



# House Hunters

*How to buy your first home without making your first major mistake.*

BY WARD B.B. DAVISON AND KAITLIN MERCHANT

So, you want to own your place of residence. You want to mow your own lawn. You long to pay taxes, home insurance fees, and possibly homeowners association dues. You want to be the person who spends an entire weekend shuttling back and forth to one of those big-box home improvement stores to fix your own sink ... only to give up and watch a plumber repair it in 15 minutes. Well ... good for you!

But first, take a beat. Be aware that there are more risks associated with owning a home than just falling behind on your mortgage. Understanding those possibilities and preparing for them will help you make better, safer choices and set your mind at ease.

## Do I Really Need a Realtor?

We get it—why should you pay someone a commission just to show you some homes? You know what you like. You know how much you're willing to spend. Why do you need someone

else who just wants to make a quick commission? The same reason some of us need to call the plumber. It's easier and generally more economical to hire a professional than to stumble through the process alone. And, many

real estate agents charge their clients no fee, instead receiving payment from the sellers.

You don't *need* a real estate agent. But not many of us purchase more than a few homes in our lives. And when

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it comes down to securing a fair price and avoiding some big “oops” moments, having the right agent can make a huge difference. Especially if the seller has representation. With this in mind, shop around and find an agent whom you enjoy spending time with. Someone who seems to understand what you’re looking for. A professional with experience and know-how. There needs to be a high level of trust in the relationship for it to be beneficial to you.

### What Major Factors Should I Be Concerned About?

#### Schools

Maybe you have kids, maybe you don’t. Either way, the quality of the school can tell you a lot about the quality of a neighborhood. Exceptions exist, of course; there are some pretty good neighborhoods with some pretty bad schools. If you do have kids, moving to a neighborhood with superior schools can save you a bundle on education as the costs are shared among all taxpayers instead of you having to pay for private school. Your realtor will be dialed in on the school situation, so you’ll have an expert to help you plan. In addition, various organizations, such as the nonprofit GreatSchools.org, provide school ratings, reviews, and test scores.

#### Taxes and Insurance

Once you own your own home, you qualify for a homestead exemption in Texas. This allows you to pay lower taxes on your primary residence. Other exemptions exist if you are 65 or older, disabled, or a military veteran. Even though you automatically qualify for these exemptions, you get them only if you apply.

Speaking of taxes—pay them. Failure to do so can result in (1) economic penalties and interest on the amount due, (2) possible garnishment of wages, (3) liens against your house, or (4) foreclosure. These penalties are

serious and can add up quickly. When shopping for a house, factor in annual property taxes to ensure you’re not stretched too thin to enjoy your home. At the same time, factor in homeowners insurance to annual costs to be sure you’re protected against natural disasters, as well as private mortgage insurance—which typically is a requirement if you’re contributing less than 20 percent as a down payment. In Texas, it also might be a good idea to purchase a home warranty to insure your air conditioner and other expensive appliances. Property taxes likely will increase over time, and insurance costs can fluctuate. Utilize your realtor’s or lender’s expertise when determining future costs of home ownership.

### What Is the Benefit of an Option Period?

One thing we can all agree on? Options are *awesome*. For a couple hundred dollars, you can secure an option period on the home. During that time, no one else can enter into a contract with the seller for purchase of the home that pre-empts your ability to buy. This allows you to secure a property that looks like a good deal while providing time to do a little more digging. It also lets you get some contractors in to take a close look at the foundation, the pipes and wiring, and the roof. You can spend some time walking the area and meeting potential neighbors. In short, this initial investment can buy some peace of mind and the ability to walk away from a shoddy home ... possibly saving you thousands of dollars. An option period is not something the seller has to allow, so speak with your realtor early in the process about securing that convenience.

### What Is Title Insurance?

Title insurance is a required expense if you get a lender to help finance your home, but many people don’t understand what it does. Aaron Lee

maintains a North Texas law practice focused on real estate issues and gives a great explanation of title insurance:

“First, we research the title, find any issues related to the current owner’s title to the property, and cure those issues before closing. Based on this work, we are able to offer a title insurance policy for the seller and for the buyer’s lender. A title insurance policy protects the buyers from any possible defects in the title to the property they purchased so that they are assured that the house they bought is truly their house, subject to any voluntary liens they have put on it.

“Second, my office also functions as an escrow agent. We handle all the monies for the transaction as a disinterested independent third party to make sure that both a seller and a buyer perform their respective obligations under the contract and that the monies are exchanged accordingly.”

### Still Want to Buy a Home? Seek Professional Help.

When buying your first home, consult a real estate professional, a tax professional, and a lending specialist (even if you’re paying cash). Also ask for guidance from friends and family who have purchased a home. Half an hour with each of them could save you money, a few splitting migraines, and your relationship with a significant other. Good luck and happy hunting! **TBJ**

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