Things to Consider

When Buying a Home

2025
EDITION

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ORDER NOW

Is This the Right Time to Buy?

You've got to know when to hold 'em. Know when to fold 'em. Know when to walk away. And know when to run. You never count your money. When you're sittin' at the table. There'll be time enough for countin'. When the deal is done. Kenny Rogers

How do you know when it's the right time to buy or sell? You don't. Markets go up and markets go down. It's impossible to catch the top of the market or wait for the bottom. Try catching a knife on the way down.

Deciding when to buy or sell can be one big gamble unless you follow a few basic rules. Before you decide to buy a house, ask the following questions:

- Do you have a stable job?
- Is there enough money in your savings account?
- Good credit?
- Overall financial stability?

Before you decide to buy a house, ask the following questions:

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If your answer is *"YES"* then NOW IS THE TIME TO BUY!

> *The minute those interest rates come down, all hell's going to break loose, and the prices are going to go through the roof. Right now, sellers are staying put. But they are not going to stay put if interest rates go down by two points. It is going to be a signal for everybody to come back out and buy like crazy, and house prices [will likely] go up by 20%. We could have COVID market all over again*. Barbara Cochran, a Shark Tank star and multibillionaire investor.

Barbara is right. The minute interest rates start to drop, you will see a buying frenzy unlike anything you have ever seen. No one is talking about pent-up demand. Is it real? You decide.

Consider These Facts:

- **HOUSING BUBBLE:** The sky is not falling. There is no housing bubble. Pent-up demand will skyrocket the minute interest rates start to drop.

- **MIGRATION:** Families are migrating to less dense areas. For example, many are leaving New York City and Chicago due to the higher crime rates.

- **HOME PRICES:** Supply and demand continue to rule the market. Do not expect a Buyer's market to replace the current Seller's market. As more houses hit the market, the number of houses for sale will not be able to keep up. As a result, expect prices to appreciate in most markets.

- **PERCEPTION:** With the fast-changing political climate, outlook is taking on a more positive forecast/

- **GROWING FAMILIES:** Many families need more room. The current house is just too small. Sons? Daughters? They are reluctant to leave home. Who can blame them? No one saw this coming. Get ready. Mom and Dad are moving in!

- **WORK AT HOME:** Remote work is becoming common as families set up an in-home office. Now you need a bigger house. But that's not the end of it. Forget a long commute. Now you can live anywhere. Why not trade your current house in an expensive area for one in a cheaper area?

- **SENIORS:** Many seniors have accumulated wealth and want to downsize.

- **FIRST-TIME BUYERS:** As the economy improves, first-time buyers will slowly re-enter the marketplace.

- **RENTERS:** Many renters are tired of renting and will look for another house as the economy improves. It's anyone's guess how long a growing family will be satisfied renting a small two or three-bedroom apartment.

As Warren Buffett tells us: If you wait for the robins to arrive, you'll probably miss spring. Whatever you decide, go with the decision that feels right for you. Don't look back or second-guess your choices. My best advice is to enjoy the journey and not the destination.

Know Where You’re Going

Do not let emotions drive a buying decision. In other words, don’t let the house take charge at the expense of your criteria.

It's easy to fall in love with a house. Resist the urge to *make do* and throw out critical criteria. I’ve seen families *settle for* a mediocre school zone. A lovely house trumped the kids. Trust your gut and stick to your original criteria.

Early in the game:

- **Identify Needs and Wants**
  Looking for a house is exciting. Slow it down and take a deep breath. Sit at the table early in the game (before you even start looking). Write down the essential criteria. Price, size, number of bedrooms, or a large kitchen are just a few examples. Stick to it! Identify your needs and ***wants.*** Make two lists. One is a *Must-Have* list. The other is a *Nice-to-Have* list. Put it on paper. Resist the urge to buy on impulse. Determine what features are essential. Write them down. What room will you live in most of the time? Do you like to cook? Is bigger kitchen in your future? Do you mind yard work? Rank your items in order of importance and stick to the list as best you can.

- **Take a Hard Look at the Budget**
  There’s nothing wrong with being a bit on the conservative side and looking for a

house under budget. Leave a bit of *wiggle room* in case you have to pay a bit more than you expected. You may even have to trim things and look for a less expensive house. You may even have to cut things and look for a less expensive house.

- **Get Finances in Order**
  Is your life/job gaining an increased degree of stability? Any charge-offs? If so, get caught up. Are your current bills manageable?

- **Line Up a Good REALTOR®**

- **Talk With Several Mortgage Companies**
  Interview two or three. Avoid companies on the Internet and try to stay with a local company that knows the area. Many mortgage companies offer a *come-on* rate for which no one will qualify.

- **Expand Your Search**
  You may need to expand your search to a less competitive area. In the most sought-after neighborhoods, expect to pay a higher price. Newer homes also command a higher price. For many, priorities and circumstances change. Even though you don't find your perfect dream house, there's always another day. This won't be your last home.

