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FIRST TIME HOME BUYER GUIDE



COLDWELL BANKER
REALTY

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1. Preface

Thank you for requesting a copy of my booklet!

Whether you're eager and excited or nervous and not entirely convinced that buying a home is the right move for you, this booklet will help you figure it out.

Buying a home can be exciting, scary, and stressful for anyone but especially if you're going from renting (or living with family) to buying a home. I'd rather it be more exciting than scary or stressful for you. It really doesn't *have* to be scary or stressful, but it is for people who don't know what to expect.

No, it's not as easy as some people think, but it's not hard either...as long as you go about it knowledgeably.

Nowadays, there's lots of information easily available out there. However, the information can be either too basic (like an infographic) or overly complex (with too much industry jargon). In addition, much of what's out there lacks some of the finer details that I think buyers should know but isn't often spoken or written about — and even many agents overlook it or don't discuss it with their clients.

Even when an agent *does* think to bring up some of what we'll get into in this booklet, it can be taken the wrong way by a client in the moment. It sometimes comes across as the agent trying to convince them to do something or not do something for their own personal gain. This can lead a homebuyer to ignore even the best information and insight they could hope for.

Which is why I created this booklet...

...to give you the insight in an objective way, so you:

- ▶ Can think through important things ahead of time.
- ▶ Know the things you should do, and do them at the right times, before and during the process of buying a home to make it as smooth, successful, and enjoyable a process as possible.
- ▶ Will expect some issues and feelings that may occur during the process so you'll be okay if they occur and know what to do when they come up.
- ▶ Ask further questions that come up while you read this booklet. (Yes, I'm totally approachable; I'm not just some famous author! Ha! So give me a call or shoot me an email, and I'll be glad to answer any questions or concerns you might have.)

So, without further ado, let's get you moving from being a renter to a homeowner!

2. Where's Your Horse?

This has *nothing* to do with buying a property that'll allow you to own horses. It's more along the lines of "hold your horses" and "putting the cart before the horse."

Many buyers (even ones who've bought houses before) start looking for a house online, going to open houses, calling agents when they see "for sale" signs on the lawn, and even scouring newspapers. (Yes, some people still look in those to find houses.)

However, it's not the best thing to do. It's like putting the cart before the horse.

What they *should* do is hold their horses and get pre-approved for a mortgage *before even starting* to look for a house at all.

Whether it's your first house or your twenty-first house, the first thing you should do is get pre-approved for a mortgage. (Unless of course you have cash, and if that's the case then you know exactly how much you can spend and can give yourself the permission to spend it.)

Looking at houses without knowing that you qualify for a mortgage, and for how much, can be a waste of time as well as a total letdown in the end. So, get pre-approved so you know what you can look for, and then go find the best house you can within your budget.

Besides, when you do find a house you'd like to make an offer on, the listing agent and owner will want to see that you are pre-approved for as much as you are offering. Not having one to present to the seller wastes valuable time in a competitive market. It can also make you look unprepared, which can affect whether they feel comfortable accepting your offer.

Getting "pre-approved" doesn't take much time. You can do it online, but it's better if

you actually speak to a mortgage professional either on the phone or face to face. You'll need to provide them with information about your employment, assets, and debts, so before you contact one, make sure you have a decent grasp on those things. They'll also run a credit check, so you'll need to give them some personal information and allow them to do it.

3. Don't Sweat The Small _____

One of the biggest concerns and hurdles many renters have about becoming homeowners is the need for a downpayment. Many feel like they have too small of a down payment and couldn't be approved for a mortgage because of that.

Don't sweat it if you only have a small down payment...

True enough, for the most part you need to have some money saved to use as a downpayment and for "closing costs." But it doesn't usually have to be 20% of the purchase price like it once was. That kind of down payment can be required for some buyers, depending upon their situation, but many buyers — even ones who are not buying their first house — put less money down.

