

BUYING A HOME? : What You Should Expect

STEP 1: Financing/Costs

- You must contact a lender(s) to get pre-approved before you start looking at houses
- You will need to bring the following items to your meeting with your lender:
 - Last 2 years tax returns
 - Last 3 months pay stubs
 - Official statements of all bank accounts, retirement accounts, investment accounts
 - Your Driver's License
 - Anything else the lender tells you to bring
- Expect to pay in closing costs about 3.5% of the sales price of the home you buy:
 - Example: A \$100,000 will require about \$3500 in closing costs
 - Occasionally, you can ask the seller to pay for closing costs; however, if you offer \$100,000 and ask the seller to pay \$3500 in closing costs, be aware that the seller is only going to make \$96,500 on the sale. Closing costs would be deducted from the total amount offered.--> ***In a multiple offer situation, this doesn't apply***
- Once you are pre-approved, have your lender email us a copy of the pre-approval letter rachel@rxrhometeam.com and tina@rxrhometeam.com
- If you decide to go with a different lender at ANY time during the process, you MUST tell us and get us a new pre-approval letter.
- Once you start the house buying process, do NOT open any new lines of credit (new car, DirectTV, credit card, anything that requires pulling your credit). This can negatively affect your credit score.
- Also, do NOT transfer/deposit/withdraw any large sums of money unless you keep accurate receipts/records. For example, if you sell your ATV for \$4000 and deposit it to your account, you will have to provide your lender with a detailed paper trail.

STEP 2: House Hunting

- We will set you up on an automatic search that fits your house hunting criteria. You will get daily updates with a link to view these homes.
- When you see a house you like, enter the address on Google Maps, and then go drive by it.
 - See if you like the neighborhood
 - Decide if the exterior is inviting enough for you to want to see the inside
- If you want to see inside the house, give me at least 6 hours notice to set up an appointment with the seller.
- Remember that there is NO PERFECT HOME. You might have to make some compromises.
- If, after seeing the inside of the home, you still like it...
 - be sure to drive by the house at various times of the day and the week. For example, drive by on a Friday or Saturday night. You might find your neighbors having a raucous party, which you may or may not like.
 - Knock on neighbors' doors to get a feel for the neighborhood

- Research the subdivision/area. City-data.com is a great source of information. **We cannot possibly know everything there is to know about the street/area/house. We will give you all the information we know, but it is ultimately up to you to do your due diligence and research the area.** Below are some examples of what you might want to investigate:
 - flood zone
 - school ratings/review
 - crime rate & type of crimes
 - local restaurants, vendors, etc...
 - future economic development—usually found on the city’s website
 - homeowner reviews of the area

STEP 3: Making an Offer

- Contact your lender to get an updated pre-approval letter. You will need to tell the lender the address of the property, square footage, HOA fees, & last year’s taxes and/or the tax rate..
- Send us the updated pre-approval letter.
- Look at the comps that we give you and decide on a price to offer (**multiple offer situations are very different**).
 - Closing date?
 - Do you want the seller to pay closing costs?
 - Names on the deed?
 - Title insurance?
 - Title company?
 - Amount of cash down?
 - Earnest money down?
 - Option money & period?
 - Home warranty?
 - 3rd party financing?
 - MUD?
 - HOA?
 - Septic system?
 - Energy audit?
 - Lead-based paint?
- We use contracts & addenda promulgated by the Texas Real Estate Commission. If there is a section of the contract that you don't like, you are welcome to strike it out & change it, but we (Tina & Rachel) aren't allowed to do so. **You can also hire a Texas real estate attorney to look over everything at any time.**
- We will present your offer when we have all of the information listed above and have signed a contract/offer.
- Unless we are in a multiple offer situation, you can expect a LOT of counter negotiations before we reach a price agreed upon by all parties
- Once your offer is accepted and the contract is executed (**that means all parties agree to all of the terms & we have all signatures & initials...if it’s not in writing & SIGNED/INITIALED BY ALL PARTIES in real estate, it doesn’t count**), you will wire money to the title company or drop off a check. The wire includes the fee for the earnest money, which is usually 1% of the sales price, and also includes the fee for the option money--both of these fees were in the contract we negotiated, so you should NOT be surprised at the amounts. Below is an explanation of what the earnest money & option fee are.
- We will provide you with wiring instructions. **ALWAYS CALL THE TITLE COMPANY TO VERIFY BEFORE WIRING MONEY!** We will give you the title company’s phone number via text.

- The earnest money is a guarantee that you are serious about buying and is held in escrow by the title company. When you close, the earnest money is credited toward the sales price. If you back out of the contract during your option period, you will be refunded the earnest money. If you back out after the option period, it's a little trickier and you may lose the earnest money.
- The option money is used to “buy” you a period of time in which you can back out of the contract for any reason/no reason. The option period is anywhere from 2-10 days typically and begins at midnight on the day the contract is executed. If you back out of the contract, the seller keeps the option money. If you close on the house, the option money is credited toward the sales price.
- In addition to the earnest money & option money, plan to spend at least \$1000 out of pocket if your offer is accepted: \$400-500 minimum for inspections, \$500-1000 for the appraisal

