



Home Buyer Handbook

Brought to you by:

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First 3 Steps To Home Ownership

Check your credit

- www.annualcreditreport.com
- 600 or above
- 2+ years credit history

Check your savings/income

- Down payment = 3% - 20% of price
- Closing costs = 2% - 4% of price on average
- Monthly income = 43% - 46% of monthly mortgage (PITI)
- 2+ years income needed if currently self-employed

Meet with a lender

- No cost or commitment
- Offer many services in addition to loans, such as credit counseling, financial goal-setting, etc.
- Only way to know what you can afford/what you need to save before looking

Total timeline from beginning of search to closing = 2 - 4 months

The Homebuying Timeline

Everyone's timeline will be slightly different, but below is an example of a typical transaction.

6 Months Out

- Make sure your credit score and savings are in good standing
- Start looking for a lender and a real estate agent – Ask friends & family for recommendations; Interview a few if you don't have one in mind
- Start considering where you want to live, how much you'd like to pay per month, what type of home you'd like, and any other requirements important to you
- Start going to open houses in the area to get a sense of what is on the market

3 Months Out

- Meet with a lender – Discuss the loan process and programs; Get pre-approved for a loan amount
- Meet with a real estate agent – Discuss your wants and needs in a home; Discuss the current market; Schedule a time to look at homes; Sign the buyer agreement
- Start your search!

Note: If you have a house you must sell in order to buy, now is the time to put it on the market. You'll want your current house to be under contract before putting an offer on a new house.

1-2 Months Out

- Decide on a home and submit an offer. Your agent will negotiate the terms on your behalf, which usually takes a few days. Once the offer has been accepted, you are officially under contract (also referred to as “ratified”).

Once Under Contract

- Attend the home inspection (your real estate agent will schedule this)
- Contact your lender to discuss the next steps of the loan
- Get homeowners insurance
- Schedule movers
- Schedule time off work on the closing date

1 Week Out

- Prepare to wire funds (down payment & closings costs) to the title company
- Set up utilities at the new house
- Perform the walk through with your real estate agent

Day of

- Close on your home! (typically done at the title company's office)

Cracking the Credit Score Code

How Do I Learn My Credit Score?

Visit www.annualcreditreport.com to get your free report. From there you can request your score from each of the three credit bureaus (Equifax, Transunion, Experian). The average of the three scores is considered your overall score. Keep in mind that this score will be in the ballpark but not exactly the same as your FICO score, which is what lenders look at. You can obtain your FICO score at www.myfico.com, but it costs \$15/month.

What Goes into My Credit Score?

- Payment History (35%) – Number of late and outstanding payments, how long the payment has been late or outstanding, bankruptcies (less is better)
- Amounts Owed (30%) – Number of accounts with money owed, how much you owe, ratio of money owed to credit available (lower is better)
- Length of Credit History (15%) – How long you've had a credit card, car loan, student loan, etc. (longer is better)
- Types of Credit (10%) – How many lines of credit you have (more is better)
- New Credit (10%) – Number of recent accounts opened (less is better)

How Does My Score Affect Getting a Loan?

Credit scores range from 300-850. In order to be considered for a loan, you must have a score of no lower than 620 with a credit history of no less than 2 years. The higher your credit score, the lower your interest rate, and therefore the lower your monthly mortgage payments. A higher credit score may also allow you to put down less money up front as a down payment. Keep in mind that when applying for a loan using two incomes, both individuals' credit scores will be looked at and the lower of the two average scores will be used.

How Can I Improve or Maintain My Score?

- **Do** get a credit card if you don't already have one
- **Do** monitor your credit often (www.creditkarma.com is a great tool for this)
- **Do** dispute any discrepancies or errors on your report with the credit bureau(s)
- **Do** pay all your bills on time
- **Do** request credit line increases as often as possible
- **Do** maintain a low balance
- **Do** keep all accounts open, even old ones you no longer use (never cancel an old card!)
- **Do** be patient – it can take months and even years to improve your credit, but it is well worth it!

Squaring Away Your Savings

While you can finance most of the cost of a home with your loan, there are still items that require you to have cash on hand at the time of closing.

Down Payment

Depending on your credit score and the loan program you choose, your minimum down payment will be anywhere from 3% to 20% of the purchase price. So if you are planning to purchase a \$300,000 home, your down payment will be anywhere from **\$9,000 to \$60,000** — a very broad range! This is why meeting with a lender well beforehand is important, because they will help you determine what your down payment should be and whether you'll need to continue saving.

