

Your Guide To Buying A Home In Bryan - College Station

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REALTOR®

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Steps To Buying A Home

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Perks of being a First Time Home Buyer

If you're renting and think the market is tough for first time buyers, think again. There are many perks to buying a house right now:

- **First time buyer programs:** There are first time homebuyer programs to help you, with one of the biggest perks being you might be able to put down a *smaller downpayment*
- **Tax deductions:** There are some fantastic tax incentives available to homeowners, including *deductions on property tax*
- **Competitive advantage:** In a seller's market, a first time buyer can have the upper hand as their purchase *isn't contingent* on their previous home selling
- **Predictability:** You no longer need to live in fear that your landlord will raise your rent out of the blue. When you buy with a fixed interest rate, your monthly payment will be a predictable amount that you can budget for every month, while you generate *equity and wealth!*

Let's dig into the steps you'll take when buying your very first home



1 *Your Buyer Strategy Session*

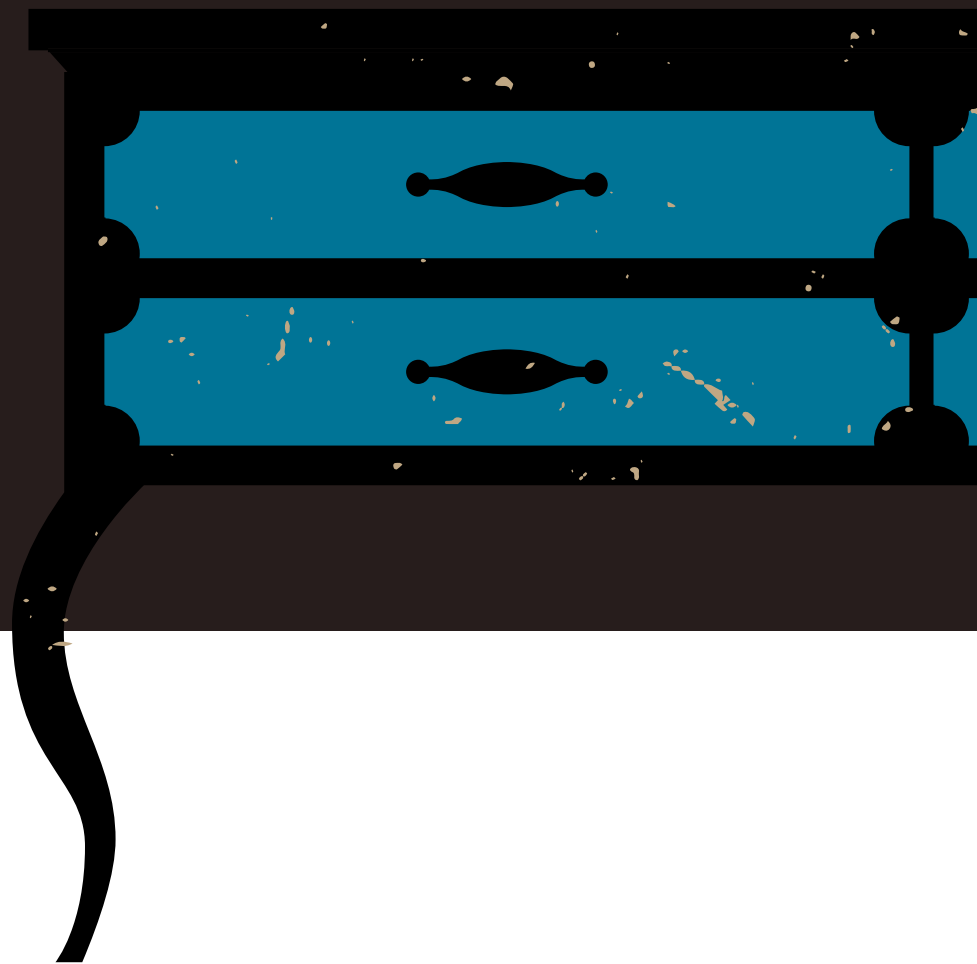
Most people think the first part of buying a home is *heading out the door* to look at homes for sale

But hold on! The same way you wouldn't book a wedding photographer without having that first meeting telling them what you want, you shouldn't start looking at houses without working with a professional to decipher what your needs are.

After you've found a trusted, local full-time real estate agent, they will help you balance your **Needs vs Wants** list, analyze your desired locations and deal breakers.

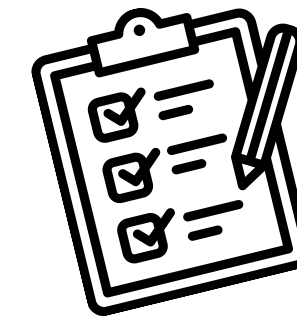
Top Tips

It's important to find a local real estate agent who knows the area really well, especially in the current housing market where demand is fluctuating. If they know what homes in the area are worth, it'll reduce your chance of overpaying for a home.



NEEDS vs WANTS

	NEED	WANT
Type of Home		
Location		
Size		
Beds		
Baths		
Yard		
Garage		
Number of Rooms		
Room Features		
Flooring		
Kitchen		
Exterior		
Parking		
Outdoor Space		
Other Design Features		



Scan the QR code or visit bit.ly/ourfamilyplace for a detailed worksheet to help you organize your wants, needs and must haves





What's Your Buying Power?

