

BLACK BROKERS NETWORK

FIRST TIME HOMEBUYERS GUIDE



Dreaming Phase

Your Introduction to the American Dream

For as long as our country has existed, the ultimate goal of every American citizen is to become a property owner, or more specifically, to become a homeowner. There are countless guides and walkthroughs for the home-buying process, but you'll still have your own unique experience full of ups and downs, stressors and excitement, and everything in between. Even though no two homeowners' journeys are the same, we're here to assure you that the process is always worth it.

Firstly, your process is going to start with a dream. Imagine the home that feels right for you. There's no one-size-fits-all when shopping for a home, so instead, get an idea of what *you* want.

Take a look around on platforms like Zillow, Realtor.com, and other real estate websites to gauge what's available in communities you're interested in. You don't need to have a finalized budget for what you want at this point in the process but instead, identify some wants and needs. If you know people living in your desired area, getting their input on what it's like to live there is also a great idea.

For members of the Black community specifically, homeownership presents many unique barriers, which is why our demographic has the lowest homeownership rate in the country at just 45.8% through March 2023. We are drastically behind the national average of 66% and 74.4% for non-Hispanic Whites. But the Black community is also making strides as we have jumped from 40.6% in early 2019. We'll discuss some of these obstacles in greater detail later on, but with this in mind, try to utilize your network of Black family and friends to see what issues they experienced themselves.

Remember, you're still very early in the information-gathering process; any information is better than none. Try to balance open-mindedness with an idea of what you know is attainable.

Breaking the Renting Cycle

In recent years, there has been a notable emergence of Black Millennials and even older Gen Z homebuyers, marking significant gains in the housing market. Data points indicate a growing trend of young black individuals entering homeownership, especially after the pandemic. According to a survey conducted by the [Urban Institute](#), the homeownership rate among Black Millennials increased 5.3% from 2019 to 2021. [Forbes](#) reported that Black, Millennial first-time homebuyers made up a significant amount of homes purchased by Black individuals in 2020. These statistics underscore the increasing presence and aspirations of Black Millennials and

Gen Zers in the housing market, reflecting their determination to attain homeownership and build wealth for the future.

Why Buy?

Top Reasons the Black Community Looks to Buy a Home

The [American Sociological Association](#) conducted a study across all American demographics and found the top reasons members of the Black community want to buy a home are:

- The importance of building **wealth**
- The **social status** of being a homeowner
- Accessing **better housing** opportunities

Building Wealth and Equity

Across all demographics, homeownership is recognized as a key pathway to building wealth and accumulating equity for future generations. As you make payments and updates to your home, you and your family also increase your financial savings and the value of your most important asset. For our community in particular, by owning a significant driver of wealth accumulation, we can also work towards closing the racial wealth gap in America, as reported on by the [Urban Institute](#).

Homeownership also represents an opportunity to establish financial stability and security. Once you buy your own home, it's YOURS. You can knock down walls, redecorate, and turn your investment into a reflection of yourself. This feeling of control and pride is incredibly enticing to potential homeowners.

When renting, we “pay someone else’s mortgage.” Let’s explain this further. Sure, at the beginning of our professional lives, we likely don’t have the financial capability, knowledge, or desire to own a home. Renting is great. But for many, it should not be considered a long-term solution.

Think of your landlord as the homeowner. They have a mortgage to pay. You as the renter are covering most, if not all, of that monthly mortgage bill. Yet the homeowner gets the tax deductions and the benefits of equity. Not you the renter. When your lease is up, you leave the home or apartment with no financial benefits.

This is not a way to generate wealth and financial stability. When owning a home, we may enjoy tax benefits along with the ability to gain equity.

In its simplest form, here is how equity works:

- You purchase a home for \$300,000
- Because you “put down” 20%, you have a mortgage of \$240,000
- You pay a steady monthly mortgage payment, taxes and insurance on your home
- Over time, your home becomes worth more.
- In 10 years, let’s say your \$300,000 is now worth nearly \$400,000
- At the same time, the amount you owe your lender has dropped because you’ve paid 10 years of it off. You would owe the bank much less than \$240,000.
- Equity is the current value of your home minus what you owe. In this case, you would likely make more than \$150,000 when you sell. You essentially lived rent-free as you invested in yourself.

NOTE: One of the pre-conceived notions that first-time homebuyers have is that they **MUST** have a 20% downpayment. That is **NOT** true. In fact, there are plenty of loan options that require as little as a 3.5-5% downpayment.

Social Status

In every culture, success can be defined differently. In the Black community, one of the pillars of success is owning your property. Your home represents your accomplishment and now makes you a symbol of stability.

Not only does owning a home come with its own sense of pride, security, and control, but it also elevates your “sense of community” as you establish roots and now have a vested interest in the future of your neighborhood. Now your financial decisions don’t only impact you, but also the legacy and wealth of your family’s future generations.

