



Mick McCanlies

**MY FIRST**



**MISTAKES TO AVOID & TIPS  
TO CONSIDER WHEN BUYING  
YOUR FIRST HOME!**

"Are You a first time  
homebuyer in Texas,  
this is a must-read."

FREE e-book



the *karichrist*  
team



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Buying a home is an exciting event in ones life, especially for the first time home buyer.

Where do you turn for answers to your questions? That's where I come into the picture—it's easy to become blinded by all the great features of a home, granite countertops, stainless steel appliances, hardwood floors and the list goes on.

We need to stop for a moment and really look at the process and be cautious to avoid certain mistakes and consider some tips to make this process a fun, profitable and stress-less experience.

I care about what you care about:

- finding you the right house
- negotiating for you to get the best possible price
- help with processing all the paperwork

I hope these 12+ tips help with you finding and purchasing your First Texas Home!



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**1. All the old advice is still TRUE about buying your first home.**

- Don't buy more than you can afford
- Get pre-approved with a local lender before looking at homes with a Realtor
- Get your credit in better shape
- Save for a down payment of 20 %

(some loan programs offer 5% down for first time home buyers—be sure to shop for what is right for you and your circumstances)

**2. Don't OVERSPEND.** Know exactly how much you can afford before you begin your property search or look at homes. Your current rent payment is a good indicator of what you can afford in your new home. Do you struggle to make the payment each month or is the payment made with ease.

**3. Learn about the Neighborhoods demographics.** Who lives in the neighborhood, is it mostly families with children, older people or all renters. Will you be happy there if you have very young kids?

**4. Drive through the Neighborhoods before setting up a showing.** You can usually get a real good feel for the neighborhoods by driving into them much better than the pictures in the listings. Do you feel comfortable and safe in the area. Are the neighbors friendly, lawns well maintained with mature trees. What do you want in a neighborhood? Yes you can always fix up a house, but **you can't change the neighborhood or location without moving.**

**5. Being to Paranoid or Naïve.** Don't be paranoid about the price, normally the homes are priced at fair market value. If there are a few repairs that need to be made, you can usually negotiate that into the contract. **Your agent by law is there to help you negotiate the best deal for you and has your best interest at heart.**

Some first timers are naïve, overly optimistic and think nothing could possibly go wrong. What looks like a minor repair can be much bigger once the onion is peeled down a few layers, don't view them as easy fixes and be unrealistic when it comes to the cost and time it takes to fix up the home.



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**6. Don't count your chickens before they hatch.** How much mortgage can you afford? Base this amount on you currently earn each month. **Don't base it on your potential salary increase**, no one knows what the future will bring, you may be in a better financial situation a year down the road, there is no guarantee. Be sure to **maintain a job with a current employer for at least 2 years**. Without a big down payment the underwriters want to see some stability for at least 2 years.

**7. Don't forget to include the Closing Costs, Property Taxes, Homeowners Insurance and HOA's.** When renting you have one payment. When you buy a home, the mortgage payment is just the beginning. Depending on where you live, Homeowner's Associations fees can be \$0 up to several hundred dollars a month. Property taxes and Homeowners Insurance is based on your geographic location.

If your down payment is less than 20% you will have an additional cost of private mortgage insurance (PMI) - this is insurance for the lender in case you default on the loan. So your \$900 mortgage payment could easily turn into a \$1,300 house payment.

**8. Protect yourself with home inspections, contingency clauses, etc.** During your house hunt, you may find a house that looks great at first glance. Then, as you walk through a few of the rooms, you notice problems with the house — maybe the floors squeak or the kitchen island is off-centered. After walking through the house, you come to realize that someone simply put lipstick on a pig, and this house is in questionable shape.

*Home inspections* provide you with some protection. The inspector will be able to find problems that you can't and you want to know these problems before you sign on. The seller isn't likely to tell you there's mold in the basement or the walls are poorly insulated.