If you're a **cash buyer**, you can skip this step!

After you've met with a Realtor®, the next part of your **homebuying dream team** is a fantastic mortgage lender.

Be careful with online and 'big box store' lenders!

In the same way you want a **Local Market Expert** Realtor®, it's important to hire a lender that's familiar with local real estate because real estate is done differently in every area. They'll be familiar with how things are done in your city and use relevant comparable sales when determining the value of the home.

Initially a lender will ask you to fill out an application, provide your financial information and work out your credit score.

This creates your mortgage "**pre-approval**".

You need pre-approval *before* you even start looking for homes, to avoid wasting **your own time**.

A pre-approval removes the *Goldilocks Syndrome* aspect. If you don't know exactly what a mortgage lender is willing to lend you, you might end up looking at homes that are far above your budget.

Or you may have *more* **spending power** than you thought, and so you might be looking at 1200sqft home when in fact you can afford a 2500sqft home!

Acquiring pre-approval means you know **exactly** what you can afford (*you can find the home that's "just right"*), and can look at homes appropriate to that price range. It means you can also start working out what your monthly payment will be, so you can start budgeting.



What Type Of Mortgage Is Right For You?

You'll work with your mortgage lender to figure out what loan you can acquire. Here are some of the **most common mortgage types**:

Conventional Mortgage	A conventional mortgage is the most common type of mortgage, and is offered by private lenders (<i>not backed by the government</i>). You can actually buy a home on a conventional loan for as little as 3% down, but be aware that if you put down less than 20% the lender will ask you to pay a monthly Private Mortgage Insurance (PMI).
FHA Mortgage	Insured by the Federal Housing Administration, FHA loans are highly popular as the minimum credit score requirement is typically lower than with conventional mortgages. If you are a first time buyer and intend to purchase your home as an owner-occupant (<i>i.e. not renting it out</i>), you can put down as little as 3.5%, but you will pay Private Mortgage Insurance (PMI) for the lifetime of the loan.
VA Mortgage	Insured by the Department of Veterans Affairs, a VA loan is available to those who meet service requirements in the Armed Forces or National Guard. This loan is unique in that you can purchase a home with \$0 down, but there will be some extra fees to consider.
USDA Mortgage	A USDA home loan is a zero-down-payment mortgage for home buyers in eligible towns and rural areas. USDA loans are guaranteed by the USDA Rural Development Guaranteed Housing Loan Program, a part of the U.S. Department of Agriculture. Most USDA loans are issued by partner lenders, though the department can grant them directly to qualified borrowers with incomes below a certain limit.

The Loan Process Simplified

The pieces to the **home loan process...**



Loan application



Appraisal



Compliance documents



Final approval



Underwriting review



Initial Closing Disclosure



List of conditions



Closing

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Optimize Your House Hunt

Did you know that same home buying apps and websites out there (*including the big one beginning with 'Z'*) aren't actually **built for you**?

Sure, they want to attract buyers to their app, but their actual clients are real estate agents.

Their main goal is to acquire **your contact details** so they can sell those details onto real estate agents.

Not only that, these apps and websites can be inaccurate or not work in real time.

We can't tell you how many times a buyer has contacted us about a home they've seen online that's **already under contract** - *how frustrating!*

A quality real estate agent will have their own website that **pulls directly from the MLS** (Multiple Listing Service) that only agents have access to. A feed directly from the MLS will be accurate and reflect houses for sale in real time.

Not only should your agent direct you to a place where you can **access this MLS data**, but a great agent will set you up with **property alerts** - so as soon as a relevant property comes on the market, you get notified and can *get in there first*.

THINK LIKE AN AGENT

**You can get real time
access to listings on
realmorgantorres.com**

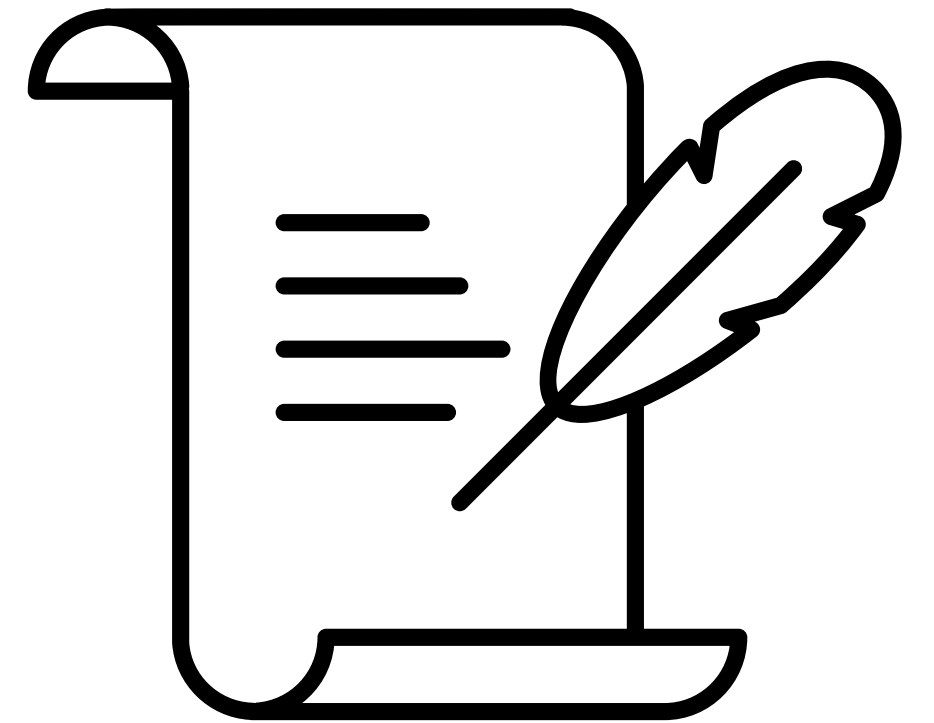
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You've Found The One