Closing Costs

Closing costs can sometimes be paid by the lender or the seller (if they agree to it), but you should be prepared to pay the full amount just in case. Closing costs include lender fees, title insurance, recordation charges, and more. For a \$300,000 home, you should plan to pay an average of around **\$6,000-\$8,000**. Your lender will provide you with a Good Faith Estimate and a draft HUD-1 statement that detail the closing costs.

Post Move-In Items

Want to make minor updates as soon as you move in? Need to buy new furniture? What if the washer/dryer breaks in the first month? Make sure you have a small cushion built in for unforeseen items or things you may have forgotten about during the excitement of the purchase itself!

Getting Informed about Income

How much house can you afford? Your income is of course the main factor in affordability, but figuring out exactly what that means can seem tricky.

In reality, it comes down to one number - **43%**. This is the debt-to-income ratio limit that lenders look at to ensure you will be able to repay your loan. In other words, all of your monthly payments (mortgage, HOA, car, student loans, credit cards) should not exceed 43% of your monthly income (before taxes).

Let's assume you make \$60,000/year.

Your gross monthly income before taxes is **\$5,000**.

\$2,150 (43%) can go towards all your debts.

Now assume you have a \$300 car payment and a \$25 minimum credit card payment each month.

\$1,825 is the remaining amount that can be used towards your mortgage, insurance and HOA expenses.

Assuming \$300/month in HOA dues, the current 4% interest rate, and a 20% down payment, **you can afford a \$300,000 home on a \$60,000 salary** in this scenario.

A smaller down payment or higher interest rate will lower the amount of home you can afford, but good credit and certain loan programs can allow you to go above the 43% debt-to-income ratio, increasing the amount you can afford.

Meeting with a Lender: Myth vs. Reality

Meeting with a lender can seem intimidating, as you are about to share private financial details with a practical stranger. Below are some of the most common concerns addressed:

Concern #1: I'm not ready to buy a house just yet, so a lender won't want to meet with me.

Reality #1: Lenders do much more than just issue loans. They offer services for credit counseling, savings plans and more. Buying a home involves many more financial aspects than just the loan itself, and a lender's true purpose is to guide you through all of those aspects.

Concern #2: I will have to provide all of my financial information and/or apply for a loan that day.

Reality #2: As mentioned above, lenders provide many other services other than loans and therefore do not expect you to apply for a loan simply because you are scheduling a meeting. Once you are ready to move forward with the loan process, you won't be expected to provide anything more than your salary, assets and credit score until you have a contract on a home.

Concern #3: Meeting with a lender will cost me money or require me to commit to them.

Reality #3: There is no cost or commitment associated with meeting a lender. In fact, you can (and should) meet with and even get pre-qualified with multiple lenders at no cost before selecting the one who you will work with.

Concern #4: The lender will judge me or be critical of how much money I make or my credit score.

Reality #4: Lenders work with all ranges of incomes and credit scores every day. They have seen it all and it is their job to help, not criticize. If you have taken care of the first three steps of confirming your credit, income and savings on your own, you will be in a better position than most by the time you meet with a lender.

Concern #5: The lender will tell me something worse that I was expecting.

Reality #5: As with Reality #4, if you have prepared on your own beforehand, you shouldn't receive any shocking news from the lender. If bad news does come out of the woodwork, meeting with a lender far enough in advance will give you time to work through the issue before it's time to purchase.

Concern #6: If my loan application is rejected, it will go on my credit report or I won't be able to apply for a loan again in time.

Reality #6: Your credit score is never affected by a rejected application. If your application is not approved for some reason, your lender will work with you to remedy the situation,

and you can re-apply for a loan as soon as you feel comfortable.

A typical preliminary meeting with a lender will involve discussing the different loan types available and discussing your finances in very general terms. If you choose to move forward with the loan process, your lender can provide you with a *pre-qualification* letter, which gives you a price range based on your verbal statement of income, assets and credit. Once you are ready to begin your home search, your lender will provide you with a *pre-approval letter*, which takes a closer look at your finances, credit score and current interest rate to give you a more specific price range for a specific loan program.

