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What to Expect When You're Expecting to Buy a Home



Helping clients make wise financial decisions about real estate, money, and spending



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What to Expect When You're Expecting ... To Buy a Home

a series of tips to make your home buying experience successful and stress-free

1 Know how much you can comfortably afford to spend on a home, including what it will cost up front, and what it will cost once you own it.



When we first talk with you, we ask you a lot of questions. Not because we're nosy, but because we want you to understand exactly what you're getting into.

You have some excellent reasons for wanting to buy a home, reasons that include everything from improving your quality of life to strengthening your overall financial position. All of us on the Marie Bjornson Team want to help

you insure that all the decisions you'll be making over the next few months are going to be consistent with the reasons you came to us in the first place.

We want you to know for certain what you can comfortably afford to spend for a home. We don't want you to have any unpleasant surprises along the way.

What you want – and what we want to make sure you have – is to know, as soon as possible, what you can comfortably afford to put into the purchase of your next home. We want you to know in advance how much of your own money you'll need to put into making this happen right up to the day you close on your home purchase, and how much you're going to be spending every month to maintain this home for yourself and your family.

We want you to know that you're going to be able to comfortably afford it.

You've already taken the first step, and **the next step is to collect and send us the paperwork we've asked for so we can submit it to our underwriter.** This way, you'll be pre-approved for financing before you even start to seriously look for a home.

And most importantly, you will know – before you spend a dime -- how much home you can afford to buy and still be able to meet all your other financial obligations and goals.

So, if you haven't already sent us that information, please make it a priority to do that – it's the only way to make progress toward your new home without backing yourself into a financial corner.

Next: Being clear about your reasons for buying a home

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Be clear about the reasons you are making this decision to buy a home



When you decide to do something (like buying a home), you have always reasons, and those reasons are important in several respects. Let's look at those and why they matter and can make the difference between success and failure.

First, you may have reasons why your current housing situation is sub-optimal – here are some of the examples I've heard over the years:

- You're tired of renting – problems with landlords, neighbors, the neighborhood, restrictions on what you can do with your place, poor service when repairs are needed, and of course the fact that paying rent means you're paying your landlord's mortgage and making them richer while you could be building your own equity in a property if you weren't renting
- You're excited about owning – these are the more “positive” reasons; why you're looking forward to owning your own home. They include the fact that your home is likely to grow in value every year, and you get all the benefit of that, not the bank. And lots of other things like a better neighborhood, more room, independence, financial stability, a place to raise your family, etc.

The reason your “reasons” are so important. You were probably already busy when you came up with this bright idea of buying a home. Now there will be

paperwork to deal with getting your financing approved, and time spent looking at homes for sale as you try to find the one that's right for you. And once you decide to make an offer, there will be a period of negotiating over the price you will pay, an inspection of the home designed to make sure you know all the home's "faults", more negotiating, and eventually you get to go to the closing, sign a stack of papers, and pick up the keys to your new home.

While you're dealing with all this, it will help a lot to keep in mind all the reasons you decided it would be worth it to go through this temporary period. And you'll be surprised how much it helps when you seem especially stressed to think about all the reasons you're doing this. Anybody who has ever accomplished anything even remotely difficult has times when they are tempted to give up. Your reasons will keep you motivated – and strong.

Have you sent us your "Needs List" items yet? The sooner you do that, the sooner we can get you preapproved!

Next Tip: Why it's important to get pre-approved for financing

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Why it's important to get pre-approved for financing



Buying a home might be one of the biggest projects you ever undertake. Like any project, the key to making it a lot more successful is to break the project down into smaller steps and take them one at a time. Here's a preview of the next step in your process:

Getting Pre-Approved. When you get preapproved, it means that we have verified all the information required by underwriting guidelines. We do that by getting the necessary documentation to prove your income, credit, and debt. We've already sent you a list of what we need from you, and the sooner you get it to us, the sooner we can make a commitment about how much we can loan you to buy your home. Getting pre-approved means:

1. You will know your budget for buying a home: How much money you will need for down payment & closing costs so you can make sure to set that money aside. You will also know what your monthly house payment will be (including homeowners insurance and property taxes, etc.)

