

YOUR FIRST HOME

The Path to Home Ownership



Home Buying by the Book

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Overview

- Today we'll talk about some common fears and helpful facts about buying a home.
- We'll also discuss eight simple steps to successful home ownership.



Fears and Facts About Buying a Home

- Fear: I can't afford to buy a home right now.
- Fact: Actually, you may not be able to afford NOT to buy a home right now ...



Fears and Facts About Buying a Home

- Fear: I should wait until the real estate market gets *better*.
- Fact: There is never a *wrong* time to buy the *right* home.



Fears and Facts About Buying a Home

- Fear: I don't have the money for the down payment.
- Fact: There are down payment options available to you.



Fears and Facts About Buying a Home

- Fear: I can't afford to buy my dream home.
- Fact: The best way to get closer to buying your dream home is to buy your *first* home.



Eight Steps to Home Ownership

1. Decide to buy.
2. Hire your agent.
3. Secure financing.
4. Find your home.
5. Make an offer.
6. Perform due diligence.
7. Close.
8. Protect your investment.



Decide to Buy

- Every three years, the *Federal Reserve* conducts their [Survey of Consumer Finances](#). The latest survey, reports that **a homeowner's net worth is 36 times greater than that of a renter:**
 - Average net worth of renters = **\$5,400**
 - Average net worth of home owners = **\$194,500**



Decide to Buy

- A home is the largest financial asset most people have due to equity and appreciation over time.
 - Average annual appreciation rate nationally is **5 to 6 percent** since 1977. (Note: **Local** appreciation rates vary greatly.)
 - At **3%** annual appreciation, a home purchased for \$150,000 would grow to **\$364,000** in 30 years.

Austin real estate appreciated 65.89% over the last ten years, which is an average annual home **appreciation** rate of 5.19%, putting **Austin** in the top 10% nationally for **real estate appreciation**.

Austin, TX housing market data and appreciation trends ...

<https://www.neighborhoodscout.com/tx/austin/real-estate>



Decide to Buy

- It's a rational decision—
 - Grow wealth via equity buildup, debt pay down, and value appreciation.
 - In the United States, you can take advantage of tax-deductible benefits such as property and mortgage interest write-offs.

Decide to Buy

➤ (continued)

- A home is an “accidental” investment that creates leverage opportunities.
- Examples:
 - In a few years, you can use your equity to trade up to a better home.
 - Or, you might consider using some of your home equity to invest in a rental property or a second home.

Decide to Buy

- Why pay rent when you can own?
 - If you took out a 30-year fixed-rate mortgage for \$150,000 and made monthly mortgage payments of \$900...
 - You'd pay **\$324,000** in mortgage and interest payments over the life of the loan.
 - And after 30 years you'd *own* a home with an appreciated value potential of **\$364,000** (at 3% annual appreciation).
 - Keep in mind: Appreciation rates vary greatly based on local conditions.



Decide to Buy

- Compare that to paying \$800 per month in rent over 30 years...
 - Even if your landlord improbably *never* raised rent,
you would still spend **\$288,000 and own nothing!**



Hire Your Agent

- Real estate agents perform 7 main roles:
1. Educate you about the market
 2. Analyze your wants and needs
 3. Steer you to homes that fit your criteria
 4. Coordinate the work of other needed professionals
 5. Negotiate on your behalf
 6. Review paperwork and deadlines
 7. Solve any problems that may arise



Hire Your Agent

- Advantages of a buyer's representation agreement:
 - Sets mutual expectations in writing between you and your agent.
 - Commits your agent to getting you into the home you want, while you commit to working exclusively with your agent.



Secure Financing

➤ Six steps to financing a home:

1. Choose a loan officer (or mortgage specialist).
2. Make a loan application and get preapproved.
3. Determine what you want to pay and select a loan option.
4. Submit to the lender an accepted purchase offer contract.
5. Get an appraisal and title commitment.
6. Obtain funding at closing.



Secure Financing

- Know your mortgage options.
 - Three basic factors:
 1. Down payment
 2. Interest rate
 3. Term



Secure Financing

- Understanding your monthly payment:
 - Principal
 - Interest
 - Taxes
 - Insurance
 - Together, these four elements are commonly referred to as **PITI**.

Secure Financing

- Prequalification vs. preapproval
 - Prequalification is simply a *rough estimate* of how much you can borrow.
 - Preapproval involves a formal application process and provides you with a *formal commitment* from a lender stating how much you can borrow and at what rate.