STEP 4: THE OPTION PERIOD

- Send a copy of the executed contract to your lender
- **Next, you need to schedule inspections**, and we want to get the inspections done before the option period ends.. You do not have to be present for the inspection, but if you want to be, that is fine & recommended.
 - A **whole house inspection** is a necessity. My past client’s have recommended Brandon with Ranger Inspections (512) 686-7559 www.rangerinspect.com . However, **WE ARE NOT ENDORSING OR RECOMMENDING HIM TO YOU**. You can use whomever you like! You can research home inspectors on Google, Yelp, etc...but **MAKE SURE THEY ARE LICENSED THROUGH THE TEXAS REAL ESTATE COMMISSION**. This inspection usually runs \$300-500.
 - Also, there are other inspections you might want to consider (but you don't have to) and below are just a few (as always, please feel free to use any contractor/inspector you want as these are just the names of inspectors I have used on my own real estate purchases):
 - **HVAC (air & heating)**: Usually costs about \$150
 - **Wood destroying Insect/Termite Inspection**: Costs about \$100-150
 - **Roof inspection**: Usually free estimates, depending on the company
 - **Foundation Inspection**: If you choose to have the foundation inspected, I HIGHLY recommend using a structural engineer to look at the foundation if you so choose instead of a foundation repair company. Foundation repair companies are typically free for estimates, but a licensed structural engineer usually runs about \$700.
- After the inspections, we will discuss any issues found and what our next steps will be. We can negotiate for repairs, a reduced sales price, or both during the option period. **DO NOT EXPECT TO HAVE COSMETIC, OBVIOUSLY VISIBLE COSMETIC/SUPERFICIAL ISSUES, OR ISSUES LISTED IN THE SELLER’S DISCLOSURE REPAIRED OR NEGOTIATED FOR DURING THE OPTION PERIOD!** If you see something during your initial showing of the home, such as windows whose seals have been compromised, and then you think that you’ll negotiate another few thousand more off the price **AFTER** your original offer was accepted, please rethink that strategy. If you see the windows need repair during your initial visit, make an offer that includes either the repair of the windows or a price that takes into consideration that the windows need to be repaired.
- There are three possible outcomes when negotiating for repairs:.
 - Seller says yes to all requests
 - Seller denies all

- Seller picks and chooses what to repair/amount to give back
- If you are still satisfied with the house, repairs, etc..., you can move on to the closing countdown. If you're not satisfied and want to back out of the contract, **do so during the option period.**

STEP 5: COUNTDOWN TO CLOSING

- MAKE SURE YOUR DRIVER'S LICENSE IS NOT GOING TO EXPIRE BY THE CLOSING DATE.
- Choose a homeowner's insurance—contact them and give them the address of the house, square footage, and tell them to send a binder to the Title company for closing. Examples of home insurance companies are State Farm, Progressive, Farmer's, etc...
- Choose a home warranty (if applicable)--this would have been negotiated up front as part of the contract. We can send you a long list of companies from which to choose. Make sure you read what they cover very carefully. If you want them to cover the HVAC, make sure they will cover repairs as well as replacement. We cannot guarantee that a home warranty will cover a specific item that may be of concern to you, so DO YOUR RESEARCH!
- Set a closing time with the title company. Let your lender know the time in case he/she plans to attend.
- Provide lender with anything he/she needs:
 - Current pay stubs
 - Current bank account statements
 - Etc...
- Prepare to move into the house NO SOONER than 2 days after closing in case there are delays.
- Call/schedule utilities to be turned on NO SOONER than the day of closing
- Change your address to your new address AFTER closing:
 - Driver's license, Social Security card
 - Bank accounts, credit card accounts
 - Post office
 - Car insurance and title
 - Online accounts (paypal, amazon, etc...)
- Schedule a walk thru at least 2 days before closing—look for appliance manuals, garage door openers
- Prepare to get a cashier's check or wire (check with your lender) for the cash down/closing costs. We will provide you with wiring instructions. ALWAYS CALL THE TITLE COMPANY TO VERIFY BEFORE WIRING MONEY! We will give you the title company's phone number via text.

STEP 6: CLOSING

- Arrive on time, and bring your driver's license and a cashier's check
 - YOUR DRIVER'S LICENSE CANNOT BE EXPIRED!
- Sign the papers (takes about 1 hour). The title company will send all of the signed documents to the lender to review. Once the lender reviews and approves the documents, they will release the funds.
- Get a copy of all papers signed
- Wait for funding. YOU CANNOT PICK UP KEYS UNTIL THE FUNDS HAVE BEEN RELEASED BY THE LENDER. Once we have funded, you are officially the new owner of the house.
- Pick up your keys from the title company



STEP 7: POST CLOSING

- Take your signed closing statement to the Post Office to get your new mailbox keys
- Call a company to re-key the house.
- Plan to get a ton of junk mail! If any of the letters ask you to pay a fee to get something (homestead exemption, title, etc...), TRASH IT. Your lender and I will never ask you to pay a fee.
- I will contact you and give you a form to fill out to file your homestead exemption (tax break). You MUST file it before April 30th!
- The listing agent will be by the house eventually to remove the sign and lockbox. If you don't want the sign in the front yard, place it gently on the side of the house.
- If you have not received a payment booklet before your first payment is due, you STILL MUST make your first mortgage payment. Just contact the mortgage company for instructions.
- If you decide to pay more than the monthly amount, you MUST indicate that you want it to go toward the principal...otherwise it's applied to the interest.

Finally, Texas law requires all license holders to provide the [Texas Real Estate Commission Information about Brokerage Services](#) form and the Texas Real Estate Commission [Consumer Protection Notice](#) to prospective clients.

Please let us know if you have any questions. Thank you!



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