



# SELECTING A HOME

Having a pre-qualified buyer ensures a seller and the realtor that a potential buyer can fulfill the conditions of the sales contract and that the transaction will close quickly and efficiently without concerns for financing.




**The choice to purchase a home is one of the most significant financial decisions one makes in a lifetime.** Understanding one's financial situation is important in determining how much can be spent to buy a home and that it is affordable and sustainable over time.

**Buying a home begins with research.** Make a "to-do" list. Talk to friends and family, drive through neighborhoods and look in the "Homes for Sale" section of the newspaper. Think about the location of neighborhoods in relation to work and consider the time and expense of the daily commute. It is important to contact a real estate agent that is knowledgeable and informed that will help search and find the right home.

**Determining housing needs before beginning the search.** Make a "list of priorities" such as location and size. How many bedrooms and bathrooms are needed? How big is the lot? What are the amenities? Establish a list of minimum requirements that are things a house must have and a "wish-list" that covers things that one would like to have but are not essential.

**Deciding on a community in which to live and play.** Select a community that allows for daily life. Is access to local facilities like libraries, museums, hospitals, sports and recreation centers important? Are the schools community based? Is there access to shopping and public transportation? Talk to the people that live there and get to know the neighborhood.

**Selecting a real estate professional.** Real estate agents can act in different capacities.







-  A **buyer's agent** is hired to represent the buyer's interest throughout the transaction. Buyers can pay their agent directly through a negotiated fee, through the seller, or by a commission split with the seller's agent.
-  A **seller's agent** is hired by and represents the interest of the seller. This relationship usually is created by a listing agreement.
-  A **single agent** can also represent both the buyer and the seller through what is known as a "dual agency," which requires the consent of the buyer.

**Choosing the best real estate agent.** A real estate agent can be a great source of information and help with the buying process. The ideal agent knows the local area and comparable sales within it, is familiar with mortgage financing and Purchase Assistance programs and has resources and contacts to search to find the right home. If the real estate agent represents the seller, state law requires that the buyer be treated fairly. If the agent represents the buyer, he or she will generally not be paid unless and until a home is purchased.




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**Making an offer to purchase a home.** Calculating the right offer involves several factors: average prices in the area, the condition of the home, how long it has been on the market, financing terms and the seller's position. After the right home is selected, the real estate agent will assist in preparing a purchase agreement to include the terms and conditions the buyer is willing to offer including, any negotiation as to settlement costs. The contract may also contain, but is not limited to, the following information:

-  **Complete property legal description:** The legal description of a property describes its location within a certain subdivision as recorded in a plat book and page as recorded in the public records of the county in which the subdivision was created. Occasionally, especially in rural areas, the property may not be located within a subdivision. In such case, a licensed land surveyor would describe the property beginning at a starting point followed by angles and direction to determine the property's boundaries known as metes and bounds description. In either case, a boundary survey will be required, the cost of which is considered a closing cost.
-  **Earnest money deposit:** Earnest money is held in escrow as a deposit to demonstrate the buyer's good faith in purchasing the seller's property. If the seller rejects the offer, the money is returned to the buyer. If the buyer backs-out after the contract is signed, the buyer may forfeit the entire deposit.
-  **Down payment and financing details:** If the contract is contingent upon the buyer applying for and being approved for a mortgage loan then the details and a time limits, given the buyer to obtain such loan, is noted as a condition within the agreement.
-  **Proposed closing date:** Delays in closing are common and in many cases the buyer is the cause. Generally, the seller has two options: walk away from the deal or give the buyer extra time to close. The best option depends on the seller's motivation and the language of the sales contract.
-  **Offering price:** The seller establishes the initial terms of the sale including the price. A potential buyer could submit a purchase offer less than the established sales price. The seller could choose to either accept or reject the initial offer. However, the seller may wish to continue negotiation and submit a counter offer. The real estate agent will help to determine the initial offer and with further negotiation as the buyer and seller go "back-and-forth" until an agreement is made.
-  **Disclosures:** The buyer should be aware of specific issues that may affect the health and safety conditions in the home, its value, marketability and efficiency. Specific disclosures regarding these concerns will be noticed in the sales contract including those associated with radon gas, mold, improvements made without benefit of a permit, flood zone elevation and certification, receipt of an energy brochure, lead-based paint, homeowner associations requirements, property tax summary, tax withholding and seller disclosure of known defects.




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 **Property inspection:** Buyers have 15 days within which to have the property inspected. If the buyer determines that the property is not acceptable, the buyer may terminate the contract to purchase without penalty. Home inspectors focus on structure, construction and mechanical systems and make aware any repairs that are needed. It is advisable to find an inspector independent of those involved in the purchase transaction. An inspector does not evaluate whether the property is a good value. The inspector checks the electrical, plumbing, water heater, insulation and ventilation, the HVAC system, water sources and quality, the potential presence of pests, the foundation, doors, windows, ceilings, walls, floors and roof. For more information regarding home inspection, visit HUD's Ten Important Questions to Ask Your Home Inspector and For Your Protection: Get a Home Inspection. Booklets are available at [www.hud.gov](http://www.hud.gov).

**A Property Inspection is a requirement of the Purchase Assistance program** and the Department of Housing and Urban Development (HUD) strongly encourages potential homebuyers to obtain an independent home inspection. The report will be reviewed by the Purchase Assistance provider to determine if condition of the house is compliant with the City's code of ordinances as to health and safety and that it meets City's housing quality standards.

**A Lead Inspection report is a requirement of the Purchase Assistance** if there is any evidence of chipping and peeling paint on any properties built prior to 1978.

 **Appraisal:** The property appraisal is an important part of the homebuying process. A real estate appraisal establishes a property's market value and probable sales price that the property would bring if offered in an open and competitive real estate market. Lenders require appraisals when a buyer is applying for a mortgage loan secured by real estate. The appraisal assures the lender that the property will sell for at least the loan amount should a lender foreclose the property because of default of the loan agreement. The appraisal also assures the buyer that the property sales price represents the true market value of the property based on comparable sales.