2. Knowing your budget means knowing how much house you can afford and in what neighborhoods – it helps you narrow your search to homes that are in your price range.
3. Knowing your budget means knowing you can afford a home and being able to budget for all your other non-housing expenses.
4. If there is something in your financial profile that would prevent you from being able to get financing, we will coach you on what to do to improve your credit or resolve any other issue. If you want to own a home, we will work with you for as long as it takes to get you mortgage ready.

Next: Your Home Buyer's Strategy Session

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Understanding the Home Buyer's Strategy Session



Buying a home is a big project. Here's a preview of the next step in your process: your personal Home Buyer's Strategy Session:

Homebuyer's Strategy Session. As soon as you're pre-approved, we'll give you a Strategy Session – usually a phone meeting where we help you with the following:

1. **Being clear about your budget and what it will buy in your area.** For example, we use a tool called “Needs vs. Wants” that helps you avoid mistakes like overpaying for a house just because you loved the granite countertops. There's a way to find out whether a home is overpriced, and we'll share that with you. We have a great system for

- keeping track of all the homes you're interested in, all in one place, and we'll give you that too – it will save you many hours of time.
2. **Having a strategy for finding and buying the right home at the right price.** We'll give you a copy of our report on negotiating and go over it with you if you have questions. The goal here isn't to try to turn yourself into some "tough negotiator" type, but rather to understand all the players in the situation, what they want, and how to end up with you buying the right home for the right price and the Seller and the other parties also end up getting all or most of what they want. The tools we give you here could save you thousands of dollars, but even if they don't, you'll have confidence and peace of mind knowing you know how to take care of your own interests and that you won't be paying too much for your new home.
 3. **Choosing a Real Estate Agent** – we work with agents who subscribe to our code of ethics – which means they will prioritize your interests, will give you the high level of personal service and expertise that we expect from any agent we recommend to our clients. And the agents we work with also agree to donate a portion of their commission to you at closing to help make the whole transaction less expensive. I'll coordinate scheduling a time for you to meet with or talk to your agent, if you don't already have one.

Next: Why it matters how long you'll stay in your next home

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Why it matters how long you'll stay in your new home



As we get closer to finalizing your financing, and as you get closer to finding your home, one question you'll want to think about is how long you plan to stay in the home you'll be buying.

In most cases, you would want to plan on being in this next home for at least 5 years. After 5 years, two things will have happened: you'll have made 60 payments on your home, so you owe less on the loan, and your home will have grown in value. Those two things mean that your home will be worth more than you paid for it, and you will now owe less on your loan than you did when you started because every monthly payment reduces the balance you owe on the home.

Here's an example: Let's say you buy a home for \$300,000 with 0 down payment using your VA benefit.

- At the end of 5 years, assuming an annual appreciation in your home's value of 4%, your home would be worth just under \$360,000. You would still owe about \$268,000 on your mortgage, but if you were to sell the home at the end of 5 years, you would still net about \$73,000 after paying off your mortgage and the costs of selling your home. You could use all or part of that \$73,000 as a down payment on your next home.
- If you keep your home for 10 years, it looks even better. Using the same example of buying a \$300,000 home with 0 down payment using your VA benefit, at the end of 10 years your home would be worth about \$444,000. You would only owe about \$230,000 on your mortgage, so if you sold it after 10 years, you would end up with over \$185,000 after paying off the mortgage and the costs of selling your home, which you could then invest all or part of in your next new home.
- But if you only stay in your home for 3 years, it looks a lot different. Buying the same home for \$300,000, at the end of 3 years you would still owe over 281,000 on your mortgage, and your home would only be worth about \$337,000. If you sold it for that price, you would end up with about \$33,000 after paying of the mortgage and the costs of selling the house. That's less than half what you net by keeping the house for 5 years, and only 18% of what you'd net if you kept the home for 10 years.
- **Please note that these scenarios are based on the following assumptions:**
 - Interest rates at about 3.25%
 - Annual home value appreciation of 4%

Interest rates may go up or down, and although home values nationally have been appreciating at the rate of close to 10% or more the last few years, that growth has slowed recently (which is why we used a more conservative 4% growth rate for our projections).

