

The Home Buying Process



11 steps to Buying the Right Home at the Right Price

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Chapter 1 - Broker - No Broker

The first decision is whether or not to use a real estate broker. You can always work directly with the broker for the seller but he/she will not be able to advise you or advocate on your behalf as they already have a contractual relationship with the seller. If you want to tap into the knowledge and expertise of a real estate broker, you will need to engage a buyer's agent.

Chapter 2 - Choosing a Broker

The next challenge is to select the right one. Here are a few things to consider.

Experience: This isn't just the number of years a broker has been in business but also the number of transactions the broker handles each year. It is far better to hire a broker with 3 years of experience doing 50 deals a year than one with 20 years of experience but only 5 deals a year. Try to find a broker who is in the top 1 to 2% of the brokers in the local Realtor Association.

Credentials: Brokers usually acquire various designations as they progress in their careers. The top three are the CRS, GRI and ABR designations.

Certified Residential Specialist, CRS, is the most difficult designation to achieve from the National Association of Realtors. CRS agents must meet stringent educational and experience requirements. That's why only 3% of Realtors are Certified Residential Specialists.

A Graduate of the Realtor Institute, GRI, requires extensive (60 classroom hours) of comprehensive real estate education. Nationally, only 15% of Realtors hold the GRI designation.

Accredited Buyer's Representative, ABR, requires participation in a two day course that focuses on the skills needed to represent a real estate buyer.

Availability: Most real estate brokers are available seven days a week. However some are not. Find out from the brokers you interview what days and hours they will be available to answer your questions and deal with issues that come up in the real estate transaction. Also, if the broker is part of a team, will other team members be available during the same hours.

Neighborhoods Served: Some brokers prefer to specialize in a particular neighborhood or part of town. Others are willing to travel greater distances to show a property. Make sure that the broker that you choose is willing to travel to the areas that interest you.

Negotiation Skills: This is perhaps the most important skill for a buyer's broker. In an accelerating market where multiple offers are common, having a broker who can structure a deal that is accepted will mean the difference between owning your dream home and starting your search all over again.

Buyer's Representation Contract: Many buyer's brokers (but not all) will ask you to sign a buyer's representation agreement before they begin work for you. This agreement outlines the services that will be provided and the commissions that will be charged. In most cases, when you're purchasing a home listed in the MLS, the seller's broker pays the buyer's broker commissions.

FSBO (for sale by owner) properties: if you want to see FSBO properties you will need to select a broker who is willing to work with FSBO owners.

When calling to set up a showing with the FSBO owner, your broker should inquire as to the owner's willingness to pay the buyer's broker commission. If the owner is not willing, you'll have to factor in the buyer's broker commission when you make your offer.

Chapter 3 – Lending

Before you can make an offer on a home, you must be pre-qualified. This means meeting with a mortgage broker who will take your financial information and determine which type of loan works best for you. Some loans have low interest rates and fees. Other loans have lower down payment requirements. Your real estate broker can refer you to someone who can serve you best.

Chapter 4 – Search

Even before you contact a broker, you have probably been perusing the real estate websites like Realtor.com, Zillow and others. When you select a broker, they can set you up in the MLS so that you can have direct access and not have to deal with the advertising on the commercial sites. However, FSBO properties can only be found on sites like Zillow.

When you have selected a few homes, first do a drive-by to see what the neighborhood looks like. You can save a lot of time and energy by not requesting showings in neighborhoods that do not interest you.

Now it's time to call your broker to schedule your showings. He will take your list of properties, put them into a logical order and schedule appointments to tour the properties. It's important to stay on schedule as the appointment is for a specific timeframe (usually 1 hr). Don't be late as your broker may have to reschedule.

Chapter 5 – Negotiation

Once again, here is where experience counts. Most people, including brokers, do not like the negotiation process. They feel that there is too much gamesmanship involved and they're right. But if the game must be played, you'll need a broker that knows the rules.

Chapter 6 – Contracts

Your broker will be familiar with the state forms and be able to complete the paperwork at no additional cost.

Chapter 7 – Inspections

Now the real work begins. Up to the point of signing the contract, the seller and buyer had equal control. With contract signing, control shifts to the buyer. Virtually all real estate contracts include provisions for the buyer to opt out of the contract at specific points in the process. Inspection is the first.

You will have the right to bring in any number of inspectors to evaluate the condition of the home and write a report on their findings. This would include a general home inspection plus possibly radon, mold, meth or marijuana inspections. For rural properties, well and septic inspections are common.

If any red flags come up on the initial reports, contractors may be called in to evaluate or provide estimates for work that needs to be done.

Armed with all this new information, you have a strong position from which to renegotiate. You can ask for work to be done prior to closing or that the price be reduced to accommodate the needed repairs. This is where your and your broker's negotiation skills will be put to the test.

Chapter 8 – Title

While inspections are ongoing, the title to the property will be examined to make sure that there are no potential ownership problems. Any issues that are found must be remedied prior to closing. At closing the title company will issue title insurance to guarantee title to the buyer.

Chapter 9 – Appraisal

The appraisal is the lender's inspection to determine the market value of the property and to determine if the home meets the criteria for the type of loan being applied for. Government backed loans like FHA and VA hold their appraisers to higher inspection standards than do conventional loans. Upon receiving the appraiser's report, the lender can also ask for repairs to be made prior to closing. If these requirements are not met the lender will not approve the loan. Again, this is your opportunity to renegotiate the deal.

Chapter 10 – Survey

The survey process determines whether or not there are any encroachments onto or from neighboring properties. Prior to closing any encroachments found must be corrected.

Chapter 11–Closing

Finally, all the work is done and it's time to **close on the purchase of the** home. Normally this involves meeting at the title company to sign all the necessary documents and receive title to the property. If you or the seller cannot be present at closing, documents can be overnighted for signatures and returned in time for closing.

There you have it. Eleven simple (but not always easy) steps to buying the right home at the right price.



About the Author

Chris Clark was raised on an Oklahoma ranch in a residential construction family. Founding his first construction company in 1972, he has been involved in the real estate industry ever since.

He began his current brokerage business in south Texas in 2006. He opened his Pikes Peak office in 2015.

He has been recognized as one of the 10 Best Real Estate Agents in Colorado by the *American Institute of Real Estate Professionals*.

He is consistently featured in *Real Producer Magazine* as being in the top 1% of all brokers in the Pikes Peak region.

He has been awarded the designation of Certified Residential Specialist. CRS agents must meet stringent education and experience requirements. That's why only 3% of Realtors are Certified Residential Specialists.

He is a Graduate of the Realtor Institute and holds the GRI designation. Nationally only 15% of REALTORS® attain this designation.

As a Realtor, he belongs to the National Association of Realtors and is held to a higher ethical standard than licensed brokers and must adhere to a Code of Ethics.

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