- **Ask for Advice from Friends, Co-workers, and Relatives**
  Be careful not to get too many opinions. Stay away from negative people who might bad-mouth your choices. It's human nature for others to find fault with everything you do. However, be willing to listen. Others may come up with valid reasons to pass on a house.

- **Examine Your Budget**
  Don't be surprised if you're forced to bid over the asking price. Set a comfortable price range to avoid being *house poor.* You want to avoid having more bills at the end of the month than money. I've seen it happen before. A house without curtains and a mattress on the bedroom floor is typical. Be practical and somewhat realistic. Going too far into debt can destroy the excitement of owning your home. Financial mistakes are easy to make and difficult to correct. It's hard to dig yourself out of a bad situation.

- **Rank Each House**
  Whether you look at one house or several, rank each one on paper. Be sure to take plenty of pictures. For instance, *#1* means fantastic, but *#10,* not so great. Believe me. You will not remember details after looking at two or three houses. All start to look the same. Pick one house you like and use it as a benchmark for future comparisons.

  Finding the right neighborhood can play a big part in any buying decision. Families look for neighborhoods that offer safety, convenience, and are family-oriented. All towns have great neighborhoods, good neighborhoods, and not-so-good neighborhoods. The neighborhood could have a significant impact when selling.

One recent client chose a house (sight unseen) before arriving, despite my best efforts to discourage her. Upon arrival, she realized that she'd made a huge mistake. *This area won't do. It is not safe for my children,* she cried.

Fortunately, we were able to back out of the deal. It's easy for Buyers to get caught up in the excitement of the moment and fail to check out the neighborhood. The house may be fantastic, but the neighborhood may not fit your lifestyle.

One solution is to walk through the neighborhood. You get a different perspective of your surroundings. Get out of your car and walk. Ask the neighbors questions like, *Are there many kids in the area? How safe is the neighborhood? Is it a quiet place to live*? Is the neighborhood mostly comprised of kids, retired couples, single couples, professionals, and/or renters?

Happy House Hunting

Pros and Cons of Renting vs. Buying

This is the **number one** overriding question everyone has when moving from one area to another. The easiest way to do this is by looking at an *Affordability Index* from the National Association of Realtors to measure whether or not you earn enough income to qualify for a mortgage.

For many families, circumstances may dictate. You may not have a choice. There is no correct answer since everyone's circumstances are different. Be sure to contact a Realtor® for a snapshot of your area.

Advantages of Renting

- It's easier to move when necessary. You pack up and leave.
- Renting allows you to take more time to decide.
- Gives you time to get to know the area better.
- Renters have little responsibility when it comes to maintenance.
- You don't have the uncertainties associated with qualifying for a mortgage.
- Some utilities may be included in the rent.
- Neighborhood amenities such as a pool and tennis court may be included in the lease.

Advantages of Buying

- Pride of ownership is the number one reason people own a home. It gives your family a sense of stability and security.
- You gain a significant tax write-off.
- Buying a house is an excellent hedge against inflation.
- Enjoy the emotional gain of home ownership. You can pick the best neighborhood, school zone, and location.
- Renters are at the mercy of their landlords, who can decide what to fix and let go.
- Saving for the future. Owning your own home is better than most savings plans.
- Improving the quality of your life is the best reason.

- You rent a house. You buy a home. When you rent, it’s temporary. When you buy a HOME, it’s permanent. Renters are marking time. You are just *getting by,* with nothing to show. Sure, the floor plan may not be *just right*. The neighbors, ugh, not great, but tolerable. The location is, well, OK. Then, there are fire and safety issues that go with apartment living. And, if you have pets, many landlords are not sympathetic.

Renting. About $1,800/month.
Owning your own home--PRICELESS!

Buy a New House

Is it better to buy new things? Buying a new house may be your best bet as builders begin to catch up with demand. Why buy *NEW?* The best answer: EVERYTHING WORKS! You are the original owner. You just cannot beat that *new house smell*.

The good news is that an older home that needs updating costs less than a newly constructed home. The sad news is that the money you save when buying an old home may not remain in your pockets long, as old homes are often less energy-efficient and thus will cost more to heat and cool. And eventually, something is bound to break down.
Realtor.com

- Newer homes feature 8-ft/10-ft ceilings with an open floor plan.
- Kitchens are updated with granite countertops and stainless-steel appliances.
- Bonus rooms are built over the garage.
- New houses offer the latest amenities. Builders go to great lengths to carefully choose the features that improve owners' quality of life and help sell their products.
- Neighborhood amenities may include plenty of green space for parks, bicycle paths, lakes, clubhouses, tennis courts, a golf course, and Junior Olympic-size swimming pools.