10 Steps of the Loan Process

Your lender will review the loan process with you in detail, but below is a snapshot of what you can expect:

1. Meet with a lender and get pre-qualified. Or, if you are ready to begin looking, skip to #2.
2. Select a specific loan program and get pre-approved. Make sure you receive a document that discloses all of the lender fees and charges you will pay at closing.
3. Provide your lender with all requested documents. It is important to complete this step quickly! Ask your lender for an application checklist at your initial meeting to prepare.
4. Find a home within your pre-approval parameters and submit an offer.
5. Once your offer has been accepted, send your lender copy of the contract and discuss when to lock in your interest rate. "Locking in" secures your loan choice and interest rate.
6. Lender will order an appraisal of the home.
7. Lender will send the loan documents to be underwritten. This is the final review step.
8. The *financing contingency* will expire after the number of days specified in the contract (usually 30-45). At this time, your loan should be underwritten and approved, and your lender will provide you with a commitment letter stating the funds will be available at closing. You will also need to secure *homeowners insurance* at this time (this can be bundled through the same company that provides your car insurance).
9. Lender will send the loan documents to the title company a few days before closing. You should receive your *closing disclosure* and instructions on the amount of money to bring to closing at this time.
10. You will sign the loan documents at closing, and the prorated mortgage amount between the date of closing and the 1st of following month will be paid at closing. For example, if your closing is March 12, you will pay for March 12-April 1 at closing. Your next full payment will then be due May 1. This is because mortgage is paid *in arrears*, meaning what you pay on the 1st of each month applies to the previous month.

Note: *During the loan process, it is very important to keep your finances in check. Don't make any big or purchases (furniture, cars), open new credit cards, or change jobs. If you are accepting gift money from a family member, make sure it is in your bank account 1-2 months before you even apply for a loan.*

Your Real Estate Agent's Role

What should I look for when selecting an agent?

Someone who is trustworthy, knowledgeable and confident. Your agent will be facilitating the biggest purchase you've made to date and you will be spending a lot of time with them. Is the agent comfortable talking about the buying process the local market? Do they listen and let you ask questions, and are they able to answer them? Sometimes, it just comes down to a "feeling" as to whether or not you have a good rapport and will be able to communicate with them.

What happens when I meet with you?

Typically, we will meet in my office to discuss your scenario. I will ask if you have met with a lender, your price range, your timeline for moving, your desired area, your must-haves and deal breakers in a home, etc. I will go over what the housing market looks like in your desired area, and may show you some listings online. I will also set you up with an email alert based on your search criteria that sends you new listings each day. We will probably set a time to go look at homes as well. If you eventually decide to move forward with me, you will sign the buyer-broker agreement, which allows me to represent you in the transaction.

Why do I have to sign an agreement with you?

The buyer-broker agreement allows me to represent you and your interests. The listing agent must have a signed agreement with the seller in order to list the home, so if the buyer doesn't sign an agreement with their agent, then the only party who is legally represented is the seller, which puts the buyer at an obvious disadvantage.

If I decide I no longer want to work with you, what do I do?

Hopefully this never happens! If it does, all you need to do is submit something in writing (an email is fine) and the agreement is terminated.

What do you do for me?

When searching for homes, I educate you on the local market, research comparable properties, and point out things you may need to know in the community or in the home. When submitting an offer, I analyze current prices, advise you on how to structure your offer, review the contract with you, and negotiate on your behalf. Once under contract, I arrange and attend the home inspection, negotiate home inspection items on your behalf, communicate with the lender and title company, monitor contingency deadlines, make sure all the documents are in place for closing, review the HUD-1 statement, do your final walk through, and schedule and attend closing. After closing, I am still on call for anything you may need!

How and when do you get paid?

The seller pays the commission fee to the listing broker. The listing broker then pays the agreed upon percentage to my broker. This does not happen until the home closes and the funds are disbursed.

Do you see my financial information?

All I need to see is the pre-approval letter from your lender, which just states the amount you have been pre-approved for and the percentage you plan to put down.

How much notice do I need to give you to see a house?

24-hours notice is the most courteous and helpful and some houses require that much time. In a crunch, a few hours notice is usually fine.

How many houses can we see at once?

I typically recommend seeing no more than 4-6 homes at the same time. After that, you get tired and they all start to blur together. You want to be able to distinctly remember something about each home which is harder to do the more you see.

What times and days of the week can we look at houses?

Any day! Typically, 10am-6pm are standard showing times.

Do I schedule the showings?

No, you will let me know which homes you would like to see and I schedule the appointments with the other agent.

If I have a question about a house, do I call you or the other agent?

Give me a call. I am your go-to for any and all questions!

Tips for Searching

What do you do if you're not finding the house of your dreams?

First, remind yourself that there is no such thing as The Perfect House. Unless you have the financial ability to custom build your home from the ground up in the exact spot you want to be, you're going to have to make some concessions. (Examples: Look just outside of your desired area, or in cities that are similar but farther out. Forgo the guest bedroom or office. Consider making updates later).