Sure, the more you put down, the lower your monthly payment will be. But waiting to buy until you save up more money can actually cause more harm than good. It can be tough saving up enough money to make much of a dent in the monthly payments, especially when mortgage interest rates are low. And if house prices are going up, you could literally lose money by waiting and saving money.

How much money you have on hand will affect how much you are approved for and what kind of loan makes the most sense for you, but there are plenty of options out there.

Make sure to ask your prospective lender to recommend the best loan for you and your situation. They should be willing, able, and glad to explain the different options to you, but sometimes they don't think to give you all of the options when you call for a pre-approval. They just crunch the numbers and give you a basic pre-approval. So, make sure to ask during that phase of the process. The earlier you know all of your mortgage options, the better decision you will be able to make.

4. You Deserve Some Credit, If...

If you already know that you should make sure that your credit score is in good shape, you deserve some credit just for knowing that. But if you want to truly deserve (and get) some credit, you should make sure that your credit is in good shape before buying a house.

It doesn't need to be *perfect*. But the better it is, the better your mortgage interest rate will be and the more mortgage products you'll be able to choose from.

But here's where you get bonus points... and this is something you truly deserve credit for if you know this...

From the minute you start looking to buy a house all the way to the day you close on your dream home, you should not make any large purchases or take on any new credit.

Too many would-be homeowners go out and buy or lease a new car, open up (and use) new credit cards, or make other large purchases before they close on a house, and they end up having their mortgage denied (or the approval amount lowered).

Knowing *this* separates the savvy homebuyer from the novice. So, if you already knew this, I'm impressed. If you didn't, now you know, and you can go out there and impress the heck out of any bank or mortgage representative you speak with.

This is something that every mortgage advisor should be bringing up with a potential home buyer and every agent should be reminding buyers about. However, many forget to bring it up; they figure someone must have told them not to do this at some point. So it gets lost in the shuffle.

Even when a buyer is told, they often forget or ignore it. But *you* won't. You know it.

You won't forget. You're savvy...

5. Are You Gifted?

Gifts are great to get on your birthday or the holidays, but they're even better when you get them to buy a house!

It's pretty common for people to get some money "gifted" to them by mom, dad, grandma, grandpa, or even loaded Uncle Lou. (He just goes by Loaded Lou to his buddies, but that's Uncle to you, especially if he's giving you some money.)

Anyhow, that's awesome if you get money from family, or even friends, to help you buy a house! However, you need to make sure you bring that up with your mortgage advisor up front. Just because you were either promised the money or were already given it and it's sitting in your bank account doesn't mean the lender will be okay with it.

They'll probably be fine with it. Like I said, it's common, but you need to let them know ahead of time. You'll also need to document where the money came from. A lot of times they want the money to be "seasoned," which basically boils down to being in your possession for a certain period of time. They'll also want something in writing from whomever gave you the money stating it's a gift, not a loan.

It might be a little awkward pushing your family or friend to give you the money ahead of time and to sign something saying it's a gift, but it's just how it works. So, if you anticipate having trouble getting the person lending you money to give it to you ahead of time or to put something in writing, it's best to work on that as soon as possible.

Also, there's a difference between being promised money to help you buy a house and actually receiving it. There have certainly been some upset buyers who were promised money, and it never panned out. So, it's better to make sure you have any gifted money all tied up with a pretty bow in your bank account *before* you truly start banking on it.

6. Speaking Of Parents...

It's awesome to have parents who want to look out for you in life. If you have parents who are like that, then they'll probably want to look out for you when you're buying a house — beyond just giving you money toward the purchase.

This applies to anyone, really, not just a parent. Maybe it's a friend you turn to for advice, or who offers you support and advice, whether you want it or not.

One of the biggest problems buyers have — especially first-time and younger buyers — is having a loved one swoop in and squash their dream home. This isn't normally done intentionally, obviously.

Let's say a buyer looks and looks and sees tons of houses they don't like. Or maybe they lose out on houses they love because other buyers act more swiftly. Then, they find one they love, and they're ready to make an offer... but first: "I need to have my parents come take a look before I make an offer."