Here’s the downside. Due to market conditions, new homes are becoming increasingly expensive. Construction costs continue to rise due to supply issues, labor shortages, and interest rates.

Builders are squeezing as many homes as possible into a given area. Big yards are out, and postage stamp-size lots are the norm. You will find plenty of two-story homes. Forget finding a ranch. A ranch-style home requires a much larger footprint (requires more space).

Unfortunately, in the past, builders have had trouble keeping up with the demand. Many went out of business during the pandemic. Others have had trouble finding enough workers. And lastly, the price of building materials has been skyrocketing.

The good news. You see more new construction as the economy recovers. Builders are offering more incentives to sell houses.

Beware. It is not unusual for a builder to increase prices several times before the house is finished.

In most contracts, builders insert a contingency clause that allows them to increase their price as demand warrants, even after you’ve agreed. If you refuse, they’ll put the house back on the market at a new inflated price.

Buy an Existing House

builders can never fully re-create the nation's quaint old neighborhoods.
~Bankrate.com

A previously owned house possesses a character that new houses lack. A used house was once a home for the previous owner. They are filled with many memories, not to mention the owner's improvements for comfort and enjoyment.

If you look at used houses, there are more choices. Yards are often bigger and prettier since landscaping is more developed with mature trees and shrubbery. Houses are not built on top of each other. *They just do not build 'em' like they used to!* Enough said. If you are willing to make the needed improvements, you could end up with a *diamond in the rough.*

There's much to say about the character and charm in the older neighborhoods. It's sad, but time marches on.

Older homes can be outdated. You will not see walk-in closets. Grandparents were fortunate if they had a pair of work clothes and a change of clothes set aside for Sunday church. You don't need much closet space to accommodate the typical lifestyle of previous generations. Who needs a big bathroom since baths are taken weekly in a tub on the kitchen counter? Just kidding.

Buying a home with only one bathroom is never a clever idea. When it comes time to sell, you'll have difficulty. Concentrate on homes with at least two full baths. A half-bath downstairs is an added convenience, so guests don't use your bathroom.

If all else fails, can you say *REMODEL*?

- Older homes have a chopped floor plan vs. an open one in newer houses.
- Kitchens are outdated with Formica countertops.
- Popcorn ceilings are typical.
- Cabinets are dark, and shag carpets rule.
- I hope you like an aqua-colored bathroom.
- What insulation? As for being energy-efficient, older homes flunk.
- Wooden windows, doors, plumbing, and electrical wiring may need replacing down the road.
- An outdated electrical panel box will not manage the additional load required in today's home.

Make Buying Affordable Again

Here's how to make this work:

1. Sell now and take advantage of an insane profit. Use the money for a downpayment on your next house to help make up for the higher mortgage rate.

2. Purchase less house with fewer bedrooms, square footage, or amenities. This will not be your last house. Buy less house to compensate for higher prices. Make a list of your requirements and see if there are any areas you can cut. When you drop the price, you reduce your monthly payment by hundreds of dollars.

3. Use negotiating skills to end up with better terms.

4. Look at the number of days a house stays on the market. Depending on your area, houses may remain for sale longer. Check with your real estate agent for the average number of days a house stays on the market. (DOM) This is a good indicator of a stale house. The Seller may start to get anxious and be open to better terms.

5. Expand your search. Go further out and pick a less expensive area. Many families work from home and avoid the daily commute. By looking at other areas, you can save a tone of money buyinb a cheaper house. Not to mention saving gas money by avoiding a long daily commute and sitting in your car for one or two hours daily. That is five to ten hours lost every week just commuting. Now you can spend more family time. Talk about improving the quality of life.

6. Bite the bullet and refinance in a couple of years when rates drop.

7. Take advantage of a 3-year or 5-year adjustable-rate mortgage. (ARM) Enjoy a reduced interest rate. This works great if you anticipate a drop in interest rates.

8. Put more money down to adjust to the higher interest rate. Experts agree that homeownership is a solid investment. Better than a savings account, an IRA, or the stock market.

9. Buyers buy a home with an assumable mortgage to use financing with a lower interest rate if rates have risen since the Seller originally purchased the home.

Most FHA and VA loans require the Seller to obtain lender approval for an assumable mortgage. Unfortunately, conventional loans are not assumable. Rent your current home and use the rent proceeds to help absorb the higher monthly payment on your next house. It’s best to hire a professional property manager to handle the details.

10. Buy a duplex or triplex and live in one of the units. Let someone else help pay the mortgage.VA loans allow this arrangement if you live in one of the units for a year. Afterward, the property becomes a sound investment strategy. Other types of loans may require more money, so talk with a mortgage company.

11. Have you heard of HOUSE HACKING? It’s a great way to help pay for your mortgage. House hacking is a real estate investing strategy that involves buying a property and then renting part of the property out. One example of house hacking is purchasing a single-family home, renting out a room or remodeling the basement or attic into a small apartment unit. Google

12. Homes that have been on the market longer than 30 days is an area often overlooked by real estate agents. Perhaps the home needs too many repairs, or the Seller’s price was unrealistic. Circumstances may change.

