



get the facts



your first
home

7 steps to your first home



Congratulations! You are thinking of buying your first home. We know this is a big decision for you with a lot of unknowns. Many first time home buyers will contemplate the decision for years before taking any action, even a first step. Our research indicates that once a first time home buyer does take that first step, they purchase their first home within three months. This brochure helps you take that first step.

Once you purchase a home you will soon learn the tax advantages of home ownership and the opportunity to build equity (or wealth) over time. According to the Federal Reserve, the median household *wealth accumulation* for a homeowner was \$184,000; in comparison, the median net worth of a renter was \$4,000. It's time to start taking those steps!

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Step 1


Finding the right home

You've probably already been using the Internet to search for homes, financing options and home buying information. You will find many of those resource links included in this brochure. We also encourage you to contact a REALTOR® at the very beginning of your quest and put that REALTOR® to work for you. He or she will help you find what you are looking for in a home, in the area you want, and at a price you can afford. When you find a home that you want to make an offer on, your REALTOR® will research the market and let you know if the price is fair. He or she can help you negotiate an offer and advocate on your behalf throughout the process.

A REALTOR® can help take the mystery out of the purchase of your new home and show you the ropes. There are hundreds of little details in buying a home and some details that are not so little—like property lines, easements, earnest money and the time allowed for home inspections (to name a few). Don't worry, you will be involved throughout the process and if you have any questions along the way, do not hesitate to ask your REALTOR®.

How much is this REALTOR® going to cost?

It doesn't cost a dime to call a REALTOR® and talk about your home quest. This is that first step we talked about. As far as total cost, there are many business models and compensation approaches real estate agents use when representing buyers. Many agents work on commission and will be paid a percentage of the home sale price once the seller receives payment. Some agents work on a flat fee or other compensation model. Call a REALTOR® and ask what he or she charges and ask what services he or she will provide.

A close-up photograph of a paintbrush with a wooden handle and a metal ferrule, resting inside a white paint can. The brush is angled diagonally across the frame, with its bristles pointing towards the top right. The paint can is partially filled with white paint, and the brush is coated with it. The background is a plain, light color.

Ask family, trusted friends and coworkers for REALTORS® whom they have worked with and who they recommend. Your real estate agent is likely to ask you to sign an agreement to work only with them. This is a very common request if the agent is being paid a commission at the closing of the sale. Without the agreement, an agent could spend countless hours with a buyer finding the perfect home, only to have the buyer call another agent at the last minute to write the purchase agreement. Look over the agreement and discuss the length of time of the agreement and what it takes to cancel the agreement, if desired.



Note – not all real estate agents are REALTORS®, so be sure to look for the trademark REALTOR® or the REALTOR® logo when choosing your agent. That logo indicates they belong to the National Association of REALTORS® and have committed to a higher level of education, training and a strict Code of Ethics.

Is the market ready for you?

Every market in Washington is a little different but, in general, now is an excellent time to purchase your first home if you find the right home at a fair price. At the time of this printing, interest rates on fixed rate mortgages are at historic lows. If you want to know what a percentage rate can do to a monthly payment, go online and search for a mortgage calculator and plug in some numbers. You will be amazed.

The real estate market is a much more balanced market today with buyers finding many more properties to choose from. That wasn't the case over the past few years. Greater selection means the chances are better you will find the right home for you with the amenities you are looking for. Right now, it is a buyer's market and that is good news for a first time home buyer (you)!

Will prices go down further?

Well, that is the big question isn't it? Some people are getting good deals out there right now because some sellers are motivated and need to sell today. However, in general we do not think we will see across the board dips in prices. Here is why:

1. Washington has an extremely strong economy: unemployment is under 5 percent and, according to the Washington State Office of Financial Management, we are projected to add another 2 million residents in the next 12 years.
2. Washington has few subprime loans in danger of foreclosure so, contrary to what is happening in some states, we have many fewer "distress sales" or foreclosures.
3. The historic low mortgage rates are turning the market around. If you are renting, you are not alone. There are thousands of people just like you who want to buy a home and are just waiting to see what the market is going to do. As these people enter the market, supply will go down and the market will heat up.

