

# The Home Buying Process

Buying a home is a complex process and one of the biggest decisions you'll ever make. Owning a home is part of the American dream. To make sure the purchase process is more dream than nightmare, it's wise to familiarize yourself with the many steps you'll need to take in order to purchase a house or condominium. By following the steps in the following order, your transaction should run smoothly. Here are some of the key phases of the home buying process.

## Mortgage prequalification or preapproval

Before you begin shopping for a house or condominium, it's wise to seek mortgage prequalification (a ballpark idea of how much you can borrow) in order to get a sense of how much home you can afford and whether or not you need to spend time repairing your credit score, which will impact the interest rate on a mortgage loan. Once you've established what you can afford and are ready to look more seriously at properties, it's best to get mortgage preapproval – a pending offer from a lender to loan you a certain amount of money for a home purchase as soon as you identify an appropriate property.

## Find the right agent and shop for homes in your price range

Once you have received mortgage prequalification or pre-approval, look for a buyer's agent to help you find and buy a home. A buyer's agent will usually split the commission from a home transaction with the seller's agent (who represents the seller's interest rather than yours). Make sure to find an agent who understands what you want in a home and who has either sold homes in a neighborhood you're researching or worked with clients who have bought homes in your intended price range. That way, you'll know the agent can locate appropriate properties.

## Make an offer – and request an inspection

Once you find a home you want, ask your agent to look at comparable homes nearby so you can make a logical offer. Not all homes sell for their asking price. In your offer you will name the price you want to pay, a "closing date" by which you'll finish the purchase, and a deposit of "earnest money" ranging from one to five percent of the home's cost which will be applied to the purchase if it goes through. You will also add contingencies to your offer and the right to conduct a home inspection is one of these. In some locales, inspections are required by law but in others they are optional.

## Finish your "to-do" list before closing

Once the seller accepts your offer, contact your lender to finalize financing and then schedule a home inspection. Be prepared to join your agent on inspection day, and bring paper to take notes on the inspector's discoveries. Once the inspection is complete, you and your agent should discuss the findings and whether you want to continue with the transaction and if so, on what terms. (Some buyers request a reduced price or repair work based on the findings, or decide to walk away altogether.) You present the seller with your requests and negotiate until you are both in agreement. After that, you can plan a closing (finalizing your purchase).

## Prepare for closing

Once your offer and its conditions have been accepted, you will have several tasks to complete before "closing" on your property. You'll need to meet with your lender to finalize loan paperwork, and you'll also need to secure home insurance. You'll learn from your lender what your "settlement" (or final payment) costs will be, and you'll need to pull together the funds to present on closing day to finalize your purchase. On closing day, you'll present those funds and combine them with the earnest money that's been placed in escrow to representatives of the seller, and then sign papers to take possession of the home. Typically, the transaction is recorded by your local government for tax and public records purposes. Finally, you're a homeowner!

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