

Buying a House - 7 Key Steps

Buying a house is a process that can often take several months to complete. The activities of buying a home may be categorized into seven major steps.

1. Shopping for a House

Determine your desired living location(s) and begin to survey the homes within your price range that interest you. You may conduct this activity by yourself or get the services of a real estate agent. An agent can help you find homes that meet your specifications. The agent can prepare a listing of homes to visit on a particular day and accompany you on your visits. Make sure you stay within the criteria you have set out in terms of what you can afford. Otherwise you'll be wasting a lot of your and the agent's time.

2. Getting Pre-Approved by a Lending Institution

You'll first want to establish how much you can afford to pay. Based upon your request, along with your entire financial picture, a lending institution of your choice may pre-approve you for a specified loan amount. Armed with this information, you can shop with confidence, knowing what houses you qualify to purchase. Pre-approval gives you a head start on obtaining a mortgage and saves time when you're trying to close a deal. It also gives you an advantage when negotiating with the seller.

3. Getting an Agent or Broker

Agents who represent the seller make commissions from the selling price of a house. But you may select a buyer's agent to serve your interests more directly. A buyer's agent can show you homes and help you get the best possible deal. With this arrangement, the buyer's and seller's agents will usually split the total commission in half. Keep in mind that no matter if you work with a seller's agent or buyer's agent, both have a keen financial interest in a house being sold.

4. Making an Offer

When you make an offer to buy, usually your agent (if you have a buyer's agent) will convey the offer to the other party's agent. If only one agent is involved, that agent will convey the offer directly to the seller. Your offer should include not only the asking price, but also any conditions that you feel should be included. Oftentimes an offer is submitted with the condition that a home inspection will be performed to search for any serious home defects.

5. Negotiating the Sales Price

After you make an initial offer, the other party will have an opportunity to consider the offer and place a counter-offer. This back and forth may happen several times before both sides agree on a contract price. Once the other party accepts your bid, you will have to pay something called a binder fee (often 1% of the purchase price) to hold the deal together until it closes. If the deal closes, the binder payment will count toward the purchase cost of the house.

6. Home Inspection

This is a crucial step in the buying process. The results can either make or break the deal. The inspection report will state what problems, if any, exist within the home and its property. The seller has an opportunity to address these problems by requesting that these issues be addressed by the seller before a deal is closed. Alternatively, the cost of estimated repairs may be deducted from the previously agreed upon bid price. If no agreement between buyer and seller can be made, the buyer has the option to remove his offer.

7. Signing the Contract

Once final agreement has been made, it is time to sign the contract. This seals the deal, and usually cannot be revoked. The contract is usually signed by both parties with the contingency that the buyer will be able to secure a mortgage.

8. The Closing

The closing is where all parties are present and final paper work is signed. A representative of your lender will provide you with a good faith estimate of your closing or settlement costs. Finally, the keys to your new home will be handed over to you.

These are the steps you can expect to go through when buying the home of your dreams. Knowledge and preparation will help you make the right decisions in each step of the home buying process.

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