Better Housing

Homeownership also provides opportunities to live in more desirable neighborhoods that have access to better amenities, schools, and services. Our community has historically faced many obstacles when it comes to accessing specific neighborhoods, and now we have the power to change that. During the home-buying process, certain protections and opportunities can help you and your family live in the neighborhood you’ve always dreamed of.

“Triggering” Events that Lead to Buying a Home

Along with the emotional and financial benefits of homeownership, there are also several life events that typically lead to people becoming homeowners. Some of these include growing relationships, engagements and marriage, children and a growing family, moving up your career ladder, or even just lifestyle changes.

Starting a Family

Getting married or having children is one of the most classic reasons for buying a home. In fact, according to the [National Association of REALTORS \(NAR\) 2022 Home Buyers and Sellers Generational Trends Report](#), this is the fourth most common reason for purchasing a home.

Realistically, you don't want to move your significant other into your childhood bedroom at your parent's house. Instead, you should probably look into owning your own home. Your space requirements and financial capabilities are different when there are two people in the picture, and it also marks a significant step in solidifying your relationship.

The same goes for bringing children into your life. As any parent will tell you, once you have a child, they become the center of your life. You want to give them access to the safest communities, best schools, and nicest living situations. For many people in the Black community, this often means moving into a new home. Having a child is a life-long responsibility, and it makes sense to also invest in a long-term commitment, such as a home, when planning for your family's future.

An Evolving Career

Like starting your own family, your career will likely also have many significant milestones that make you consider buying a home and then "moving up". Promotions, higher salaries, or even relocations are major driving factors in homeownership. That same [NAR Trends Report](#) found that job-related changes are the sixth most common reason for buying.

A promotion or higher salary means you can not only afford a nicer place to live, but that you also have proof of financial stability and job security. When entering the home-buying process, lenders will assess these factors of your financial profile and use that information to decide if you can qualify for more favorable loans. As someone who's moving up the ladder in your career path, you're also a more attractive candidate to be a homebuyer.

Changing your career doesn't necessarily have the same effect on your financial profile as a traditional raise would; however, it can still make you look for a new home. If you have to relocate to a new area, you likely need to find a new residence to accommodate your new commute. Housing markets vary greatly from region to region, and you may be a much more viable candidate to buy a home in a market that you aren't even familiar with.

Lifestyle Changes

Life events that push you towards homeownership don't always have to be as significant as having a child or finding a new job, but instead, they can be as simple as wanting to try out a new lifestyle. New hobbies, specific interests, or individual passions often make people look for a new place to live.

Things like adopting pets, starting hobbies that require a dedicated space, or just looking to live in a more favorable climate can all draw potential buyers into the home-buying process. While these may seem like wants versus needs, remember, buying a home is YOUR investment. If certain amenities make you happy, there's no shame in using those as driving factors when looking for a potential home.

Starting the Process

Starting your journey to become a homeowner is easy. And you can do it from the comfort of your desk, couch or favorite chair. Go online to Zillow.com, Realtor.com, or any of the many local real estate company websites to see what types of homes might be available. Go ahead and dream. But the best way to attack the home buying process is to have realistic dreams.

The more you know and understand about what you are looking for in a home, the communities you might be interested in and how much you can afford, the easier time you will have at the start.

That brings us to three different unique parts of the early buying process:

- Knowing what price point you can afford based on your income, savings and other financial concerns.
- Hiring the right agent to help you.
- Turning the “dreaming” phase into a home search.

Mortgage Pre-Approval

One of the hardest parts for a new buyer is to know what you can afford. Sure, you can reverse-engineer what you pay for rent and try to figure out how much of a mortgage that would get you, but there is an easier way – get pre-approved for a mortgage.

Financial Preparation and Requirements

It's time to start putting money towards your down payment – if you haven't already been doing so. For years you may have heard the magic number for a downpayment is 20% of the home is worth in total, however, as you can probably imagine, this isn't always attainable. While 20% remains the goal, the preconceived notion that 20% is a requirement has been a barrier in communities of color. There are many loan products offered by a variety of reputable lenders that require as little as a 3.5% down payment.

In today's world of high-priced homes, you'd actually be ahead of the competition if you were able to achieve such a feat saving a 20% downpayment. If you were able to do so, you would

skip a pesky monthly fee called private mortgage insurance, which charges you for every point (percentage) that you put down under 20%. But this is not a deal killer!

Fortunately, most lenders have realized that 20% upfront is a stretch for most buyers, and these lenders are now more flexible than ever when it comes to reaching an agreement on payment plans. Still, you'll want to have as much money in your bank account as possible. Cash doesn't show up on a lender's radar and you'll want to be as prepared as possible when it comes time to put your money to use.

Aim for the 20% mark but don't tie every dollar you have into your down payment. You should have some saved on the side for unforeseen issues like mandatory repairs or renovations and necessities. If this seems too tight on you financially, home warranty programs can also be obtained during the home-buying process that can help cover you in case of any unexpected issues on the property.

With these allocations in mind, it's time to start taking steps toward getting your pre-approval letter from a lender, which is what tells you that a lender is willing to work with you and how much money you can borrow. Keep in mind that this isn't a guaranteed loan offer, but rather the first step towards obtaining one.

