



## Step 4:

# Working with a Real Estate Agent and Shopping for a Home

Many new homebuyers consider Step 4 the most fun step. All the hard work of saving, managing debt, and finding a lender is about to pay off. You can start to see the dream of owning a home become more of a reality as you begin to look at potential homes. From finding a real estate agent to types of homes to consider, let's go over the ins and outs of shopping for a home.

### This step covers:

- Working with a real estate agent
- Types of homes
- Looking for a home



Fannie Mae®

# Working with a real estate agent

## You'll learn:

**How working with a real estate agent can benefit you**

**How to choose a real estate agent**

**9 questions to ask your real estate agent**

While shopping for a home is one of the most exciting parts of homeownership, it can also feel like the most overwhelming. That's why it's important to find a real estate agent you can trust and feel comfortable working with. Real estate agents will help you find homes that align with what you're looking for and are within your budget. During this process, they'll share listings for potential homes, and if you're interested, will organize showings for you to tour available homes. Then, once you find a home you love, they'll work with you to negotiate and submit an offer. Although working with a real estate agent is not mandatory, keep in mind that you, as the buyer, don't pay the real estate agent; their commission is usually paid for by the seller.

## Benefits of working with a real estate agent

Real estate agents have not only gone through special training to get educated and licensed to buy and sell homes, they also may have a lot of experience that you may not have. They will be able to apply their expertise to help set expectations for which features to look for and which red flags to watch out for when showing you homes. And, when you're ready to make an offer, they'll provide guidance on what that offer should look like and what can be negotiated, based on the current market.

## How to find a real estate agent

One of the first things you can do to find a reputable agent is ask around. Ask family, friends, and people in your community who recently bought a home if they would recommend their agent. You can also do your research on the internet, as there may be helpful reviews on different agents in your area. While you may be tempted to go with the first agent you talk with, it's important to speak with a few, learn about their experience in real estate, and ask them to provide references. There may also be agencies that have more experience or better fit your needs. Choosing the right real estate agent can be personal, so don't be afraid to go with your gut. If you're comfortable with an agent's approach, and you feel the right kind of connection, your intuition may help guide your decision. To help you in your search, you can find a real estate agent checklist [here](#).

## Questions to ask a real estate agent

Before you choose a real estate agent, it may be good to find out about their experience and the way they work. Here are some questions that can give you good insight into whether they are a good match for your needs.

**1. Do you work primarily with buyers or sellers?**

Buying a home requires a different skill set than selling one. While an agent may very well do both, some may specialize in one or the other.

**2. How well do you know the area I'm interested in? Have you ever lived there? Have you sold homes there recently?**

This will provide insight into how well an agent knows the market.

**3. What states are you currently licensed and certified to sell real estate in?**

Real estate agents need to have a state license and certification. Make sure that they are up to date; otherwise this could become an issue when you go to put in the offer.

**4. How long have you been in the real estate industry? Has it always been as a real estate agent? Tell me a little bit about the benefits of working with your company.**

It's no secret that agents and agencies with more experience are typically more efficient and better understand what does and doesn't work well in the homebuying process.

**5. Do I have to sign a contract and if so, can I cancel without penalty?**

This is important in case you decide you want to find another agent to work with or decide to put your house hunt on hold.

**6. Can you explain how your commission works? Are there any costs I might be responsible for paying as we look for a home?**

While most real estate agents get paid by the seller, it's still a good idea to make sure that you don't owe any additional commission or fees to your agent during the process.

**7. How long does it typically take for buyers you've worked with to look for, find, and close on a home?**

This will help you know what to expect as you go through the process. If their timeline doesn't fit your timeline, it may be good to ask a couple of agents.

**8. Are you a full-time or part-time agent? When is the best time of the day to communicate? When is the best time and day to look at houses?**

If you have a particular schedule, you'll want to make sure it aligns with your agent's. Otherwise, it can be hard to find times that work for both of you to look at homes.

**9. Do you have references that I could contact to ask some questions about their homebuying experience with you?**

References can be a good way to get insight on how an agent is to work with, so be sure to ask past clients specific questions in areas important to you. For example, was the agent responsive, reliable, professional, knowledgeable?

# Types of homes

## You'll learn:

Various features and benefits of different home types  
Types of maintenance you may be responsible for  
Additional fees you might encounter

There are many different types of homes to consider, and each comes with pros and cons. Ultimately, the type of home you choose to pursue is up to you and your lifestyle, location, budget, and what you're looking for. Here's a look at some of the different options you can consider.

## Single-family detached

A single-family detached home is what pops into most people's minds when they think of buying a home. This is typically a single-unit dwelling, standing alone on a piece of property that is purchased and deeded together with the home. The homeowner is usually responsible for all maintenance inside and out. Some single-family homes may be found in a developed community that offers amenities such as a pool, playgrounds, even a gym. If that is the case, there is a good chance there will be an **HOA fee** for maintenance of these exterior spaces. These are all things to consider when determining what is a "must have" on your list versus a "nice to have."

## Condo

A **condo**, short for condominium, is typically a privately owned unit that is in a larger building or stands alone in a condo community. Condos often result in sharing a wall with your neighbor and may not offer yard space; if lawn maintenance is something you want to avoid, this could be a good option for you. While the actual living unit is private, there usually are additional jointly owned spaces like a pool, gym, and garage. And while the homeowner is responsible for maintaining the interior of a condo, there is typically an HOA fee or Condo fee that goes toward paying a crew to maintain the exterior and shared spaces.

