

ULTIMATE GUIDE TO BUYING A HOME



LEARN HOW TO **BUY A HOME**


Tools, tips and what to expect.



BESHIR ABDELLA
BESHIRABDELLA.COM



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DIFFERENCE



“I was recently looking for some investment properties in Seattle area, but I was not quite sure where are the real good opportunities in this very dynamic and competitive market. Luckily, I had a pleasure of working with Beshir who knows the city well, can explain the gotchas of the process in minute details, and is very responsive and easy to work with. Definitely a great experience!”



ABOUT BESHIR ABDELLA

Selling or searching for a new home can be stressful, that is why my goal is to make the whole experience fun, exciting and as educational as I can for you. My aim as your Realtor is to listen intently to your needs, find solutions, and educate you on the real estate process. An informed and knowledgeable agent is one that is relentless in achieving the best results possible for their clients. With an ever-changing real estate market, I have made it a priority to keep up to date and incorporate the latest technology and information into my marketing and day to day routine.

I have called Seattle home since 2008 and have loved every year since. Rain or shine, Seattle lives up to the hype. Originally, I am from a small country by the Red Sea called Eritrea, but have lived most of my life in Sweden and the U.S. I speak 3 languages (Tigre, Swedish, English), and I am passionate about cultures and diversity. Just as I love to call Seattle my home, it makes me truly happy to help others find their home in this beautiful city too.



BESHIR ABDELLA
REAL ESTATE BROKER, WINDERMERE WALL ST.

ARE YOU READY TO BUY A HOME?

Purchasing a home can be a stressful and nerve-racking process, especially in a competitive real estate marketplace like King County is currently experiencing.

There are many factors to deliberate on when thinking of purchasing a home:

Is it in the right neighborhood? Is the mortgage at the best rate? Will this be a temporary home or could your family grow in it? All of these are important questions that go into making a perfect choice, not only for you but your family. For some people, the purchase of a home is the single most significant investment of their lives. However, it can also be one of the most complex and wearying journeys someone can take. Here are some tips to guide you through your home buying experience.



FIVE THINGS TO CONSIDER BEFORE BUYING A HOME

- 1.** Are you financially ready to buy a home or does it make more sense for you to continue renting?
- 2.** Have you attempted to get pre-approved for a home loan?
- 3.** Now that you know your budget, is this your ideal situation?
- 4.** Have you narrowed down what city or neighborhood you'd like to live in?
- 5.** What kind of home would you like and are you willing to do any home improvements?





DOWN PAYMENT

Nearly all mortgage loans and lenders require some amount of cash as a down payment. The amount you've set aside for this will help determine the kind of mortgage you'll qualify for and how much you can afford to borrow for a home.



GET PRE-QUALIFIED

In today's competitive housing market, it is not uncommon for a seller to receive multiple offers on their home. Having a pre-qualification letter in hand could be the difference in your ability to purchase the house you desire.



COMPARE MORTGAGE LENDERS

Mortgage quotes can vary based on your down payment, credit history, income, assets, and debt. One of the number 1 mistakes made by home buyers is NOT shopping around for a mortgage!

TOP TWO FACTORS TO WATCH FOR IN THE REAL ESTATE MARKET

When it comes to today's real estate market, the top two factors to consider are what's happening with interest rates and inventory.

Interest Rates

Mortgage interest rates had been on the rise for the majority of 2018, before slowing to where they are now, below 4.5%.

The interest rate you secure when buying a home not only greatly impacts your monthly housing costs, but also affects your purchasing power.



Purchasing power is the amount of home you can afford to buy for the budget you have available to spend. As rates increase, the price of the house you can afford to buy will decrease if you plan to stay within a certain monthly housing budget.

The chart demonstrates the impact rising interest rates would have if you planned to purchase a \$400,000 home while keeping your principal and interest payments between \$2,020-\$2,050 a month.