Getting Pre-Approved

1. Initial Application

To begin the pre-approval process, you first need to submit a mortgage application to a lender of your choice. This involves providing sensitive personal and financial information, such as your income, employment history, credit history, and debts. Be sure to properly vet the lender of your choosing and make sure that they're familiar with working with clients in similar situations to you.

When submitting your mortgage application, you also need to provide your lender with supporting documents. This includes W-2 forms, pay stubs, bank statements, and other financial records that can help verify the information you provided. Have all of your recent financial statements in one folder so the process runs easily and smoothly.

2. Credit Evaluation and Asset Verification

After providing your lender with this information, they'll first review your credit report to see how credit-worthy they believe you are. Because of this, it's important to try to maintain a good credit score and healthy credit history, as these greatly impact the types and amounts of loans you will qualify for.

Your lender will also verify your income and assets to determine your ability to repay your mortgage. Things such as savings accounts, stock market investments, and retirement funds will all be considered when determining your financial situation.

Remember, the lender you eventually use for your mortgage will be putting up their money for you to pay off over the length of the loan. They have to make sure that you are credit-worthy.

3. The Decision

Based on your information provided, the lender will determine whether to issue a pre-approval letter. If you meet their criteria, you'll receive a letter stating the maximum amount for which you are pre-approved. This will show sellers that you've undergone a preliminary evaluation and are likely to secure financing once you reach an agreement to buy.

Once you have your pre-approval letter, be sure to review it carefully and understand the stipulations or limitations within it. Just because you worked with one lender to get your pre-approval does **NOT** mean you have to go with that lender. That one letter should be enough for you to work with other lenders, and it's not mandatory that you need more than one letter after switching lenders. In fact, it can actually HURT your credit score to get more than one pre-approval letter. Be sure to save the information and use the credit scores they provide when requesting estimates from future lenders.

Remember you're the client and have every right to shop quotes from multiple lenders to ensure you're getting the best rates and estimates!

All-in-all, the ideal process of getting a pre-approval letter can be done in 30 minutes or less. It's mostly an online or over-the-phone activity that kicks off the rest of the home-buying process.

Here are two important things to remember about your pre-approval:

- 1) Just because the lender agrees to loan you a certain dollar amount, you do not have to "max" it out. In many cases, homebuyers don't need or want that full amount simply because they don't want to be "house poor" (paying so much each month on their mortgage that they don't enjoy the rest of their life). But you can use the loan figure as a guide to what price point you should be looking at.
- 2) The more down payment you can save, the less you owe. For many potential homebuyers, that might mean a few more months of intense savings to accrue more up-front down savings.

The Mortgage Process and Types of Loans

Since we are on the subject of pre-approvals, let's address the actual mortgage. Even though this part of the process comes later, it makes sense to talk about it now.

We've included a glossary of terms below to help familiarize you with the language of the process, but here are the types of loans you're likely to run into at this phase of your journey.

Conventional Loans

Fixed Rate

By definition, a fixed-rate mortgage loan means your interest rate will remain the same throughout the entire term of your loan. These typically last for 15 or 30 years. The benefits of a traditional fixed-rate mortgage include:

- **Consistent Monthly Payments:** You know what to expect every month. You can rely on predictability which allows for easier financial planning.
- **Protection Against Rate Fluctuations:** Maybe the biggest advantage of a fixed-rate loan is that it shields you from interest rate increases. Regardless of what's going on in the broader economy, your rates are locked in. The only things that can increase your payments are taxes and insurance, which are typically handled by the lender.
- **Long-Term Homeownership:** Usually, fixed-rate loans are chosen by people who plan to live in their homes for longer periods of time. These people not only have security, but they can also calculate the total interest cost over the life of the loan.

Be sure to compare rates and terms from multiple lenders when considering a fixed-rate loan. These are long-term commitments and you won't be able to find a better deal once you're locked in.

Adjustable Rate

Also known as an ARM (adjustable rate mortgage), these types of mortgages have interest rates that can fluctuate over time based on changes in the market. These are typically utilized when rates are rising or higher than what you'd like to sign on for with a fixed-rate loan. The key features of these loans include:

- **Initial Fixed Rate Period:** Most ARMs start off with a flat, fixed rate for a period of time of your choosing/agreement. During this period, your interest remains constant and is usually lower than what you'd get with a long-term fixed-rate plan.

- **Adjustment Periods:** After your fixed-rate period, your ARM will adjust at regular intervals, which are specified in your agreement. They can either go up or down, depending on what typical rates are at the time.
- **An Index and Margin:** How your interest rate changes is tied to a specific financial index. The lender adds a margin to this index rate and that determines your newest rate. Typically your loan will include a “rate cap,” which limits how much your interest rates can change.

