

special property, the agent will also lead the way as your home is researched, assessed, negotiated, contracted, inspected, appraised, surveyed, fixed, financed, insured, and, finally, purchased.

Of course, if you want to delve into the details, by all means, go ahead. We simply encourage you to remember that it's not necessary. It's perfectly reasonable to do what Dawn did—that is, to build a team you trust to handle the fuss.

## The Four Fundamental Principles of the Real Estate Buying Process

No matter how much or how little you decide to learn about the details of your transaction, we've found four principles that apply to nearly any aspect of the process. In our years of experience, we have also identified some basic mistakes first-time home buyers are prone to make. Applying these proven principles will help you navigate through them.

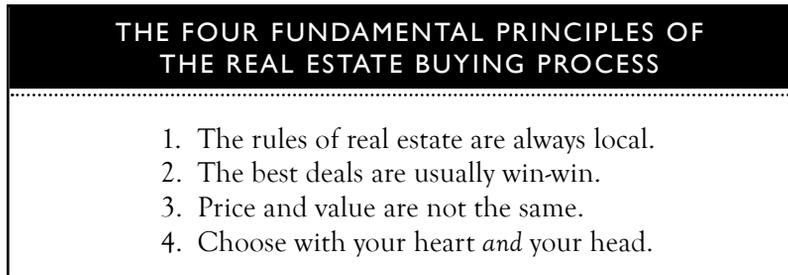


Figure 1.4

### Principle 1: The Rules of Real Estate Are Always Local

Markets change from year to year and from neighborhood to neighborhood. If you're shopping for a \$150,000 home in San Antonio, Texas, you don't need any advice based on what the market was like when your parents bought, or what the market is like in Detroit, Michigan, or in fact, in the \$300,000 neighborhood across the river in Windsor, Ontario. As for your brother-in-law's hot advice for scoring a Bay Area bungalow? Let it go. Your cousin's rules of real estate? Plug your ears. Or at the very least, take them with a great big grain of salt. You only need to understand what is available for \$150,000 in San Antonio right now—nothing more, nothing less.

Similarly, we also encourage skepticism toward the simplistic advice you may have heard. You know what we mean: *Always offer below list price. Never look above your price range.* Adages and absolutes like these can blind you to the realities of your unique market, a specific property, or your personal needs and can keep you from seizing the opportunities before you.

Also, real estate laws, procedures, and practices are local. They vary significantly from province to province, state to state, and city to city. The way a real estate transaction closing was handled for your brother-in-law in California or your sister in Quebec may not be the way it's handled where you're buying your home. One of the key things your real estate agent will do for you is educate you on how real estate transactions are handled in your area and guide you step by step through the process.

## Principle 2: The Best Deals Are Usually Win-Win

Everything in real estate is negotiable, so don't be afraid to ask for what you really want. Still, negotiations end when the parties involved become inflexible. The solution? Find a win-win outcome that accomplishes what both parties really need. That's why it's important to prepare for any real estate negotiation by deciding where you will and won't be willing to compromise. In the end, there is always a certain amount of give and take. You hold on to those things you really want, and you offer up those things that the other person wants and aren't as important to you. In chapter 5, we will show you how to craft a competitive offer in which both the buyer's priorities and the seller's needs are met. Remember, where there's a will, there's a way—a way to a great deal for you.

## Principle 3: Price and Value Are Not the Same

A common mistake occurs when people focus on price, not value. This applies to the home you buy as well as the professionals you use. Being cost conscious is always wise but being value conscious is even wiser. Price and value normally correlate: you usually get what you pay for. But when looking beyond the surface, always be clear about what you want and what matters, and then expect to pay a fair price for these. Just because it's cheap doesn't make it a bargain. Think of buying a home as a search for value.

We also want you to think of value as quality at a reasonable price. Just as you seek out value in the home that you buy, also look for value from the professionals you hire. After all, you're more than likely making one of the biggest purchases of your life. This is no time to cut corners. That half-price inspector may save you

\$200 today but could miss a structural problem that costs you thousands tomorrow. You should be able to count on your lender to lock in the best rate and deliver all necessary paperwork by closing. If a discount lender drops the ball, your closing could be delayed, it could cost you considerably more money, or it might possibly even cause you to lose the home.

So don't set yourself up for hassles, headaches, or dead deals. Look for value—that is, integrity, reliability, and impeccable service—from all the professionals you hire. This principle has always been true and will always be true: you get what you pay for.

## Principle 4: Choose With Your Heart *and* Your Head

Whatever property you buy will be both your home and a major financial investment. You want to find a home you absolutely love. A home that seems to fit your life located in a neighborhood that just feels right. At the same time, you want the property to be a solid financial asset—one that is structurally sound and appears to be well positioned to appreciate in the future. In the end, finding that perfect place for you means balancing emotion and rationality. When you're out looking for your future home, go ahead, let your heart guide you. But when it's time to buy, step back and think with a cool head. In a few years, when you may want to sell the house, you will be very glad you did.

## The Eight Steps to Buying Your First Home

As you step out to buy your first home, a lot is going to happen. We want you to remember that you will be expertly guided through this process and, because of this, it will be easier than you think. However, a general understanding of each step along the way will make you more comfortable and confident. Each chapter of this book will introduce you to the language, concepts, and events you can expect as you move through the eight steps.

Congratulations! You've already taken the first step—you've decided to buy your first home. The next step is to find trusted advisers to guide you through the process. In chapter 2, we'll discuss how to choose a real estate agent who will educate you about your local market, negotiate on your behalf, and make sure no critical detail falls through the cracks.