Second, make a list of everything you want in your dream home. Then, narrow it down to those items you absolutely could not live without. Next, prioritize those items in order of importance. As a general rule, if the home checks your top 3-5 boxes, it should be a strong contender.

Third, consider things you can't change. Namely, location. This doesn't mean you shouldn't explore other locations to see if they might also have what you're looking for. But if you have looked elsewhere and your heart is set on one area, stick to that, just be realistic.

Ultimately, it comes down to location vs. amenities as it relates to price. Which is more important to you? With a \$500,000 budget, would you rather be in a 2BR condo in Arlington or a 3BR single family in Ashburn? Every person's needs are different, and there will always be somewhere else that you can get "more for your money." Figuring out where your happy medium lies will make your home search easier.

Helpful Resources When Searching

Realtors® cannot legally disclose certain information under the Fair Housing Act. This includes information related to the demographics, crime rates, and quality of schools in any neighborhood. Below are some helpful links that will allow you to research these topics and select the best area for your needs.

- Loudoun County Government – www.loudoun.gov<http://www.loudoun.gov/>
- Fairfax County Government – www.fairfaxcounty.gov<http://www.fairfaxcounty.gov/>
- Arlington County Government – www.arlingtonva.us<http://www.arlingtonva.us/>
- Loudoun County Public Schools – www.loudoun.k12.va.us<http://www.loudoun.k12.va.us/site/default.aspx?PageID=1>
- Fairfax County Public Schools – www.fcps.edu<http://www.fcps.edu/>
- Arlington County Public Schools – www.apsva.us<http://www.apsva.us/>
- Loudoun County Police – www.sheriff.loudoun.gov<http://www.sheriff.loudoun.gov/>
- Fairfax County Police – www.fairfaxcounty.gov/police<http://www.fairfaxcounty.gov/sheriff>
- Arlington County Police – www.arlingtonva.us/Departments/Police/PoliceMain.aspx<http://www.arlingtonva.us/Departments/Police/PoliceMain.aspx>
- U.S. Census – <http://factfinder2.census.gov/faces/nav/jsf/pages/index.xhtml>
- Environmental Protection Agency - www.epa.gov
- Great Schools – www.greatschools.org<http://www.greatschools.com/>
- Neighborhood Scout - www.neighborhoodscout.com<http://www.neighborhoodscout.com/>
- City Data - www.city-data.com<http://www.city-data.com/>
- Street Advisor - www.streetadvisor.com<http://www.streetadvisor.com/>
- Spot Crime - www.spotcrime.com<http://www.crimereports.com/>
- Family Watchdog - www.familywatchdog.us<http://www.familywatchdog.us/>

Tips for Negotiating Your Offer

Once you have found a home you like, it's time to make an offer! This step involves writing a contract with your agent based on the current market conditions, and it may involve some counter-offering if the seller doesn't agree to all of the initial terms. Every situation is different and only your agent can advise you on the best way to write and negotiate your specific contract. However, there are a few key points that are helpful to remember in any transaction.

Both parties (buyer and seller) are working towards the same end goal.

Everyone wants to complete the sale! It's often helpful to step back and remember the bigger picture when you are caught up in the nitty gritty details of a contract. If you really want the house, is it worth going back and forth over relatively minor details?

Negotiating the offer is not the only time you may have to negotiate during the contract period.

Be careful not to start off on the wrong foot and set the tone for a tense transaction. The home inspection and appraisal are two other important areas where you may need to ask for concessions from the seller. If the seller feels they were slighted on the initial offer, how willing do you think they will be to negotiate on other items down the road?

If you can't wiggle on price, consider making other terms more desirable to the seller.

Many other components make up the contract besides price. Below are a few things your agent may suggest modifying if necessary:

- Offering a high earnest money deposit
- Flexibility on settlement date
- Flexibility on title company
- Shortening the contingency timeframes
- Conducting the home inspection for information only
- Offering sellers the option to rentback

If you love the house or it's a competitive market, put your best foot – and offer – forward.

Unless the house is truly priced too high, don't waste time coming in with a low initial offer in the hopes of getting a bargain. Ask yourself, "How would I feel if I didn't get this house?" Let your answer drive how you structure your offer.