Adjustable rate mortgages are usually more enticing for people looking for shorter-term residency or more flexibility. It’s impossible to know whether your rates will go up or down, but these loans allow for refinancing before the end of your fixed-rate period. ⁸

Government Loans

Veterans Administration

VA loans are only available to active, retired, or former military members or their eligible surviving spouses. These loans are very buyer-friendly and are intended to help military personnel. These loans are unique in that they offer the following:

- **No Down Payment and Reasonable Interest Rates:** VA loans allow eligible borrowers to purchase a home without requiring a down payment. This significantly reduces the upfront costs of buying a home. Once the home is bought, these loans also come with very competitive interest rates that usually match other lower conventional loans, or are even lower than those.
- **Lower Credit Score Requirements:** VA loans also generally have much more flexible credit score requirements compared to conventional loans. Specifications may vary, but borrowers with less-than-perfect credit can still be eligible for a VA loan.
- **Assumable Loans:** These loans are assumable, meaning that if you sell your home, the buyer can take over the existing loan. This is highly enticing to buyers as assumable loans can have much lower interest rates than the current market offers typically.

These loans are exclusive to Americans that meet eligible military requirements; however, they’re very beneficial if you fall into this category. If you or your spouse has served, it’s recommended that you contact the [Department of Veterans Affairs](#) for more information or work with a lender that specializes in VA loans.

Federal Housing Authority

Federal Housing Authority loans, or FHA loans, are available to people with a less-than-ideal credit history or not enough money for a traditional down payment. They require less money

upfront, but over time these costs will be accounted for by PMI fees. Specifically, these loans include:

- **Lower Down Payments and Competitive Interest Rates:** The FHA has designed these loans to specifically assist homebuyers with more restricted financial capabilities or flawed credit history. With that in mind, the down payment on an FHA loan can be as low as 3.5%, versus the traditional 20%. These loans also typically offer competitive interest rates.
- **Flexible Credit Requirements:** These loans are known for their lenient credit requirements. While the specific score requirements vary, most borrowers can qualify.
- **Assumable Loans and Rehabilitation Loans:** Like a VA loan mentioned above, FHA loans are also assumable for future buyers. Unlike the VA though, the FHA also offers 203(k) loans that can help finance both the purchase of a home and the cost of necessary repairs or renovations all in one loan. This is especially enticing to homebuyers looking for a fixer-upper.

On the surface, FHA loans seem much cheaper than conventional loans. While this is true of the upfront costs associated with it, you'll still end up paying the difference through PMI fees. These loans serve to prove that you don't need the traditional 20% down payment to become a homeowner, but those extra costs aren't entirely avoidable.

Loans and Grants for First-Time Homebuyers

Many organizations understand the struggles that come with being a first-time homebuyer. The down payment, the closing costs, the renovation costs, etc. can add up tremendously, which is why these organizations listed below offer grants and discounts for people that may need a little extra help with buying their first home.

- **The National Homebuyers Fund:** A non-profit organization dedicated to supporting individuals purchasing homes, whether they are first-time buyers or repeat buyers. Through their grant program, eligible buyers can receive a grant equivalent to approximately 5 percent of the purchase price of the home.
- **The Downpayment Toward Equity Program:** This innovative home buyer grant program specifically aims to empower first-generation home buyers, with additional grant funds allocated to assist renters who face economic or social disparities. Notably, the program's beneficiaries primarily include Black Americans, acknowledging the historical and systemic barriers they have faced in accessing homeownership opportunities. This legislation represents a crucial step towards fostering greater equity and inclusivity within the housing market.

- **Closing Cost Assistance Programs:** Closing cost assistance programs are designed to offer significant support to home buyers by covering a substantial portion, sometimes up to 100 percent, of their purchase closing costs. These costs include expenses like title fees, transfer taxes, and charges related to the mortgage. To apply for closing cost assistance, you must approach your local housing agency. These programs are specifically tailored to benefit lower-income home buyers, including those with an average credit score.
- **Bank-Specific Loan/Grant Programs:** Sometimes, even your bank can help you out with buying your first home. Banks such as Bank of America, Chase, and Wells Fargo are fully committed to increasing Black homeownership rates in the U.S. by giving out grants and support to the community. Check to see if your bank has a diversity grant program to help you purchase your first home.

Finding the Right Agent

In this guide, we have placed hiring a real estate agent after the pre-approval process. These actions can be easily flip-flopped, with many choosing to hire an agent first. This is up to you. But they are both equally important.

Your real estate agent will lead your team of real estate professionals. There are several factors to consider when selecting your agent, particularly for Black homebuyers who face many unique obstacles.

Like every other phase of the home-buying process, it starts with research. Look for agents in your area with experience and expertise in the neighborhoods and price points you're interested in. You can also use input from friends, family, or colleagues who have had positive experiences with their past agents.

Next, be sure to give more than one agent a fair opportunity to "pitch" their services to you. Meet with multiple agents to assess their knowledge, experience, and credentials. Make sure you are a good match and that their communication styles match yours. They will be your guide, therapist, negotiator, and champion rolled into one. You need to make a good and informed decision that makes you comfortable.

Just because your parents vouch for your childhood neighbor who was a real estate agent when you were growing up doesn't mean you have to take that advice.