You've been **hunting high and low**... and now you've found it. *Exciting, right?!*

The next step to get the house is to put in an **offer**.

It's important to understand whether you're in a **buyers market** (where supply exceeds demand) or a **sellers market** (demand exceeds supply). Your REALTOR® should work with you in a offer strategy session to give you advice and formulate the best offer in the current conditions.



Offer Terms Explained

Contingent Offer	A contingent offer means that the buyer is saying they need to wait until their own home sells before they'll be able to close on their next home. A non-contingent offer is far more attractive, as it means the buyer has the financial flexibility to close whenever. This can put first time buyers at an advantage in a competitive market, because they aren't reliant on a home to sell before they buy.
Appraisal Gap	Your mortgage lender wants to know they're not financing a house for more than it's worth, so they'll send out an appraiser to the home. If your offer is \$300,000 and the home gets valued at \$280,000, your deal may fall apart unless that extra \$20,000 is covered. In a buyers market where a buyer has the upper hand, the seller will sometimes cover this gap by agreeing to accept less for their home. In a sellers market, the buyer is more likely to need to bring that extra \$20,000 to the closing table in cash. Your offer can include an Appraisal Gap Waiver where you agree upfront to bring the difference between appraisal value and sales price to the closing table, which is highly desirable to the seller.
Option Period	The option period is the unrestricted right to terminate the contract without reason or cause for a given period of time. The amount of time provided for the "option period" is negotiated by you and your agent with the seller. The seller is being compensated for their time as they cannot accept additional offers during this period. This compensation is called an option fee , which is a non-refundable fee paid to the seller by the buyer within 3 days after the effective date. The option fee is credited back at closing.
Leaseback Period	In order for a seller to move on to their next home non-contingent, they can request a leaseback period. This means that once the buyer closes on the home, they temporarily become landlords to the seller, who can remain in the home for a predetermined period of time (for example, 3-5 weeks). By selling their home and freeing up their finances, they can more easily close on their next home.
Earnest Money Deposit (EMD)	This is an amount you pay as the financial consideration for the purchase contract. The higher the EMD, the more serious your offer looks. If the contract is terminated there could be a risk of losing your EMD. This is why it is important to hire a good real estate agent who will guide you through this process.

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Offer Strategy Session

Before you and your REALTOR® create the *perfect offer*, make sure to connect with your mortgage lender to create a **loan worksheet** for the property. You can ask your REALTOR® to help coordinate this with the lender to get them any information they need.

This ensures that you have reviewed the estimated monthly payment and cash to close amount based on the offer amount you're considering.

Next it's time for you and your REALTOR® to create the perfect offer! We'll discuss the best strategy with you regarding:

- cost vs risk
- offer price
- financing terms
- interest rate
- possession date
- any other details





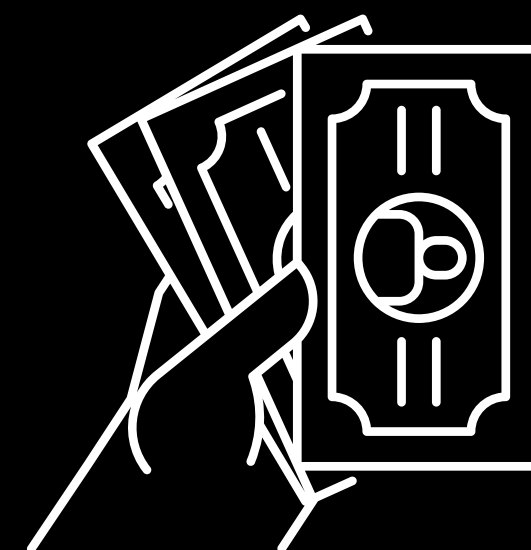
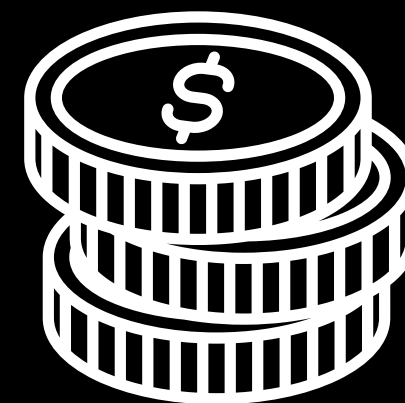
The First Check

The first thing you're going to pay is the **Earnest Money Deposit (EMD)** and **Option Fee**.

The *EMD* is the amount you pay as the financial consideration for the purchase contract. The *option fee* is the fee for the unrestricted right to terminate the contract within the option period.