What To Expect When You Are Under Contract

Once your offer on a home is accepted, the adventure has just begun! Below are the important milestones to expect during the contract-to-closing period:

- Your lender will be in touch to request a number of financial documents. It is imperative to your contract that you are responsive on this!
- Your earnest money deposit check will be deposited into an escrow account and held until settlement, at which time it will go towards your total down payment.
- Homeowners association documents are delivered to you. Review these documents carefully. You have 3 days from the time of receipt to walk away from the contract per the Residential Property Disclosure Act.
- If there is a home inspection contingency, a home inspection is scheduled. This can take anywhere from 2-4 hours and can cost anywhere from \$300-1,000 depending on the size of the home. Payment for this is typically expected at the time of the inspection.
- If there is a radon contingency, a radon test will be done at the home inspection.
- The home inspection items are reviewed and submitted to the seller. These items are negotiated and agreed upon by both parties.
- You will need to arrange for homeowners insurance and make sure your lender receives a copy of the policy.
- A termite inspection is performed. If termites or pests are found, the sellers may be responsible for treatment.
- An appraisal will be performed sometime after the home inspection. If the appraisal comes in at or above the contract price you may move forward. If it comes in below the contract price, you may be responsible for making up the difference in order to move forward, or you can choose to void the contract if within the contingency period.
- If there is a financing contingency, your lender will work with you to get your financing approved and the contingency removed. Once the last contingency is removed (usually within 21 days of contract ratification), you are clear to close!
- Remember to set up utilities to begin *on* the day of closing.
- A closing disclosure will be sent to you a few days before closing. This itemizes what

you can expect to pay at closing. Common closing costs include:

- Origination fees (determined by lender)
 - Transfer taxes (~\$2,000-\$4,000)
 - Title insurance (~\$2,000-\$3,000)
 - Homeowners insurance (~\$800)
 - Home warranty (~\$400-\$500)
 - Appraisal fee (~\$150-\$500)
 - Recordation fee (~\$100)
 - HOA transfer fee (~\$50-\$250)
 - Termite inspection (\$35)
 - Credit report (~\$20)
 - Flood insurance (~\$20)
 - Prepaid property taxes or HOA dues (prorated)
-
- Remember to wire adequate funds to the title company at least 1-2 business days before closing. **Note: Due to risk of fraud, confirm wire instructions with the title company by phone, even if instructions are received via email.*
 - A settlement time and walk-through time will be scheduled.
 - The walk-through will be performed the day before or day of settlement. You will want to be sure you know how everything in the home works, that all home inspection items were completed, and that the home is in substantially the same condition as it was at the home inspection.
 - Settlement is typically held at the title company listed in the contract. Please bring a photo ID and a checkbook.
 - You will need to select a title insurance policy at settlement. The title company will typically select the highest coverage for you by default which is strongly recommended, but you have the option to select a lower coverage.
 - You can expect confirmation of the deed recordation within 1-2 business days of settlement.
 - If there is a post-occupancy agreement, another walk-through will be performed after the seller vacates.

Home Inspection: Setting Expectations

The home inspection is a great time to get to know the inner-workings of the house and make sure there are no safety or material defects present. Your agent will attend, but the home inspector will take the lead as you go through the home. He or she will check everything from the microwave to the HVAC unit, which will take anywhere from 1-3 hours depending on home size. You may ask any questions you have as you follow them through. They will also provide you with tips on basic home maintenance. Keep in mind that unless it is new construction, you are not purchasing a brand new home. Every home has been lived in, so every home will have at least some wear and tear. The inspector's job is to take an overall look at the home, check everywhere that is accessible to them, and provide you with the facts on what they find. It is not their job to take apart the home (go behind walls, under floors, etc.), predict future maintenance items, or tell you what you should ask the sellers to repair.

The inspector will then prepare a multi-page report listing everything he or she noted. Typically they will triage these items into "FYI," "may need to think about down the road," and "important/may need to consider now" categories. Your agent will review the report with you, and will likely recommend that you only ask from the "important" category. As a general rule of thumb, consider items in this order of importance: Safety, Structural, Water, Electrical. Of course, there are many variations within each of these categories. A leaky faucet is much less concerning than a fresh water stain on the ceiling. Cosmetic items like chipped paint, worn carpet, etc. should not be asked for.

When negotiating the items, asking for things that you truly cannot do yourself is a reasonable part of the process. However, keep in mind that the sellers are not likely to agree to do everything on your list, especially if the list is long. So make sure the items you ask for are items that are important to you. If it doesn't affect the immediate function and livability of the home, consider if it is worth listing. Another option is to ask for a monetary credit instead of specific items. This approach allows you be in control of who you use, and how and when the work is done, rather than leaving it in the seller's hands. Chances are you will already be planning to do some work on the home anyways, and can coordinate your repairs at the same time.