*Contingency clauses* also offer a form of protection. A mortgage financing contingency clause protects you if, say, you lose your job and the loan falls through or the appraisal price comes in over the purchase price. Should one of these events occur, the buyer gets back the money he used to secure the property. Without the clause, he can lose that money and still be obligated to buy the house.



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## 9. Make a list of items to check.

Home-buying is an emotional process. Ideally, you should set aside all your emotions when evaluating a house. Practically, that is impossible. Instead, make a checklist of your must-haves, nice-to-haves and other essentials. Then print copies of this checklist. Every time you visit a house, take the checklist along with you; take photographs so you can cross each item off your list. If you fall in love with the house and your checklist shows that the house has none of your must-haves, it will at least make you pause and think.

## 10. Look beyond the staging.

Staged houses look far better than houses that are still being occupied. Nightstands with lamps on it next to the bed really increased the appeal of the room. In reality, though, there were no plug points anywhere near the lights. So practically that setup would not have been possible without remodeling. When you are considering a house, mentally try to remove the staging. **Pay more attention to the layout of the house and the structure itself, is the foundation and roof in good condition.** Ugly wallpaper and paint can be easily fixed later.

## 11. If you like the house, buy it.

Buy the house, not the view. A set of people in a certain neighborhood are at war with the county for approving a new development next to theirs. The reason? There was a wetland and a nice wooded area with a view of snow-peaked mountains from their homes. They bought their homes for that view. Now, within a year of moving in, their view is gone. Unless you own the land between your house and the view, don't buy a house for the view.

## 12. Be sure to read your contract before you sign it.

A house is probably the largest purchase you will ever make in your life, so make sure you understand the terms of your contract. If you don't understand any of the terms, ask your **mortgage broker** and your **real estate agent**, that's what we are here for. If they won't explain the terms clearly to you, fire them; there are enough people who will be more than happy to help you and work for your business. I am one of those agents.

I hope this information is helpful in your home buying process. For more information or any questions regarding your real estate needs please feel free to contact me. Continue reading for a little more in depth info to help explain it all better.



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Please keep this booklet during all house hunting related activities: meetings, house hunting trips, etc. Use it to take notes and to keep track of deadlines. You can even staple cards to relevant pages to keep related materials together. Making this transaction as easy as possible for you is my job. I am happy to serve all your real estate needs!

## Can I Be A Home Owner? How Much Can I Afford?

Determining your ability to comfortably pay monthly mortgage payments is something for which lenders will use established guidelines. A general rule is that a household's mortgage payment should not exceed 36% of its income on all its debt, which includes the monthly mortgage payment; and that the mortgage itself should not exceed 28% of the household income.



Remember, if you are purchasing a home with a spouse or other partner, you can include that person's income (and, of course, consider his or her debts) when computing the cost of the home you can afford. Mortgage calculators can be great tools when making these calculations.

## Cost of Owning a Home

You should not purchase a home unless you feel comfortable that you can make the mortgage payments and be able to pay for other housing-related costs. These include upfront costs and ongoing costs.

Ongoing costs include your **utilities, mortgage payment, property taxes, homeowner's insurance, maintenance and other expenses**. Mortgage insurance may also be required by the lender if you don't have a big down payment.

Some additional housing costs to keep in mind when calculating moving expenses are furniture, appliances, lawn and garden equipment, or any repair work that may need to be done before you move in.

**Upfront purchase costs** include the **down payment and costs related to closing and settling-in**. You may qualify for assistance to cover some of your closing costs. Other programs may help you with your down payment or provide other assistance that will help you purchase a home.



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**Find A Realtor as your “Buyer’s Agent”:** **It Costs You Nothing to Hire your own real estate agent, one who is working for you, the buyer**, not the seller, **including new builds**. It’s important to fill out the buyers agent agreement and sign it so you have a qualified professional working for you to negotiate the best deal for you, locate the homes in your desired area, process all the paperwork and to allow you access to preview homes in your desired neighborhood(s) and price range.