13. Consider a fixer-upper in need of some significant repairs. In many cases, you can do the repairs yourself. It’s called sweat equity. Buy down the interest rate. The borrower obtains a lower interest rate, and the Seller pays discount points at closing. Buydowns don’t work as well for existing homes. Many home builders are using Buydowns to help sell their houses.

    EXAMPLE: (30-year rate buydown) Builders contribute 5%–6% of the home purchase price upfront to lower the 30-year mortgage rate by 1%–2%

    EXAMPLE: (2-1 temporary rate buydown) Builders contribute 2% of the home purchase price upfront, which lowers the first-year mortgage rate by 2% and the second-year mortgage rate by 1%. Either way, it gives the Buyer a bit of breathing room.

14. Treat your purchase as part of a 5-year plan. Do not look at this purchase from a short-term point of view. Sure. A seven percent interest rate on a $300,000 house means paying several thousand dollars more per year just in interest compared to prior years. It's the new norm. Expect the market to determine rates in the future. Rates were artificially kept ridiculously low for years. Those days are gone!

    Factor appreciation in your thinking. Prices should appreciate 2%, 4% or more a year, depending on the area. On a $300,000 house, appreciation equals $6,000 at 2% and $12,000 at 4%. Now, let's go out for five years. On a $3,00,000 house, 5-year appreciation equals $30,000 and $60,000 respectively. You do the math.

As Warren Buffett tells us: If you wait for the robins to arrive, you'll probably miss spring. Whatever you decide, go with the decision that feels right for you. Don't look back or second-guess your choices. My best advice is for you to enjoy the journey and not the destination

Avoid Buying a *“BAD”* House

Each home has its own set of peccadillos that make it unique. Call it red flags. If you have too many flags, you eventually reach a tipping point. In short, before you even think about an offer, RUN AWAY as fast as you can!

Housemaster, a national inspection company, states that more than 40% of homes have at least one serious defect.

Virtually every used home needs some repair or improvement. That’s to be expected. But with today’s high prices, you want to make sure you are aware of any significant problems in a house you are considering purchasing and what it will take to remedy the situation.

Your REALTOR® can help you identify potential problems before making an offer and putting down a deposit. Together, you can decide whether to continue. This can save you valuable time and prevent mistakes.

Identifying the number of red flags can help you rank a house. The more flags you identify, the lower its rating on your list. Today’s problem can become tomorrow’s headache.

When you start looking, wait until everyone’s home on the weekend to get a feel for the area:

1. **Look for other entrances.** Is driving through an unkept area necessary to get to the house? This could affect resale value down the road.

2. **Are neighboring houses well-kept?** This indicates that homeowners have a sense of pride in their property. If yards are overgrown and trash is everywhere, the community could decline.

3. **Check for traffic congestion.** Thanks to a nearby military installation, the area mushroomed with new construction. Houses sold like cupcakes. Unfortunately, the county didn't consider traffic congestion when the base closed at the end of the day. Narrow roadways couldn't handle the traffic. Homeowners had to endure the traffic situation for years until changes were eventually made. I doubt that anyone did a trial-run during rush hour.

4. **Are home improvements visible?** If so, homeowners are adding on and plan on living in the community for some time.

5. **A *Yard-of-the-Month* is a positive sign.**

6. **Narrow streets make the area look overcrowded.** Is it necessary for cars to be parked on the street? This can be dangerous for children darting in and out of parked cars. Some homeowner associations prohibit on-street parking.

7. **Bars on windows and doors.** The neighborhood is unsafe.

8. **Don't buy cheap.** If you see several *For Sale* signs, find out why. Be especially cautious if you see foreclosed or vacant properties. These properties tend to be grouped in areas that homeowners are abandoning. ***But the price was right.*** Duh. There's a reason the price is right. The price is attractive because owners are having trouble selling. Can you say FLOOD ZONE?

9. **Never buy the most expensive house in the neighborhood** or one that doesn't conform to the prevailing style of the area.

10. **Houses built on steep lots are more challenging to sell.** Perception is everything. The same holds if the house is built in a hole or on the lower side of a hill. Hopefully, the garage door opens in time once you start down a steep drive.

11. **Pay attention to the yard next door**. If the back is full of unsightly trash, junk cars, or boats, this indicates future problems.

    How about a noisy or mean dog next door? Not only is the growling unnerving, but a dangerous breed of dog can also be a safety concern. You never know when the dog can jump or break through a wooden privacy fence.

    Is there a young drummer banging away in the garage? One house I showed to a client had Rambo living next door. Rambo had killed all the grass in the backyard and set up a *combat* obstacle course. There were targets for bows and arrows, knives, pistols, and who knows what else.

