

Latin American Educational Opportunities Podcast

✨ **A BIG BIG THANK YOU!** ✨

My inspiration is you. I make the show for you. My resources will always be free because I want them to be accessible to all. Each week I think about ideas that you will find valuable. I work nights, weekends (and sometimes on vacations!) to find compelling ideas and then make them interesting and accessible. As you know there are costs associated with maintaining a website, and building the podcast. If my episodes, and resources have been meaningful to you, if they have been a source of comfort and insight, please support me. **If you find my work valuable, but are not in a position to support me, please know it makes me happy to know I have been helpful to you.** Drop me a note or tell a friend why you like my show — and thanks.

-Kevin Muñoz

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Episode 15: Part II

A complete guide to buying a house in the U.S.

Outline:

1. Know your rights
2. Check your Credit Score
3. Budgeting
 - a. Determine how much home you can afford
 - b. Saving for the down payment and closing costs
4. Know your loans
5. Choosing a lender
 - a. Documentation
 - b. Factors
6. Pre-approval
7. Find The Right Real Estate Agent
8. Determine your priorities
9. Start house hunting
10. Make a smart offer
11. Get a home inspection
12. Shop for homeowners insurance
13. Make sure the home is appraised
14. Close on your new home

Part II

8. Determine your priorities

Once you've determined how much you can afford to spend on a home and found the right agent to help you through the process, you should start to talk to your agent about what your ideal home looks like. During this time, you should consider:

- Location: Which neighborhoods would you prefer to live in?
- Type of home: Would you like a single-family house, multi family house, townhouse, condo, etc.?
- Lot: How much land, if any, are you looking for?
- Size: What is your ideal square footage?
- Bedrooms and bathrooms: How many bedrooms do you require? Does every bedroom need its own bathroom?
- Age and condition: Are you willing to do work on the home?

As you begin to look at listings, you'll most likely notice that your perfect home is not available on the market or in your budget. That's to be expected – after all, it is your ideal home. That's why it's vital that you figure out what your priorities are now before you get deeper into your house search.

9. Start house hunting

After you've settled on your priorities and clearly communicated them to your real estate agent, it's time to start house hunting. As you browse the listings your real estate agent sends you, or you find yourself, keep your priorities at the back of your mind. Remember, it is highly unlikely that any listing will perfectly match your dream home, so try not to be too picky until you see the listings in person.

When going to see each listing, reflect on the neighborhood that the home is in, as well as the home itself. Before every tour or open house, drive around the area. Consider what your commute would be like. Research the schools your kids would go to and figure out how long it would take them to get there. Find out where the closest grocery store and pharmacy is located. Overall, make sure the area fits your everyday habits.

If the home seems to check all of the boxes, it's time to start thinking about the condition. Keep an eye out for these potential red flags:

- Plumbing and electrical issues
- Poor insulation or problems with the HVAC system
- Issues with the foundation, like slanted floors or significant cracks in the walls
- Visible water damage on ceilings or walls
- Chimneys or gas furnaces that need to be repaired or replaced
- The presence of radon, asbestos, lead paint, or carbon monoxide

Although a house in poorer condition may seem like a steal, remember that you're the one who will be left to make those repairs. Even homes with outdated appliances can be a nuisance because you're the one who will have to pay to replace them ultimately. So, try to be as realistic as possible as you view each house by thoughtfully considering what you're willing to live with and what your budget can cover.

10. Make a smart offer

When you find the right place, ask your real estate agent to run a comparative market analysis to determine what a fair price would be based on recent sales of similar homes in the area. The less interest there is and the longer the house has been sitting on the market, the more power you'll have to negotiate.

Beyond the price you plan to offer, you should also speak to your real estate agent about whether it makes sense to include any contingencies in your offer. A contingency is a stipulation included in an offer which states that if a particular condition is not met, the buyer is free to break the contract without any repercussions.

Although sellers often balk at offers made with contingencies, there are some contingencies worth making regardless of the seller's feelings about them, especially if you're negotiating from a position of power.

- Mortgage Contingency
 - If your ability to afford the home is dependent on your ability to obtain a loan, you must include a mortgage contingency in your offer. This contingency will make it possible for you to back out of your offer if, for any reason, you're unable to receive financing. Even if you've been preapproved for a loan, you should still write this contingency into your offer. If you don't, you'll find that you're still on the hook for the purchasing price regardless of whether you've obtained any funds.
- Inspection Contingencies
 - After you make an offer, you'll want to get the home inspected to make sure you have a full understanding of the home's condition. It's in your best interest to ensure that the seller is willing to do any work necessary before closing or take the respective cost out of the purchasing price. With an inspection contingency, you'll be able to not only renegotiate the offer based on any necessary repairs but also break the agreement if the home needs more work than you can handle.

The decision to include any contingencies in your offer should be made based on the transaction and your financial circumstances. If you're in the middle of a bidding war, your agent will probably dissuade you from including any – as sellers are less likely to choose offers that require them. However, if there are no other offers on the table, it is worth the try.