In that moment, every real estate agent cringes and screams just a little bit inside. However, they'll usually just smile and hold it all inside as they say, "Of course! No problem!"

This is because they know deep down inside that there's gonna be a problem — probably more like a hundred problems. The parents will find and create every single one of them, and they'll tell their loved one they should keep looking.

"Absolutely don't buy this house! You can do better than this. Can you believe how much they're asking!? They'd be lucky to get half that. The place is a total tear-down! This agent of yours *showed you this piece of...*"

SORRY! Got carried away. I was having a flashback.

Anyhow, it's totally fine for parents — or anyone else — to chime in on your purchase. However, they should be involved from day one... and throughout the process... not just swoop in at the last minute and add their two cents without having seen everything you've seen and knowing what you (and your agent) know about the market at that point.

You'll know what you want when you see it and that it's a good buy. They need to as well... *by being with you throughout the process*. Otherwise, they'll just end up causing you to lose out on great houses until they eventually see the light — or until you get so frustrated by them that you don't invite them to see the house until you've closed on it and are hosting Thanksgiving. (If they're still invited. Ha!)

7. As Seen On TV

You know what'd be an awesome real estate reality show? One that shows the buyers' parents swooping in at the last minute and convincing them not to buy their dream home! Not sure if I'd watch it, though, because watching any real estate reality show as an agent can be pretty aggravating...

Virtually every real estate show you see on TV paints a pretty picture — a pretty *inaccurate* one!

Real estate agents know this because they live and breathe this business day in and day out. But, for many buyers, it's like learning that professional wrestling isn't "real" and that the wrestlers on TV are faking it. Although buyers kind of know that it can't be as simple as they see on TV, they're often still surprised at how different it is to actually look for, and buy, a home vs. what is depicted on TV.

Not that there's anything wrong with watching and enjoying those shows. They can be fun to watch. Just don't take any of it as a "how-to" because they're probably more of a how-*not*-to at times. The home-buying process, as well as the housing market itself, vary greatly from one area of the country to another and even on a regional level.

That said, there's one thing that's pretty universal: No buyer ever went out and saw three houses, then went and had a drink and some appetizers because they had a "lot to think about and talk over," and then came to a decision on which of the three houses was right for them. Oh, and then made an offer, got it accepted, closed and moved in — all without a hitch.

That's not how it works. That's not how any of this works...

So feel free to binge watch away, but always remember that what happens on TV... stays on TV.

8. Avoid These Things

Going to open houses seems like an obvious and good way to start looking for a house to most people.

I know, I know. You're probably thinking, "What's wrong with going to open houses!?"

The answer is more than I'll get into in this section of this booklet. Lots more. So *much* more that I wrote an entire booklet about why you shouldn't go to open houses. It's called: "*Beware The Pitfalls Of Attending Open Houses.*" If you want a copy of that booklet, just reach out and I'll be happy to give you a copy.

But to nutshell it, going to open houses causes many buyers to make poor decisions, rash decisions, and costly mistakes that most buyers don't even realize were caused by going to open houses.

You're probably wondering, "So, if they're that bad, why do agents even hold them?" There are a handful of reasons:

Most agents don't even realize the issues they cause.

Many homeowners expect and demand that their agent hold them (even though they rarely result in the sale of the home).

It's a good way for agents to meet potential buyer clients.

Plenty of homebuyers still go to them since they don't know any better...so why stop doing something that allows you to meet potential new clients?

You're better off not going to them. But, if you do, be prepared for agents to try and get you to buy the house or at least work with them to find another house. It's what they're there to do. But keep your wits about you, and don't make any rash decisions.

Pro tip: If an agent is being pushy and you want to get him or her off your back, just tell them you're already working with a world-famous real estate author. (OK, fine. Maybe not *world*-famous. But at least local-famous. Ha!) Feel free to relay that even if we're not working together yet.

