

If you're reading this it's because you're thinking about buying a home but aren't sure where to start or what homeownership means for you. Owning a piece of America is a dream shared by most people and the recent housing meltdown, though tragic for some, has a silver lining: home prices are back in an affordable range for many folks who thought they would never afford to own their own home. In this market and with the right realtor, there are some incredible deals out there. While it may seem that home ownership comes with costs that renters don't have to pay, think again. Landlords just factor it into the rent, and you end up paying their ownership costs for them!

Buying a house is complicated, but knowing the basics is half the battle. That's the purpose of this house buying guide - to show you the basics of buying your first home in an easy to use, easy to understand guide. This guide won't make you an expert though, and that's where a realtor comes in. Realtors *are* experts with up-to-date information, they understand how to navigate through home buying, and better yet they will help you at no cost to you. In fact, as you'll see under "Choosing a Realtor," some of them will actually pay you! How good is that?

The information you'll read here is up to date, but remember that tax rules change all the time, so always seek professional help to make sure you have current information.

Is Home Ownership for You?

Buying your first home is one of the biggest financial decisions you'll ever have to make. The first step in the process is deciding if you are really ready to take the plunge. Here are some initial questions to consider:

- Do you have the financial management skills you'll need?
- How financially stable are you?
- Are you ready to take on the costs of home ownership, including mortgage payments, repairs, and maintenance?
- Are you able to devote time to home maintenance?

Take the time to list the pros and cons of renting as they apply to you and your life situation and skills, then do the same for the pros and cons of home ownership, and finally compare them. As a quick start, consider the following:

Advantages of Buying

Buying

Tax write-off
Upgrade as you want
Build equity in your home
Control of loan payment options
Pride of homeownership

Renting

No tax write-off
Need permission to make changes
No equity
Rent can increase periodically
You have no ownership

Disadvantages of Buying

Buying

Property maintenance
Less flexibility relocating
Utilities, taxes and insurance costs
Home improvement upgrades

Renting

No maintenance worries
Freedom to move
Costs are the landlord's
No improvement costs

If at first glance the advantages seem to outweigh the disadvantages of home ownership, read on!

Tax Write-offs

A) Mortgage Interest Deductions

The Tax Reform Act of 1986, 26 USC 163(h) of the Internal Revenue Code allows you to claim home mortgage interest tax deduction. A tax deduction is an amount of money the government allows you to subtract from your income so that your taxable income is less.

There are two types of mortgage interest defined by the Internal Revenue Code: 1) *acquisition indebtedness*, and 2) *home equity indebtedness*.

The first, acquisition indebtedness, means that the *interest* portion of your mortgage payment is deductible. Lets pull numbers out of a hat for easy illustration. Say the annual interest portion of your mortgage equals say, \$5000, and your annual income is \$40,000. This means you can deduct the \$5000 interest portion from your income, leaving only \$35,000 for the IRS to tax.

The second, home equity indebtedness, typically includes home equity loans or home equity lines of credit - loans for which the collateral is your home. Interest on home equity indebtedness is deductible for up to \$100,000 of debt principal, and acquisition indebtedness is deductible for up to \$1 million of debt principal.

There are a couple of caveats to these tax deductions that you should know about. Home equity indebtedness interest is not deductible at all for taxpayers subject to the Alternative Minimum Tax (AMT). Here's a government site you can

use to find if the AMT will affect you: [Alternative Minimum Tax \(AMT\) Assistant](#).

If you find out you are subject to the AMT, make sure to use a professional to restructure your mortgage borrowing so it qualifies as acquisition indebtedness.

The debt also has to be secured by the same residence the loan will be used for. For example, you can't borrow funds on one home to buy another or the loan won't qualify as acquisition indebtedness. There are other rules which affect the interest deduction, and even though chances are they won't affect you, it's always safer to get professional advice.