    One vacant house had several *grow* lamps hanging over abandoned tables. We suspected that the previous owner was growing something other than tropical plants.

    Another house was under police surveillance for being at the center of a drug smuggling ring. A police surveillance team had noticed several people coming and going. The house was subsequently raided. At the very least, it became a good topic for neighborhood conversation.

12. **Location:** Houses near train tracks, a prison, an airport, freeways, and frontage roads (just to name a few) are red flags. Avoid such houses. Even though you may get a better price on such a house, rest assured it won't be easy to sell when the time comes.

13. **Avoid homes that have been smoked-in** or have a bad pet odor smell. It's challenging to get rid of these odors completely. The carpet will need replacing.

14. ***Buyers Beware*** of stigmatized property loosely defined as a home where a murder or suicide occurred or is suspected to have occurred. An agent is not legally bound to point this out unless asked. Ask if there have been any break-ins in the area.

The same rule goes for sex offenders. Go to Familywatchdog.us/ to search your area.

Past criminal activity or even a ghost's haunting could qualify a home as stigmatized. Again, in many states, the agent or Seller **can't** be held responsible if such information is NOT divulged. You need to know! ASK! Buyers Beware!

Red Flags Outside the House

1. **Missing shingles** that have blown off the roof and are lying on the ground. Look for shingles that appear worn, missing, or curling at the edges. These are signs that the roof is on its last leg and will be costly to replace. The average life expectancy of shingles is 20 to 25 years.

2. **Check if the ground** has enough slope so water runs off the roof away from the foundation. Look for evidence of a *splash back* where the water hits the ground and splashes back onto the bottom of the house. This may lead to mold, rotten siding, or settling issues.

3. **Is the house located below** the neighboring property? If so, do you see evidence of erosion caused by water running off the neighbor's property? Guess where the water goes during heavy rain?

4. **Is there a fence or retaining wall** on the property? Does it look stable? Check for wood rot in the wall. This could pose a problem down the road and lead to costly repairs. Determine which property owner is responsible for the upkeep, maintenance, and repairs.

5. **Pay attention to the brick chimney** to see if it's separating from the house.

Red Flags Inside the House

1. **Check for evidence of leaks** in the ceiling. One lady asked about a stain in the downstairs ceiling. *Is there a leak in the roof?* I pointed out this wasn't possible since there was an upstairs bathroom. No doubt, kids splashed water over the tub.

2. **Fogged windows may indicate** that the seal is broken between double-layered windows. The glass needs to be replaced so the window retains the insulation value. In many states, fogged windows can be a gray area for inspection. Such windows are expensive to replace.

3. **Check for water stains** on basement walls and interior walls.

4. **If you feel the moisture in the air** or notice a musty smell, this indicates a sick house. Damp houses are breeding grounds for termites, ants, and other pests, as well as harmful mold and mildew.

5. **Dark and dreary rooms** may require expensive lighting to brighten things up. Dark-colored walls or dark carpets can exaggerate the problem. One solution is to paint walls a lighter color or add softer carpets. I've always tried to stay away from dark houses. Large trees beside the house don't help. Trees are costly to remove later. A house sat vacant for years. According to neighbors, the owners were constantly sick. One day, the house mysteriously went on the market and was quickly sold. (Remember the rule about a price to-good-to-be-true.) To my knowledge, the new owners failed to check for mold.

As you continue to look, don't get frustrated. Even though you'll make mistakes, try to keep them to a minimum. My best advice is to listen to your Buyers Agent!

Effective Buyer Strategies

Offers should follow two rules:

1. **Your goal is to start talking to get your foot in the door.** Any negotiations will come later.

2. **Get ready to act FAST.**

We still find ourselves in a competitive Seller's market. Moving forward, supply and demand continue to drive the housing market. There isn't enough homes on the market to satisfy demand.

Here's more good news. The number of homes selling above the asking price is not as common. However, expect to pay the list price.

Go to https://www.realtor.com/realestateandhomes-search/Augusta_GA/overview to check housing prices for your area. Use the search box.

Low inventory means Sellers will continue to enjoy the upper hand in 2024. Expect prices to increase 2% to 4% in 2024.

Cutting a sweet deal or even getting a discount may be tricky. Asking for repairs or closing costs may be difficult. But as my mother used to say, *It never hurts to ask.* Be prepared to overlook cosmetic issues. For example, somebody can easily change the wrong wall color, carpeting, or light fixtures. Focus instead on big-ticket items like roofing, windows, and foundation.

Look for a house priced under your budget. That way, you'll have room to offer above the Seller's asking price.

Low Appraisals

Fortunately, in today's market, appraisers are increasing the house's value to conform to market conditions.