Bottom line: Buyers who are on top of their game don't go to open houses. They view homes privately without the commotion of an open house — and they're able to take their time looking around and talking about the house with their agent. Also, they're usually going to see a house as soon as it hits the market, even in the middle of the week.

9. Find This First

Many buyers are more concerned about finding the perfect house than finding the best real estate agent to work with.

They figure they know what they're looking for and that they'll know it when they find it. (Especially nowadays since it's so easy to search for houses online.) And once they find the perfect house, they'll make an offer, negotiate back and forth a little bit, and sign some papers. What does an agent really even do, anyway?

Lots. More. Than. Most. People. Realize.

Coming from a real estate agent, I know that probably sounds pretty self-serving. But it's the truth. Also, while *every* agent does more than most consumers think, not every agent is the best real estate agent to work with. Some are better than others.

Considering that you don't have to directly pay whichever agent represents you as a buyer on the house you buy (since the seller pays the commission), you might as well choose the best agent someone else's money can buy!

While finding your dream house may be easier in some ways nowadays, a great agent can help to make sure you find the *best* home for your wants and needs... and help you get it for the best possible price.

So, make sure you find an agent who:

- ▶ Listens to your wants and needs
- ▶ Responds readily and doesn't disappear for days on end
- ▶ Knows the industry inside and out and isn't just a tour guide and door opener
- ▶ Is a strong negotiator
- ▶ Knows how to analyze and explain the market and house values to you
- ▶ Can manage other people well (there are a lot of people involved in a purchase,

and people can fail to do what they're supposed to)

- ▶ Helps you avoid issues and problems... but can put out fires when necessary and not lose their cool
- ▶ Is focused on your needs more than their commission check

The point is, put as much thought on finding the best agent as you put on the house you want to buy.

10. Area, Area, Area

You've probably heard the old real estate adage "location, location, location." If not, it basically means that the most important factor in the value of real estate is location. You can have three exactly similar houses, all in entirely different locations, and the location will be what makes one worth more or less than the others.

So, yeah, location is important, and it'll affect the value of homes you consider as well as the future value and appreciation of the property. Definitely keep that in mind. But for most people, the more important thing to concentrate on is "area, area, area."

Choosing the best area to live in should be given as much if not more consideration than the house you buy. You can always upgrade a house more easily than you can change the area you live in.

What matters to you about an area will vary entirely from what matters to someone else. There is no right or wrong answer to this. It's more of a soul-searching kind of thing. So, what matters to you? Here are a few questions to get you started:

- ▶ Do you commute? If so, how long are you willing to drive?
- ▶ Do school rankings and reputations matter to you? Will they in the future?
- ▶ Do you want to live in an urban area, rural area, or something more in between those two ends of the spectrum?

Once you have a decent handle on what you want, try to focus on the type of area you want to live in... more so than the house. It can be more tempting for first-time home buyers to buy a nicer house in an area they don't love than to buy a house they don't love in an area they'd rather live in. That usually leads to someone being less happy than they expected.

11. There's No Guarantee, But...

A huge concern for *any* homeowner, not just first-time home buyers, is they'll buy a house and something will go wrong with the house after they buy it. You know, like the roof leaks, the furnace or air conditioning stops running, a pipe bursts, or appliances break. This can be even more concerning to a first-time buyer since they've often tied up a larger percentage of their savings into the purchase of their house.

It's a legitimate concern, so you'll want to hire a home inspector to do a thorough home inspection. He or she should catch anything that's an obvious problem or one that will likely occur in the near future. However, an inspector can miss things. Things happen to houses even when someone has been super careful about looking for potential issues. There's no guarantee that something can't or won't happen to your home once you own it.

However, there can be a *warranty!*

Unexpected home repairs can be costly, putting someone in a tough spot. It's great if you're handy and can do things around the house, but some things require specialization and can still be costly in terms of materials and equipment, no matter who's doing the work.

So, it can be a smart move to buy a home warranty. A home warranty will cover things that go wrong with your house. You'll have to pay a small fee (which varies from company to company and plan to plan, but let's call it \$100 for our purposes here) to have someone come out and check on the problem. But that's it. If they can fix it, great! If not, they will replace it.