What to Expect on Closing Day

What and when is the walk-through?

The walk-through is done right before or the day before closing. The purpose is to make sure everything at the house is in the same condition it was when you did your home inspection, and to make sure that any repairs were completed. You will want to go through and turn on all the lights, run all the faucets, and check to be sure everything is in working order.

Where is closing held?

It is typically held at the title company's office (also called the settlement company).

What should I bring?

A photo ID (drivers license or passport) and a checkbook.

How long does it take?

It typically takes an hour total – 15 minutes for the seller side and 45 min to an hour for the buyer side.

Who will be there?

In Virginia, it is standard for both the buyers and sellers, along with their agents, to be present at settlement, but a split settlement can be arranged if both parties cannot attend at the same time. Sometimes your lender may attend, and the title company's settlement attorney or representative will always be present and will lead the proceedings.

Can I sign for my spouse who will be out of town on the day of closing?

Unless you have a Power of Attorney that has been prepared or approved by the title company, everyone who's name will be on the loan and/or the deed must be present at closing. Check with your agent or title company about obtaining a Power of Attorney.

What am I signing?

The amount of documents you have to sign may seem overwhelming. Below is a quick overview of what you will see:

- Lender docs – These are all of the documents that make up your loan, most importantly the Deed of Trust, which is the bank's security that you will repay your loan in exchange for equitable title of the property
- ID affidavit – States you are who you say you are
- Title insurance – Lender coverage is required, buyer coverage is strongly recommended. A one-time charge that permanently protects you from any title claims on the property. Ask your agent or title company to provide you with specific examples of why it is so important!
- Property survey – Acknowledgement of receipt

- Closing disclosure – Acknowledgement of receipt and acceptance
- Termite report – Acknowledgement of receipt and acceptance
- HOA rider – If property is in a homeowners association
- Limited Power of Attorney – Grants the title company the ability to make any necessary clerical changes after documents have been signed
- The seller will sign the property deed, granting the property to the new owner

Will I get the keys to the home at settlement? Yes! Unless you have agreed to a rentback, the sellers should bring all keys, garage door openers, etc. to settlement.

Costs and Benefits of Homeownership

The sales price isn't the only cost you will encounter during your purchase transaction, and homeownership costs don't end at the settlement table. On the other hand, there are some incredible tax benefits and financial as well as emotional upsides to owning a home.

COSTS

- **Home Inspection** - Depends on the size of the home, anywhere from \$300-\$1,000.
- **Termite Inspection** – Can be paid by either the buyer or seller, usually around \$50.
- **Appraisal** – Also can depend on the size of the home, averaging \$200-\$400.
- **Down payment** – Anywhere from 3-20% of the sales price.
- **Closing costs** – Around 2-4% of the sales price.
- **Movers** – Assuming you hire professional movers & move nearby from a 1-bedroom condo, expect to pay around \$1,500 (not including tip).
- **Mortgage** – Each monthly payment is made up of 4 parts – Principle, Interest, Taxes, Insurance (PITI). Principle goes towards paying down the actual loan amount. Interest is similar to how you pay interest on a credit card and determined by the rate you locked with your lender. Taxes are your property taxes. Insurance is homeowners insurance, and mortgage insurance if applicable.
- **HOA/Condo Fees** – Varies by neighborhood. HOA fees can range from around \$70-\$200/month. Condo fees can range from around \$100-\$500/month or more – something to carefully consider if looking at condos!
- **Furnishings** – Don't forget you need a couch to put in that nice new house!
- **Utilities** – In a 3-bedroom townhouse, expect to pay somewhere in the ballpark of \$300-\$400/month.
- **Maintenance** – Yard work, changing filters, replacing appliances, etc.

BENEFITS

- **Tax benefits** – You know all that interest and taxes you pay each month on your mortgage? You get to write it off. This can amount to nice returns.
- **Appreciation** – In a healthy market in this area, homes appreciate by roughly 5% per year. So if you own a \$400,000 home for 5 years, you could make up to \$100,000 simply by owning.
- **Investment** – Along the lines of appreciation, your money is now going towards earning equity in your home rather than towards rent that you will never get back.
- **Borrowing Power** – You can open up a line of credit with the equity you build in your home.
- **Move-up Potential** – The equity you build can also be used towards the purchase of another home, which makes it easier to move up to a larger property.
- **Sense of Confidence and Community** – The positive emotional impact of owning a home is unmatched to any other form of housing lifestyle.