When evaluating these potential agents, also be sure to request client references. Ask agents for references from their past clients so you can see how they've handled working with people with similar backgrounds or experiences to you. You can speak with these past clients and see for yourself if the agent really is capable of representing your best interests.

Lastly, and most importantly for members of our community, make sure you find an agent who is culturally competent and aware of your specific needs and concerns. They should be knowledgeable about fair housing laws and should be able to address any potential issues related to discrimination or bias.

Once you've got an agent on your team, they'll help you to begin rounding out the rest of your roster of professionals. Below we've included more in-depth information on the types of people you'll likely come into contact with and how they'll play into your overall home-buying journey.

Your Team of Professionals

Agent

Who you choose as your real estate agent will largely dictate your experience with the home-buying process. Your agent acts as your trusted guide and advisor throughout the home-buying process and they will navigate the complexities of the market on your behalf. From understanding your preferences to finding the right properties, their insight is key to helping you make informed decisions. An agent will negotiate on your behalf, offer support with paperwork, and connect you with more trusted professionals in the field.

Appraiser

An appraiser is key to ensuring that you're making a smart financial decision and that your property is being valued appropriately. Appraisers are licensed professionals who follow a standardized process when evaluating the market value of a property. They consider factors such as location, size, condition, and comparable nearby sales to provide you with an unbiased evaluation. Your appraiser will be provided through the lender; however, a third-party company will always manage the appraisal process to avoid any bias or unfair assessment. The cost of your appraiser will be factored into your closing costs, which you'll be aware of before signing any paperwork.

Attorney

Hiring an attorney during the home-buying process is required in some states but not all. Your attorney is there to provide you with legal guidance and to offer you protection. Usually, they'll step in after you've accepted an offer and review legal documents such as the purchase agreement, mortgage documents, title deeds, and other contracts. They will review your documents with the seller's attorney during a stage called "attorney review." Make sure you find an attorney who's knowledgeable on issues specific to your circumstances and they can help ensure a legally sound home-buying experience.

Home Inspector

After you make an offer on a home, your home inspector will provide you with a comprehensive evaluation of the property's condition. They will assess things such as structural integrity, safety, the roof and foundation, electrical and plumbing, HVAC, and other essential parts of the home. They will identify any issues or aspects of the home that require repair or maintenance, which can help you negotiate or make price adjustments. By law, some things need to be repaired before the property can be sold, but your agent should help you navigate these issues. Your agent will usually also recommend their own home inspector, but you're free to find one that you feel best suits your needs.

Homeowner's Insurance Agent/Broker

Insurance is always required regardless of the type of property you're buying. The role of an insurance agent or broker is to assess your insurance needs and find you a quote best suited to your situation. Brokers aren't tied to only one company and can often shop around to find you the best available coverage. Your broker will consider several factors that relate to your property and explain the details, deductibles, and premiums of the packages you should consider. These agents are here to help make sure you're protected once the home is actually yours.

Loan Officer

Your loan officer will be an independent contractor; however, they will work closely with you and your agent. These officers are key to securing adequate mortgage financing and selecting the right type of mortgage. Mortgage brokers will work directly for a lender but can still look around and find the best loan types and rates. Make sure that you select a loan officer with whom you can be completely transparent and comfortable disclosing information, as they will use your information to provide an accurate assessment of your financial situation.

Title/Escrow Company

The title or escrow company's main purpose is to make sure the seller has the legal right to sell their property. They'll look for any outstanding mortgage payments or loans and work to get the property under your name. The title/escrow company will ensure all legal issues surrounding property ownership are handled before closing. Your agent will likely recommend their preferred company to work with, but you have the right to find one you feel comfortable with and are familiar with other similar clients.

Key Terms

Annual Percentage Rate (APR): An annual percentage rate is an interest rate for a whole year instead of a month-by-month basis. This includes fees and other costs involved in procuring the loan.

Appraisal: An expert's estimate of the value of a property. Your appraiser will come up with this figure.

Attorney Review: Once the buyer and seller have agreed to terms, the next phase is attorney review, where both parties' attorneys will negotiate further until they reach a mutual agreement.

Closing: Closing is the final step of the home-buying process once you finally receive your keys to the home after agreeing to terms, signing documents, and making final payments.

“Comps”: Comparable sales refer to sales of nearby homes that are similar to your property in question. These comparable sales affect the market value and can help dictate an appropriate sales price for your home.

Contingency: A clause that buyers include when making an offer that can allow them to back out of buying the home if the terms aren't met. This is an extra safety net for buyers.

Down Payment: The initial upfront payment that is a percentage of the home's full value. A portion of the down payment is used as earnest money to be submitted with the offer, the balance to be paid in two subsequent installments with the final installment paid at closing.

Escrow: A bond or deed held by a neutral third party after the buyer and seller have come to a mutual agreement. This protects both parties.

HUD-1 or Estimated Closing Costs Statement: An all-encompassing list of every fee from the home-buying process that will be paid at the time of closing.

Interest Rate: The fee charged by the lender over a specified period of time, as seen in your monthly payments.