Step 2

Determine how much home you can afford

Are you ready to buy your first home?

If you have saved some money for a down payment and you anticipate living in that home or condo for three to five years, the answer is almost always yes. It is time for you to start building your own wealth instead of contributing to somebody else's with your rent payments. In most all cases, the interest portion of your mortgage payment and your property tax payments are tax deductible. There are also some financial assistance programs for first time home buyers (see the resources section or ask your REALTOR®).

Step 3

Shop for a loan & research first time home buying programs

Help with your down payment

There are many federal programs and dollars available to assist first time home buyers. The people who receive this money learn about the programs and apply for the assistance. Get on the computer and start with the HUD site www.hud.gov.

Basically, Down Payment Assistance Providers (DAPs) are government agencies that are developed to help you—the first time home buyer. The most common and available DAP is a FHA (Federal Housing Authority) loan. FHA loans are becoming more popular and recent changes in FHA loans have expanded the number of people and properties that qualify. The federal government knows that first time home buyers are good for the local and national economy. Find out today if you qualify for one of these programs, which are funded by our tax dollars. Your REALTOR® will also help you interview and discuss your loan options with qualified mortgage people.

In some cases, you can get an FHA loan for as little as 3% down. Many first time home buyers don't realize you can also use up to \$10,000 from your IRA to purchase your first home. In many cases, you can use gifts or loans from family members as long as you disclose this information to the lender. See page 10 for a list of resources to help with your down payment.




There are many programs available to assist first time homebuyers.

Financing

There are many great programs for the first time home buyer. You will want to spend some time talking with a loan officer to find the loan product right for you. This is another one of those “first steps” you need to take. It costs little or nothing to determine if you can buy a home right now and what price range you should be looking at. Most first time home buyers are surprised at what they learn and wish they had started the process a long time ago.

Your REALTOR® will help you find financing. He or she may refer you to a financial institution they know works well with first time home buyers. Of course, you can pick a lender yourself. Choose your lender as carefully as you choose your REALTOR®. Take the time to interview and ask questions.



A knowledgeable expert will help you prepare the best deal and avoid delays or costly mistakes.

Lenders and financial assistance programs look at three things when you apply for a mortgage: your debt-to-income ratio, your down payment and your credit score. If you pay your bills on time, do not carry a lot of debt and have a down payment needed for the loan program, you will be fine. Getting pre-qualified by your lender is an important first step in actually starting to look for your first home, and you will have real negotiating power when you do find the right home.

Step 4

Decide on a home & make an offer

Well, this is a giant step isn't it? By now, you know how much you should spend on a home. Your REALTOR® will help you find the best home within your budget, and together you will make a written offer that details the amount of the offer and the conditions of the sale. If the seller "counters" your offer, you may need to negotiate until you both agree to the terms of the sale. Your REALTOR® can advocate on your behalf at your direction during these negotiations. You will be very much a part of all the decisions, and your questions will be welcomed by your REALTOR®.

Step 5

Get home inspected

Make your offer contingent on a home inspection. Talk to your REALTOR® and agree on a reasonable length of time for the inspection and include it into the offer. An inspection will tell you about the condition of the home and can help you avoid buying a home that needs major repairs, or help you negotiate with the seller to have the repairs made before you buy the home.

Step 6

Shop for homeowners insurance

Lenders require homeowners insurance to cover the collateral for the loan (the home). Shop around as you would for any insurance coverage. Consult with your REALTOR® if you have questions.

Step 7

Complete the transaction & move in

You are now ready to complete the transaction. This is also called “settlement” or “closing”. Closing is where you need to read and understand the documents you are signing (many home buyers don’t). Ask if you don’t understand any part of the document. There are no dumb questions when it comes to a purchase of this size.



Resources

The following resources are more than links to information, they are sources for down payment assistance and low interest loans for many household incomes.

