

8 Important Tips for Protecting Yourself When Buying a Home

If you're getting ready to buy a house during what is typically the busiest buying and selling time of the year, then offers may be flying, loans may seem confusing, and everything may be moving way too fast. That's why it's important to do everything you can to protect yourself throughout the entire homebuying process.

Low mortgage interest rates and a strong underlying demand for housing drove total state existing-home sales to a new record in the first quarter of 2003 with 34 states experiencing sales increases over the first quarter of 2002, according to the National Association of Realtors.

And the NAR says that many states that saw sales decline actually had a shortage of homes for sale - and the biggest price increases.

"Too many buyers, not enough sellers is making this an exceptional sellers' market ... Some bidding wars are here again especially in the first-time buyers market of single-family homes," said Ben Lambert, a Realtor in Herndon, VA.

The same phenomenon is being felt in other parts of the country.

"The lack of inventory continues to be a concern for the buyer," said Dave Petruncio, a broker in Western Springs, Ill.

What this means if you're buying during the frenzied spring and summer months is that you'll need to do everything you can to protect yourself as you make offers, obtain your loan, buy insurance, and strike up contracts.

Freddie Mac offers a number of tips:

Get pre-approved for a loan. With competition fierce, you'll want to be ready to make an offer. With a pre-approved loan, you'll have more clout as the seller considers your offer.

Make sure it's in writing. Don't settle for verbal agreements. If the seller says he'll replace the carpet or leave his washer and dryer, get it in writing.

Get a good-faith estimate. Your mortgage lender is required to provide you with a good-faith estimate of closing costs within three days of receiving your application. They need to provide it in writing. If you don't have to pay loan application fees, you may want to compare lenders and compare closing costs.

Don't settle for the first lender you come across. Contact at least three lenders and compare rates.

Lock-in your rate. One of the most stressful parts of the loan process is watching rates inch up and down each day and trying to figure out when to lock in your rate. Once you do lock in, be sure to get a written statement that outlines your interest rate and length of the lock.

Get a home inspection. A professional home inspector will examine the house's major systems and let you know if there are any problems or defects. You can then use the information in your

negotiations. Look for an inspector who is a member of the American Society of Home Inspectors. Members are required to have completed at least 250 paid professional home inspections and passed two written exams that test the inspector's knowledge. Also, ask for references.

Shop for homeowners' insurance as soon as your offer is accepted. The National Association of Realtors recently cautioned homebuyers to not take homeowners insurance for granted. You and your spouse may have a clean claims history and a stellar credit history - something insurance companies use to determine whether they will insure you - but it's not just you they're looking at. If the house you're eyeing has had claims, there's a chance they won't insure you, especially if it's a water-related claim.

Read everything. When you have the closing meeting to sign the mountain of papers, make sure you read through everything carefully and don't hesitate to ask questions if there are something you don't understand.

Finally, give yourself enough time between your closing and your move date, just in case there are delays in the closing process.

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