Multiple Listing Service (MLS): A database used by real estate brokers that include data and details about properties for sale. These databases are used to accumulate and disseminate information in real estate.

Points: Points are in relation to your total loan amount (Ex: One point on a \$100,000 loan is \$1,000). These fees are paid to the lender at the time of closing in exchange for a reduced interest rate for the entirety of the loan.

Private Mortgage Insurance (PMI): For borrowers who have less than a 20% down payment, additional fees may be required annually on your mortgage. Once enough principal is paid off, they can usually be removed.

Principal: The amount of money borrowed from the lender that needs to be paid back.

Title: A legal document that indicates the owner of the property.

Under Contract: Once an offer has been made and accepted on a home, it's "under contract." The sale is not finalized yet and the sale can still fall through if the contract's conditions aren't met.

Contract: The legally binding agreement between the buyer and seller which includes the terms and conditions of purchase.

Walkthrough: Typically, a final evaluation of the property that allows the buyers to have one more chance to see the home before they buy.

Making the "Dreaming Phase" a Reality

As you embark on your journey to buy your first home, you'll experience a rush of emotions, including excitement and nervousness. There are many crucial decisions you must make. There is no more dreaming at this point, it's about to become reality, make certain of what you want and don't want in your home to make the search process much easier.

Websites such as Realtor.com, local real estate team websites, as well as agent-specific sites, serve as valuable tools for gaining insight into the variety of homes available and are excellent resources to guide you toward your new home. These platforms also allow you to sign up for alerts when homes within your price range, desired location, and preferred property type become available so you can be proactive in your search.

In order to be proactive in your home-buying journey and to avoid indecisiveness, you should have a strong understanding of:

- **Price range:** Determine and stick to the price range that fits your budget.
- **Location:** Identify the neighborhoods that interest you.
- **Type of property:** Decide on the kind of property you would like to own.
- **A "pros and cons" list:** Create a list of crucial features and amenities to you, including both positive and negative aspects. This way, you can ensure that the homes you consider are up to your personal standards.

What is your budget?

Firstly, your budget for your new home will determine almost everything about the location and type of property you are looking to buy. Be honest with yourself and determine how much you can afford and what you're willing to sacrifice to raise your budget. It's worth noting that when considering a mortgage term of over 30 years, stretching your budget slightly to afford a more expensive home may not be as much as you think.

Where do you want to live?

Choosing the right neighborhood to live in can be both nerve-wracking and exciting. Your community shapes you, but it is also a place where you should feel safe and welcome. Ideally, an ethnically diverse community would suit the best for black families to live in, as proximity to diverse cultures can often lead to acceptance.

When making a commitment to choosing your first home, the community you select holds the utmost importance. Each person has unique preferences and criteria that make a neighborhood appealing, making it crucial to identify the type of community that aligns with your wants and needs. These criteria typically consist of the following:

Size of the community

Whether you end up living in a small suburban town or a bustling urban metropolis, your decision will all come down to what you prefer most. See which type of neighborhood suits your lifestyle more.

Accessibility and amenities

It's important to select a community that offers amenities that cater to your specific wants and needs and are easily accessible within your reach. Consider factors such as proximity to your loved ones, restaurants, shopping, and, most importantly, work. You should also consider the ambiance of the neighborhood, would a family-oriented neighborhood suit you, or would a neighborhood geared towards younger singles be the best fit for you? These are questions that only you can answer, as they depend on your personal preferences and lifestyle.

The School System

If you are buying a house, you are most likely thinking about how that house is going to suit your future family should you plan to start one. With this in mind, you should plan on living in a location that offers the best education for your family. Take the extra step and research the public schools in your potential neighborhood to see if they fit your standards. There are also plenty of options for private education as well. GreatSchools.org is a beneficial tool to aid you in scoping out the school systems in any area you are thinking about living. All in all, just be sure that the school system is adequate and accepting of the black community and will provide your family with the utmost support throughout their time attending.

What are the types of properties I can buy?

Single Family Home

A single-family home refers to a type of house that embodies the traditional concept of a house. Unlike other types of residential properties, such as apartments or townhouses, a

single-family home is a detached structure that stands alone on its own plot of land, meaning that along with owning the house itself, the homeowner also has ownership rights over the land on which the house is built. The ownership of both the house and the land requires upkeep of not only the interior of the house but also the exterior and the surrounding property. People usually go for these types of houses as it signifies you own your own land.

NOTE: A half duplex, while not a stand-alone home, is considered a single-family home with all of the ownership benefits of a detached home.

Fixer-Upper or Project House

Purchasing a fixer-upper is an alternative, way cheaper approach to achieving homeownership. While these homes may require minor or major cosmetics or other renovations depending on the state of the home, they present an opportunity for you to add value through your own efforts as well as customizing the home to your liking. By investing in the time and effort and taking on the necessary work, you can transform this neglected structure into your dream home. If you decide to pursue this route, it's worth familiarizing yourself with the FHA 203(K) Rehab loan. This financing option allows you to cover the home's purchase price and the cost of making necessary repairs with a single mortgage. However, it's important to note that there are requirements for inspections and reappraisals after the renovations are made. Nevertheless, meeting these requirements typically won't be a problem with guidance from professionals.