Federal Housing Administration (FHA)

www.fhainfo.com

FHA operates within HUD and has the primary responsibility for administering the government home loan insurance program. This program allows a first time home buyer, who might otherwise not qualify for a home loan, to obtain one because the risk is removed from the lender from FHA who insures the loan for the lender. The most common loan offered by FHA only requires a 3 percent down payment and that down payment can be a gift from a relative, non-profit organization or government agency.

US Department of Housing and Urban Development (HUD)

www.hud.gov

This is where you will find valuable leads and information about all federal programs that assist first time home buyers, including FHA, Fannie Mae or Freddie Mac.



Most first time home buyers are surprised at what they learn and wish they started the process a long time ago.

HUD listing of Washington State resources

www.hud.gov/local/index.cfm?state=wa&topic=home_ownership

Good listing of non-profit organizations that assist first time home buyers.

Washington State Housing Finance Commission

www.wshfc.org

The WSHFC helps low and moderate income first time home buyers purchase their first home in Washington. Classes, resources and answers are available at 800-767-4663.

Washington Home ownership Center

www.homeownership-wa.org

A non-profit information clearinghouse recommended by HUD.

www.hud.gov/local/wa/home_ownership/buyingprgms.cfm

Washington State and regional programs to help you buy a home from the US Department of Housing and Urban Development.

American Dream Down Payment Initiative (ADDI)

www.hud.gov/local/wa/community/home/

Many local agencies that assist with first time home buyers.

US Department of Agriculture Rural Development loan programs

www.rurdev.usda.gov/wa/housing.htm

These programs are for rural development and you may qualify.

Habitat for Humanity

www.habitat.org/cd/local



Not all real estate practitioners are REALTORS®. The term REALTOR® is a registered trademark that identifies a real estate professional who is a member of the National Association of REALTORS® and subscribes to its strict Code of Ethics. Here are nine reasons why it pays to work with a REALTOR®.

- 1. You'll have an expert to guide you through the process.** Buying or selling a home usually requires disclosure forms, inspection reports, mortgage documents, insurance policies, deeds, and multi-page settlement statements. A knowledgeable expert will help you prepare the best deal, and avoid delays or costly mistakes.
- 2. Get objective information and opinions.** REALTORS® can provide local community information on utilities, zoning, schools, and more. They'll also be able to provide objective information about each property. A professional will be able to help you answer these two important questions: Will the property provide the environment I want for a home or investment? Second, will the property have resale value when I am ready to sell?
- 3. Find the best property out there.** Sometimes the property you are seeking is available but not actively advertised in the market, and it will take some investigation by your REALTOR® to find all available properties.
- 4. Benefit from their negotiating experience.** There are many negotiating factors, including but not limited to price, financing, terms, date of possession, and inclusion or exclusion of repairs, furnishings, or equipment. In addition, the purchase agreement should provide a period of time for you to complete appropriate inspections and investigations of the property before you are bound to complete the purchase. Your agent can advise you as to which investigations and inspections are recommended or required.
- 5. Property marketing power.** Real estate doesn't sell due to advertising alone. In fact, a large share of real estate sales comes as the result of a practitioner's contacts through previous clients, referrals, friends, and family. When a property is marketed with the help of a REALTOR®, you do not have to allow strangers into your home. Your REALTOR® will generally prescreen and accompany qualified prospects through your property.
- 6. Real estate has its own language.** If you don't know a CMA from a PUD, you can understand why it's important to work with a professional who is immersed in the industry and knows the real estate language.
- 7. REALTORS® have done it before.** Most people buy and sell only a few homes in a lifetime, usually with quite a few years in between each purchase. And even if you've done it before, laws and regulations change. REALTORS®, on the other hand, handle hundreds of real estate transactions over the course of their career. Having an expert on your side is critical.
- 8. Ethical treatment.** Every member of the National Association of REALTORS® makes a commitment to adhere to a strict Code of Ethics, which is based on professionalism and protection of the public. As a customer of a REALTOR®, you can expect honest and ethical treatment in all transaction-related matters. It is mandatory for REALTORS® to take the Code of Ethics orientation and they are also required to complete a refresher course every four years.