B) Tax-Free Capital Gains

This is the largest capital gains tax break you'll ever get if you're an individual investor. Homeowners can take the first \$250,000 of capital gain on the sale of their homes tax-free, and married couples who file jointly will double it. That means if you buy a home for \$200,000, and over time it appreciates in value to \$500,000, your capital gain is the amount over and above what you originally paid for the home: \$300,000 (\$500,000 - \$200,000). \$250,000 of that \$300,000 will be tax free, so you'll only pay capital gains tax on \$50,000.

C) Real Estate Taxes

The property tax you'll pay is another deduction. Real estate taxes are paid to the state in which your residence is located, and your mortgage lenders will usually report it on Form 1098. If your mortgage lenders don't report it, check with your state's department of revenue website to find out how to claim it.

D) Private Mortgage Insurance

If you have a down payment of less than 20%, you'll be paying private mortgage

insurance (PMI). This insurance covers the balance of the mortgage and ensures that the lender will get the entire amount back even if you default. Recent legislation allows you to deduct this cost too.

The bottom line is that owning your own home in America doesn't just give you a stake in your own future, it allows you the largest basket of tax advantages available.

First Time Home Owner Loans

Conventional loans typically require you to have a 720 credit score and enough funds for a 10 to 20% down payment. But if you're a first time home owner (defined as anyone who hasn't owned a home in three years prior to submitting a loan application), you'll need a lot less money and you can own a home even if your credit score is considerably lower than 720.

A) FHA First-Time Home Buyer Loan

The Federal Housing Administration (FHA) is a department within HUD that insures home loans for first-time home buyers. If you qualify as a first time homebuyer, the FHA loan has the easiest qualifying mortgage requirements on the market. As of December 2010, FHA loan requirements only demand that you have a minimum credit score of 640 and enough money to put a 3.5% down payment toward the purchase of the home. HUD also requires that you "...have a valid social security number and have lawful residency in the United States and be of a legal age to sign on a mortgage in your state...and be able to prove steady income for at least three years, and demonstrate that you've consistently paid your bills on time." There is no minimum income requirement, so you can't be turned down because you make too much money.

B) Homeownership Voucher Program

If you qualify as low-income and receive a rental subsidy voucher from the Section 8 Housing Choice Voucher program, the Homeownership Voucher program allows you to convert it to a mortgage assistance payment. You'll have to have a consistent employment history and be able to qualify for a home loan with a lender. Local housing authorities administer the Homeownership Voucher Program. For more information, visit here: [Homeownership Voucher Program](#).

C) Other types of loans

There are many types of mortgages. Some of the most common can be grouped under the following categories: Low interest rate mortgage, adjustable rate mortgage, interest only mortgage, assumable mortgage, fixed rate mortgage, reverse mortgage, and more. It's crucial that you get professional advice from a reputable Mortgage Broker before deciding which type of mortgage works best for you.

First Time Home Owner Grants

A) Government Grants

Most federal grants are targeted to the first time home buyer, and are intended to help get started with home ownership. However, contrary to popular opinion, no grant or combination of grants will pay in full for your home. In fact, most grants will cover less than 10% of your home's value, and will usually only help to pay for expenses associated with buying a home, like closing costs.

At the national level, HUD awards housing funds to local governments, organizations, and groups, and some of these funds are made available in the

form of grants administered by the state, the county, or the city. The grants range from home improvement to home replacement grants, and are often determined by your income, the area you live in, and the home you want to buy. HUD also contributes funding to local regional organizations. For example, in October 2010, HUD awarded \$40 million in [Sustainable Community Challenge Grants](#) to local planning agencies in order to "reduce barriers to affordable, economically healthy, and sustainable communities, and promote long-term community planning." What this means is open to wide interpretation, and by the time it becomes a local grant it may be anything from a grant to replace windows to new street signs in your neighbourhood.