Sometimes, the appraisal comes in for less than the price of the house. In such cases, you have three options:

1. Accept the appraisal. Bring cash to make up the difference.
2. Renegotiate the price of the house with the Seller.
3. Withdraw the offer and find another house.

Here's the catch. If you bid too much, remember the house must appraise for the loan amount. If you bid $2,000, $3,000, or $5,000 above the asking price, the house must appraise for the higher figure. Otherwise, expect to bring cash to the closing to make up the difference. Remember. If you add closing costs to the loan, the house must appraise for a greater amount.

Check out more Buyers' tactics: https://www.youtube.com/watch?v=mOcPG8MMmsE

Before the Offer

Sellers want to know that you are a serious Buyer. It's better to have a **pre-approval letter** instead of a **pre-qualification letter**. This triples your chances of getting your offer accepted. Some lenders will only issue a pre-qualification letter. Which one do you think will carry more weight when making an offer? Pre-qual is a quicker process based on the information that you provide. But it is not verified by the lender.

*A pre-approval letter, which also comes from a lender, is provided **after you submit proof** of your assets, income, and expenses (in the form of pay stubs, tax returns, and bank statements), and allow the lender to pull your credit. The pre-approval letter will be written on the lender's letterhead, showing its name and contact information, and include your name and the loan amount you're qualified for. Usually, the letter will state that the loan is subject to the property you choose, verification of your financials at the time of purchase, and any other lender requirements. Both are intended to give a Seller confidence that the Buyer can make an offer on the house, but a **pre-approval letter carries more weight** because it's based on actual proof. Neither letter, however, is a guaranteed loan offer.*~Realtor.com

> ***Look for homes that have reduced their price. In addition, pay attention to 'days on the market.' The longer a house sits on the market, the better chances are for a good deal.***

Sweeten the Pot

In the past, *price* was everything. Nowadays, price is important, but *"terms"* run the show. Look for ways you can offer the Seller better terms. Bidding wars are a result of supply and demand. Get creative and make your offer stand out. Hang in there, and don't get discouraged. A good agent will ask the listing agent to determine what's important to the Seller. Tailor your offer to highlight those concerns.

- Money talks. Offer a $3,000, or better yet, $5,000 earnest money deposit to encourage the Seller to accept the offer. That way, the owner will take you seriously (Money will be returned at closing).

- Offer above the asking price. Better yet, sweeten the deal and offer to outbid any other offers by $1,000.

- Talk with your REALTOR®. You may want to buy the house *As Is.*

- If the appraisal is lower than expected, offer to cover the gap between the appraisal and purchase price.

- Consider waiving the inspection. *(Not recommended)*

- Offer a fast closing.

- Keep repair requests to a minimum.

Be prepared to write a love letter to the Seller to include why this house could change your life. i.e., My wife is an amateur artist who loves to paint. Your studio/sunroom would be ideal.

Expand your search. Go further out and pick a less expensive area. Many families are working at home and avoid the daily commute. By looking at other places, you can save a ton of money and buy a cheaper house. You'll save gas money by avoiding a long daily commute and sitting in your car for one or two hours daily. That's five to ten hours lost every week just commuting. Now you can spend more family time. Talk about improving the quality of life.

The Seller may be anxious about moving out sooner than expected. Offer to rent the house back to give them enough time to finalize their moving plans.

OK. You missed out on a house that went under contract before your offer was accepted. A good agent will look out for the home back on the market. What does this mean? For some reason, the sale with the previous Buyers fell through. Why? Something turned up that torpedoed the offer. Perhaps the Buyer didn't meet the bank qualifications due to income or credit. The house goes back on the market.

Home Inspections

The Buyer pays the cost of a home inspection. Make the home inspection a *mandatory part of* the home-buying process. You need unbiased documentation of the home's condition. Depending on the area, include a radon measurement and a mold inspection. This goes for both the purchase of a pre-owned home and new construction.

Sure. A home inspection is not required. But it can prevent you from buying a real lemon. If you choose to buy a house without a formal home inspection, you run the risk of overlooking severe defects.

Unforeseen problems could result in costly repairs down the road. None of us have Xray vision that can look inside walls to check plumbing and electrical wiring. Home inspectors are licensed in most states and have the professional training to inspect a house from top to bottom.

A complete home inspection should be conducted **before** the contract between the Buyers and Seller is finalized. In many states, the sales contract allows enough time for the Buyer to conduct a formal inspection. Check with your agent. You may need to put an inspection period in the original offer. If a severe problem is identified, the Buyers should have the option to:

1. Ask the Seller to perform repairs.
2. Split the cost of repairs with the Seller.
3. Walk away from the deal without penalty.

In such a competitive market, don't expect much help from the Seller. You may want to accept the house *"As Is"* without repair requests. Why inspect at all? You can walk away If severe defects are found, such as a foundation problem.

A professional home inspector identifies:

- Maintenance issues
- Items that are not up to code.
- Items not in working order.
- Safety issues.