You need to make sure you read through what the warranty covers when you're choosing one. Also, make sure to read reviews on the companies you are considering as well. They can all be a pain in the neck at times, so don't be surprised if you see

some negative reviews. But if you have a legitimate claim and stick to your guns, you'll most likely get what you need fixed or replaced. Even if it's a bit of a struggle with the company, it's still better than if something huge breaks and you don't have the money to pay for it or would have to part with money you didn't want to spend.

12. This Isn't Yoga

There's nothing better than a good stretch after sitting for a few hours straight, right? Or after you've woken up for a nice sleep... Or had an amazing yoga session...

Stretching your body can feel great and be great for you. But stretching your budget when buying a house? Not so much. Stretching how much you spend on a house will neither feel great or be great for you in the long run. (Probably not even in the short run.)

But it's tempting for many buyers to do. It's too easy to just look at houses a little bit higher in price instead of choosing the best one you can in your price range.

This is something that happens in every price range. A \$1,500,000 buyer will be equally as tempted to stretch to \$1,750,000, as a \$150,000 buyer is to stretch to \$175,000. It's all relative, but everyone tends to want a little more than they can afford.

It doesn't help that mortgage approvals are often for more than someone should probably spend. So pay close attention to not only how much you're approved to spend, but also how much it will cost you per month! That's probably the more important number to be concerned with because the price of a house is only part of the equation. Taxes vary from one house to another; two houses with equal prices may cost you entirely different amounts per month.

Very few people ever regret spending less than they could have, but almost everyone who spends more than they should have will end up regretting it. And it can be more than regret; it can lead to financial stresses that cause lots of problems. So, set a cap on how much you can and will spend per month, and stick to that amount or lower, and you'll be fine.

13. Don't Fear Commitment

One of the most common hang-ups first-time buyers deal with is fear of commitment. Buying a home is a commitment, no doubt, and it's a serious commitment that you need to be ready and prepared for.

But everyone's gotta live somewhere, and unless you're living for free in your parents' or a friend's house, you've gotta *pay* to live somewhere. And if you're paying, you're probably also committing in the form of a lease.

In some ways, a lease can be harder to get out of than having a house and mortgage of your own. Unless the landlord allows you to break the lease, or there are provisions that allow you to leave whenever you want and forego the remaining rent, you're likely committing to pay someone for a year at a time. With a house, if you decide you want to move on, you can decide to sell at any time.

Granted, selling a house isn't always something you can do in a week or two; it can take a little time. You'll want to consider how the market is and whether your anticipated profit justifies the move at any given time. But even if it doesn't, you can always decide to rent it out and move.

With all that said, buying a home isn't for everyone. If someone doesn't feel responsible enough and prepared for it, then they should probably just rent or live at home with family until they're ready, if that's an option.

But for many people, the fear of commitment they feel is just that... a feeling. And it's a healthy feeling to have because it's probably a good sign that you're conscientious, thoughtful, and responsible enough to own a home of your own.

14. No Better Time Than Now

A pretty common question people have is whether it's a good time to buy a house. When this happens, there are plenty of agents who will always say, "Now's a great time to buy a house!" If you're around enough of these conversations, it can sound like it's *always* the perfect time to buy a house!

The truth is, there's never a perfect or great time for *everyone* to buy a house. There are too many factors to consider for there to be a universal answer. It depends upon the price range the person will be buying in, the area(s) they're considering, and, most importantly, their personal situation.

That said, in many ways it doesn't get any easier to buy a house than your first one. That's not to say that it's always easy and there won't be some hiccups or hurdles, but, compared to someone who already owns a house, buying one when you don't own one is much easier.

You have more flexibility than someone who owns a house because they most likely have to sell the one they already own before buying another one. They have to worry about the timing of the closing on the house they're selling and the one they're buying. This limits their choices and their ability to be patient.

Enjoy and capitalize on this as much as you can!