Some government loan programs allow for up to \$40,000 in a "forgivable" loan to qualified homeowners. Other examples include: King County in Washington State offers up to a \$5,000 grant for mobile home owners who need to make "quality of life" repairs to their mobile homes located inside of rented trailer communities. Residents living in Riverside, California may apply for a \$6,000 grant to pay for a new roof, HVAC, and make plumbing repairs. There are other grants available, and you'll find some links to help you start your search below. Most of these grants are local, but there is one prominent Federal grant you should know about:

American Dream Down payment Initiative (ADDI)

Although strictly speaking ADDI isn't a grant, it comes in the form of a deferred loan that doesn't have to be repaid until your home is either sold or refinanced. ADDI provides up to \$10,000 to qualified home buyers for a down payment, closing costs, or rehabilitation costs if they're needed. You'll have to meet income level requirements to be eligible for the program, and those income levels vary

from region to region. For specific information as it applies to you, visit here: [American Dream Down payment Initiative](#). This financial assistance is administered through local governments.

Other government agencies also occasionally offer housing grants of various kinds, like the [Very Low Income Housing Repair Loans and Grants](#) issued by CFDA (not applicable to first time buyers), but because federal money is turned into grants at the local level, and because recipient local governments are given flexibility to decide the scope and intent of their grants, you'll have to find many of them yourself. Start your search here, where you'll find a list of HUD grants available for all 50 states and links to more information on each one: [HUD Grants](#).

For more specific information, look up the website for your city's, county's, or state's housing authority. Get a list of participating lenders for Homebuyer Assistance Programs sponsored by your state, and ask them about your state's sponsored housing programs. Or you can just ask your realtor or mortgage broker, because they'll most likely be up on any grant available to you in your area.

B) Private and Foundation Grants

These grants are offered by private organizations and foundations, and there are literally hundreds of them out there. Finding them is not easy and will take some effort on your part, but a great place to start is with your real estate agent or mortgage broker. Foundation and private grants are usually reserved for special circumstances and usually require a demonstration of extreme need.

Qualifying for a Mortgage

The next step is to determine if you'll qualify for home ownership and how much you can afford. Figuring out how much mortgage you can service is somewhat difficult because different lenders use different criteria, but you can get a fairly good idea by determining a few factors:

A) Credit Rating

Your credit rating estimates how likely you are to pay back a loan, and it's usually expressed by means of a FICO score - in the US, FICO scores fall between 300-850, with 723 at the median. Normally, you'd need a FICO score of 720 to qualify for a mortgage, but as you'll see below, because you're a first time home buyer you can get a mortgage with a FICO score as low as the mid-400s. If your score is lower than 400, consult a financial expert for ways to improve it before you apply for a mortgage.

Start by finding out what your score is. There are three major credit reporting companies: Equifax, Experian, and Trans Union. Getting your credit report is as easy as calling and asking for one. Once you receive your report, make sure it's accurate. It's also a good idea to get copies from all three companies since any one of the three could be providing a report to your lender.

Note: Every time you apply for any kind of loan, the lender will make a "hard" enquiry to one of the rating agencies to get your credit rating, and that enquiry stays on your credit file for years. One of the things lenders don't want to see is a whole lot of requests for credit, because it looks to the lender as if you've been fishing for as much credit as you can get - a bad sign. However, self-enquiries

are considered "soft" enquiries and won't show up when a lender looks at your score.

B) Income

A rule of thumb used to estimate the maximum price of a home you can afford is between two and two and a half times your gross annual income, depending on mortgage interest rates at the time. For example, if you make \$40,000, you'll be able to afford a house somewhere in the neighborhood of \$80,000 - \$100,000 as long as rates are relatively low.

C) Housing Debt

Your actual housing debt will consist of the cost of principal and interest to repay the mortgage loan, real estate taxes, private mortgage insurance (PMI) and homeowners insurance (all together, these things are also known as PITI – Principal, Interest, Taxes and Insurance). Mortgage insurance has already been covered above, so lets take a look at taxes next.