For example, a worn carpet, noisy garbage disposals, or a room painted with the wrong color don't count.

Although the lender does not require a home inspection, the Buyer pays for the inspection.

Costs can run as low as $350 and as much as $1,200, depending on the house size.

NEVER let a friend or relative perform the home inspection. It's just too important.

New construction **should also be inspected** before the final walk-through with the builder. It's not unusual to find doors that don't shut or outlets that are not connected. Minor? Sure. But getting the builder back for repairs may take time after you've signed the papers.

Do not confuse an inspection required by a VA or FHA-backed loan with an inspection done by your home inspector. The VA or FHA conducts the inspection as part of the appraisal process to ensure the home meets its minimum standards.

What Is Included

Your inspector will take a hard look at:

- Exterior siding and brick
- Outside trim
- Doors
- Windows
- Gutters
- Chimney
- Crawl space, including framing underneath the house and a moisture reading to prevent termite infestation.
- Foundation
- Proper drainage
- Roof, including shingles.

The inspector is also checking for missing shingles, possible leaks in the roof, rotten wood and major cracks in the exterior wall (which indicates the foundation settling).

The interior inspection checks:

- Doors and windows, to see if they work properly.
- Cracks in the walls.
- Ceiling leaks.
- Kitchen appliances.

- Electrical outlets, including the main electrical panel box.
- Light fixtures, including switches.
- Plumbing, including faucets to see if they drip.
- Heating and cooling system.
- Possible code violations could make the house *uninhabitable.*

Outdated or inadequate electrical wiring is a common problem found in older homes. For instance, the panel box may not be suitable to handle the needs of today's families. The wiring may be aluminum, which could represent a fire hazard. You may remember this old trick. Stick a penny in a blown fuse to make it work.

An outside inspection of sprinkler heads, pool, and outbuildings **may or may not** be included. It should be. It's a good idea to pay extra if these items are generally not covered. Ask the inspector beforehand. It's not unusual to find broken sprinkler heads, sprinkler valves, and broken sprinkler timer.

The type of roof inspection depends on the licensing requirements for home inspectors in your state. Common methods include:

- A visual inspection from the ground.
- An inspection conducted on the roof.
- Drone inspection.

Ask if the inspector carries a ladder. It's hard to climb on the roof without one. A much closer inspection is required to identify missing shingles, the integrity of the peaks and valleys, and the flashing around the chimney and plumbing vents.

Expect the inspection to last two to three hours. During the inspection, you are encouraged to ask questions concerning defects that are found. In addition, the inspector can offer additional advice on maintaining your home correctly. One inspector recommended gutters be installed to help prevent problems from runoff.

In any case, accompanying an inspector can help you get the most from an inspection. In short, don't be afraid to ask questions.

Your real estate agent should also attend the inspection. It is optional for the Seller or their agent to be present.

Attending an *Open House*

Open Houses are a great way to familiarize you with the housing market or find the right agent. As you approach each home, you can feel the excitement. But it can be a bit frustrating and confusing. What do you say? What questions should you ask? Will you get a high-pressure sales pitch? How do you escape?

Here are four tips to get the most out of your Open House experience.

1. **Preparation:** Unless you're just looking for a Sunday outing, narrow your visit to houses that you can afford. There's no sense in looking at $300,000 houses if your target price is around $200,000. It's OK to bracket your search within a $50,000 range. For example, you should include houses ranging from $200,000 to $250,000. You'll get a better feel for what your money can buy. You may even decide that your target price is unrealistic and needs to be increased.

2. What to Expect: The owner will usually be absent—no need to ring the front doorbell. The agent is expecting you anyway. Besides, they may be busy answering questions from someone else. Walk in. At some point, you will be greeted. You may be asked to sign a guest register. Sometimes, light snacks and drinks will be offered. If the agent is busy, then it's OK to give yourself a self-guided tour. You'll have time to ask questions before leaving.

3. Be Polite: It goes without saying. Be polite to your host/hostess. You may be asked to remove your shoes. If you're working with another agent, mention it. That way, the host or hostess won't solicit business.

Don't take pictures out of respect for homeowner's privacy. Ask if it's OK.

If the agent seems pushy, thank them and leave. Hold any criticism about the house until you get outside. You never know who is listening.

4. Pay Attention: Look for handouts like a property feature sheet and information about available mortgages. A good feature sheet will describe the property, special features, square footage, and number of bedrooms and bathrooms. Take plenty of notes. Rate the house on a scale of one to ten.

The primary reason agents hold an open house is to sell their listing and let the owner know the house is being properly promoted.

Visiting several Open Houses is an excellent way to get acquainted with other agents. You're in charge. Remember. You're interviewing agents to find the right fit.

Time to Finance

You've found the perfect house. Boy, are you excited? It cost a bit more than you expected, but the house is too attractive to pass up. Your loan officer assures you that you will qualify for a higher payment. You go for it.

