CONSUMER GUIDE: BUYING YOUR FIRST HOME

So, you're ready to find your first home. But where do you begin? And what resources are available to help you? Here's what you need to know as you embark on your homeownership journey:

Who is considered a first-time homebuyer? The definition of "first-time homebuyer" might be broader than you think. For example, it can refer to a person who has never owned a home, a person who has not owned a home in the last three years, or a single parent who has only previously owned a home with a spouse. The definition may vary by program, so check here for the Federal Housing Administration's definition of a first-time homebuyer.

How do I find an agent? With the cost of housing at an all-time high, agents who are REALTORS® are here to help first-time homebuyers navigate challenges in the market and achieve the dream of homeownership. Agents may offer a wide range of services, such as finding available homes that meet your criteria, accompanying you to showings, negotiating on your behalf, and more. Consider asking prospective agents these ten questions to determine if they are the best fit for your needs.

What is a written buyer agreement? In many cases the agent you've selected will be required to enter into a written buyer agreement with you before you tour a home together. This agreement will outline the services the agent will provide and what they will be paid for those services. These agreements are fully negotiable, and you should feel empowered to advocate for the agreement that meets your needs.

What are my options for securing financing assistance? First-time homebuyers have multiple options for financing the purchase of their first home. Discuss with your agent the programs that might be available to you, including:

- **Conventional mortgage loans** are financed by private lenders, such as banks, credit unions, and mortgage companies. Mortgages typically require a down payment—you can use this tool to find down payment and closing cost assistance programs that you may be eligible for.
- **Federal loan programs** are available for eligible buyers through the Federal Housing Administration, Department of Veterans Affairs, and U.S. Department of Agriculture.
- **State-funded grants** for first-time homebuyers may be an option depending on your location. Contact your state's housing financing agency for more information.
- **Local governments or non-profit organizations** in your area may have programs available to borrowers that meet specific requirements.

Are there other ways I can lessen my cost burden? Some sellers may offer to pay certain costs associated with purchasing a home for you, which are called concessions. You can also ask the seller to pay for your agent's compensation as part of your purchase offer. Both are options that may reduce out-of-pocket and upfront expenses, helping you stretch your budget further. Your agent can advocate for you during purchase negotiations on these and other terms.

What other resources are available? Agents who are REALTORS® and your state and local REALTOR® Associations can direct you to many other resources. For example, first-time homebuyers should consider homeownership education and counseling services, which provide tools and information to help resolve financial roadblocks, develop a budget, and work on a plan to meet the financial requirements of homeownership. Your agent can refer you to a HUD certified housing counselor.

How do I know what option is best for me? When you work with an agent who is a REALTOR®, you are working with a professional guided by ethical duties under the REALTOR® Code of Ethics, including the pledge to protect and promote the interests of their clients. Your agent will work with you to weigh your options, answer questions, and develop a strategy you are confident in. You can read more about REALTORS®' duty to put client interests above their own here.

Practices may vary based on state and local law. Consult your real estate professional and / or an attorney for details about state law where you are purchasing a home. Please visit facts.realtor for more information and resources.

CONSUMER GUIDE: STEPS BETWEEN SIGNING AND CLOSING ON A HOME

Once you sign a purchase agreement on your new home, there are still several steps to complete before you can finalize—or "close"—the transaction. While the process differs in each state, here are the basics of what you can expect during the period between signing and closing:

What happens after I sign a purchase agreement? Once you have signed a purchase agreement, you will enter "escrow," an arrangement that protects both buyers and sellers during real estate transactions. Escrow means that a third party controls payments between you and the seller in a separate account and will only release the funds once both you and the seller meet the terms of your agreement. An agent who is a REALTOR® can help you navigate this process.

What goes into an escrow account? Typically, a buyer puts money into the account to show they intend to close on the home, called "earnest money." This may be a percentage of your purchase price or a set amount. The seller's property documents will also be held in escrow by a designated person, such as an attorney or another agent. Once you close on the home, your money will typically be applied towards your down payment and other closing costs.

What do I need to do before I can close? If you are paying for your home over time, you will first and foremost need an approved mortgage loan before closing. Mortgage lenders typically require certain tasks be completed before close, such as a home appraisal and a title search which verifies the seller owns the home. Lenders may also require that you purchase homeowners or other types of insurance. Homeowners insurance is important because it will cover you for unexpected losses at your home, which can help you repair or rebuild after damage, replace your belongings, and/or cover medical expenses if someone is injured on your property. You may also want to consider other types of insurance, such as mortgage, flood, or title insurance, depending on your circumstances. If your down payment is less than 20%, you may be required to have mortgage insurance as well.

What is an appraisal? A home appraisal is a professional opinion of a home's value by a licensed or certified residential appraiser that helps the lender ensure the purchase price is in line with the property value. Your purchase agreement might have a "contingency" on an appraisal—a condition that the market value and purchase price must align in order for the transaction to continue. A mismatch between a home's appraised value and the purchase price could impact how much your lender allows you to borrow for your mortgage. Some lenders also have appraisers verify certain things like chipped paint or hand rails to ensure the home is safe. If you are not using a mortgage and are paying for a home "in cash"—money you currently have available—you still may make your offer contingent on an appraisal or do one independently, but it is not required.

