

# HOW TO BUY A HOUSE

*caiser.net/extra/buy-a-house.htm*  
2022-11-18

## 1. Research the market, and find a good real estate agent

- start a few months before you are ready to buy
  - what requirements do you have for your new house? (bedrooms, bathrooms, garage spaces, yard size, location, HOA)
  - expected price range of houses with those features?
  - how commonly available are houses with those features (should you pounce on it immediately, or ok to wait for another?)
- real estate agents can be flaky bastards
  - try lots of real estate agents until you find someone who shows up on time, answers your calls/texts immediately, and acts like a professional
  - don't go on lots of tours yet, this will just annoy your real estate agent because you're not ready to buy (a few tours are ok though)
  - just look at lots of houses online, and tour only if they seem 100% awesome

## 2. Get pre-approved for the mortgage loan

- talk to a few lenders, and find the best deal
  - credit unions have better interest rates, but banks are more convenient
  - different lenders have different fees and costs
- different types of mortgage loans:
  - "conventional loan" = the standard, everyone will be happy to sell to you (unless they are weirdos who only want to sell their house for pure cash)
  - "FHA loan" = government thing for poor people with bad credit, lower down payments but higher interest rates, some people will be nervous to sell to you
  - "private mortgage insurance" or "PMI" = required if you have less than 20% down (but is automatically cancelled after you reach 20% equity, if conventional loan)
  - "rate buydown" or "points" = pay an extra chunk of money, get a lower-than-normal interest rate, awesome if you can afford it and will keep this house a while
- get multiple pre-approval letters: 300k, 350k, 400k, etc
  - this helps you negotiate (only show the seller the lowest one, so they don't think you have loads of money to spend)
  - pre-approval only lasts a couple months, so don't do this too soon!
- lender will ask for paperwork:
  - 2x W-2s
  - 2x tax returns
  - 2x pay stubs
  - 2x bank statements
  - documentation for other income, rental history, and employment
  - (also they do a hard check against your credit)

## 3. Save money until you have enough to buy a house

- money to have on hand:
  - down payment (I did 5%)
  - closing costs (probably another 5% or so)
  - extra cash (for inspections, fees, etc)

- additional sources of money to think about:
  - 401k loan (dangerous because you have to pay it all back immediately when you quit your job, or you get major penalties)
  - home equity loan (against another house you already own)

#### 4. Choose your house

- do lots of tours
  - multiple tours of the same house are ok!
  - bring friends to help?
- stuff to consider:
  - newer houses are built to modern standards and will need less work
  - annoyances not visible in photos (cigarette/piss/mold smell, noisy neighbors, badly installed creaky floor)
  - for appliances: gas or electric power sources available (or both)?
  - nice layout?
- easy problems to check for:
  - all faucets/toilets/showers work?
  - all light switches work?
  - all doors/cabinets/drawers work?
  - water damage on ceiling or under sinks
  - pests (termite tunnels and droppings, roaches, mice)
  - overgrown yard

#### 5. Open escrow

- tell the real estate agent you want to move forward with this house
  - they will walk you through everything, do not worry
  - you need your pre-approval letter for this
- "opening escrow" = pay about \$3000 for the seller to take the house off the market, while you finish inspecting it and doing the paperwork for your mortgage loan
  - 10-day inspection period, you can cancel escrow within those 10 days and get your money back
  - after 10 days, if you cancel then the seller gets your money
- "title company" = holds onto the escrow money for you while you negotiate
  - collects money from you and the seller, for the house purchase
  - disburses money when the purchase is complete
  - handles legal paperwork
  - probably REQUIRED to send money via wire transfer!
- "closing day" = usually a month from the day you open escrow
  - this is the day the house becomes yours, all paperwork needs to be done by then

#### 6. Carefully inspect the house

- you have 10 days to inspect, get quotes for fixing broken shit, and ask the seller for the money to fix it
  - the seller legally can't give you the money in cash, but they can pay closing costs for you and/or reduce the house price
  - this is called "seller concessions"
  - negotiations can extend beyond 10 days, just make sure you submit your initial request within 10 days

- real estate agent will recommend inspectors for you (convenient, but possibly sketchy)
  - choose your own inspectors if you prefer, or go with the recommended
  - you have to pay for the inspectors yourself
  - give list of inspectors to real estate agent, who will schedule them for you
  - ask for all inspections to happen on the same day if possible, so you can be there to watch and ask questions
  - make everyone send you an inspection report (results of inspection) and a quote (estimated cost to fix the problems they found)
  - after inspections complete, tell your real estate agent to ask the seller for the amount of money in the quotes
  - don't ask for money to fix stupid cosmetic things, this will just annoy the seller! serious problems only!
- inspectors to hire:
  - general inspector (looks at everything, should take hours if they do it right)
  - roofer (roof and patio roof)
  - plumber (water heater, main sewage line scope with video, outdoor hoses and sprinklers, sinks/showers/tubs/toilets/laundry, water shutoff valves, any water damage, ensure no polybutylene pipes if built 1995 or earlier)
  - HVAC technician (A/C, heater, duct work, laundry and bathroom fans venting correctly to the roof and not directly into the attic)
  - electrician (main breaker box, GFCI outlets)
  - pest control (termites)

## 6. Problems in escrow

- if you can't agree with the seller about repairs, or encounter other problems...
  - talk to your real estate agent about getting out of escrow
  - might cost you your \$3000, or might not

## 7. Other paperwork

- try to complete all paperwork 2-3 days BEFORE closing day, in case there are delays
  - finish getting approved for the mortgage loan
  - get home insurance (this is required by the lender)
  - decide about extra stuff, like title insurance
  - pay the rest of the down payment and closing costs into escrow
  - **MAKE SURE THE LENDER AND TITLE COMPANY TALK TO EACH OTHER!** communication problems can cause a huge delay!
- final walkthrough (check house hasn't been vandalized/thieved in the meantime)

## 8. Closing day!

- usually a month from the day you open escrow
  - **CAREFULLY CHECK** and sign the final paperwork (from lender and title company)! don't sign if the loan amount is wrong! instead, call and explain -- there will be a delay while they fix things, but that is better than signing the wrong paperwork
  - wait for paperwork to be recorded with the county government
  - get house keys from real estate agent
- congratulations you own a house!

## 9. What next?

- get any repairs done (this is easier before you move in)
  - painting
  - roofing
  - spray for bugs
  - fix things that need fixing
- sign up for utilities
  - water/sewage/trash
  - electricity
  - cable (Internet, TV, phone)
  - gas
- other basic stuff
  - clean everything
  - curtains (or just tape newspaper over the windows)
  - A/C intake filter
  - toilet paper
  - change your address with the post office, bank, workplace, and everywhere else
- **MOVE IN!**