CHAPTER 3

No Perfect Spouse, No Perfect House

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A sample chapter from The Real Estate Journey. Free to keep. No email required.

Real estate ownership has paved the way for wealth and business startups more than any other industry in history. There is wealth to be gained from buying and selling homes, through flipping homes, and through families owning property and passing it along. Real estate has also been used for home equity lines for people to start their business as seed or start-up capital. Some people have even lived in a home for two years or more, sold it for a big profit, kept the entire profit tax-free, and used the money to open a restaurant. Real estate is, in most cases, a big influencer on the ground floor of success. A foundation of wealth for the majority of Americans was created through real estate property.

Getting a foot on the real estate ladder can be challenging and quite daunting. Making the decision to buy your first home is a massive life experience and requires a lot of careful planning and thought. Your first adventure into the world of real estate can be scary. Buying your first home represents the beginning of a new chapter in your life. Most people are aware of the commitment, the financial impact, and the life changes that usually accompany buying a house, but some people do not realize that there are a lot of emotions involved. Many of the decisions made during the home-buying process that people end up regretting are fueled by strong feelings rather than sound logic or rational thinking. It is extremely important to stay in control and avoid letting your emotions drive your decisions when buying your first house. Although buying your first home is not rocket science, it can seem complicated. There are many professionals out there to help this be less scary and stressful. A real estate agent can help you find the right house for you in the season of life you are living.

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Take the Emotion Out of Buying Your First Home

Bring an objective person with you when you are house hunting. If you get excited by restaurant-style kitchens, spa bathrooms, entertainment rooms, etc., bring an impartial person with you. They will make sure you stay on budget and ask questions such as, "Are those real hardwood floors?" It is a great way to stay present and look beyond the surface of a house. It would be nice if a seller would paint the walls a neutral color before they list their home, but this does not always happen. Painting is easy, and you can do it yourself or hire professionals. Changing carpet is cheap, yet many people pass on a whole house due to the carpet color or wear and tear. A great real estate agent can possibly even get that negotiated into the purchase if it is important to you and you are tight on money. Leave your emotions at home and view homes through an objective lens. You can always remodel and make the home what you want it to be.

Common Fears of Buying a Home

- **Fear of Over Paying:** The only way to overcome this fear is through diligent market research. Take price guides as just that, do your own sales research, and seek independent advice from the experts. However, do not get bogged down in too much research or let the research hold you back from acting if you see the right property. You should also trust your gut and choose to pay what you feel comfortable with if the asking price and your budget are good.

- **Fear of Buying the Wrong Property:** The property market is full of uncertainties, and a fear of missing out on the "right" or "perfect" property is very common among buyers. It boils down to understanding your priorities. Most people have to compromise when buying a property. That is part of the fun on the journey. There is no perfect decision and no perfect house.

- **Fear of Selling Agents/Buyers' Agents:** There are good and bad, weak and strong, honest and lying real estate agents. That is just a hard fact. Choosing wisely is important. On the other hand, do not be super paranoid or you will sabotage all agent relationships. There are thousands of caring and knowledgeable real estate agents across each state and region. Familiarize yourself with local agents, and you will soon start to see the way they operate and how they differ, and you will become more confident in dealing with them.

- **Fear of a Bubble or Crash:** Some buyers are concerned they are buying at the peak of the market and paying premium prices and that the market might collapse entirely. Or, if the economy turns bad, jobs might be lost and mortgages cannot be repaid. The best time to buy is when you are ready. The focus should be to buy a solid property that will do well in the long run, rather than worry about market blips. Do not overthink, and do not succumb to fear.

- **Fear of Missing Out:** The most emotional of all property fears is the intangible fear of missing out. This can cause serious inaction in many buyers. Many buyers worry that the perfect property is just around the corner and they will miss out if they buy now. The best you can do is make sure you have thoroughly covered the entire existing market. Choose a good agent and a knowledgeable local market loan officer when possible. Then, walk with confidence, ask good questions; and enjoy the ride!

Steps to Buying Your Home

- **Find a Real Estate Agent You Trust:** Ensure that you opt for an agent with sufficient experience and familiarity with the area in which you are interested. Also, target an agent with the appropriate level of commitment and real estate education to act as your advocate throughout the house-buying process. Most importantly, interview at least three agents in person before finalizing your selection.
- **Establish How Much You Can Pay for Your New Home:** First and foremost, set a budget and stick to it. There are numerous elements that go into determining how much you can afford to pay for your

first home. Some of the components consist of your earnings, your credit rating, your monthly expenses, your down payment, and your interest rate. Find your comfort zone with the minimum and maximum amount you want to spend for a home. Your agent also needs to have a good indication of your budget allowance.