Taxes - After the monthly mortgage payment, your biggest fixed expense for the house will often be the property tax (also called millage tax). In some states, the property tax is collected on the local level, which means you'll have to do some research to estimate how much house you can afford. Your real estate tax will likely be between 1% and 3% of the mortgage on an annual basis depending on where you plan to buy. While 1% to 3% may not sound like much, it makes a difference in the house payment you can afford, and the bank may force you to include the taxes in the monthly mortgage payment.

The costs of PITI divided by your income is called your *housing expense ratio*. A general rule of thumb says that the ratio should be at about 30% of your total gross monthly household income. If you're buying a home with your spouse, you can use both incomes to determine your housing expense ratio.

D) Debt to Income Ratio

When you're applying for a mortgage, the bank will also take into consideration your total existing debt. There's a limit to the amount of gross income that it'll allow you to apply to these other debts (known as *recurring debts*). A recurring debt is any payment you make on an ongoing basis and includes all loans and debt you're currently servicing (student loans, credit card payments, alimony, etc.). As a rule, your total monthly recurring debt plus total monthly housing debt can be no more than 40% of your total gross monthly household income for most mortgage loans. For a closer calculation, there are many debt to income calculators online, but here's one that works well: [Debt to Income Calculator](#).

E) Down payment

Traditional mortgages usually require a 20% down payment, but as a first time home owner you'll qualify for a number of programs that can lower the amount you need to as little as zero in some cases. The catch is that you'll likely have to buy Private Mortgage Insurance (described below) if you have less than 20%. That means you'll have some extra costs loaded on to the principle of your mortgage, but it also means that you'll be able to take advantage of firesale prices while they last. Assuming home prices rise again, that makes perfect sense.

Check with the [Federal Housing Administration](#) or [Veteran's Administration](#) as well as [state housing authorities](#) for programs to assist first-time and low to moderate income families get a mortgage with a lower down payment. The [US Department of Agriculture RD](#) also offers a program to encourage low to moderate-income buyers to purchase in rural areas.

Important note: These rules are not set in stone and each lender is different, so don't assume you can't afford a house just because you don't think you have enough money saved.

F) Costs of home ownership

It would be nice to think home ownership only involved PITI, but there are a few other costs you'll need to think about as well. People moving from a rental situation to a home owner situation often forget expenses that make a difference in the monthly budget.

MUD - The biggest expense is *Municipal Utility District* (MUD) costs. A MUD is an entity that provides several utilities within its coverage area including, but not limited to, electricity, natural gas, sewer, waste collection, wholesale telecommunications, and water. Utility costs vary throughout the US, with heating fuel being the predominant cost in the colder areas, and electricity costing the most in the southern states. You'll also have to factor in discretionary utilities like cable and internet, but chances are you're already paying those now.

Insurance - Home owner's insurance is distinct from Mortgage Insurance and covers your home in the event of natural disaster or accident. Depending on where you live, you may be required by the lender to take out insurance.

Closing costs - Closing costs are a one time cost, but they're up front and often take first time home buyers by surprise. They can include any of the following, depending on the lender and/or mortgage broker: *Closing/Escrow/Settlement Fees* - requirements vary from state to state, and so do the fees. *Title Insurance* assures that you have clear title to the property. The lender also requires it to ensure that their new mortgage loan won't run into difficulties later. The costs vary from state to state. *Notary Fees* are fees paid to notarize loan documents. Usually your notary will arrange for you to sign these forms at their office and charge a notary fee of around \$40. *Recording Fees* cover recording documents with your local county recorder. Fees vary regionally, but usually run between \$40 and \$75. The *Homeowner's Association Transfer Fee* is unique to condominium and/or Homeowner's Association buyers. If you're buying a condominium or a home with a Homeowner's Association, the association often charges a fee to transfer all of their ownership documents to you.

The costs mentioned above are the major fees you'll pay, but there may be other costs involved too, so make sure you know exactly what you'll be paying up front by asking your real estate agent or mortgage broker.