Carpe Diem. (Live for the day.) Good name for a boat. It's not a good name for a financial strategy. Again, the House trumped the financing. You took the wrong fork in the road.

Here's the bottom line. You need an *exit strategy* before it comes time to buy a house. Remember what I said in the beginning. It's not a matter of ***"if"*** but ***"when"*** it comes time to move.

Try this exercise. You've found the perfect house. It's what you've always dreamed about. The house is driving the financing. Who cares if it's more money than you want to spend? Critical criteria such as school district, daily commute, or even fewer bedrooms bit the dust.

It's gorgeous! We 'gotta' have it!

You stretch the budget. You have set yourself up to become *house-poor.* As a result, you sacrifice trying to make the budget work. Forget a new car. Forget a trip to Disney World.

Credit Scores Rule

Do you have excellent credit? **So what?** Keep reading. Even a slight improvement can raise your score and help lower the interest rate. This, in turn, can drop your monthly payment, help you qualify for a more expensive house, or help shorten the loan term.

Determine your credit score. Is it good enough to qualify, or does it require a bit of work? Go online and check your credit for accuracy. Creditkarma.com is an excellent first step. You'll get a free credit score. They also will monitor your credit for any changes.

You're entitled to one free copy of **your credit report** every 12 months from each. The top credit sites are www.Experian.com, www.Transunion.com, and www.Equifax.com.

Equifax, TransUnion, and Experian will **delete 70% of medical collections from consumer credit reports.**

1. **Check your credit for mistakes** before you start calling mortgage companies. Look for errors and correct them immediately. If you question something, dispute it. Credit reports can be full of mistakes. It could take weeks, even months, to make the necessary corrections.

2. **Avoid applying for new credit.** Don't go out and buy a new car or new furniture. Wait until after you close on the house. Why? The lender will check your credit the day before closing. If they see new purchases or inquiries, they may flag your approval. In short. No loan.

3. **Pay off as many credit cards as possible.** Start with cards that have the lowest balance. Ignore cards for less than six months.

4. **You must pay off** unpaid collections.

5. **Stay current.** Do not be late with payments.
6. **Do not close out unused credit cards.** Even with a zero balance, your credit limit can be considered. A higher credit limit helps. It won't hurt to apply for an increased credit limit.

Debt-to-Income

Debt-to-income is a key factor used to qualify for a mortgage loan.

Ask yourself, what can you reasonably afford? Most experts say a mortgage payment (principal, interest, insurance) should not exceed 28% to 36% of your gross monthly pay. For the military, be sure to count BAH as income.

For example, if your monthly income is $3,500, you can afford a monthly payment of $980 to $1,260.

If your combined monthly income is $5,000, you can afford a mortgage between $1,400 and $1,800.

Put another way, the house should cost no more than two and a half times your annual salary. If you're earning $100,000 a year, the house should cost no more than $250,000. Go to www.bankrate.com/calculator for an affordability calculator.

Depending on the type of loan, these ratios could be higher. Check with your lender.

The total debt-to-income, or back-end ratio, shows how much of your gross income would go toward your debt obligations, including mortgage, car loans, child support and alimony, credit card bill, student loans, and condominium fees. In general, your total monthly debt obligation should not exceed 36 percent of your gross income. To calculate your debt-to-income ratio, multiply your annual salary by 0.36, then divide by 12 (months). The answer is your maximum allowable debt-to-income ratio.
~Bankrate.com

Go to *www.bankrate.com/debt-to-income* for another easy way to calculate debt-to-income ratios.

1. VA Financing

The VA does not give loans. However, the VA loan is a **$0-down mortgage** option issued by private lenders and partially backed by the Department of Veterans Affairs. This makes the loan very attractive to lenders. Veterans may obtain a 100% loan with no down payment. Closing costs and prepaid may be financed.

2. Conventional Loans

A conventional loan is a mortgage loan not backed by a government agency. This is the most common type of mortgage. Most lenders require a credit score of 620 or better with as little as 3% down. You'll also be required to pay private mortgage insurance. (PMI) Borrowers with 20% down can avoid PMI.

3. FHA Loans

FHA loans require credit scores as low as 500 with 10% down and 3.5% down with a 580 score.

4. Adjustable-Rate Mortgage

Adjustable-rate loans, or ARMs, are mortgages similar to conventional loans.

Adjustable-rate mortgages (ARMs) are becoming more common as home buyers hunt for ways to save money with today's higher mortgage rates. *The benefit of using ARMs comes especially when interest rates are high, so the benefit of a reduced rate during the introductory period is most pronounced. This largely explains their current boost in popularity.* Zillow.com

Rates are adjusted every 5, 7, or 10 years to match current rates. If rates go up, then your interest rate increases. If rates drop, you can enjoy the savings.