Buyer FAQs

What do I need to do before I can start looking for a house?

1. Make sure your credit score is sufficient
2. Make sure you have enough saved
3. Have an idea of where and when you want to move
4. Meet with a lender and get pre-approved for a loan amount
5. Meet with and select a real estate agent

How much do I need to have saved before I start looking?

The lowest possible down payment is 3% of the sales price, and the average closing costs are another 2-3%. While closing costs can be paid for by the seller if they agree to it, neither down payment nor closing costs can be financed through your loan, so they must be paid in cash at the time of settlement.

What other costs are involved in buying a house?

You'll need to consider things like closing costs, home inspection fee, appraisal fee and HOA dues. Please see the enclosed handout for more details.

How long does the process take?

Allow at least 2 months - 1 month to search, submit an offer and have it accepted, and 1 month to close. An average timeframe is 2-3 months, from the time you are pre-approved with a lender and start looking with an agent, to the time you close and move in to the home.

When should I talk to a lender? An agent?

Lenders and agents are always willing to sit down and go over the process with you. Once you are ready to start the search process, 3-4 months before your target move date is a good time to talk to and select a lender and agent.

What should I look for when selecting an agent?

Someone who is trustworthy, knowledgeable and confident. They will be facilitating the biggest purchase you've made to date and you will be spending a lot of time with them. Are they comfortable talking about the buying process the local market? Do they listen and let you ask questions, and are they able to answer them? Sometimes, it just comes down to a "feeling" as to whether or not you have a good rapport and will be able to communicate with them.

What happens when I meet with an agent?

Typically, you will meet in the agent's office to discuss your scenario. The agent will ask if you have met with a lender, your price range, your timeline for moving, your desired area, your must-haves and deal breakers in a home, etc. The agent will tell you what the housing market looks like in your desired area, and may show you some listings online. The agent

will set you up with an email alert based on your search criteria that sends you new listings each day. You will probably set a time to go look at homes as well. If you eventually decide to move forward with the agent, you will sign the buyer-broker agreement, which allows the agent to represent you in the transaction.

Why do I need an agent if I have Zillow and Redfin?

The Internet is an excellent resource for finding a home. But most of the action happens once you have already found a house. An agent knows the ins and outs of negotiating a real estate contract. They also have the most accurate data to know how your offer should be structured. Public-facing websites like Zillow do not include all listings and are not updated as often. A contract has dozens of moving parts that require full-time professional attention. Discount agents do not typically provide this full-time service and attention.

Do I have to pay the agent's commission?

No, the seller pays commission to the listing broker, who then disburses payment to the buyer's broker.

Are there any first time homebuyer programs available?

Anyone who has not owned a home in the past 3 years can be considered a first time homebuyer. Each county has a first time homebuyer program, but there are maximum income limitations to qualify. In Fairfax County, you cannot earn more than \$52,450 for a one-person household or \$59,900 for a two-person household.

What is the difference between a short sale and a foreclosure?

A short sale property is still owned by the seller, but the bank is allowing them to sell their home for less than they owe on the mortgage. The seller can accept and negotiate an offer, but then must send it to the bank for approval, which can take some time. A foreclosure property is owned by the bank outright. In both scenarios, the home is sold as-is, meaning you likely won't be able to ask for home inspection items or work to be done.

What should I pay attention to when touring a home?

Take note of the neighborhood – do the neighbors maintain their homes? Picture how you live now – does the layout make sense for you? If you plan to live there more than 5 years, is there room to grow or ability to expand on the home? Look at the HVAC unit, water heater and roof if possible – do they look original or newer? Look for water stains, suspicious cracks or moldy odors.

What should I do if I can't find what I'm looking for in my price range?

Consider widening your search area, making updates on your own rather than looking for move-in-ready, or forgoing "extras" like an office space or guest room.

I've found the house and I want to make an offer. What do I do?

You and your agent will discuss your desired terms (offer price, down payment, settlement date, etc). Your agent will then draw up the contract and send it to you for your review and signature. Your agent will need your loan pre-approval letter and your earnest money deposit check to submit along with the offer. The offer is sent to the listing agent and you wait for a reply, usually within 24 hours. Negotiations may take place, and once both sides have agreed to all terms, you are officially under contract, or “ratified.”

Can I submit offers on multiple houses at the same time?

No. If each seller were to accept each offer simultaneously, you would be contractually bound to purchase each home!

What is negotiable?