Your REALTOR® will help you find a home that fits your needs. He or she may suggest potential lenders and provide information about the local schools, stores, property tax, etc.

When you are ready to make a purchase offer to the seller, your REALTOR® will be the one to present that offer. It will include the means of financing you will be using for the purchase.

The seller will typically pay the REALTOR's® commission, based on the house's selling price, so you will probably not be responsible for that fee. You really should, strongly consider enlisting a "buyer's agent"- a REALTOR® who will represent your interests in the transaction.

### **Once you have found a home that you want to make an offer to purchase**

Working with your REALTOR®, you will prepare a **purchase and sale agreement** when you are prepared to make an **offer** on a house. He or she will then present that agreement to the home's seller or the Listing Agent.

The purchase and sale agreement includes many things, among them:

- The type of financing you are seeking—FHA, CONVENTIONAL, VA
- The price you are offering to pay
- The amount of **your down payment**—depends on the type of loan you have
- The mortgage amount, including the maximum **interest rate** you're willing to pay
- The amount of **earnest money**—A deposit made to the sellers showing you have good faith in the transaction
- The **option period**—normally 7-10 days—your are buying the option (normally \$150.00) to back out of the contract without losing your earnest money for any reason.
- A legal description of the property
- The **closing date**—the date you and the sellers will be signing all the documents
- The **occupancy date**—the date you will be taking possession of your new home
- **Personal property** to be conveyed in the home—will any items, curtains, fans be staying with the home or will they be removed prior to closing.
- Expiration date for your offer—how long do the sellers have to respond to your offer.



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## Counter Offers

Your REALTOR® will advise you of the seller's response after you've made an offer. **The seller may accept your offer, reject it, or make a counteroffer.** If your offer is rejected, you will need to decide if you can, and wish to, make a higher offer. If the seller makes a counteroffer, you will need to make the same determination. Can you afford the new price? Will you need additional mortgage financing? Other negotiations among the seller, yourself and your REALTOR® may also take place. Before making a counteroffer of your own, or agreeing to go ahead with the purchase, be sure to carefully examine every aspect of the counteroffer before you.

## Home warranties

A home warranty may usually be purchased prior to closing, but paid for during the closing process. Occasionally warranties are provided by the seller or can be negotiated with the offer to purchase. Home warranties typically **cover the mechanical components of your new home for a full year after purchase.** The home warranty can help provide the comfort that you won't be facing bill expenses for heating, cooling, water heater replacement, etc. right after you move in. Ask your real estate professional about obtaining a home warranty and the full advantages.

## Importance of getting an inspection

Hire a professional to do a **home inspection** that includes everything from plumbing and electrical systems to heating and cooling. If the inspection identifies problems, the seller may be willing to adjust the contract terms or purchase price in anticipation of your future repair costs. If problems appear to be severe, you may decide not to purchase the home after all. If you do back out of the purchase, be aware that you may have to sacrifice up-front costs, including your **credit report fee** and **loan application fee.**

## How to find a qualified inspector

One way to find a professional home inspector that has the experience and knowledge to properly inspect the home you are interested in purchasing is to ask your real estate professional. Your real estate professional can usually point you to a list of home inspectors or provide resources where you can choose a home inspector. It's wise to always ask for credentials and ask for references.

## Different types of inspections

There are two types of inspections commonly performed; **mechanical and structural.** It's a good idea to get both. Some home inspection companies provide both types of inspections but it is not unusual to arrange for a mechanical inspection and also for a structural inspection. If the property has a septic system, for example, it's a good idea to also have an inspection performed on the septic tank. The **mechanical inspection** covers all of the working components in the home such as the heating systems, cooling systems, plumbing, electrical systems, and appliances that stay with the property such as a dishwasher. A **structural inspection** covers the foundation, roof, and the overall construction of the property and alerts the homebuyer to any defects that might not be visible to the untrained eye. If the property has a septic system, for example, it's a good idea to also have an inspection performed on the septic tank also.