You'll can pay by **check or wire** for the amount of your EMD and Option Fee, and drop this off at the Title Company outlined in the contract. Keep in mind you **cannot** pay in cash or ACH transfer.

If you do a wire transfer make sure you ask your Title Company to confirm instructions to ensure a safe and successful wire. Don't be a victim of **wire fraud!**



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The Underwriting

At this point your mortgage lender is going to do a deep dive into your finances so they can start the underwriting of the mortgage.

Now that you've made a (very expensive) commitment to buy a home, you need to do one very important thing..

DON'T BUY ANYTHING!

At least, **don't buy anything out of the ordinary.**

You can still of course buy groceries, fuel and even your usual *Venti Pumpkin Spiced Latte with extra vanilla and whipped cream*

We're talking about the larger items, like furniture or cars. Here's an idea of the kind of things you **shouldn't be purchasing** before you close on your home:

- A NEW CAR
- A NEW SOFA
- A KITCHENAID MIXER (THOSE THINGS ARE EXPENSIVE!)

The reason why is that any large expenses could impact your **Debt-to-Income Ratio**

Your DTI Ratio is one of the key things a mortgage lender will assess when ensuring you can afford your mortgage.

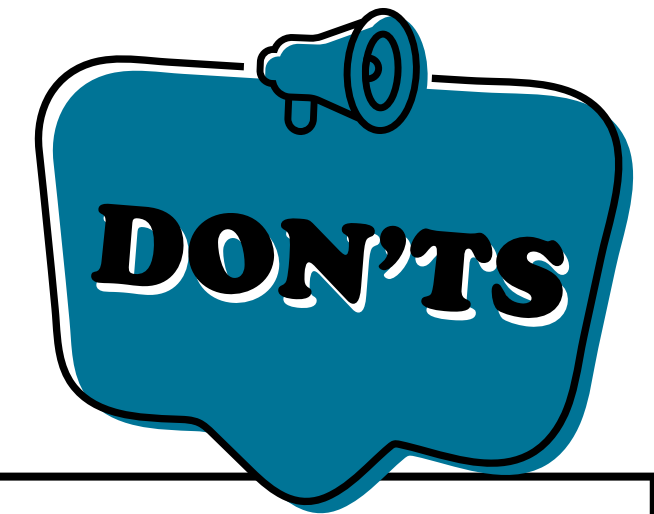
Opening up new lines of credit could also affect your credit score, and your credit score can dictate your interest rate

Wait until **after closing day** when your mortgage is secured to buy anything. In the meantime, put those credit cards away.





Financing Dos and Dont's



...contact your insurance broker early to arrange homeowners insurance for your new home purchase.	...apply for any new credit of any kind or make <i>any</i> large purchases!
...promptly provide all documents requested by your loan officer to speed up your closing.	...make large deposits into your bank account. Your downpayment should be " seasoned " (<i>sitting in your account for at least two months</i>).
...make sure your employment, assets and personal information is correct on your loan application.	...pull any new credit inquiries (i.e. for loans).
...be prepared to explain and account for all non-payroll deposits into each account you intend to use towards your transaction.	...raise red flags to the underwriters, for example co-signing on another person's loan, or changing your name or address.
... respond to any requests for information from your loan officer as soon as possible.	...make changes to your employment or income. This is not the time to quit your job!
...continue to make all debt payments on time (<i>credit cards, car payments, personal loans, etc</i>).	...spend your downpayment!

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It's In The Title

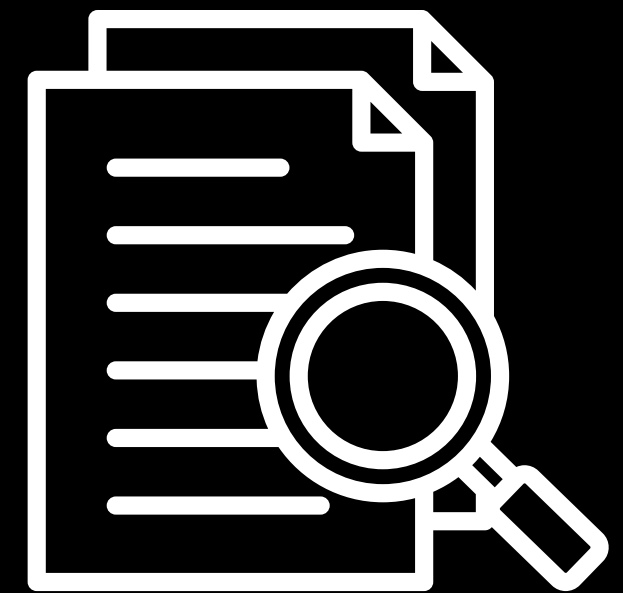
This may differ state-to-state, but **in Texas** your real estate team is now going to get your contract over to the Title Company. *But what does title do exactly?*

Of course you want to make sure you're buying a property with a **clear title**. The Title Company will check that there aren't any encumbrances, liens on the property from the city/county (*like unpaid taxes*), from contractors (*unpaid bills*) or anything else from someone who might claim ownership to part or all of your property down the road.

The title company will run an **extensive and tedious records search**, scouring through public records for anything that might come up.

They will also offer *title insurance* to you to protect you from anything missed, which your lender will require.