Secure Financing

- Deciding among your mortgage options:
- If you want...
 - A low monthly payment – put more money down or purchase a more affordable home.
 - To build equity quickly – make voluntary prepayments.
 - To minimize risk – take a 30-year fixed-rate program with 20 percent down.



Secure Financing

- The suitcase principle
 - Your lender decides what you can borrow, but you decide what you can afford.
 - In your preapproval letter, make sure the monthly payment is an amount you're comfortable paying each month.
 - It's best to spend no more than a third of your gross monthly income on your home payment.



Find Your Home

- Define your home criteria—analyze your values, needs, and wants.
- Consult with your agent to understand the rules of your market.



Find Your Home

- When viewing a home, what you consider and what your agent considers are different.
- You'll want to look for...
 - Layout, space, a sense of value, convenience of location to work and schools, and features and amenities.
- Your agent will look for...
 - How the home compares in terms of size, layout, and value to other homes in the area, as well as maintenance and structural concerns.



Make an Offer

- Three components of an offer
 - Price—offer must reflect true market value of the home.
 - Terms—basic categories address timing and financial considerations.
 - Contingencies—often referred to as “conditions” that allow you to opt out of a deal if the home has a problem.

Make an Offer

- What's a fair price?
- Let's take a look at a pricing scenario on the next slide.

What's a Fair Price for 345 Cardinal Lane?

Welcome to The Grasslands, a quiet neighborhood built in the 1960s. Most home here have three bedrooms, range from about 1,500 to 1,750 square feet, and have been selling between \$140,000 and \$180,000. You want to make an offer on 345 Cardinal Lane, listed at \$165,000.

What price will you offer?



123 EAGLE PASS

- Three bedrooms
- 1.5 baths
- 1,550 square feet
- No recent updates
- On busy street
- Average-sized yard
- Listed as "handyman's special"

Sold last week for \$90/square foot,
or \$139,500



234 ROBIN LANE

- Three bedrooms
- 2.5 baths
- 1,725 square feet
- Kitchen renovated last year
- Brand-new deck
- Huge backyard with extensive landscaping
- On cul-de-sac
- Finished basement

Sold two weeks ago for \$102/square foot,
or \$175,950



345 CARDINAL LANE

- Three bedrooms
- Two baths
- 1,650 square feet
- Roof and kitchen both updated in the past five years
- Large yard
- On quiet street

You decide to offer \$95/square foot,
or \$157,000

Perform Due Diligence

- Property inspection—exposes any structural or hidden issues.
- Home owner's insurance policy—protects against loss or damage.

Perform Due Diligence

- In your inspection, it's the **big** stuff that really matters.
 - Cracks or crumbling in the foundation
 - Cracks inside the house over windows
 - Water stains in ceilings, floors, or walls
 - Faded or worn shingles
 - Mold issues



Close

- Preclosing responsibilities include:
 - Appraisal, survey, title search, and title insurance.
 - Keeping yourself mortgage worthy!
 - Doing a final walk-through of home.
- Countdown to closing includes:
 - Getting your settlement statement, certified funds, evidence of insurance, and transfer of clear title.

Protect Your Investment

- Two keys to good home habits:
 1. Keep it clean.
 - Perform routine maintenance on your home's systems, depending on their age and style.
 2. Keep an eye on it.
 - Watch for signs of leaks, damage, and wear. Fixing small problems early can save you big money later.

Tip: Keep a file of receipts for your repairs.



When I'm your Realtor you can give 5% of my take home pay from your transaction to PLC



The Preemptive Love Coalition's mission is to create a medical infrastructure throughout Iraq capable of eradicating this backlog of sick children and providing local Iraqi doctors with the training they need to perform surgeries on their own children, without exporting the problem. To date, PLC has saved the lives of over 160 Iraqi children and provided local doctors with over 30,000 hours of hands-on training.

For more, check out www.PreemptiveLove.org.



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Thanks for coming!