Figure 1.5

One of the first questions any buyer asks: what can I afford? This is definitely something to answer as soon as possible, and certainly before you fall in love with a home that ends up outside of your price range. The only way to know for sure is to get preapproved for a loan. Chapter 3 explains the factors you should consider as you weigh the many financing options available in today's mortgage market.

One of the most important things you must explore is your wants and needs to gain a clear understanding of what's most important in your future home—that is, you must develop your home-search criteria. Chapter 4 will prepare you for the kinds of questions to ask yourself during this critical stage. Armed with your home-search criteria and a preapproval letter, you'll be ready to go find the right home for you, and we'll equip you with proven strategies for your home search.

Chapter 5 will explain offer-writing and negotiating strategies that will make that home yours. However, the game doesn't end when the seller accepts your offer. The period from "contract to close" is when you and your lender make all necessary verifications (due diligence) to assure your home is financially, legally, and structurally sound. Chapter 6 will provide an overview of inspecting the property, making repairs, and reaching a final agreement with the sellers. Chapter 7 covers what to expect at the closing, and what can be done to

make sure your closing is as smooth as possible. Finally, chapter 8 outlines our tips for taking good care of your home and increasing its value—as a place to live and as an asset to sell.

It may feel like an eternity from now, but some day in the not too distant future all the decisions will have been made. All your questions will have been answered. All the arrangements will have been prepared, checked, and double-checked. You'll sign the official papers on closing day, and your life as a home owner will actually begin!

## There's No Place Like *Your* Home

In short, finding a home isn't quite as easy as clicking your heels three times, but it doesn't have to resemble a battle with wicked witches and flying monkeys, either. With a trusted team of advisers and a handful of clear strategies, you'll have the knowledge and confidence to find the home that's right for you. And then, some day soon, you'll be there. You'll unpack the boxes, pick out draperies, toy with furniture arrangements, and send photos to friends. You'll feel that same satisfaction and excitement that Wini and Stanley felt in Levittown: *there really is no place like your home.*

## Notes to Take Home

- Purchasing your own home is a great investment.
- Done right, home ownership lays the foundation for a life of financial security and personal choice.
- There are specific financial reasons to buy a home; among these are equity buildup, value appreciation, and tax benefits.
- Those who have the most fulfilling lives base their decisions on facts, not fears.
- The following facts help dispel fears about purchasing your first home:
  - If you are paying rent, you very likely can afford to buy
  - There is never a wrong time to buy the right home. All you need to do in the short run is find a good buy and make sure you have the financial ability to hold it for the long run
  - The lack of a substantial down payment doesn't prevent you from making your first home purchase
  - A less-than-perfect credit score won't necessarily stop you from buying a home
  - The best way to get closer to buying your ultimate dream home is to buy your first home now
  - Buying a home doesn't have to be complicated—there are many professionals who will help you along the way
- Here's the most important rule for keeping your stress to a minimum: you don't have to know everything.

## Mo's First Home



Growing up the daughter of a tenant farmer in Enid, Oklahoma, I always dreamed of owning my own home. My husband and I were thirty years old with two small children and living in a rental house in nearby Ponca City when God finally answered our prayers. We had saved a small amount of money for a down payment and put together a wish list. Then we learned that our neighbors who lived two doors down were planning to sell their house.

The house had everything we wanted: three bedrooms, two baths, and a nice-sized backyard for the children. It also had two big selling points—a large master bedroom that had been added and a huge family room with a fireplace and hearth. That big room is what sold us! I could see our families gathering around that big fireplace during holidays—our parents and siblings, nieces and nephews. All that, and it was in our price range—less than \$20,000.

Excitedly, we approached our neighbors about buying their house. We purchased without the guidance of an agent, and our neighbors sold to us without an agent so they could save the cost of the commission. In retrospect, the transaction was not the easiest, but I still remember the thrill of finally having a home of our own and no longer being a renter.

Soon after we moved in, it started raining after a long drought. The house leaked like a sieve! We had to put buckets everywhere to keep from getting soaked. What a difficult turn of events for a young couple with two children and very limited finances. We had to use the money we had set aside to buy furniture so we could fix the roof instead. So, while our neighbors had saved a little money, we learned an important, costly lesson. From then on, we always used an agent.

Although we got off to a rocky start, I have wonderful memories of our first home. Raising our children. Visiting with our great neighbors. Watching our kids run in and out of the house and play in our backyard. All those dreams I had of sharing Thanksgiving and Christmas gatherings with the people we loved most sitting around that wonderful fireplace in our family room came true. It was even better than I had imagined.

We sold that house twelve years later for about \$28,000 and put our equity into a brand-new home with 2,800 square feet. It felt like we had moved into a mansion. We still own that second home and stay there whenever we go back to Ponca City from Austin, Texas, where we live.

Our first little house taught us a lot. I learned that owning a home is a big responsibility. You have to keep up your house and lawn even when you don't have much money because that's part of being a good neighbor.

One of the biggest lessons I learned was not to let fear influence your decisions. When we bought our first home, we also had the option of buying a new one for just over \$5,000 more. As a financially strapped young family, that amount scared us to death—even though we qualified to purchase it. That house sold for \$50,000—around the same time we sold ours. The owners doubled their investment!

Most of all, I learned the joys of home ownership. As a tenant farmer's daughter, I probably appreciated it more than most people. After all this time, and all the houses we have owned, I still do.

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