

What first-time home buyers need to know this spring

Once spring arrives, the real estate market typically begins to see an increase of supply and demand. In the Washington metropolitan area, first-time home buyers have to be especially prepared because the market tends to move quickly.

Additionally, mortgage rates are rising and anticipated to hit 5 percent by the end of the year. The combination of a fast-paced market, low inventory and rising mortgage rates can be intimidating for first-time home buyers. For this reason, it is important to understand how to be successful in searching for a first home by understanding the process.

Finding your Realtor

What many first-time home buyers may not realize is that buyer representation costs buyers nothing. Realtors are paid by the seller. They are there to provide advice and guidance through the entire process from day one. Contracts can be 60 pages long and include nuances with contingencies and the timeline. Having a Realtor expedites the entire process, from the search to negotiation to settlement. Realtors receive real-time updates from the multiple listing service. When deciding on a Realtor, buyers must trust their instincts and ensure there is an open line of communication. Buying a home for the first time is a very intimate and emotional experience, so buyers must trust their Realtor is responsive and has their best interest at heart. Before the first consultation with the Realtor, buyers should have a general idea of their needs and wants.

WILLIAM (MAC)
McCORD III
Commentary



Preliminary approval

Determine how much you can afford and how much you feel comfortable spending. The biggest misconception first-time home buyers have is that they need 20 percent of the home price saved for a down payment. Today, there are plenty of programs that lenders offer to assist with home ownership for first-time home buyers, many of which require substantially less than 20 percent as a down payment. Depending on the situation, a zero percent down payment could be possible. The reality then shifts from paying the landlord's mortgage to taking the money you do have saved and settling into a financial program to pay your mortgage.

To find the perfect lender who is knowledgeable about these programs and products, search for a local lender to build a relationship. Online lenders are often difficult to create a rapport with and are only available during business hours. In a hot real estate market, buyers must be able to contact their lender anytime. First-time home buyers should start by contacting three lenders to gain a scope of the field.

Next, understand that every house for sale is not negotiable. With low inventory, buyers should expect to pay close to listing price. Multiple people placing offers on the same house will drive the price higher, and then it becomes a very lucrative situation for the seller. First-time home buyers need to be flexible and open to creative solutions. Having a backup plan is important. In case the offer doesn't go as planned, buyers cannot afford to waste time searching for the next home. They must be ready and one step ahead of the game.

The most important piece of preliminary approval is just that. Become pre-approved before you actually make an offer. This signals to sellers you are serious in a fast-paced market.

The offer

The written sales contract should be presented to the seller with the pre-approval letter and the earnest money deposit check. These documents show the seller the buyer is serious and also opens the negotiation, if needed. Once the price is agreed upon, the offer is accepted and the purchase agreement is signed. Next, the settlement and lender contingencies are decided. The settlement date is determined with the title company and the home inspection is scheduled.

Appraisal of the property's current market value is ordered by the lender and then financing is completed. If the appraisal comes in different than the offer price, buyers can renegotiate

terms or decide to walk away from the deal without penalty.

Next, the home termite and radon inspections are conducted and, again, buyers are given the opportunity to renegotiate or walk away if they are not satisfied.

First-time home buyers should understand obtaining homeownership insurance is mandatory and owner title insurance is not (lender's insurance is), although it is highly recommended.

Closing and beyond

One of the most important details of closing is to have all utilities scheduled to be switched into the buyer's name as of the day of closing.

Within five days of settlement, schedule the final walk-through of the vacant property to inspect for any issues. If this is done at least 24 hours before settlement, buyers have time to rectify any problems with the sellers.

During closing, the title company is responsible for coordinating and distributing all paperwork to be signed. They distribute funds and the deed is recorded. Ownership is then officially transferred.

Beyond closing, the responsibility of the Realtor is to be a resource. Post-settlement, new homeowners may have questions if something goes wrong in the home. They may need advice on refinancing, property taxes or their next property purchase. The Realtor's job is to keep their client informed through a solid open line of communication.

William (Mac) McCord III is an agent with Coakley Realty in Rockville.

Third Annual

 **THE HEART**
OF THE SCHOOL
AWARDS

Monday, May 21, 2018

6:00 pm

Hippodrome Theatre
12 N. Eutaw Street
Baltimore

 **FUND FOR**
EDUCATIONAL
EXCELLENCE

Managed by the Fund for Educational Excellence
in cooperation with Baltimore City Public Schools

Celebrate Baltimore's Unsung Heroes: Baltimore City Public School Principals!

Join hundreds of civic and community leaders, teachers and families in appreciation of the 182 Baltimore City School principals' tireless work and commitment to our children

- Announcement of the five Heart of the School Award winners
- Recognition of 10 award honorees
- Entertainment by Baltimore City School students and comedian Jason Weems
- Lavish strolling supper

Proceeds benefit the Principal Support Fund providing financial assistance to principal-selected, school-based projects

Information and tickets:

www.heartoftheschoolawards.org