6.00	\$ 2,398	\$ 2,338	\$ 2,278	\$ 2,218	\$ 2,158
5.75	\$ 2,334	\$ 2,276	\$ 2,218	\$ 2,160	\$ 2,100
5.50	\$ 2,272	\$ 2,214	\$ 2,158	\$ 2,100	\$ 2,044
5.25	\$ 2,208	\$ 2,154	\$ 2,098	\$ 2,044	\$ 1,988
5.00	\$ 2,148	\$ 2,094	\$ 2,040	\$ 1,986	\$ 1,932
4.75	\$ 2,086	\$ 2,034	\$ 1,982	\$ 1,930	\$ 1,878
4.50	\$ 2,026	\$ 1,976	\$ 1,926	\$ 1,874	\$ 1,824
	\$ 400,000	\$ 390,000	\$ 380,000	\$ 370,000	\$ 360,000
		-2.5%	-5%	-7.5%	-10%

Principal & Interest Payments rounded to the nearest dollar amount

With each quarter of a percent increase in interest rate, the value of the home you can afford decreases by 2.5% (in this example, \$10,000). Experts predict that mortgage rates will be closer to 5% by this time next year.

TOP TWO FACTORS TO WATCH FOR IN THE REAL ESTATE MARKET



Inventory

A 'normal' housing market traditionally requires that there be a 6-month supply of homes for sale in order for prices to only increase with economic inflation.

According to the Northwest MLS, listing inventory is currently sitting at a 1.71 month supply, an increase in supply compared to last year (1.30) but still well below the 6 months required for a steady market.

Northwest Multiple Listing Service statistics for last month (April 2019) show a 28.5 percent overall increase in active listings compared to the same month a year ago, a 5.8 percent gain in pending sales, and a 2.4 percent rise in median prices for sales of single-family homes and condos that closed during April. The volume of closings dipped slightly (down 1.9 percent). Condo prices dipped 3.2 percent as inventory improved (up 75 percent). Pending sales rose 3 percent.

According to the Northwest MLS, listing inventory is currently sitting at a 1.71 month supply, an increase in supply compared to last year (1.30)

Looking ahead, it appears that King County is very slowly trending away from a complete seller's market and increasing its home inventory.

If you are planning to enter the housing market, either as a buyer or a seller, let's get together to discuss what changes in mortgage rates and home inventory could mean for you.

COMMON REAL ESTATE TERMS TO KNOW

To start you on your path with confidence, we have compiled a list of some of the most common terms used when buying a home.

Adjustable-Rate Mortgage (ARM) – An ARM will have interest rates and payments that change from time-to-time over the life of the loan. Depending on the type of ARM you have, your interest rate may increase gradually every few years until it reaches a preset ceiling. When you apply for an ARM, you'll be told how, when, and why the rates may change.

Annual Percentage Rate (APR) – This is a broader measure of your cost for borrowing money. The APR includes the interest rate, points, broker fees and certain other credit charges a borrower is required to pay. Because these costs are rolled in, the APR is usually higher than your interest rate.

Appraisal – A professional analysis used to estimate the value of the property. This includes examples of sales of similar properties. This is a necessary step in getting your financing secured as it validates the home's worth to you and your lender.

Closing Costs – The costs to complete the real estate transaction. These costs are in addition to the price of the home and are paid at closing. They include points, taxes, title insurance, financing costs, items that must be prepaid or escrowed and other expenses. Ask your lender for a complete list of closing cost items.

Deed of Trust – A deed of trust is a document showing that a borrower conveys title to real property to a third party (trustee) to be held as security for a lender, with the provision that the trustee will return the title once the debt is paid. The trustee will sell the property and pay the debt if the borrower defaults. In other words, when you buy a house, a trustee will hold your Deed of Trust for your lender until you pay off your mortgage or default on the loan.

Discount Points – A point equals 1% of your loan (1 point on a \$200,000 loan = \$2,000). You can pay points to buy down your mortgage interest rate. It's essentially an upfront interest payment to lock in a lower rate for your mortgage.