Choosing a Realtor

People often contact real estate agents before they do any legwork at all, and that's fine, but if you haven't and you've already been pre-qualified for a mortgage, don't wait any longer to find a real estate agent.

All real estate agents are required to take an in-depth course on all aspects of the profession, but not all agents are created equal. Successful agents make

customer satisfaction their number one priority and put their customers' needs before their own. Try to find an agent who goes above and beyond his or her minimum responsibilities.

As a home buyer, you have the best of both worlds - a licensed professional to do all the legwork without costing you a cent. Real estate agents don't charge for your business because they are paid by commission from the proceeds of the sale of the property you buy. Some even pay YOU out of those proceeds! Doorfly.com, for example, allows agents to actually bid against each other to see who will give you more money for your business! Try finding a lawyer or doctor who does that.

There are other ways to find an agent too: Go to open houses and meet agents in a non-threatening manner, keep track of neighborhood signs to see who has the most, watch the real estate sections of your local newspaper (usually the Sunday edition) to see who specializes in the area you are interested in, or ask your friends to refer an agent.

Pre-approval and Choosing a Mortgage

If you think you qualify for a mortgage, the next step is to make sure. Pre-approval is crucial. There's nothing worse than spending time and resources searching for the perfect home and then finding out that no one will give you a mortgage. Keep in mind that there's a difference between "pre-approved" and "pre-qualified." The latter means that you fit within the broad requirement guidelines for a mortgage borrower, but it doesn't mean you'll get a mortgage. Pre-approval is when the rubber hits the road and a lender formally agrees to give you a mortgage. With a pre-approved mortgage, you'll be in a much better

position to go looking for a home, because you'll know exactly how much house you can afford, what it's going to cost you and, most important, you'll have the certainty that when you find the right home you'll actually be able to purchase it.

When choosing a mortgage that's right for you, it's important not to limit yourself to your own bank. Your bank may know you and be aware of your assets, but it can only offer you its own mortgage rates. On the other hand, a mortgage broker has access not only to your own bank's mortgages, but to hundreds of other banks and lending institutions as well. In fact, even if your bank has turned you down in the past because of borderline credit or income, your mortgage broker still has a very good chance of finding you a lender. And like Realtors, Mortgage Brokers won't cost you a cent in most cases. If you don't know of any, your real estate agent will help you find a reputable broker.

Note: Using a broker doesn't mean that the broker will make hundreds of applications and swamp your credit file with enquiries - unlike most actual lenders, brokers usually only need a single credit enquiry, and lenders will accept it instead of doing their own.

When you find a Mortgage Broker, there are a few things the Mortgage Broker will need in order to get you pre-approved: W-2 and tax return forms from the last two or three years, bank statements, and debt information including credit cards, auto loans, and any other bills. If you've done a soft credit check on yourself, include that too. These things form your financial picture, and lenders will require them in order to make their decision.

Here's a tip: After you compile the information, use a loose leaf binder with page protectors to organize the documents by year, starting with the most recent. It makes you look organized and it saves time. Keep it updated every year, and next time you need a loan of any kind, you'll have an instant credit profile available.

Choosing a Home

Now that you're pre-approved, it's time to start looking for a home. This is the fun part, but it has some real dangers if you're not prepared.

A) Location

Do you want to live in the suburbs, country, or in a city? Living in the suburbs is generally less expensive, the houses are often newer, and you can get more home for the money. Living in the country has its rewards if you like privacy and natural surroundings, and shares many of the same attributes as suburbs. The drawbacks of both include more commuting time if you have to drive to town for work, and you'll be further away from city conveniences like stores, schools, and so on.

B) Surrounding area

Once you decide where you want to live, take into consideration the most likely eventualities. No matter where you live there will be some potential problems, so the trick is not to try to avoid them but to be ready for them when and if they happen. If your home is in or near a forest or grasslands, fire is often a significant danger. If it's in the plains, tornados are a possibility. If you're going to live on the coast, you'll be living with possible hurricanes, and if you live in a

floodplain, flooding is obviously an issue. Chances are you'll be required to purchase insurance specific to whatever the regional concern is in your area.