The title company will appoint an **Escrow Officer** for the transaction too, and you'll likely see them at the closing table... but *more* on that later!





It's Inspection Time

The step where everyone gets a little nervous: the **inspection**

You'll need to book your home inspector as soon as you can (best to do so once your offer is accepted) as good ones may have a little wait. **An inspector usually costs \$150-500, and you usually want to have a General Inspector, an HVAC Inspector and a WDI (Pest) Inspector at minimum.**

Depending on other aspects of the property you may want to hire more. If you're working with me then my transaction coordinator will schedule these on your behalf.

After the contract is executed (signed by both parties and communicated), you will want to complete your inspection and negotiate any repair requests **before the end of your option period.**

Your REALTOR® will guide you through this process.

Your inspections should take **around 1 to 2 hours**, although expect more for a larger home. Your general inspector will check everything from the roof to the foundation. The HVAC inspector will focus solely on the AC and Heating system. The WDI inspector will check for any active infestations and conducive conditions for pests and rodents. Each inspector should give you a brief summary at the end so you're prepared for the comprehensive report.

POST-INSPECTION TIME

Your follow-up will include a report. Don't be alarmed if it's 50 pages long! **Home inspectors are very detail-oriented** and they're going to include every little thing, no matter how important.

Rather than viewing an inspection report as "*What's wrong with this house?*", reframe it as "*This is what it would take to bring this house to a perfect, brand-new condition and up to new building codes*", which of course is **not the expectation.**

The report will tell the story of your home, and this is a really convenient document to refer back to in the years following your purchase, if you need any work done.

TOP TIP

Ask your real estate agent for a **trusted home inspector** who really knows the homes in your area well

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Repair Request Window

“Repair request” = an item in the home that you are requesting the seller repair before you purchase the home.

During your option period, you will want to submit a list of any repair requests you want to make.

In a **sellers market** where buyer competition is fierce, this is the part where many buyers are not submitting any repair requests, or they may not have an option period or do any inspections.

In a **buyers market** where buyers have the upper hand, buyers feel confident requesting fixes to the home. But there are limits to what you should ask for:

Often accepted repair request items:

- Things that are broken or unsafe
- Structural deficits

Often denied repair request items:

- Maintenance items
- Upgrades or cosmetic items

THE SELLER'S RESPONSE

The seller has the remainder of the **option period** to respond to your repair requests, at which point they can:

- Agree to repair *all* the items
- Agree to repair *some* of the items
- Refuse to repair *any* item, but may offer a monetary credit so that the buyer can do the fix themselves upon purchase
- Refuse to repair any item or offer *any* credit

There may be *several back-and-forths* between buyer and seller during this period until a **compromise is reached**.

If no compromise is reached and you wish to terminate the contract, your REALTOR® will help you ensure this is done inside of the option period.

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Homeowners Insurance

Your mortgage lender is going to ensure you take out **homeowners insurance** to protect your asset.

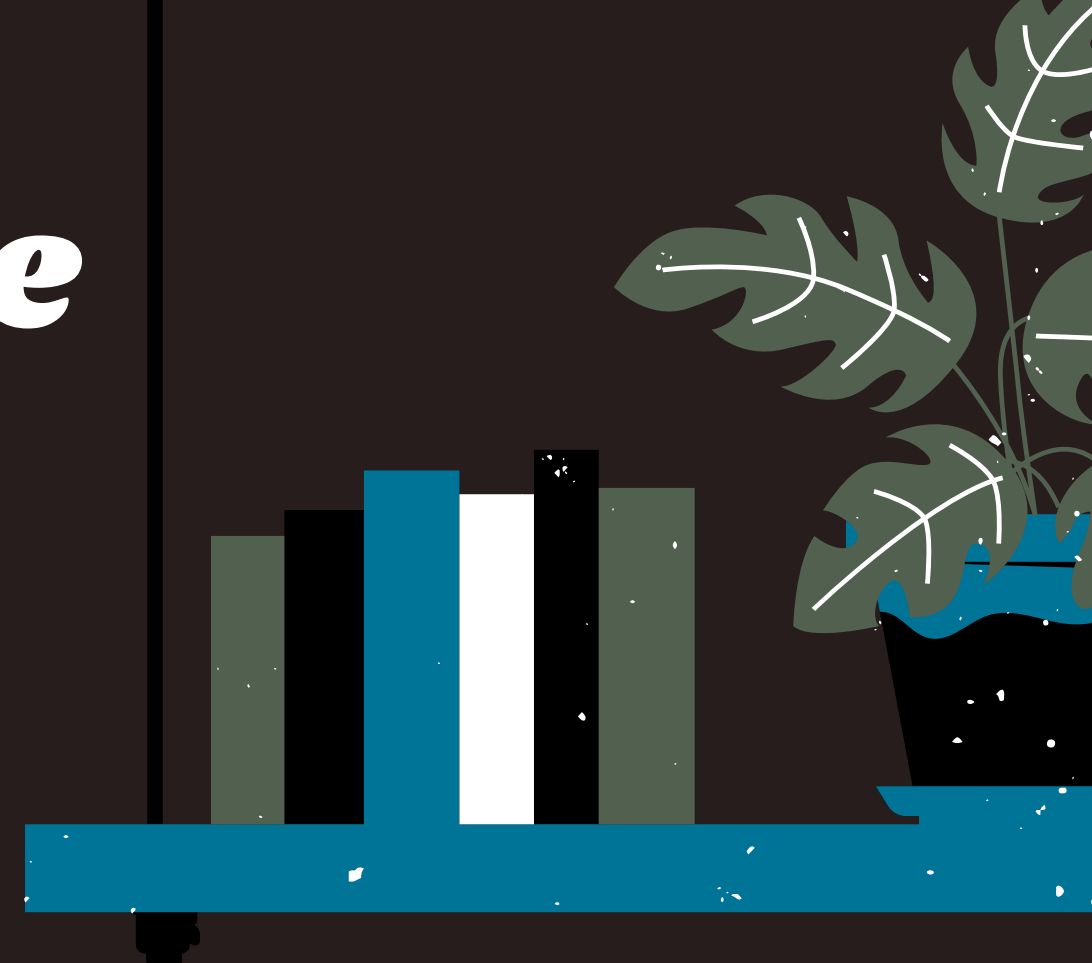
Just like you would for car insurance or utility provider, you will want to shop around and read reviews to make sure you're *using a good one*.