Down Payment – This is a portion of the cost of your home that you pay upfront to secure the purchase of the property. Down payments are typically 3 to 20% of the purchase price of the home. There are zero-down programs available through VA loans for Veterans, as well as USDA loans for rural areas of the country. Eighty percent of first-time buyers put less than 20% down last month.



COMMON REAL ESTATE TERMS TO KNOW



Earnest Money – Earnest money is a deposit you pay to the seller of real property to show your good faith and intentions of getting a mortgage to buy the property. Depending on circumstances, you may or may not be able to get this money back if you decide not to complete the purchase.

Escrow – The holding of money or documents by a neutral third party before closing. It can also be an account held by the lender (or servicer) into which a homeowner pays money for taxes and insurance.

Fixed-Rate Mortgages – A mortgage with an interest rate that does not change for the entire term of the loan. Fixed-rate mortgages are typically 15 or 30 years.

Home Inspection – A professional inspection of a home to determine the condition of the property. The inspection should include an evaluation of the plumbing, heating and cooling systems, roof, wiring, foundation and pest infestation.

Mortgage Rate – The interest rate you pay to borrow money to buy your house. The lower the rate, the better. Interest rates for a 30-year fixed rate mortgage have hovered between 4 and 4.25% for most of 2017.

Pre-Approval Letter – A letter from a mortgage lender indicating that you qualify for a mortgage of a specific amount. It also shows a home seller that you're a serious buyer. Having a pre-approval letter in hand while shopping for homes can help you move faster, and with greater confidence, in competitive markets.

Market Value – The highest price that a buyer—ready, willing, and able, but not compelled to buy—would pay, and the lowest price a seller—ready, willing, and able but not compelled to sell—would accept. Market value is the basis for the “listing price” or the “asking price” of a home.

Primary Mortgage Insurance (PMI) – If you make a down payment lower than 20% on your conventional loan, your lender will require PMI, typically at a rate of .51%. PMI serves as an added insurance policy that protects the lender if you are unable to pay your mortgage and can be canceled from your payment once you reach 20% equity in your home. For more information on how PMI can impact your monthly housing cost, [click here](#).



STEP-BY-STEP HOME BUYING GUIDE

- ▶ **Step 1:** Check your credit report and score - fix any issues
- ▶ **Step 2:** Figure out how much you can afford
- ▶ **Step 3:** Find a real estate agent
- ▶ **Step 4:** Get pre-approved by a lender
- ▶ **Step 5:** Start looking at homes
- ▶ **Step 6:** Make an offer on the best home for you
- ▶ **Step 7:** Home inspection
- ▶ **Step 8:** Get insurance and establish utilities
- ▶ **Step 9:** Closing day
- ▶ **Step 10:** Get the keys and start moving in!

YOU DON'T NEED 20% DOWN PAYMENT

The largest obstacle renters face when planning to buy a home is saving for a down payment. This challenge is amplified by rising rents, which has drained the amount of money renters have leftover for savings each month after paying expenses.

In combination with higher rents, survey after survey has shown that non-homeowners (renters and those living rent-free with family or friends) believe they need to save upwards of 20% for their down payment!

According to the “Barriers to Accessing Homeownership” study commissioned in partnership between the Urban Institute, Down Payment Resource, and Freddie Mac, 39% of non-homeowners and 30% of those who already own a home believe they need more than a 20% down payment.

The percentage of those who are aware of low-down-payment programs (those under 5%) is surprisingly low at 12% for non-homeowners and 13% for homeowners.

A recent Convergys Analytics report found that 49% of renters believe they need at least a 20% down payment.

The median down payment on loans approved in 2018 was only 5%! Those waiting until they have over 20% may already have enough saved to buy now!

There are over 45 million millennials (33%) who are mortgage ready right now, meaning their income, debt, and credit scores would all allow them to qualify for a mortgage today!

If your five-year plan includes buying a home, let's get together to determine what it will take to make that plan a reality. You may be closer to your dream than you realize!