C) Home requirements

You may know exactly what you're looking for in a home, but if you don't there are a few things to take into consideration. Do you want to live on a busy street, a corner lot, or a cul de sac? How big do you want the home to be? How many bedrooms and bathrooms? Do you want an extra room or two for a den or family room? Have you considered a mortgage helper apartment? Do you like yard work or hate it? Do you like renovating or do you want to buy a new home? Sit down and list the requirements you'll need - they don't have to be written in stone, but they'll help focus your search and save you hours of work.

D) Type of Residence

Single Family: The advantages to single family dwellings (in most cases a house) are good appreciation, an opportunity for gardens or landscaping, better privacy, and usually relative quiet. The drawbacks include cost (they are usually more expensive than other types of dwellings), and maintenance.

Condos, Town homes, and Cooperatives: The advantages to these types of homes include less cost (comparable single-family homes usually cost more in the same location), fewer repairs, a lock-n-go lifestyle, and no yard or exterior maintenance. The drawbacks include less privacy, more noise, common walls and/or floors and ceilings, and your yard may be nothing more than a balcony.

Making an offer

The first thing you need to know about making an offer is that the asking price is usually different from the actual price you'll pay. The second thing you need to know is that verbal agreements are not legally binding when it comes to the sale of home or real estate. When you eventually make your offer it will be formal and binding, so you'll need to put some thought into it. In some states, the offer is a bare-bones statement that "I'll buy the house for \$XXX dollars," and in other states your offer has to be so complete that it's already a de facto contract. Either way, before you make an offer you'll need to do some basic research and make sure all your considerations are thought out.

A) Research - In the excitement of finding a house or condo you think you might like, it's easy to overlook lurking problems. Put your excitement on hold and take an objective look at the property. Things to look at are pitfalls in the surrounding area; which way taxes are trending; if condo fees and costs are rising; whether the house is in a declining area, a new area, or an area that's reviving through renovation; and so on.

One example of the importance of research can be illustrated by a look at flood plains. A flood plain is a flat or nearly flat land next to a stream or river that tends to flood occasionally. If your chosen property is near a flood plain, even if it doesn't show any evidence of flooding, start by contacting the local city planning office to find out what flood zone the property is in and if flood insurance is required of home owners in that zone.

Next, order a Comprehensive Loss Underwriting Exchange Personal Property (CLUE) report - this will provide you with a seven-year history of the home

including date of loss, loss type, amount paid, policy number, claim number and insurance company name.

If nothing negative can be found through your research, the final step is a home inspection, described later in this guide.

Research is an important part of home buying. Your real estate agent will be familiar with the most common issues, but you owe it to yourself to look deeper.

B) Price - Ask your real estate agent to do a competitive analysis for you. The analysis will show you the market value of the property by comparing it to recent sales in the area, and will tell you how long it's been on the market. It will give you an idea of whether the asking price is low, high, or reasonable. If it's high and it's been on the market for some time, it may mean the seller doesn't really care if it sells, and is unlikely to come down much in price. If the price is low it may indicate that the seller is desperate, but it might also mean there are hidden problems with the property. You'll find that most prices are more or less reasonable, so if you're looking for a bargain that won't come back to bite you, it will usually take longer to find the ideal home.

Other points that should affect your offer are: Property condition, new home improvements, market conditions, the seller's motivation, and whether or not there are multiple offers on the property. In a hot market, when there are multiple offers on a property, you may even find yourself bidding up from the seller's asking price.

C) Contingencies - Real estate offers almost always contain contingencies - events that must happen within a certain amount of time (say 30 days) or deal won't fly. These may include "contingent upon financing" and should almost always include "contingent upon home inspection" (especially if it's a single family house you're buying). You'll also want to include any concerns, like for instance the removal of a giant freezer in the basement that doesn't work and seems to be made of cast iron, or the previous owner's chicken coop under the front steps. Ask your real estate agent which clauses are usual for your area, but be sure to add any you don't think you can live without, and even the occasional contingency that you can live without - you can always bargain it away in exchange for a concession by the seller during the counteroffer stage. Contingencies also give you an out in the event that the house isn't what it seems.