Condo/Townhouse

If you're seeking a more affordable home-buying option with reduced maintenance responsibilities, condominiums, otherwise known as condos, can be an excellent solution for you. Not only do they often come at a lower price range, but they also tend to be situated in more centralized areas, offering close proximity to public transportation, good schools, and various amenities. Condo ownership entails shared ownership of common areas such as playgrounds, pools, hallways, yard space, or recreation rooms, allowing you to enjoy these facilities without the burden of having to perform upkeep. However, it's important to note that purchasing a condo typically involves becoming a member of a community homeowners association. This association may require the payment of monthly fees and additional mortgage approval steps as part of the ownership process. These associations also strip you of the ability to customize your home how you want without their permission, so be sure to keep that in mind. While condo owners are usually forbidden to customize the exterior, the interior can be redesigned to meet your needs.

Multi-Family Home

If you're working with limited funds but still want to live in a house where you have autonomy, opting to purchase a two-family home presents a fantastic opportunity. In fact, with a regular

mortgage loan, you can even consider a four-plex property. This arrangement allows you to reside in one unit while renting out the other(s), meaning you will have tenants. By having tenants, you can generate rental income that helps offset the mortgage costs, while simultaneously building equity and enjoying potential tax advantages associated with the property, making this a great investment property.

New Construction

If you want to take it up a notch and really be involved with the customization of your home, a new construction may be the right choice for you. These homes are typically the most expensive, but it is the most rewarding when it is all complete and you get the house of your dreams.

Create your pros and cons list

Understanding your priorities is a crucial aspect of entering the home-buying process. It begins by differentiating between your needs, wants, and dealbreakers which you can establish through a comprehensive "pros and cons" list. Consider questions such as whether you prefer a new property or a fixer-upper, the desired number of bedrooms, and whether a spacious yard is important to you.

Creating this list serves as a vital tool in your home-buying journey, enabling you to identify and prioritize the essential features you seek. Here are some home features to consider:

- Size and layout of the property
- Number of bedrooms and bathrooms
- Square footage
- Outdoor space, such as a yard, garden, or space for a pool
- Location and proximity to amenities, schools, and transportation
- Safety and security features
- Energy efficiency and sustainability aspects
- Central air conditioning
- Storage options, such as closets or a garage
- Preferred architectural style or design elements
- Home maintenance requirements
- Accessibility features, if applicable
- Additional amenities or features that align with your lifestyle or hobbies

By thoroughly considering these aspects and customizing your list based on your personal preferences, you can streamline your home search and find a property that meets your needs and aspirations while quickly eliminating the homes that don't. This list will also help your agent in knowing what to look for when screening homes for you to tour.

I Found the Right House, What Now...

So you found a house you loved, and you want to buy it, you're probably asking yourself, "What next?". Although finding a home that captures your heart is undoubtedly thrilling, it is important to remember that this is just the initial stage of the process. Keeping a level head during this process is important as it requires determination and concentration. Buying a home is more complex compared to most other big purchases and requires careful consideration and attention to various factors to make sure you are making the right decision through each stage. Here are the stages when it comes to actually securing your home:

The Offer Stage

The initial step your agent will assist you with is preparing the offer, which is up to the seller to accept. It is nerve-wracking because sometimes the seller can reject your offer if it is less than what they desire. While price is a crucial component of the offer, demonstrating your pre-qualification for a loan is also crucial, as sellers want to know that you possess the necessary funds to complete the home purchase.

Your agent will handle the necessary paperwork and initiate negotiations to secure an accepted offer. These negotiations may involve contingencies that set specific milestones for both parties to meet to proceed. Once there is mutual agreement, your agent will guide you in depositing funds into an escrow account, reaffirming your commitment as a serious buyer.

In states where attorneys are involved in the closing process, your attorney will draft a formal document that requires agreement from the seller's attorney. Sadly, until this document is signed, the seller remains open to accepting a better offer from another potential buyer, which will put you at odds. But don't stress too much.

The Inspection Stage

Once your offer is accepted, you can move on to the next step in the process, the inspection. The inspection typically comes after the seller's disclosures. These disclosures vary by state and are legal documents where the seller discloses any known issues with the home. This includes information about existing problems, outstanding permits, potential neighbor-related challenges, or any history of serious crimes committed within the property.

During the inspection, a qualified home inspector will thoroughly assess various areas of the home. This includes examining the roof, attic, foundation, drainage, electrical systems, plumbing, air conditioning, and heating systems, and checking for issues such as termites, moisture, mold, and other structural issues. An important aspect that is often overlooked is verifying if any previous work done on the home adheres to legal building codes.