Do I need an inspection? While not required, some buyers include a home inspection as a contingency in their purchase agreement. An inspection protects you from costly problems you may not have noticed until after moving in. An inspector will look for potential problems throughout the interior and exterior of the home, which could include tests for radon, lead paint, and asbestos. Your agent can help you find a trustworthy inspector and determine which type of inspection will work best for you.

How long will all this take, and when can I move in? These steps may take several weeks or more depending on your situation. Each part of the process operates on its own independent timeline, so the length of the process is influenced by many factors, such as when you schedule home inspections and how long it takes for your mortgage application to be approved.

What happens at close? You can expect to sign documents, exchange keys, and bring your cash to close—the amount of which can vary depending on your down payment, credits, and other fees for things like the inspection, loan processing, or costs related to purchased insurance policies.

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CONSUMER GUIDE: TEN QUESTIONS TO ASK A BUYER'S AGENT

If you're ready to buy a home, you should feel empowered to find and work with the agent who is the best fit for your needs. Here are ten questions you should consider when selecting an agent:

1. **Are you a REALTOR®?** When you work with an agent who is a REALTOR®, you are working with a professional guided by ethical duties under the REALTOR® Code of Ethics, including the pledge to protect and promote the interests of their clients.
2. **What types of services can you provide me?** Agents may offer many types of services such as finding you homes that meet your criteria, accompanying you to showings, sharing their analysis of the market and available properties, negotiating on your behalf, and more. For more information about why you should work with a REALTOR®, read about the 179 Ways Agents Who Are REALTORS® Are Worth Every Penny.
3. **How well do you know the markets where I am searching for a home?** Your agent must be licensed where you are buying a home. But they should also have the market knowledge to help you successfully find a home where you are searching.
4. **Do you have experience working with buyers in my situation?** Many agents specialize in working with certain types of buyers, such as first-time buyers and veterans. Some also earn the Accredited Buyer's Representative designation to gain specialized skills in working with buyers. Ask your prospective agent about their experience and any designations or certifications they have earned related to working with buyers like you.
5. **Can you tell me about your approach to scouting properties?** Agents and brokerages across the country have different business models and use and provide various technology, tools, and resources to inform their search process. Discuss with your prospective agent how their unique approach will help you find the right home.
6. **What will be included in our written buyer agreement?** Once you are working with your agent and before you tour a home together, your agent may be required to enter into a written buyer agreement with you that outlines the services the agent will provide you, and what they will be paid for those services. These agreements are fully negotiable.
7. **How long will we work together?** Talk with your prospective agent about how long you would like to work together and ensure you feel comfortable with that arrangement. This term could be set out in your written buyer agreement.
8. **What are my options for paying you?** Agent compensation is fully negotiable and can take many forms, such as a flat fee, a percentage of the purchase price, or an hourly fee. The written buyer agreement will contain the amount of compensation you agree on. You can also ask the seller to pay your broker's compensation as part of your purchase offer or, in cases where a seller offers a concession, you may be able to use the funds to pay your broker for the value and services they provided you.
9. **Can you recommend service providers who can help me obtain a mortgage, make home repairs, or support other closing tasks?** Your prospective agent may have prior experience or trusted relationships with providers in the area where you are purchasing a home and can be a great resource for facilitating these introductions.
10. **Do you have references I can speak with?** Many agents will be happy to connect you with satisfied clients they have worked with in the past who can speak to their experience.

Practices may vary based on state and local law. Consult your real estate professional and / or consult an attorney for details about state law where you are purchasing a home. Please visit facts.realtor for more information and resources.

NATIONAL ASSOCIATION OF REALTORS®

CONSUMER GUIDE: TEN QUESTIONS TO ASK A SELLER'S AGENT

If you're ready to sell your home, you should feel empowered to find and work with the agent who is the best fit for your needs. Here are ten questions you should consider when selecting an agent:

1. **Are you a REALTOR®?** When you work with an agent who is a REALTOR®, you are working with a professional guided by ethical duties under the REALTOR® Code of Ethics, including the pledge to protect and promote the interests of their clients.
2. **What types of services can you provide me?** Your agent can help you with marketing your property, interfacing with buyer's agents, handling showings and open houses, negotiating the purchase agreement on your behalf, assisting throughout the closing process, and more.
3. **Are you familiar with the market where I am selling my home?** Your agent must be licensed where you are selling your home. But they should also have the market knowledge to facilitate a successful transaction. While prior experience with the market where your property is located is not a requirement, local knowledge could help your agent develop a strategy that resonates with local buyers.
4. **What will be included in our listing contract?** At the outset of your relationship, you and your agent will sign a listing agreement that says the agent can represent you and market your property to potential buyers and their agents and establishes the sale price for your home. It will also lay out the type of professional representation your agent will provide and what they will be paid for those services. Remember that agent compensation is fully negotiable and not set by law.
5. **How did you arrive at your suggested list price for my home?** Setting a strong initial asking price based on your agent's knowledge of the market is important for capturing buyer interest and securing the best possible offer. Your agent should conduct market research to determine an appropriate price that both attracts prospective buyers and ensures you receive a fair market value for your home.
6. **How will you market my home?** Agents may use a variety of marketing methods to reach potential buyers, and they should walk you through the pros and cons of each option. For example, one tool agents use to market properties is a Multiple Listing Service (MLS), an online platform that compiles home listings from brokerages in a given market, to reach the largest possible pool of buyers and potentially attract the best offer.
7. **How do I attract potential buyers?** There are many strategies that may help attract potential buyers. For example, offers of compensation—when you or your agent compensate another agent for bringing a buyer to successfully close the transaction—and seller concessions—when you cover certain costs associated with purchasing a home for the buyer—may lead to a better or faster offer by reducing out-of-pocket and upfront expenses for prospective buyers.
8. **What do I need to do to get my house ready?** To prepare your home for listing, your agent may suggest investing in necessary repairs or other upgrades that may help enhance buyer interest for the property.
9. **How will you vet potential buyers?** An important part of selling your home is ensuring that prospective buyers are financially prepared to follow through with their offer. Discuss with your agent how they plan to evaluate prospective buyers, which may include requiring a pre-approval letter to be submitted alongside the offer.
10. **Do you have references I can speak with?** Many agents will be happy to connect you with satisfied clients they have worked with in the past who can speak to their experience.

Practices may vary based on state and local law. Consult your real estate professional and / or consult an attorney for details about state law where you are purchasing a home. Please visit facts.realtor for more information and resources.

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CONSUMER GUIDE: MORTGAGES AND FINANCING

Buying a home is one of the largest personal and financial decisions you can make. For many buyers, the process includes finding a loan that will help you pay for your new home over time. An agent who is a REALTOR® can help you learn about your options. Here's what else you need to know:

What is a mortgage, and how do I get one? A mortgage is a loan offered by a bank or lender that lets you borrow money to purchase a home and repay over time with interest. Mortgages can take many forms, but one of the most popular options is a 30-year fixed rate mortgage. Many factors can affect the mortgage options available to you, including your down payment, personal finances (e.g., credit score, income, existing debt, employment history), and other factors like government policies, current interest rates, and what lender you are working with. Certain buyers, like first-time homebuyers and veterans, might be eligible for special financial assistance programs.

What types of loans are there? Factors like where you are searching for a home and how long you plan to stay in your new home will help determine which loan type best suits you. Some options include:

- **Fixed-rate mortgage:** Sets an interest rate and monthly payment for the life of the loan, which is typically 15 or 30 years.
- **Adjustable-rate mortgage (ARM):** ARMs may offer interest rates that are lower than you could get with a fixed-rate mortgage for a chunk of the life of the loan, such as five or 10 years. However, after that point your interest rates are subject to change approximately once per year based on market conditions.

What is a down payment, and how much will it be? Some lenders require buyers to pay a percentage of the home's purchase price up front, which is known as a "down payment." Your down payment can vary substantially depending on your mortgage agreement. Typically, if you pay more money up front, your monthly mortgage payment will be lower. Many local governments and non-profit organizations offer down payment assistance grants and loans if you meet certain requirements. Ask your agent or reach out to your local REALTOR® association for recommendations and guidance on what's available.

What is the difference between conventional and federal home loans? Conventional loans are financed by private lenders, such as banks, credit unions, and mortgage companies. They require stronger credit and higher down payments but may offer better rates. Federal loans are government-backed, meaning lenders carry less risk and can pass savings onto eligible borrowers who may not have pristine credit. Some federal loans include:

- **Federal Housing Administration (FHA) Loan:** FHA loans cater to first-time buyers and have flexible requirements and down payment options as low as 3.5%, depending on your credit score or debt-to-income ratio.
- **Department of Veterans Affairs (VA) Loan:** If you served in the U.S. military, you are eligible for a VA loan with no down payment and no mortgage insurance requirements.
- **U.S. Department of Agriculture (USDA) Loan:** The USDA Rural Development loan is designed for families purchasing a home in rural areas, requires zero down payment, and offers discounted mortgage interest rates.

Are there other ways I can lower my out-of-pocket costs? Some sellers may offer to pay certain costs associated with purchasing a home for you, which are called concessions. Certain limits apply to concessions—please consult our guide to seller concessions for more information. You can also ask the seller to pay for your agent's compensation, which does not count towards concession limits, as part of your purchase offer. Both are options that may reduce out-of-pocket and upfront expenses, helping you stretch your budget. However, keep in mind that the current banking system does not allow for agent compensation to be financed through a mortgage. Talk to your agent about building a home purchase plan that works with your budget.

Practices may vary based on state and local law. Consult your real estate professional and / or an attorney for details about state law where you are purchasing a home. Please visit facts.realtor for more information and resources.