Contingencies can always be removed during the negotiation process.

Earnest Money Deposit

Along with your offer, you'll also be required to provide an earnest money deposit, also known as an escrow deposit. This deposit is money that you provide up-front to show the seller that you're serious about the offer, so the seller feels comfortable taking the home off the market.

The amount of money included in the deposit can be negotiable; however, an earnest money deposit is typically 1% – 3% of the purchase price. The money is held in an escrow account and applied to your down payment and closing costs at closing.

If you change your mind and decide that you won't buy the home for any reason that is not specified in a contingency, the seller gets to keep your earnest money deposit. That's why it's vital that you consider the conditions in which you may need to pull out of the contract before you make an offer. Including a contingency in your offer can be the difference between keeping and losing your earnest money.

11. Get a home inspection

After your offer is accepted, you should arrange for a home inspection to be completed. You'll want to hire a professional, third-party home inspector to examine the home you're preparing to buy. The home inspection is a crucial step as it will identify areas where major repairs or renovations require immediate attention, as well as any work that needs to be completed in the future.

If significant repairs are needed, you can request that the seller complete them before closing. If the seller declines to handle the repairs and an agreement can't be reached, you may be able to withdraw your offer.

However, if you've included an inspection contingency in your contract, you'll be able to guarantee that either repairs are made, the cost is deducted from the purchase price or the contract is broken, and your earnest money is returned.

12. Shop for homeowners insurance

Homeowner's insurance will help pay for damage to your property if something unexpected happens like a fire or burglary.

You can use the insurance suggested by your lender or you shop for your own. You can try one of the major brands:

Geico

Progressive

State Farm

13. Make sure the home is appraised

If you're getting a mortgage to purchase your home, your lender will require the home to be appraised before they agree to release your funds. A home appraisal provides an estimate of how much a home is actually worth based on comparable sales in the area, market trends, public records and a comprehensive inspection of the property.

Generally speaking, home appraisals help you ensure that the purchasing price of the home is in line with the home's true value. Therefore, these home valuations are a protective measure for lenders. By insisting that a home be appraised before money is lent, lenders can make sure that they're not lending more money than the house is worth.

Whenever a buyer obtains a loan to purchase a house, the house itself is used as collateral. If the buyer is unable to keep up with monthly mortgage payments and defaults on the loan, the buyer would go into foreclosure, and the lender would sell the loan to recover the money lent.

However, if a lender didn't require a home appraisal and mistakenly provided the buyer with more money than the home was worth, the lender would be at risk. If the buyer defaulted on the loan and the lender had to sell the house, it's likely that the lender would not be able to recoup all the money that was initially lent.

So, when you get the home appraised, keep in mind that the lender will only provide funds to cover the appraised value of the house. If the appraisal comes in below the purchasing price,

you'll have to either renegotiate price or come up with the difference – which is one of the many reasons having a mortgage contingency (or appraisal contingency) is in your best interest.

14. Close on your new home

Before closing, walk through the property with your real estate agent and make sure that everything is in order. If the seller agreed to make any repairs, the walk through is the time to ensure that the seller has actually completed them.

Then, review your Closing Disclosure. It will outline the terms, final closing costs and any outstanding charges or fees included in your loan. Your lender will send the disclosure to you at least three days before closing.

During closing, the property title will pass from the seller to you. A closing agent will oversee this process, which typically takes place at a title company, management firm, escrow office or your home.

The closing agent will ensure that all necessary parties are present at closing. The agent acts as a mediator between you and the seller and confirms that all required documents are signed. Once documents have been signed, the agent will ensure that all funds, including closing fees and escrow payments, are paid and properly disbursed.

During closing, you have **two major responsibilities**:

Signing legal documents: This includes the Closing Disclosure, promissory note, deed of trust and certificate of occupancy.

Paying closing costs: This may include fees for your mortgage application, appraisal, survey, title search and funds to establish an escrow account. An escrow account is used to pay for property taxes and insurance premiums.

Key Takeaways

8. Determine your priorities

- As you begin to look at listings, you'll most likely notice that your perfect home is not available on the market or in your budget. That's to be expected – after all, it is your ideal home. That's why it's vital that you figure out what your priorities are now before you get deeper into your house search.

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Conclusion

As I've mentioned previously the home buying process can be confusing, I hope to better equip you with the knowledge through this 2 part episode and hopefully you feel more confident and prepared through your purchasing process because of it. If you enjoyed the episode make sure you follow me and rate the show on apple podcasts, Spotify, and follow my Instagram @latinamericaneo to be up to date on my content. If you'd like to support me and my work you can do so through my website latinamericaneo.org and clicking the support tab. Let me know your thoughts on today's episode and the 14 step guide through my Instagram.

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Closing checklist:

https://learn.simplecitizen.com/wp-content/uploads/2018/07/buying-a-house_mortgage-closing_checklist.pdf