many years of happiness in your new home.

Glossary

Accredited Buyer's Representative (ABR®)

A designation awarded only to REALTORS® who have met educational and experience requirements demonstrating skills and knowledge in representing homebuyers. Awarded by the Center for REALTOR® Development.

Adjustable-Rate Mortgage (ARM)

A mortgage with an interest rate that changes, based on a specific index, after a predetermined number of years.

Agency/Agent

Any relationship in which one party (agent) acts for or represents another (client) under the authority of the latter.

Amortization schedule

A timetable showing the amount of each mortgage payment applied to interest and principal, and the remaining balance after payment is made.

Annual Percentage Rate (APR)

The cost of a mortgage stated as a yearly rate; includes such items as interest, mortgage amount, and loan origination fee (points).

Appraisal

A qualified appraiser's written analysis of the estimated value of a property.

Basis

The original price paid for an asset such as real estate used to determine capital gains or losses at the time of sale.

Biweekly payment mortgage

A mortgage requiring payments every two weeks instead of the typical monthly payment. The benefit for the borrower is a substantial savings in interest over the life of the loan.

Broker

A person who, for compensation, brings parties together and assists in negotiating contracts between them.

Capital gains

The profit obtained from the sale of an asset, such as real estate.

Closing

A meeting at which a sale of a property is finalized.

Closing costs

Expenses incidental to a sale of real estate, such as loan fees, title fees, appraisal fees, and so forth.

Closing Disclosure
A federally required disclosure detailing all mortgage terms and conditions, including annual percentage rate and other charges. Lenders must supply this form to borrowers three days prior to closing.

Collateral
An asset (such as a car or a home) that guarantees the repayment of a loan.

Compensation
The fee charged by a broker for providing services related to a real estate transaction, such as marketing the property (for the seller), finding a property (for the buyer), and negotiating a purchase contract.

Deed
The legal document conveying title to a property.

Earnest money
A deposit made by potential buyers to demonstrate their good faith interest in purchasing a property.

Equity
The difference between the current market value of a property and the amount owed on the mortgage(s).

Escrow account
Escrow accounts are funds that a lender collects to pay yearly property taxes, homeowners insurance policy premiums, and, if applicable, monthly mortgage insurance premiums.

Fair Credit Reporting Act
A federal consumer protection law that regulates the disclosure of consumer reports by consumer/credit reporting agencies and establishes procedures for correcting credit record mistakes.

Good faith estimate
An estimate of closing costs associated with the purchase of your home.

Home inspection
A thorough examination that evaluates the structural and mechanical condition of a property.

Home warranty
A policy providing service, repair, or replacement on major mechanical systems and appliances; coverage is for a specific period of time.

Glossary

Lien
A legal claim against a property that must be paid before the property can be sold.

Loan Estimate
A disclosure form that makes it easier to shop around and compare mortgages from multiple lenders.

Lock-in
A lender's written guarantee of a specified interest rate if a mortgage is closed within a set period of time.

Loan-to-Value (LTV)
The ratio of the amount of a mortgage loan to the appraised value or sales price of the property mortgaged, whichever is lower.

Mortgage
A loan secured by real estate. A mortgage is used by a borrower to pledge real property to the lender as security for a loan.

Mortgage insurance
A contract that insures the lender against loss caused by a borrower's default on a mortgage.

Net worth
The value of all of a person's assets, including cash, minus all debts and liabilities.

PITI
Principal, Interest, Taxes, and Insurance: four components of a monthly payment on mortgage loans.

PMI
Private Mortgage Insurance is coverage provided by a private mortgage insurance company to protect lenders against loss if a borrower defaults.

Points
Loan origination fees. A point is one percent of the amount of the mortgage.

Prime rate
The interest rate that banks charge to their preferred customers.

Principal
The amount borrowed or unpaid balance on a mortgage loan.

Real estate agent
A person licensed to negotiate and transact the sale or purchase of real estate on behalf of the property owner or buyer.

REALTOR®

The registered collective membership mark that identifies real estate professionals who are members of the National Association of REALTORS® and subscribe to its strict Code of Ethics.

Sales contract

Also known as a purchase agreement, the legal document that details the price and terms of the property sale agreed to by the seller and a buyer.

Settlement statement

A document prepared by an attorney, a broker, escrow company, or lender detailing the complete costs and disbursements in a real estate transaction.

Survey

A drawing or map showing the precise legal boundaries of a property, the precise location of improvements, easements, rights of way, encroachments, and other physical features.

Title search

A check of public records to ensure that the seller is the legal owner of the property being sold and that there are no liens or other claims against the property.

Underwriting

The lender's process of evaluating a loan application to determine the risk of providing the applicant the requested funds.

Walk-through

A final inspection of a home before closing to verify that the condition of the property and contents are as contracted.

Center for REALTOR® Development
430 North Michigan Avenue
Chicago, IL 60611

(800) 648-6224
ABR@nar.realtor

NATIONAL ASSOCIATION OF REALTORS®

ABR