



# FIRST TIME HOME BUYER FAQs

## 1. IF I PREFER THE FLEXIBILITY OF RENTING, WHY WOULD I CONSIDER BUYING A HOME?

While renting can make sense in some circumstances, we don't recommend it in most cases. First and foremost, the renter (YOU) is ultimately giving away money that could instead be invested. Why pad someone else's pocket when you could be padding your own? To make things crystal clear, buying your first home starts the process of building financial equity. This happens in two ways: 1) the average home value in Atlanta increases 3-6% each year, which represents an increasing return on your investment and 2) every mortgage payment you make works in part to reduce the principal balance of your loan, thus increasing cash availability if you ever need it.

## 2. CAN I AFFORD TO BUY A HOME? HOW MUCH DO I NEED TO SAVE FOR A DOWN PAYMENT?

The short answer is this: if you can afford to live by yourself in an Atlanta-area apartment or rental, then yes—you can afford to buy your first home. Monthly rental rates are consistent with or, in some cases, *more expensive than* the estimated monthly mortgage payment on comparable properties. However, this does assume the buyer's ability to cover a modest down payment. Many first time home buyers think that 20% of the purchase price is required in order to qualify for a home loan, *but that is not the case*. There are many different down payment options—from as little as 3%, all the way up to 20%, and beyond. While there are



benefits to putting 20% down, such as paying a lower interest rate and no PMI (Private Mortgage Insurance), most first time home buyers don't feel comfortable tying up that much cash all at once. Lastly, all buyers have the option of using a gift towards the down payment. A gift is a monetary contribution from a family member that can pay for a portion or all of the down payment.

### **3. CAN I GET APPROVED FOR A HOME LOAN? HOW MUCH HOUSE CAN I AFFORD?**

There's only one way to find out—get in touch with a reputable lender to find out if you are “pre-qualified” or “pre-approved” for a home loan. You'll fill out a loan application and provide a few requested documents, such as employment verification, pay stubs, and bank statements. From here, the lender will have the necessary information to quote a maximum sales price, estimated interest rate, and issue a formal pre-approval letter. Getting pre-approved is required before starting the home shopping process because it tells you how much house you can afford.



**Pro-tip:** Avoid submitting your information to online lenders, as they tend to overpromise and underdeliver. Finding a local lender with an office you can physically walk into is important in case there are difficulties at some point in the process.

### **4. WHAT ARE THE STEPS INVOLVED IN THE HOME BUYING PROCESS?**

After getting pre-approved for a loan, the first step is to connect with a real estate agent (that's us!) who guides you through the process from start to finish. Your custom home search will be set up to provide daily results of available homes for sale that match all of your desired criteria, such as location, price point, size, etc.



That's when the fun really starts—shopping for homes in person! Once you find a home that interests you more than the rest, Paul will work his magic to assess the home's value, find out negotiation potential, and ultimately prepare you to submit a competitive offer. Once all terms of the offer are negotiated, including an agreeable purchase price, you'll go under contract, and the 7-10 day Due Diligence period begins. Due Diligence is the period of time when you are free to inspect the home from top to bottom and complete further negotiations with the seller to cover any necessary repairs. Finally, a home appraisal is ordered to confirm the official market value of the home you're about to purchase. Assuming everything checks out, your last stop is the closing table, which is where you'll sign quite a few legal documents with a real estate attorney and walk out with the keys to your new home!

## 5. I'VE HEARD THERE ARE HIDDEN COSTS ASSOCIATED WITH BUYING A HOME. IS THIS TRUE?

Many first time home buyers worry about hidden costs associated with buying a home. In reality, if you're working with a reputable agent and lender, all financial expectations will be broken down and explained up front in the Buyer Consultation before ever seeing the first home. But since you're here, we'll go ahead and share a few additional financial obligations to expect. The process of buying a home requires buyers to cover the cost for two additional services: 1) home inspections to verify the condition of the home and 2) a certified home appraisal to verify a home's value. Beyond that, there are "closing costs" to consider, which run on average at 2-3% of the purchase price, but closing costs are often negotiated to be paid by the seller. (Closing costs include loan processing fees, attorney fees, title and HOA fees, tax and insurance proration, and other miscellaneous fees.)



**Pro-tip:** The biggest misconception for a lot of first time home buyers is the cost of hiring a personal real estate agent. The good news is that **buyers pay \$0 for a real estate agent.** In the world of real estate, the seller pays



ALL agent commissions on both the buying and selling sides. May not seem fair, but that's just how it works. Buyers pay nothing and essentially receive expert representation for free.

## 6. WHEN SHOULD I START TALKING TO A REALTOR OR MORTGAGE LENDER?

Home Buyers should start the conversation with a Realtor and Mortgage Lender as soon as they are ready to purchase a home. Simply put, “ready to purchase a home” means readiness to begin the process in earnest and submit an offer as soon as the right home is found. This does not mean waiting until the last minute to start shopping, only to be rushed into a home that is not right. Or the opposite, starting the shopping process well before being ready to pull the trigger. Once you are ready to complete the pre-approval process and submit an offer for the right home, then that is your cue to find a lender and hire a realtor with whom you can start the process.

## 7. HOW LONG DOES IT TAKE TO FIND THE PERFECT HOME?

On average, first time home buyers will see up to 15 homes in person before settling on “the one.” This takes approximately 3-4 weeks. Thanks to an extremely accurate proprietary system available to buyers working with licensed agents, you'll be amazed at how specific an automated home search can get. This maximizes your efficiency in making the best selection.



**Pro-tip:** Because each person's version of “perfect” varies, the timing will rely quite a bit on the criteria you define—budget, location, home size, features, landscaping, amenities, etc. For example, if you have a \$1M budget, finding your dream home might be quicker because you'll have the luxury



of affording a home in which all criteria are met. Alternatively, if you have a smaller budget in a highly desirable area, it could take a lot longer to find what you want at a price you can afford. Ultimately, the timing for finding your perfect home will rely heavily on realistic expectations set from the start in the initial Buyer Consultation meeting with Paul.

## **8. I HAVE COMMITMENT ISSUES. SO I'D LIKE TO KNOW WHERE IN THE PROCESS IS THE "POINT OF NO RETURN?"**

Even though the home buying process is known to be an emotional rollercoaster, we don't have any licensed counselors on our team. So we recommend sorting through those issues ahead of time! Once you're absolutely serious about taking a step into home ownership, then you might instead be interested in knowing where in the process you should expect to be protected if a legitimate reason to back out happens to arise. Knowing when and how to back out without risk is key. As your representation, it is The Wistrick Team's responsibility to protect you at every turn. All check points of the buying process are discussed in detail during the initial Buyer Consultation, but here is a quick snapshot. Your best time to terminate the contract with the least amount of risk is during the Due Diligence period. This is also known as the inspection period, which is when the house is inspected for any issues. Your second point of protection that we write into every contract is called the appraisal contingency. This allows you to terminate should the appraised value on the home come back lower than the agreed-upon purchase price. The third and final point of protection is called the financing contingency. This allows us time to ensure your loan is rock solid without any red flags. You can terminate a real estate deal without penalty during any one of these three checkpoints. However, walking away from an agreed upon contract outside of these checkpoints will cost money (typically 1% of the purchase price). Please note that none of our clients has ever lost money due to terminating a contract.