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In Texas it is advised and sometimes mandatory depending on your lender that you have a **pest inspection or termite mitigation** done before closing. This covers the inside and outside of the home for rodents and other pests that might be calling your new home their home.

### Preparing for closing

Before **closing**, there are several important steps to take. You should get a **survey** of the property done, and have a **title search** conducted to make sure there are no existing liens against the property and the title is free & clear. Your **real estate sales professional** will assist you in all of this. A **closing agent** should be engaged to handle disbursement of funds, preparing and recording closing documents and all other closing activities. Again, your REALTOR® should be able to make a recommendation.

**VERY IMPORTANT**—prior to closing you should do a final walk through to:

1. Make sure any requested repairs that might have come up in the inspection have actually been done
2. Make sure the home is still in the condition when you made the offer (no holes in the walls or broken windows etc)
3. The inclusions are still in the home (appliances minus the fridge if there are any)

### Understanding closing costs

You will probably have expenses in three different categories: government-imposed closing costs; mortgage-related closing costs; and buyer costs to the seller. Mortgage-related costs paid at closing may include: **loan origination fee**, **loan discount points**, **mortgage insurance**, **appraisal fee**, **prepaid interest**, **escrow accounts**, **credit report fee**. Any special agreements you've made with the seller regarding your costs versus his or hers should be specified clearly in the sales contract.

### At your closing

Either during or shortly after your closing, you should receive several original copies: The **deed** which transfers ownership from the seller to you; **HUD-1 Settlement Statement**, itemizing funds which will be paid by the seller and the buyer at closing; and a promissory note, sometimes referred to simply as Note, with the detailed terms of the loan and your promise to repay it, including the address and agreed-upon dates for making your payments.

Keep a copy of everything you sign, including **homeowner's insurance policy** and **title insurance records**, in a safe place. When it comes time to file your taxes, you'll need the settlement form, which lists loan **discount points** and real estate taxes you paid at closing. Some of these may be tax-deductible.



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## After your closing

### Congratulations!

You are now a homeowner, and you'll want to do everything in your power to protect your investment. By maintaining or even enhancing the appearance of your home and making sure that necessary repairs are made, you could be increasing your home's value. You'll want to keep your finances in shape as well, so you can make timely payments and let your home's equity begin to work for you.

Remember that late **mortgage payments** can impact your **credit rating**. If you are consistently late, you could even lose your home. Nothing's worth that! If you get into a financial bind and fear you will have difficulty making your payment on time, contact your lender immediately. If you consistently fail to make timely mortgage payments, you could lose your home and the good credit you've worked to maintain. Contact your lender at the first sign if you are having trouble making your payments.

You can potentially increase the value of your home by keeping up with repairs, and maintaining and enhancing the condition and appearance of your home.

I Hope you find this informative and helpful and that it has taken some of the anxiety out of the home buying process.

When you partner with Mick McCanlies and the Christ Team you will receive a break down of the important dates and countdown to closing. Like the example below—we share this with everyone involved in the transaction, lenders, Title and listing agents, to make sure the process runs smoothly and to make your experience enjoyable.

	CONTRACT DUE DATE	RECEIVED
Effective Date:	7/16/2015	
Option Receipt:	7/19/2015	
<b>Option Expires:</b>	<b>7/23/2015</b>	
Inspection:	N/A	
Seller's Disclosures:	N/A	
Survey & T-47:	7/30/2015	
HOA Docs:	7/26/2015	
3rd Party Financing:	8/6/2015	
<b>Closing Date:</b>	<b>8/6/2015</b>	
Notes:		

Be sure to click on the image for your free Mobile app to begin looking at homes



Search current MLS listings and for more information at:

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