The point is, when you are thinking about the home you're about to buy, ask yourself if it will meet your needs for at least the next 5 years. When you do that, you can leverage the value of your home and put yourself in a stronger financial position for buying your next home.

Call us if you have any questions – we're here to help!

Next: After you're pre-approved

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You're Pre-Approved! Translating that to a budget and a price range so you can start looking for the right home



Now that we've gotten you pre-approved, you're ready to start seriously looking for that "Right Home." Let's define what the right home is for you:

- The "Right Home" would be an improvement over each of the reasons you wanted to make a housing change in the first place. For example, if your old place was too noisy, this place will be quieter enough to make a big enough difference in your quality of life. Look at all your reasons and state them as a positive goal. So, if your current home is too noisy, the goal is a home/neighborhood that is *quiet enough* to satisfy your need for

quiet. Do this with each of your reasons for wanting to make a move: not enough room/bedrooms, better schools, closer to work, etc. If you need any help, email me or give us a call.

- List these things as “Needs” on your **Needs vs. Wants** List (You’ll find the form at the end of this section). Needs are mandatory. “Wants” are things that would be nice to have, but you don’t want to break your budget to get them. (For example, if you’re kind of a gourmet cook, you may want to limit your search to homes that have a gas stove in the kitchen. If the house doesn’t have the plumbing for a gas stove, you might be looking at a big expense to fix that, so you’d rather only look at homes that have gas stoves to begin with. That would make “gas stove/oven a Need, not a Want). On the other hand, maybe you also always wanted granite or quartz countertops. They’re expensive and not every home has them. If you limit your search to only homes that have granite countertops, you may end up severely limiting the pool of homes you can consider, and those homes may be priced higher -- in part because the sellers of the homes want to get back the money they paid for the countertops. You can always add the granite countertops later, it shouldn’t be a deal killer – so this would be on the “Want” side of your Wants vs. Needs List.
- Here’s a good rule of Thumb: It’s a Need if you know you’ll never be happy with the home without it, and it’s a Want if you can live without it and it makes a difference in whether the home is affordable for you.
- The main purpose of the Needs vs. Wants List is to clarify your thinking about what the home *needs* to have and what you’d *like* it to have, so that you can share that thinking with your Realtor. One of the most valuable services Realtors provide is their ability to research, through their MLS database, homes that match your description of what you need (plus as much of what you *want* as they can find and still stay within your budget).

About that Budget ... Your Preapproval shows you how much we can lend you to buy your next home. If you are making a down payment, you need to make sure you keep enough money in your account(s) to cover that and the Buyer’s closing costs, as well as the fee for the appraisal. If you have any questions about how much money you need to reserve for your closing costs, let us know – we’re here to help.

Next: Finding the right home

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Finding the Right Home



Buying a home is a big project. Here's a preview of the next step in your process: Finding the Right Home:

Using all the tools we've given you, and with your agent's help, you should be able to find a short list of homes that fit the criteria:

1. The right price -- based on the range you've already established when we got you pre-approved. (You can include homes that have a listing (asking) price that's a little too high for your budget, as long as recent comparable sales in that neighborhood were sold for prices that are within your budget, and you're comfortable with a strategy of offering what the home is worth and either negotiating the price down or being prepared to walk away.)
2. The right Location (distance to work, school, recreation, shopping, etc.)

3. The right neighborhood (safety, quality of life, quality of schools, etc.)
4. The right-sized home (square footage, numbers of bedrooms & baths, garage, etc.)
5. Any kitchen requirements (not wishes, if budget is a factor) that can't easily be fixed with a relatively inexpensive remodel after you buy the house

Once you have a short list of homes that fit your criteria, arrange with your agent to tour each of these homes. The tools we give you during your Strategy Session included a Home Comparison Tool you can make copies of and use to record the key facts & figures about each home. (The Home Comparison Tool is reproduced at the end of this section.)