(By the way, the word around the watercooler at the office is that now is *actually* a great time to buy a house, so let's get this show on the road, shall we? Ha!)

Pro tip: Truly figuring out when the best time to buy is a matter of some analysis. It takes looking at the current market and looking back at past trends in the area. With a careful look and a trained eye, sometimes you can find that there are better times of year in an area to buy a house. But the reality is, there are always good homes to buy throughout the year. There just tends to be busier times of the year when there's more listing and buying activity. But sometimes you can actually find a better house, and get it for a better deal, in times of the year other people aren't focused on looking. So, to me, it's better to look for and buy a home when you're ready, not when the market is hot or not.

15. This Might Also Be Useful

I truly hope you've not only gotten a lot out of reading this booklet but that it was also an enjoyable read! As I mentioned in the beginning, don't hesitate to give me a call or send me an email with any questions you might have about anything in this booklet — or even things I didn't discuss. (Well, real estate related at least. I can't promise I'm expert enough at anything else you might ask me about, except for maybe golf.)

Anyhow, this booklet focuses specifically on things that you should know and think about as a first-time buyer. But there's certainly more to finding the best home for your wants and needs and getting it at the best possible price. That's why I created another booklet called "*The Ultimate Buyer's Guide*". (Yes...another. I've got them coming out of my ears.)

So, if you thought this booklet was helpful, you should definitely give that one a read as well. Just reach out and I'll get a copy right to you. And while you're at it, you might as well ask me for a copy of "*Beware The Pitfalls Of Attending Open Houses,*" if you haven't already.

I look forward to hearing from you soon!

Compliments of:



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Bio

Having grown up on a farm, I learned a very strong work ethic. At the age of 12, I started my first business of raising beef cattle. This taught me the importance of being responsible and accountable and helped pay for my college tuition at the University of Minnesota. Throughout college, I had jobs that were in the field of sales. My "Advanced Sales" professor pointed to me in class one day and said, "YOU will be in sales one day!" She was correct, and it has been wonderful. I have been in the field of sales for over 16 years.

After college, my career path went from lobbyist to account executive for a recycling firm to a sales rep for a corporate construction rental and sales company where I worked with the construction industry for over 10 years. All these jobs have benefited me in my real estate career in how I've been able to carry over knowledge from those positions to the one I am in now. Real estate is truly my passion.

The reason that I do what I do is because I believe we all have a purpose in life that makes us who we are. My purpose is to utilize my network, education and experience to guide my clients through the most pleasant real estate journey they can possible have. Buying or selling a home is a major life experience which doesn't need to have drama. Professionalism, experience and knowledge accomplish this. If you are in the market to buy or to sell, you want to be certain that the person you are working with

has your best interests in mind.

I have earned the Seniors Real Estate Specialist® (SRES®) designation for REALTORS® so that I am able to meet the special needs of maturing Americans when selling, buying, relocating, or refinancing residential or investment properties. The Residential Construction Certified (RCC) is another designation I've earned to better help buyers who are considering purchasing new construction homes. Understanding the terms and process of new construction homes helps in effectively representing my buyer through the course of building their new home. Considering moving out of town? Most recently I earned a certificate in as a Certified Real Estate Negotiator. My participation with our Relocation Team allows me to work with those who have taken a job outside the area and must list their home for sale, with incoming buyers, and I aid in finding an agent who is a proper fit for those who are relocating or investing in property in other parts of the state or country.

In addition to these certifications, I am the National Association of Realtors - Federal Political Coordinator for Congressional District 2. It is my responsibility to communicate federal housing issues to our congressional representative. I also sit on the MN Realtors Forms Committee and the MN Realtors Governmental Affairs Committee and am a Trustee for the MN Realtors RPAC. When you are working with me, I will listen to your needs and share my knowledge with you. I will take your needs and make them a reality with no need for drama. You can be ensured you are working with a strong negotiator, a professional and a knowledgeable Realtor who you can trust.

Now, let's start this journey together