- **Get Pre-Approved:** The first step in the pre-approval process would be to choose a loan officer or lender. Positive experiences from friends and family who have made recent home purchases can be taken into consideration, as well as recommendations from your real estate salesperson, who may have several lenders they have worked with in the past. With a pre-approval, the lender gives a written commitment of financing after obtaining bank statements, several years of tax returns, verification of employment, and a credit check from the buyer.

- **Secure Funding:** The next step would be to decide what you want to pay and the selection of a type of loan product. While a lender will decide what you can borrow and which loan products are available to you, the buyer ultimately decides what they can afford and which mortgage products best fit their goals for a particular property purchase. Other conditions to obtaining funding would be an acceptable homeowner’s insurance binder, continued creditworthiness and, in some cases (depending on the financing), proof of an acceptable home inspection. Title commitment occurs when all contingencies have been met. Financing is obtained at closing, when the documents are signed for the bank with a promise to repay. After obtaining preapproval from a lender, there will still be a handful of conditions to meet before funds are released, including submitting an accepted purchase and sales contract to the lender and a satisfactory home appraisal. A lot of the upfront work that causes many buyers angst, though, has been completed.

- **Search for the Home Loan That is Right for You:** Searching and comparison shopping for a loan or mortgage loan will allow you to to acquire the best financing deal. A home finance loan, whether it is a home purchase, a refinance, or a home equity loan, is a product, just like a car, so the price and terms may be negotiable. You need to compare all of the fees involved in obtaining a home finance loan. Shopping, comparing, and negotiating may well save you thousands of dollars. You should also investigate whether you qualify for any of the variety of Federal Housing Administration loans or financing programs. If you have served our country in the military, you may qualify for a VA loan. These provide 100% financing with no money down. This is possible because the VA backs the loan.

- **Find the Home and Neighborhood That Meets Your Needs:** After laying the groundwork, now comes the fun part: finding the house and the neighborhood that meets your requirements. View as many houses in your price range and in your targeted location as you possibly can. Talk to friends and family about their real estate experiences and really listen. Keep the faith that you will find the right house for you. Wherever you go, keep an eye out for properties. The perfect house may just pop up and surprise you when you least expect it. However, do not forget: no perfect spouse, no perfect house! There is no such thing as a perfect house. Trust that the house you choose will be a great next step for you in this season of your life.

- **Negotiate to Get the Best Price:** When you are ready to make an offer on the house you love, get some advice from your buyer's agent. They know the market. Figure out your strategy based on your evaluation of the target home versus others and the general marketplace conditions. Any offer must also be contingent upon you obtaining financing and the house passing a professional property inspection. Working with the agent, a buyer will make an offer on a home to the seller. Once an offer has been accepted by a seller, the signed offer will be submitted to the lender as an accepted purchase and sale contract. This will initiate an appraisal of the home, which must be worth at least what the buyer and seller have agreed to and have no bank-required repairs.

- **Get All the Necessary Home Inspections:** A property inspection is an evaluation of a home's situation by a trained expert. During a thorough house inspection, a certified inspector should take an in-depth and impartial look at the property you plan to purchase. It may behoove you to make the offer conditional on a home inspection. If the home has cracks in the foundation, has dangerous electrical wiring, or was poorly constructed, the inspector should be able to find this. They should also be able to locate mold, infestations, and water problems.

- **Shop for Homeowners Insurance to Protect Your New Home:** You may be able to save hundreds of dollars a year on home owners insurance by doing a little comparison shopping. From increasing your deductible to confirming that you only insure what needs to be insured - your new dwelling and not the land underneath - you can save a bundle. Make sure you engage an insurance agent that you can trust. Check with your agent and loan officer about the regional FEMA flood map and consider flood insurance even if it is not required, but you are concerned about the water flow in the area.

- Complete the Closing and Settlement Process and Get Your Keys: When closing day finally arrives, the hope would be you and your real estate agent show up at a predesignated location with a predesignated amount of money (if you need it for your down payment or closing costs). There you are issued a title insurance policy, and you sign all of the necessary paperwork.

Weigh all of your options carefully. Remember the time you take when buying a home is a good investment. The time you invest will pay you back 100-fold during your lifespan, and what you can leave in knowledge and assets to your children or favorite charity will help you and others make more money over the long-haul.

Want the rest?

This was one chapter. The full book is bite-sized on purpose — first home, becoming an agent, money, and the mind game.

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The Real Estate Journey — Dr. Brian P. Simon (Morgan James, 2019).