When you're looking at multiple homes, sometimes you can't remember the details and differences between the homes. So, we recommend you fill out this form and use your phone to take pictures of the home (you can print or paste the pictures to the back of the form or set up a folder on your computer to store this information).

Whether you find one or a half-dozen homes that fit the above criteria, you evaluate your options and choose the house you like the best, and then prepare your offer.

Next: Making an Offer

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Making an Offer



You've found a house in the right price range that meets all the "needs" on your Needs vs. Wants list, and probably at least some of the "Wants" on your list.

Before you decide how much you're willing to offer for the house, you'll want to have your agent provide you with reports on at least 3 recent comparable sales in the same neighborhood as the home you want to make an offer on. These reports give details on similar (i.e., comparable) homes that have sold in that neighborhood in the last 30-90 days, and they show the final price those homes sold for.

If the house you're making an offer on is priced higher than these comparable recent sales, you will probably want to make an offer that matches those recent comparable sales, rather than offering full asking price.

We are available to consult with you and your agent during this critical time. Once your offer goes in, we will also call the Seller's agent and vouch for the solidity of your financing. (This call is particularly effective when yours is not the only offer the Seller may be considering.)

Next: Negotiating and the Sale & Purchase Agreement

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Negotiating and the Sale & Purchase Agreement (Real Estate Purchase Contract)



Once you've made an offer to buy a home, the Seller will respond in one of the following 3 ways:

1. The seller accepts your offer as is
2. The seller makes a counteroffer
3. The seller rejects your offer

It's rare for a seller to reject your offer outright, depending on the current supply & demand situation in our market. If they do it is usually because they consider your offer so low as to be insulting. It's also somewhat unusual for a seller to accept a buyers' offer "as is". Most often, you will receive a counteroffer from the Seller.

This is where your understanding of the art of negotiating (and your agent's skill) can come in very handy. What you need in this situation is information.

Using your comparable sales reports, through your agent, you ask the seller for an explanation as to why they feel the home is worth more than the recent comparable sales in their neighborhood. If the seller can come up with an explanation that makes sense to you, you can choose whether or not to reject the Seller's counteroffer or make a counteroffer of your own somewhere between your original offer and the Seller's counter.

This process continues until you either reach agreement or decide to withdraw.

When you and the Seller have reached agreement on the price, and all parties (including the real estate agents) have signed the contract, you now have an agreement to purchase your new home.

An important milestone, but we're not done yet!

Next: Home Inspection, Appraisal, and Planning Your Move

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The Home Inspection



You're headed into the home stretch now. Several things will be happening at the same time, but we'll look at them one by one.

You pay for a home inspection because you want to find out if there are any major flaws in the home that would be expensive to fix. You might want to ask your Home Inspector if you can be there for the inspection. It's a great way to learn more about your new home.

The home inspector is working for you, so a good one will go through the house with a fine-toothed comb and list everything they find. That doesn't mean you should demand that the Seller fix everything on the list – in part because in many cases the Seller will refuse to do that.

Instead, you negotiate on any big items and get the Seller to either fix them or reduce the price by the amount it will cost you to have the repair done. And because of a clause that should always be in your Purchase & Sales Agreement

(real estate contract), your acceptance of the contract is contingent on a satisfactory inspection – which means you can withdraw from the transaction if the concessions made as a result of the inspection report are not satisfactory.

Just remember that all houses require regular maintenance and occasional repairs. If a big repair is needed immediately or within the next year, you're on stronger ground to insist that the Seller repair it or reduce the price to compensate you for making the repair. But if it's something that's several years off, most real estate experts would agree that should be your responsibility. **We are always available for you to consult with us about which things on your inspection report you should be concerned about.**

IMPORTANT: If you and the Seller negotiate any price concessions or work to be done before the Closing, the real estate Purchase Contract will need to be changed and re-signed by all the parties, with a copy of the new Contract provided to us (your Lender).