DON'T WAIT

GET PRE-APPROVED

In many markets across the country, the number of buyers searching for their dream homes greatly exceeds the number of homes for sale. This has led to a competitive marketplace where buyers frequently need to stand out. One way to indicate that you are serious about buying your dream home is to get pre-qualified or pre-approved for a mortgage before beginning on your search.

Even if you are in a market that is not as competitive, knowing your budget will give you the confidence to know if your dream home is within your reach.

Pre-approval will tell you how much home you can afford and can help you move faster, and with greater confidence, in competitive markets.

One of the many advantages of working with a local real estate professional is that many have relationships with lenders who will be able to help you with this process. Once you have selected a lender, you will need to fill out their loan application and provide them with important information regarding “your credit, debt, work history, down payment and residential history.”

The '4 Cs' that help determine the amount you will be qualified to borrow:

1. **Capacity:** Your current and future ability to make your payments.
2. **Capital or Cash Reserves:** The money, savings, and investments you have that can be sold quickly for cash.
3. **Collateral:** The home, or type of home, that you would like to purchase.
4. **Credit:** Your history of paying bills and other debts on time.

Getting pre-approved is one of many steps that will show home sellers that you are serious about buying, and it often helps speed up the process once your offer has been accepted.

Many potential homebuyers overestimate the down payment and credit scores needed to qualify for a mortgage today. If you are ready and willing to buy, you may be surprised at your ability to do so.



FOUR TIPS FOR MAKING **A COMPETITIVE HOME OFFER**

1. DETERMINE YOUR PRICE

Based on your agent's experience and key considerations such as comparable homes recently sold in similar neighborhoods and/or conditions, your agent should help you to determine the best offer for your situation. Once again, getting pre-approved will not only show home-sellers that you are serious about buying, but it will also allow you to make your offer with confidence because you'll know that you have already been approved for a mortgage in that amount.

2. SUBMIT AN OFFER

Talk with your agent to find out if there are any ways in which you can make your offer stand out in this competitive market! A licensed real estate agent who is active in the neighborhoods you are considering will be instrumental in helping you put in a solid offer.

3. NEGOTIATE YOUR OFFER

If your offer is approved, always get an independent home inspection, so you know the true condition of the home." If the inspector uncovers undisclosed problems or issues, you can discuss any repairs that may need to be made with the seller or even cancel the contract altogether.

4. ACT FAST

Buyer demand has continued to outpace the supply of homes for sale, causing buyers to compete with each other for their dream homes. Make sure that as soon as you decide that you want to make an offer, you work with your agent to present it as quickly as possible.

WHAT YOU WANT VS. WHAT YOU NEED



In this day and age of being able to shop for anything anywhere at any time, it's important to know what you're looking for before you begin your home search.

If you've been thinking about buying a home of your own for some time now, you've probably come up with a list of things that you'd LOVE to have in your new home. Many new homebuyers fantasize about the amenities that they see on television or Pinterest, and start looking at the countless homes listed for sale with rose-colored glasses.

Do you really need that farmhouse sink in the kitchen to be happy with your home choice? Would a two-car garage be a convenience or a necessity? Could the man cave of your dreams be a future renovation project instead of a deal breaker now?

The first step in your home buying process should be to obtain pre-approval for your mortgage. This allows you to know your budget before you fall in love with a home that is way outside of it.

The subsequent step is to list all the features of a home that you would like and to qualify them as follows:

- **'Must-Haves'** – if this property does not have these items, then it shouldn't even be considered. (ex: distance from work or family, number of bedrooms/bathrooms)
- **'Should-Haves'** – if the property hits all of the 'must-haves' and some of the 'should-haves,' it stays in competition but does not need to have all of these features.
- **'Absolute-Wish List'** – if we find a property in our budget that has all of the 'must-haves,' most of the 'should-haves,' and ANY of these, it's the winner!

Having this list fleshed out before launching your search will save you time and frustration, while also enabling your agent know what features are most important to you before beginning to show you houses in your desired area. Check out the "Wish List" on the same page to help you get started.

