

## First Time Home Ownership

So you're ready to take the plunge! It's probably one of the biggest decisions you will ever make, but also one of the most gratifying ones as well. There are several reasons and/or benefits for purchasing that first home. First, the pride of ownership and sense of stability that comes with owning your own home, coupled with the ability to make your own decisions on how to furnish, decorate, and improve your home. Second, real estate is generally considered to be a good long-term investment, allowing the homeowner to hedge against inflation, build up equity, and take advantage of qualified tax benefits of home ownership (including a homeowner exclusion up to \$500,000 on capital gains taxes in the event you sell your home). This all sounds great, but for some, the process involved with buying your first home may seem confusing and even intimidating.

The standard home buying process is generally comprised of the following eight steps: Getting pre-qualified from your lender, Shopping for a home, Negotiating, preparing, and obtaining a purchase offer, Opening escrow, Ordering an appraisal, Conducting various home inspections, Closing the transaction/purchase, and taking possession of your new home. Yikes! Don't despair and don't give up. Here are a few basic guidelines to follow that may help you through the process.

Think of buying your home as a team sport, with you as the team captain. The stronger and more complete the team you put together, the better the results. Every home buying team should be comprised of several key players including a banker, realtor, home inspector, appraiser, surveyor, and escrow officer. Depending on your specific situation and transaction, each team player may play a different or expanded role.

First and foremost, is the "banker". If you are like most of us, you will need to finance the purchase of your first home. Having an experienced mortgage banker on your side will make the process much smoother and eliminate needless anxiety. I always recommend to first time buyers that they get "pre-qualified" before beginning the search for that new home. The pre-qualification process serves two major purposes. First, you have the opportunity to address any potential challenges or difficulties related to your income, credit, or employment up front and early in the process. Second, it will give you a good sense of what you can afford so that you can focus on searching for properties within your price range and eliminate any frustration resulting from viewing homes outside of your budget.

Once you've got your banker on board, the next step is to find an experienced real estate agent or Realtor. Guam has over 450 licensed real estate agents, so take your time in finding the professional that exhibits the traits needed to represent your best interests in finding the right home for you and your family. Make sure they understand your needs and concerns, and that they have a good working knowledge of the real estate market demonstrated by a successful track record. You need to feel comfortable that they will work diligently with you throughout the process and that they have the experience to negotiate on your behalf.

As part of your offer to purchase your home, it's always a good idea to hire a professional home inspector to find any major defects in the home involving its mechanical systems, plumbing, electrical wiring, structural issues, and environmental concerns. Relying on a professional inspector will help to eliminate existing and/or future problems and associated repair costs that you may not be aware of at the time of purchase. Once again, having a player on your team that can provide this kind of information will allow you to make a more informed decision to purchase, negotiate a better price, or move on to another property.

When purchasing a home, it is always important to make sure you are paying a fair price for the property. As part of the loan process, your bank will hire an independent licensed appraiser to conduct a physical inspection of the property and prepare a formal appraisal report indicating its current market value. An experienced real estate agent or Realtor will include wording in the purchase offer that requires the appraisal value to be equal to or greater than the purchase price. If the appraisal value is less than the purchase price, the buyer normally has the right to re-negotiate the purchase price or to cancel the transaction. Unless there are special circumstances, it is never wise to purchase property above its market value.

In addition to getting an appraisal, it's always prudent to require that the seller hires a licensed surveyor who will locate the property boundary points and make sure there are no legal issues involving encroachments or set-backs, which may jeopardize your ability to finance the purchase of the home.

The final player on your team is the escrow/title officer, who gets involved early in the process as well as at closing. The title company normally provides you and the bank with a title report that indicates all outstanding encumbrances and liens that affect title to the property. When buying property, you always want clear and marketable title. If you purchase property without clear and marketable title, you may become responsible for a legal or financial obligation created by the former owner. You never buy property without having a professional examine the title to the property you are purchasing

While buying a home for the first time may seem daunting, the stress and anxiety associated with the process can be minimized once you understand the process involved and put together a "winning team" of professionals. So there's your team "Captain Home Buyer", a team comprised of real estate professionals whose knowledge and experience in finance, sales, home inspection, survey, appraisal, and title are waiting to make the "American Dream" a reality for you and your family!