Your agent will assist you in negotiating necessary fixes should there be any, but the inspection may uncover severe issues that may ultimately lead you to not go through with the purchase. While certain items may legally be the seller's responsibility, the buyer can often request repairs or concessions to which the seller may agree. For example, if the pipes need to be replaced, the seller can either agree to fix them or reduce the price of the home accordingly to account for the price of the buyer to repair them.

Working closely with your agent, you can navigate the negotiation process to ensure that necessary repairs or adjustments are addressed to your satisfaction, ultimately reaching an agreement that benefits both parties involved in the transaction.

The Loan Acceptance Stage

The next step in the process involves obtaining a loan, as we discussed earlier, followed by the appraisal to ensure the home's fair valuation.

The closing process comes into play once everything proceeds smoothly. It is important to be prepared for various expenses, such as closing costs and legal fees. Additionally, brace yourself for significant paperwork, this will probably be the most paperwork you will have to complete in your life!

The Final Stage: Closing

You finally made it to the last stage, good job! The closing process encompasses several important steps, including the inspection, securing the mortgage, and completing the necessary paperwork. The specific requirements for the closing process can vary depending on the state. Some states mandate the involvement of an attorney, while others may involve a title and/or escrow company, real estate agent, and lender to oversee the process. Although it may not be an overly swift procedure, advancements in streamlined processes have resulted in significantly reduced closing times. Nowadays, most lenders can finalize a purchase in 30 days or less.

As the closing day approaches, it is common for all or some of the involved parties to conduct a final walkthrough to ensure the home is in a suitable condition. Then, on the actual closing or settlement day, both the buyer and seller will sign various closing documents. You will then receive the keys to your new home, along with important items such as appliance manuals, alarm codes, and warranty papers, marking the conclusion of the long process it takes to buy a home.

Congratulations, you finally purchased your first home!

Ways to take to avoid discrimination as a Black

Homebuyer:

1. **Educate Yourself:** Did you know that black homeownership only grew 0.4% in the past 10 years? A [NAR Fair Housing Article](#) explains that Black Americans lag significantly behind White Americans in homeownership rate in the mid-40% range. There are quite a few reasons for this. But, so many in the Black community have the income, potential savings, and desire to become homeowners. They simply may not have the knowledge.
2. **Know Your Rights:** Discrimination, and the fear of discrimination, have been an obvious deterrent to Black homeownership levels. But we have protection. Take the time to understand fair housing laws and your rights as a homebuyer. Familiarize yourself with the Fair Housing Act of 1968, which prohibits discrimination based on race against homebuyers and renters, among other protected characteristics.
3. **Work with a Knowledgeable Real Estate Agent:** Choose a real estate agent who is experienced, knowledgeable, and committed to fair housing and non-discriminatory practices.
4. **Be Mindful of Red Flags:** Stay alert for any signs of discrimination during your home-buying journey. Pay attention to how you are treated by sellers, agents, lenders, or other parties involved in the process in comparison to other-race homebuyers. If you notice any red flags, such as steering, differential treatment, discrepancies in loan terms, or unfair negotiations, document the incidents and consider reporting them to the appropriate authorities.
5. **Diversify Your Search:** Cast a wide net when searching for properties and explore different neighborhoods. By considering a variety of areas, you increase your chances of finding a community that welcomes diversity and is inclusive of all races, especially black families.
6. **Obtain Pre-Approval:** Obtain a pre-approval for your mortgage before beginning your home search. This may be a difficult process as Black loan applicants are twice as likely to be denied for a mortgage than white applicants. But the right team can assist you in getting pre-approved. Pre-approval is important as it demonstrates to sellers that you are a serious and qualified buyer, minimizing the risk of discriminatory treatment based on unfair stereotypes associated with Black people.
7. **Document Everything:** Keep thorough records of all interactions, communications, and transactions related to your home-buying process. This documentation can be valuable if you ever need to address any discriminatory incidents or file a complaint.
8. **Know Your Rights and Seek Legal Assistance:** If you believe you have experienced discrimination as a Black homebuyer, consult an attorney specializing in fair housing laws. They can provide guidance, evaluate your case, and take appropriate legal action to protect your rights.

Remember, discrimination has no place in the housing market. By staying informed, proactive, and assertive, you can help protect yourself against any discriminatory behavior and ensure a fair and equitable homebuying experience.

We also encourage you to work with a member of the Black Real Estate Professionals Alliance and the Black Brokers Network.

- **Black Real Estate Professionals Alliance (BREPA)**: The Black Real Estate Professionals Alliance is a nonprofit caucus of Black real estate professionals and like-minded supporters aligned with our mission to create generational wealth in the Black community with a specific focus on real estate. BREPA works with both the government and business community to advance education and policies that have the capacity to transform the financial wellbeing of the Black community.
- **Black Brokers Network**: Black Brokers Network is part of the Black Real Estate Professionals Alliance. It was created to fill a void for the Black community. Not only do we face systemic challenges on the path towards homeownership, but too many individuals in our community lack the knowledge on how to access a real estate professional who “walks in their shoes,” understands their fears, concerns and dreams, and can properly guide them.

You can contact BREPA at info@BREPA.org or call (973) 223-2232.