D) Strategic Offers - Once you've factored in all the considerations and arrived at a price with associated contingencies, put yourself in the home seller's shoes and think about how they will react to your offer. If you're in a flood plain, for example, you might want to play on the sellers' knowledge that homes in flood plains are harder to sell by indicating your concern over flooding to your real estate agent, who will make sure the seller is aware of your concerns. If the seller wants to sell, s/he may be inclined to come down in price to give you more incentive to buy.

Make sure you have plenty of negotiating room in your offer, because chances are you're going to have to do a little negotiating before you get your home. For example, you may want to trade your demand that the cast iron freezer in the

basement be removed by the seller, in return for the seller agreeing to paint the kitchen or service the furnace, etc.

Home Inspection

A home inspection is really a contingency, but it's so important that it deserves its own category. Home inspections are just what they sound like - hiring a professional to inspect the home to make sure there are no hidden issues. Home Inspectors focus on the structure, construction, and mechanical systems of the house and will make you aware of needed repairs. Generally, an inspector checks (and gives prices for repairs on): the electrical system, plumbing and waste disposal, the water heater, insulation and ventilation, the HVAC system, water source and quality, the potential presence of pests, the foundation, doors, windows, ceilings, walls, floors, and roof. Be sure to hire a home inspector who is qualified and experienced. Most inspections are quite detailed and give you a good idea of what needs work, but they can also uncover prohibitively expensive structural problems or mold and rot from flooding or a leaky roof. The home inspection won't evaluate whether or not you're getting good value for your money, but it will tell you what repairs you'll have to make.

Counteroffers

Once the seller receives your offer through the real estate agent, s/he may accept it, refuse it, or counter-offer. If your offer is accepted, your next step is to wait for your contingencies to be met. If your offer is refused, chances are you bid far too low or they just don't want to sell that badly. If they counteroffer, it means you're into a round of negotiating. You're one step closer to owning a home, but you're not there yet.

Lets say the original price was \$300,000, your offer was \$350,000, and the seller's counteroffer comes back at \$375,000. The ball is now in your court and you have the same choices the seller had - you can accept it, refuse it, or counteroffer the counteroffer. Hopefully you'll be able to reach an amount you're both happy with.

It's important to note that counteroffers don't necessarily have to be about money - they can also involve contingencies. For example, you may have added a contingency that included replacing the front steps and a bay window, and the seller's counteroffer may accept your price, and agree to replace the bay window, but insist that you fix the steps yourself. In a case like this, the choice is up to you as to whether you want to replace the front steps or counter with another demand, as described above under "Strategic Offers."

Keep in mind that even after a deal is struck it may not end up going through because all the agreed upon contingencies still have to be met. If the home inspection uncovers problems you didn't know about and aren't willing to pay for, you have an automatic out. Even something as small as that bay window, if it was accepted by the seller as a contingency but wasn't finished in time, is enough to torpedo the deal.

Once the offer is accepted and all the contingencies have been met, you've just bought yourself a house!

Conclusion

Congratulations - you now know the basic process of buying your first house, and hopefully you have a clearer idea of who is available to help you make it happen.

For a more comprehensive overview of the home buying process, the U.S. Department of Housing and Urban Development (HUD) offers approved counselors who will give you free or low-cost services. They'll explain the entire home-buying process, including contracts, home inspections, hazard insurance, title and escrow. They'll help you determine how much down payment you need, help you work out a budget that includes your monthly mortgage payment. Of course, most HUD [first-time home buyer](#) programs will require completion of a home buyer seminar, so it makes sense to talk to a realtor before investing a lot of time and effort in seminars.

Realtors are your best resource.