



Five Home-buying Questions

You're ready to buy your first house. But you have questions. And some you think might be too embarrassing, too simple — to even ask out loud.

Here's the truth: Buying a home is a complicated process. It's normal to have questions. And you should never be embarrassed to ask any of them. Here are answers to five such common questions.

1. How Much Will My Real Estate Agent Charge Me?

The short answer: nothing.

It's true. When you work with a real estate agent to *buy* a home, you won't pay a cent to that realtor. Your real estate agent gets paid by the *seller* of the home that you buy. When the home sale closes, your real estate agent is paid a commission from the proceeds.

Typically, the agent representing the home's seller charges a commission of 6% of the home's sale. If a home sells for \$200,000, the seller's agent receives \$12,000. That agent then typically splits the commission 50/50 with your agent. Your agent in this example would receive \$6,000 for helping you buy a home while the seller's agent would also receive \$6,000.

But none of that commission money will come out of your pocket.

2. What Is a Buyer's Agent?

An exclusive buyer's agent is a real estate agent who only represents buyers. They are different from dual agents, who both represent buyers and work with sellers. An exclusive buyer's agent never takes on listings from sellers.

If you work with a dual agent, that agent will show you all the for-sale homes that meet your criteria, and will still work with you to negotiate a lower sales price. But this agent *might* show you a home he or she has as a listing, too. This can be tricky. Is your dual agent going to negotiate hard on the sales price if that agent is also representing the person selling the home?

3. What Is Pre-Approval and Why Does It Matter?

Your real estate agent might ask you to get pre-approved for a mortgage loan from a lender. During the pre-approval process, your lender will run your credit and ask for copies of documents that prove your income, such as your last two paycheck stubs, last two months of bank account statements, and last two W2s.

Once a lender has this information, it can calculate how much of a mortgage you can afford. The lender will then give you a pre-approval letter — that lasts a certain number of days, such as 30 or 60 — stating that it has approved you for a mortgage loan of a certain amount.

Getting pre-approved is important because it tells you how much home you can afford. It also makes you a more attractive buyer. When sellers receive multiple bids for their homes, they're more likely to choose a buyer who is pre-approved. Such buyers are more likely to be able to actually close the home sale.

4. What Is Earnest Money?

Earnest money is a deposit that you make after you and a seller sign a contract. It shows the seller that you are serious about purchasing the home.

After you and the seller agree on a sales price and each of you signs the sales contract, you'll deposit a certain percentage of the home's final sales price into an escrow account. The title company that handles your mortgage closing will usually manage the account. When the final mortgage documents are signed and the home sale officially closes, your earnest money is removed from the escrow account and used to cover part of your closing costs.

How much earnest money the sellers request varies. Some sellers will require 1% of the home's final purchase price. Others will require just a few hundred dollars.

Be careful with earnest money. If you back out of the sale because you can't come up with the mortgage dollars you need to finance the home, the contract might state that you lose your earnest money deposit. However, if you back out of the sale because a home inspection turns up serious problems with the home, the seller will usually return your earnest money deposit.

5. Do I Really Need a Home Inspection?

Yes. After you sign a sales contract for a home, you need to schedule a home inspection of the property. An inspector will tour the home and search for serious problems. Usually, the homebuyer attends the inspection, too.

If the inspection turns up serious problems, you have options. You can ask the seller to repair the problems before the sale closes. You can request that the seller lower the agreed-upon asking price to free up money that you can use to fix the repairs yourself.

If the problems are too severe, you can also back out of the sale. Your agent and the seller's agent will then negotiate what happens to your earnest money deposit. If the problems with a home truly are serious, and expensive, in most cases, you will receive a refund of your earnest money deposit.