Your mortgage lender may be able to suggest a good insurance company they like their customers to use, or you can always ask your REALTOR® for their recommendation.

ADDITIONAL COVERAGE YOU MAY WANT

A Home Warranty. A home warranty can give you additional peace of mind by covering the systems in your home that regular homeowners insurance won't cover such as: plumbing systems, appliances and HVAC systems.

Most warranties will cost you \$500-700 per year, and could you save thousands if, *for example*, an older HVAC unit needs repairing or replacing.



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Appraisal

If you're a cash buyer, you can skip this step!

Your lender will organize an appraisal of the property you want to buy, as they will want to know the *value of the property*.

Why? If they lend you \$300,000 for a property valued at \$200,000, there's a risk that they might not receive all their money back if you default on your loan.

If the property **appraises** (*they deem it worth at least the price you're buying it at*) or **over appraises** (*they actually think you're underpaying and it's worth more*), that's fantastic! The lender is happy and so are you

The problems begin if the property **under appraises** (*you've offered to buy it at a price the appraiser doesn't think it's worth*), which can happen during a sellers market where home values are increased by buyer competition driving the price up.

If the property **under appraises** the lender will require someone to make up the appraisal gap in cash (*i.e. the buyer, who will be required to bring additional funds to the closing table*).

Alternatively it'll be expected the seller will forego the gap and lose money in their sale. Whether it's a buyers or sellers market (*i.e. who has the leverage*) will usually dictate **how this will play out**.

To a buyer the value of a property is highly subjective, but to the bank and appraiser it is as objective as possible. The appraiser will use local **"comps"** (*comparable properties and what they've sold for recently*) to determine market value.

Sometimes you have to pay for the appraisal upfront which is typically \$500 to \$700. Your lender will notify you of this.

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Title Commitment

Think of this as the Title Research of the property. This is typically due 20 days after Title receives the contract.



Schedule A Actual Facts

This is the Who, What, Where, and How Much section of the Commitment. It lists the legal names of the buyer and seller, a legal description of the property, the sales price, and the name of the lender, if applicable.

Schedule B Buyer Notification

This section lists general and specific exceptions to the property such as survey matters, easements, setback requirements, and a variety of other items that will not be covered by the title policy.

Schedule C Clear to Close

These items must be resolved in order to transfer title to the new owner. It may include a mortgage being paid at closing, liens for home improvements, unpaid taxes, or requirements of another party in the transaction such as a spouse or heir.

Schedule D Dollars & Disclosures

This section breaks down the title insurance premium and outlines the ownership of all parties who will share in any part of the premium collected to issue the policy. This includes title insurance underwriters, title agents, and attorneys.

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Closing Disclosure

The closing disclosure from the lender is usually going to be sent to you 3 to 7 days before closing, and it will outline all the loan amounts and funds you'll be expected to provide before closing. **This ensures there's no surprises at the closing table!**

You want to make sure the Escrow Agent (*usually your Title Agent*) has these funds on closing day.

You'll need to **wire the funds** or use a **Certified Cashiers Check** written out for that amount made out to the Title Company.



***ALMOST THERE! JUST A FEW MORE
DAYS AND YOU'LL BE HOMEOWNERS...***

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Final Walkthrough

SO CLOSE!



Final walkthrough is one of the last steps before you sign the final paperwork and get those keys

On the day before closing, or often on the *morning before closing*, you'll meet your REALTOR® at the property conduct a **final walkthrough**.

The seller is supposed to leave the property empty of items and furniture (*unless otherwise agreed*). Verify that the property is in the same condition as when the offer was made (excluding normal wear and tear), and all agreed upon repairs have been completed .

This is your time to check all of this out.