HOUSE HUNTING CHECKLIST

BASIC REQUIREMENTS

Minimum Bedrooms 1 2 3 4 5+

Eat-In Kitchen Need Want Wish

Minimum Bathrooms 1 2 3 4 5+

Master Bedroom Need Want Wish

Minimum Size _____ sq. ft.

Master Bathroom Need Want Wish

FEATURES

(Fill in must-haves, check nice-to-haves, and cross off things you don't want.)

Interior Features

- Hardwood Floors
- Open Concept
- Granite Countertops
- Laundry Room
- Finished Basement
- Handicap Accessible

Location

- Waterfront
- Views
- Quiet Street
- Cul-de-Sac
- Strong Schools
- Walking Neighborhood

Structural

- Garage (Min. doors: _____)
- Single Story
- Multiple Stories
- Basement

Exterior Features

- Deck
- Porch/Sunroom
- Patio
- Pool
- Fenced-In Yard
- Hot Tub
- Shed
- Gardens/Landscaping

Heating and A/C

- Energy Efficient
- Central A/C
- Fireplace
- Wood Stove
- Forced Air Heat

Other

- _____
- _____
- _____
- _____
- _____

DON'T FORGET CLOSING COSTS

There are many potential homebuyers, and even sellers, who believe you need at least a 20% down payment in order to buy a home or move onto their next home. Time after time, this myth has been dispelled by showing there are many loan programs that allow you to put down as little as 3% (or 0% with a VA loan).

Once you have saved enough for your down payment and are ready to start your home search, make sure that you have also saved enough for closing costs.

Closing costs are typically between 2 & 5% of your purchase price.

Many first-time homebuyers wish that someone had let them know that closing costs could be so high. If you think about it, with a low down payment program, your closing costs could equal the amount that you saved for your down payment.

Here is a list of just some of the fees/costs that may be included in your closing costs, depending on where the home you wish to purchase is located:

Is there any way to avoid paying closing costs?

Work with your lender and real estate agent to see if there are any ways to decrease or defer your closing costs. There are no-closing mortgages available that feature a higher interest rate or wrap closing costs into the total cost of the mortgage (meaning you'll end up paying interest

on your closing costs). Work with your lender to find the option that best fits your needs. Homebuyers can also negotiate with the seller over who pays these fees. Sometimes the seller will agree to assume the buyer's closing fees in order to get the deal finalized.

Speak with your lender and agent early and often to determine how much you'll be responsible for at closing. Finding out you'll need to come up with thousands of dollars right before closing is not a surprise anyone would look forward to.



REAL ESTATE AGENT

DIFFERENCE & BENEFITS

In today's fast-paced world, where answers are a Google search away there are some who may wonder what the benefits of hiring a real estate professional to support them in their home search are. The truth is, with the addition of more information comes more confusion.

Now more than ever, you need an expert on your side who is going to guide you toward your dreams and not let anything get in the way of achieving them. Buying and/or selling a home is definitely not something you want to DIY (Do It Yourself)!

Here are just some of the reasons you need a real estate professional in your corner:



There's more to a home than finding a house you like online!

There are over 230 possible steps that need to take place during every successful real estate transaction. Don't you want someone who has been there before, someone who knows what these actions are, to ensure you achieve your dream?

You Need a Skilled Negotiator

In today's market, hiring a talented negotiator could save you thousands, perhaps tens of thousands of dollars. Each step of the way, from the initial offer, to the possible renegotiation of that offer after a home inspection, to the possible cancellation of the deal based on a troubled appraisal, you need someone who can keep the deal together until it closes.

What is the home you're buying worth in today's market?

There is so much information out there on the news and on the internet about home sales, prices, and mortgage rates; how do you know what's going on specifically in your area? Who do you turn to competitively and correctly price your home at the beginning of the selling process? How do you know what to offer on your dream home without paying too much or offending the seller with a lowball offer?

Hiring an agent who has his or her finger on the pulse of the market will make your buying or selling experience an educated one. You need someone who is going to tell you the truth, not just what they think you want to hear.



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