- Thank you for your time and good luck with your home search.
- Contact Info

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**THE TEXAS REAL ESTATE COMMISSION (TREC) REGULATES
REAL ESTATE BROKERS AND SALES AGENTS, REAL ESTATE INSPECTORS,
HOME WARRANTY COMPANIES, EASEMENT AND RIGHT-OF-WAY AGENTS,
AND TIMESHARE INTEREST PROVIDERS**

**YOU CAN FIND MORE INFORMATION AND
CHECK THE STATUS OF A LICENSE HOLDER AT**

WWW.TREC.TEXAS.GOV

**YOU CAN SEND A COMPLAINT AGAINST A LICENSE HOLDER TO
TREC**

A COMPLAINT FORM IS AVAILABLE ON THE TREC WEBSITE

**TREC ADMINISTERS TWO RECOVERY FUNDS WHICH MAY BE USED TO
SATISFY A CIVIL COURT JUDGMENT AGAINST A BROKER, SALES AGENT,
REAL ESTATE INSPECTOR, OR EASEMENT OR RIGHT-OF-WAY AGENT,
IF CERTAIN REQUIREMENTS ARE MET**

**IF YOU HAVE QUESTIONS OR ISSUES ABOUT THE ACTIVITIES OF
A LICENSE HOLDER, THE COMPLAINT PROCESS OR THE
RECOVERY FUNDS, PLEASE VISIT THE WEBSITE OR CONTACT TREC AT**

**TEXAS REAL ESTATE COMMISSION
P.O. BOX 12188
AUSTIN, TEXAS 78711-2188
(512) 936-3000**





Information About Brokerage Services

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Texas law requires all real estate license holders to give the following information about brokerage services to prospective buyers, tenants, sellers and landlords.

TYPES OF REAL ESTATE LICENSE HOLDERS:

- **A BROKER** is responsible for all brokerage activities, including acts performed by sales agents sponsored by the broker.
- **A SALES AGENT** must be sponsored by a broker and works with clients on behalf of the broker.

A BROKER'S MINIMUM DUTIES REQUIRED BY LAW (A client is the person or party that the broker represents):

- Put the interests of the client above all others, including the broker's own interests;
- Inform the client of any material information about the property or transaction received by the broker;
- Answer the client's questions and present any offer to or counter-offer from the client; and
- Treat all parties to a real estate transaction honestly and fairly.

A LICENSE HOLDER CAN REPRESENT A PARTY IN A REAL ESTATE TRANSACTION:

AS AGENT FOR OWNER (SELLER/LANDLORD): The broker becomes the property owner's agent through an agreement with the owner, usually in a written listing to sell or property management agreement. An owner's agent must perform the broker's minimum duties above and must inform the owner of any material information about the property or transaction known by the agent, including information disclosed to the agent or subagent by the buyer or buyer's agent.

AS AGENT FOR BUYER/TENANT: The broker becomes the buyer/tenant's agent by agreeing to represent the buyer, usually through a written representation agreement. A buyer's agent must perform the broker's minimum duties above and must inform the buyer of any material information about the property or transaction known by the agent, including information disclosed to the agent by the seller or seller's agent.

AS AGENT FOR BOTH - INTERMEDIARY: To act as an intermediary between the parties the broker must first obtain the written agreement of *each party* to the transaction. The written agreement must state who will pay the broker and, in conspicuous bold or underlined print, set forth the broker's obligations as an intermediary. A broker who acts as an intermediary:

- Must treat all parties to the transaction impartially and fairly;
- May, with the parties' written consent, appoint a different license holder associated with the broker to each party (owner and buyer) to communicate with, provide opinions and advice to, and carry out the instructions of each party to the transaction.
- Must not, unless specifically authorized in writing to do so by the party, disclose:
 - o that the owner will accept a price less than the written asking price;
 - o that the buyer/tenant will pay a price greater than the price submitted in a written offer; and
 - o any confidential information or any other information that a party specifically instructs the broker in writing not to disclose, unless required to do so by law.

AS SUBAGENT: A license holder acts as a subagent when aiding a buyer in a transaction without an agreement to represent the buyer. A subagent can assist the buyer but does not represent the buyer and must place the interests of the owner first.

TO AVOID DISPUTES, ALL AGREEMENTS BETWEEN YOU AND A BROKER SHOULD BE IN WRITING AND CLEARLY ESTABLISH:

- The broker's duties and responsibilities to you, and your obligations under the representation agreement.
- Who will pay the broker for services provided to you, when payment will be made and how the payment will be calculated.

LICENSE HOLDER CONTACT INFORMATION: This notice is being provided for information purposes. It does not create an obligation for you to use the broker's services. Please acknowledge receipt of this notice below and retain a copy for your records.

Licensed Broker /Broker Firm Name or Primary Assumed Business Name	License No.	Email	Phone
Designated Broker of Firm	License No.	Email	Phone
Licensed Supervisor of Sales Agent/ Associate	License No.	Email	Phone
Sales Agent/Associate's Name	License No.	Email	Phone

Buyer/Tenant/Seller/Landlord Initials

Date

Regulated by the Texas Real Estate Commission

Information available at www.trec.texas.gov

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