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Closing Table

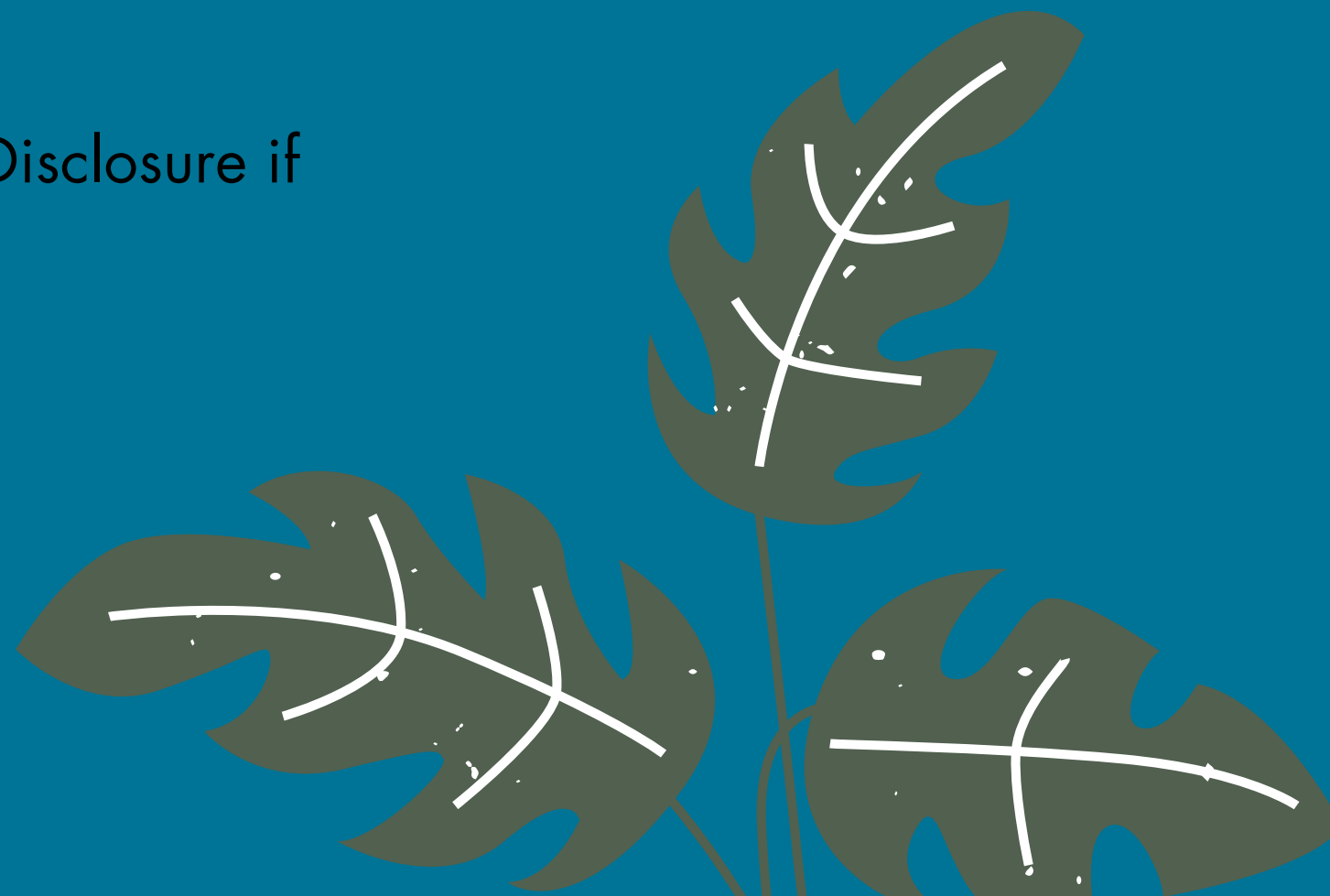
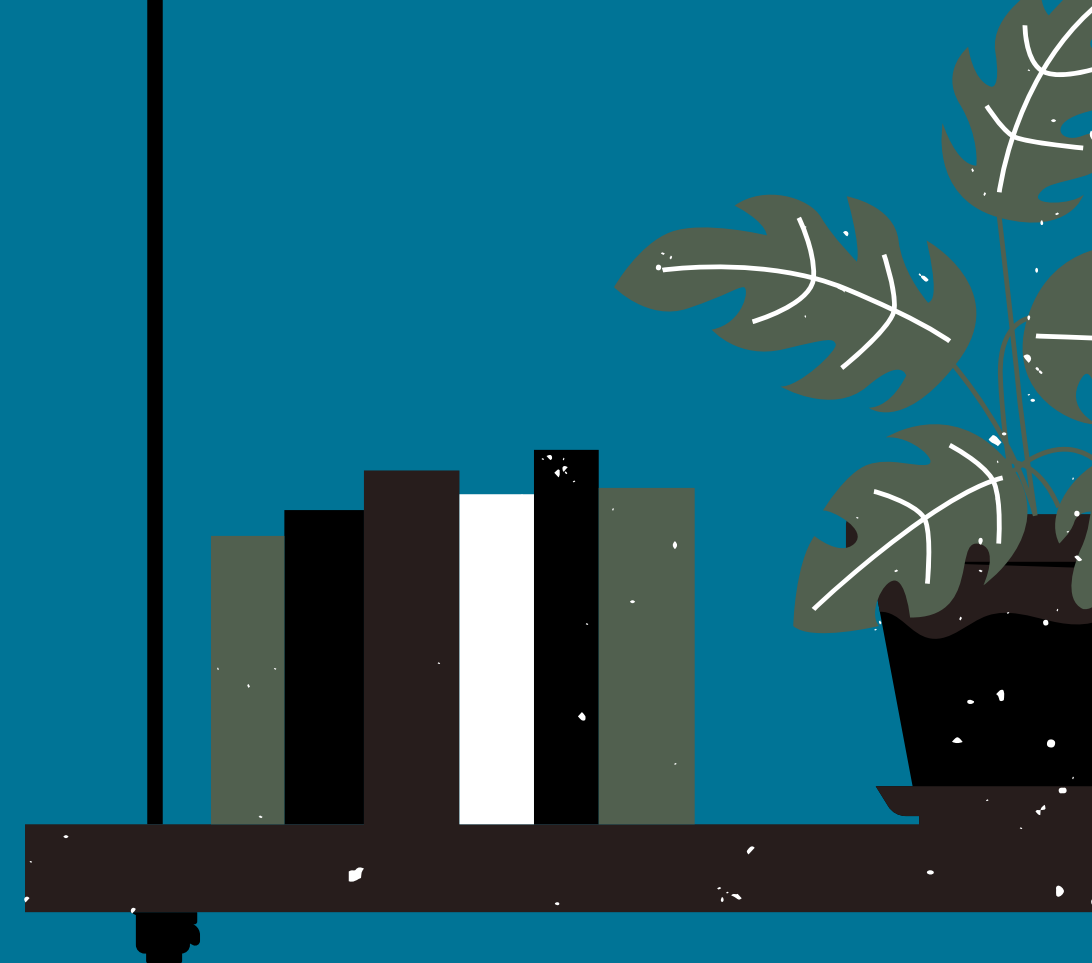
It's the day you've been dreaming of, when you get those keys, move your boxes in, and spend your first evening eating pizza on the floor, celebrating homeownership!