The short answer is “everything, within reason.” You are always allowed ask the seller to do something, and they will either agree, disagree or compromise. The most commonly negotiated items are: sales price, settlement date, seller credits, contingency timeframes, conveyed items and home inspection items.

What are contingencies?

Contingencies protect the buyer in the contract. The most common contingencies are home inspection, appraisal and financing. The home inspection contingency allows you to inspect the home and ask for repairs. The appraisal contingency gives you options should the home appraise for less than your loan amount. The financing contingency protects you in case you cannot get final loan approval. Each contingency ultimately allows you to walk away from the contract with no penalty, within a certain period of time.

Should I get a home warranty?

If the appliances in the home are newer it is probably not necessary.

How is a home warranty different than homeowners insurance?

A home warranty covers things inside the home (i.e., refrigerator, hot water heater) and homeowners insurance covers things outside the home (i.e., if a tree fell on the roof).

What happens once I go under contract?

Within the first week of going under contract, you will need to contact your lender to discuss the next steps of the loan and attend the home inspection. Please see the enclosed handout for more details.

What happens at the home inspection?

Your agent will schedule a time with the inspector to meet at the house. The inspector will walk around both the outside and inside of the home. They will test all appliances, faucets, light fixtures – anything readily accessible. They will not look behind walls, under flooring or point out cosmetic items. You can follow them through the home and ask questions as

they go along. They will then prepare a report with their findings which you will use to decide if you will ask the seller to repair any items. The inspection takes anywhere from 1 -3 hours.

What happens at the walk through?

Your agent will meet you at the home a day before or the day of closing. You will go through the home and make sure any home inspection items were repaired. You will also check all faucets, lights, appliances, and make sure the home is in substantially the same condition as it was the day of the home inspection.

Does everyone have to be at closing or can I sign for my spouse/significant other?

Unless you have power of attorney and notify the title company ahead of time, all parties to the contract must be at closing to sign.

What happens at closing?

Your agent will meet you at the title company, where a settlement attorney will conduct the closing. Typically, the seller and their agent are present as well. The settlement attorney will review the HUD-1 statement and will then have you sign a number of documents, briefly summarizing each one before you sign. The entire process takes about an hour.

Common Real Estate Terms

As-Is – Indicates that you must assume ownership of the home in its current state, without asking for home inspection repairs or work to be done. Common with short sales and foreclosures.

Contingency – A part of the contract that protects the buyer. Common contingencies are home inspection, appraisal and financing. Ultimately allows the buyer to walk away from the contract at no penalty within a certain timeframe in certain situations.

Conveyances – Specific items in the home that will remain once the purchaser takes ownership. Common conveyance examples are appliances, window treatments and light fixtures.

Deed – The document serving as proof of ownership of a property.

EMD – Earnest money deposit. Usually equal to around 1-2% of the sales price, it is a check submitted with an offer. If the offer is accepted, the EMD is deposited in an escrow account and applied to your down payment at closing.

HOA – Homeowners association. The governing body of a community.

Post-occupancy – Also called a “rentback.” An arrangement when the seller needs to remain in the home for a short time (usually up to a month) after closing. They pay rent to the new owner at a rate equal to the new owner’s mortgage.

Ratified – The same thing as “under contract.” When both buyer and seller agree to all terms and sign all parts of the contract.

Settlement vs. Closing – These terms are used interchangeably but mean exactly the same thing. Settlement, or closing, is typically held at the title company’s office. A title company is also referred to as a settlement company.

Settlement Statement – Summarizes all the costs associated with the transaction. It spells out what both buyer and seller owe and/or will gain in proceeds.

Subsidy – Also referred to as a “closing cost credit” or “concessions.”

Title – A buyer’s legal interest in the ownership of a property.

About Palmer Harned

Palmer specializes in the Northern Virginia real estate market, where she has lived her entire life. She attended South Lakes High School and then Virginia Tech, where she minored in Real Estate in anticipation of making it her lifelong career. She enjoys working with first-time home sellers and buyers, but she has experience in everything from new construction to short sales. She believes in the full-service approach to every transaction, and she works with her clients every step of the way to ensure they fully understand the process and all of its moving parts. Palmer delivers the most up-to-date expertise and best-in-class service in a calm, no-nonsense manner. Her eye for detail and distinguished reputation result in stable and trustworthy guidance throughout the process. Her primary goal is to make each transaction as stress-free as possible. Palmer stays active in the community as a member of Preservation Virginia and the Virginia Tech Alumni Association. A portion of the proceeds from each of her transactions goes towards the Animal Welfare League of Arlington.

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