Next: The Appraisal

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The Appraisal



The Appraisal is the expert opinion of a certified, state-licensed professional who determines the current market value of the home.

Generally, the appraisal is accepted by all 3 parties to the transaction – the Buyer (you), the Seller, and the Lender (us).

The appraisal is required by the lender (my company) for its own protection. The lender doesn't want to loan \$500,000 to help someone buy a house that's only worth \$450,000. ***But the appraisal also protects you***, because you ordinarily

wouldn't want to pay \$500,000 plus interest for a house that's only worth \$450,000 either. If the appraisal comes in lower than the price you agreed to pay in the contract, it will affect the amount we can loan you to buy the home.

So, if you're buying a home priced at \$500,000, and the lender is financing 80% of the appraised value, and the appraisal comes in at \$450,000, the lender will only provide \$360,000 toward the purchase of your home. You have three choices here:

1. You can negotiate with the Seller to reduce the purchase price, realizing you will have to make up the difference if there is still a gap between the now reduced price and the value stated in the appraisal;
2. You can make up the difference between the purchase price and what the appraisal says the home is worth; or
3. The real estate agents can file a challenge to the appraisal if they have evidence of comparable properties that the appraiser did not consider when doing the appraisal.

Every one of these situations is different. If your appraisal comes in lower than expected, we will call you and your agent so we can coordinate your strategy going forward.

If you and the Seller negotiate any price concessions or work to be done before the Closing, the real estate Purchase Contract will need to be changed and re-signed by all the parties, with a copy of the new Contract provided to us (your Lender). Check with us before you make any decisions, as changes in the purchase contract could affect your loan.

Next: Planning Your Move

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Planning Your Move



This is the last big project. You're almost home!

Most of us have moved before, so you probably have a general sense of what's involved. But the more "stuff" you have, or the farther you're moving, the

bigger the job it will be, so don't underestimate the time it will take you to plan and organize your move.

If you will be hiring a mover, start making inquiries and arrangements as early as possible. If you're moving during a busy time of year for moving companies, the sooner you get a written contract, the better. If you're going to rent a truck and do it yourself, make those arrangements early too.

Start early by getting rid of any stuff you don't need— by having garage sales, donating old furniture, clothes, and even non-perishable food to charities.

If it's summer, box up all the winter clothing now. Anything you can do early is going to save you a ton of stress when moving day comes. The things you use less often should be packed first.

Your real estate agent may be able to help with recommendations on movers, moving planners, and other specialists who can help make your move smoother and easier.

And for a lot of other good tips, go here: <https://www.wikihow.com/Plan-a-Move>

Next: Final Approval, Closing, and Moving Day

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Final Approval & Closing; Moving



Here's a preview of the final steps in your process:

Final Approval (Clear to Close). We will notify you as soon as the Underwriter gives the final approval for your loan, which means your file now moves to our Closing Department, where the experts there will coordinate the Closing with you, the Seller, the Realtors, the Title/Escrow company where the Closing will take place, and us. Before the actual closing, you'll get the paperwork disclosing the final numbers on your loan. We'll be in touch with you as soon as you receive those final disclosures. If it doesn't match what you expected from our initial loan estimate, or if you have any questions or problems, we'll help you get it resolved.

The Closing/Moving Day. The day we've all been waiting for! Everybody gets to sign a stack of papers, you get the keys to your new home, and the Seller and the agents all get paid.

As for the move into your new home, it's going to be a full day for you, but it's an exciting one as well. **You had an idea, you followed it through, and now this home is yours.**

Closing day reminds me of an old Irish blessing that sums up our wishes for you:

*May love and laughter light your days,
and warm your heart and home.*

*May good and faithful friends be yours,
wherever you may roam.*

*May peace and plenty bless your world
with joy that long endures.*

*May all life's passing seasons
bring the best to you and yours!*

Thank you for allowing us the privilege of serving you! We hope to continue to be there for you for many years to come.



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