You should have an appointment at the title company to sign your closing documents.

Things you'll need to bring:

- **Certified Cashiers Check** with the amount as per your Closing Disclosure if you are not wiring the closing funds
- **A form of ID** (*driver's license, passport, etc*)
- **A well rested hand**, ready to sign all the closing documents!

Once you've completed signing the closing documents and the file funds you're all done!



KEY TERMS

I've explained many facets of the buying process in this guide, but here's some extra clarification on some words you might not be familiar with yet:

Certified Cashier's Check

When you make payments throughout your mortgage process (*your Earnest Money Deposit, for example*), you can request payment in the form of a Certified Cashier's Check. These are checks guaranteed by the bank. An alternative form of payment is via wire transfer.

Escrow

In a real estate transaction there are funds moving back and forth between buyer and seller. To keep everything fair and legal, an unbiased third party (such as the title company) holds this money. This legal arrangement is called "escrow".

Inventory

Inventory refers to the number of properties for sale at any given time. The "months' supply of inventory" refers to the number of months it would take for the current homes on the market to sell if no other houses hit the market.

Debt-to-Income (DTI) Ratio

All of your monthly debt payments (*such as mortgage payment, auto loans, student loans*) compared to your income. This ratio is used by lenders to assess borrowing risk, based on your ability to make good on your monthly payments to them. If 20% of your income is paying off debt every month, your DTI ratio is 20%. The lower your DTI ratio, the better.

Pre-Approval

A mortgage pre-approval is a document that states the lender has provisionally approved you for a loan for up to a certain amount. When submitting your offer, sellers often require you to include your pre-approval letter too. It proves to them that you are financially able and reduces the risk of the transaction falling apart down the line. If circumstances change during your house hunting process, such as one of the buyers losing their job, or mortgage rates changing significantly, the lender will usually pull a new pre-approval to check affordability.

KEY TERMS

Property Alerts

A good agent will have a website that feeds directly from the Multiple Listing Service (*where all professionally-listed homes for sale are indexed*). To save you scrolling Zillow 24/7 when you're house hunting, your agent should set you up with the email alerts so that the second a property hits the MLS that fits your criteria, you know about it.

Relevant Comparable Sales "Comps"

Appraisers use comparable home sales to assess the value of the property you want to purchase. By looking at similar properties within a small radius that sold within a certain timeframe (*i.e. 3 bedroom 2 bath homes within a 1 mile radius, sold within the last 6 months*), they have an indication what the home is worth. Real estate agents run their own "comps" when working with sellers to help them identify an appropriate sales price.

Spending Power

'Spending power' and 'purchasing power' are two terms you'll hear real estate agents say a lot: it essentially means how much a buyer is pre-approved for by their lender. Before obtaining pre-approval, many buyers overestimate the total price that fits their budget. On the flip side, many people are often surprised that they can afford more than they thought. Getting pre-approved with a trusted lender is the best way of starting your house hunt successfully without wasting your time.

Wire Transfer Fraud

Fraud is a serious problem with wire transfers. Distraught buyers have reported receiving legitimate-appearing calls or emails from someone pretending to be the Title Company providing them with bank details for their transfer. When the funds do not arrive, buyers find out they've been scammed, and there is no recourse or reversal of that payment. Many have lost tens of thousands of dollars, rendering them unable to complete their home purchase. To avoid this devastating scenario always call your Title Company first and confirm all instructions before initiating the wire.

***You got
this!***

*The home buying process is an
exciting journey.
I am here for you.
Enjoy the ride!*

Morgan Torres

REALTOR®

real

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