### Homeowners Association Fee (HOA):

Amounts paid, usually monthly, by unit owners to meet daily operating costs as well as contributions to the required reserve fund. HOA fees are not included in your monthly mortgage payment and must be paid directly to the homeowners association, usually through a professional management company. It is important to understand what is and is not included in the fees, as it varies from association to association.

### Condo:

A form of homeownership that combines individual ownership of a unit with shared ownership of common facilities. Each owner has a separate mortgage for his or her unit and is responsible for making the payments on the loan and paying associated real estate taxes. An elected board of directors is responsible for operations and management of the common facilities. Each owner pays a monthly recurring fee that covers their share of the cost to repair and maintain the common facilities.

## Townhouse

A **townhouse**, or townhome, is usually a multi-floor unit that shares one or two walls with another property. A townhome has a private entrance and typically some sort of private outdoor deck or patio. Because they're built up instead of out, townhomes are usually less expensive than a single-family home even though they may be the same size. As with condos, there may be shared amenities like a pool, gym, and clubhouse, and usually there is an HOA fee for maintenance of exterior spaces.

## Manufactured home

**Manufactured homes** are built off-site in a controlled-environment factory and then delivered to the homesite selected where utilities are connected and assembly takes place. They're typically more affordable than site-built homes, and the latest generation of manufactured homes have similar features like open floor plans, energy-efficient appliances, attached garages, and porches. Many of today's manufactured homes offer a broader range of options than in years past and may be a great way to get into a more affordable home of your own.

## Mixed-use spaces

A mixed-use space generally means that there are businesses and residential living spaces in the same building, development, or zone. These types of setups are great if you want to be within walking distance of community amenities like restaurants and shops. If this is something that appeals to you, talk to your real estate agent about finding homes that are in mixed-use areas.

## New construction homes

A newly constructed home essentially means the home has not been lived in before. These can range from move-in-ready homes, to ones under construction where the developer may give you options for materials and finishes, to building from scratch on a plot of land. Although new construction homes can sometimes cost more, they are a great option if you don't want to invest in or manage renovations, home updates, or energy efficiency upgrades after buying the home.

### **Townhome:**

A townhouse, or townhome, is a house that has two or three levels and that is attached to a similar house by a shared wall.

### **Manufactured Home (MH):**

A dwelling of at least 400 square feet and at least 12 feet wide, constructed to the "HUD Code" for manufactured housing, that is built on a permanent chassis, installed on a permanent foundation system, and titled as real estate.

# Looking for a home

**You'll learn:**

**Features to consider when choosing a home**

**Location factors to keep in mind**

**The benefits of an energy efficient home**

Once you find a real estate agent and decide the types of homes you want to look at, it's time to start looking. But before you do, you'll want to consider several factors that will help your agent select homes that work for your budget and lifestyle. When deciding what you really want in a home, figure out items that are absolute "must-haves" versus things that you would like but can live without ("nice-to-haves").

## Cost

To make your home search as efficient as possible, think about your price range for a home. At this point, you may not know exactly how much money a **lender** will approve for your **mortgage**, but hopefully you will have gone through the **pre-approval** or **pre-qualification** process, which will give you a good idea of how much a lender will lend you. Also, think about how much you plan to put toward your **down payment** as well as a budget range for a monthly payment. This can help you determine how much you can afford to spend on a house.

## Location

When it comes to location, consider if you want to be near parks, grocers, schools, hospitals, and other community amenities. Do you want to be able to walk to places or have more land? Then think about your commute to work. How important is the length of your commute? Is parking or access to public transportation important? Do you want to be near family and friends? Ask yourself these questions, and then narrow down to a few neighborhoods so your real estate agent can show you homes in those areas. Keep in mind that location typically impacts costs.

### Location factors to consider:



**Parks**



**Grocers**



**Schools**



**Hospitals**



**Public transit**



**Work**

#### **Lender:**

An organization or person that lends money with the expectation that it will be repaid, generally with interest.

#### **Mortgage:**

A legal document that pledges property to the mortgage company as security for the repayment of the loan. The term is also used to refer to the loan itself.

#### **Pre-approval:**

Pre-approval is a bigger step than pre-qualification, but it is a better commitment from the lender. This involves completing a mortgage application and providing the lender with your income documentation and personal records. If you qualify for a mortgage, the lender will be able to provide the amount of financing and the potential interest rate (you might even be able to lock in the rate). You'll be able to see an estimate of your monthly payment (before taxes and insurance because you haven't found a property yet).

#### **Pre-qualification:**

With pre-qualification the lender provides the mortgage amount for which you may qualify. Pre-qualifying can

## Age of home: fixer-upper vs. move-in-ready

There are pros and cons to both older and newer homes, but choosing between the two comes down to what fits your lifestyle, budget, and preferences. Some people seek out an older home or fixer-upper due to the lower purchase price or wanting to do a lot of renovation work themselves, while others may only want to do minor updates and are looking for a home that's move-in-ready. There are cost implications with both options. A fixer-upper could be less expensive now but could cost more once you get into renovation work. A move-in-ready home could be more expensive upfront, but you won't have to put as much money into renovations. If you don't want to have to worry about home improvements for a while, a newer home may be a better fit.

help you have an idea of your financing amount (and the process is usually quick and free), but you won't know if you actually qualify for a mortgage until you get pre-approved.

### Down Payment:

The amount of cash a borrower may need to pay in order to buy a piece of property; equal to the purchase price minus the amount of any mortgage loans used to finance the purchase.

## Home features

When searching for a home, it is important to focus on both the interior and exterior features that are important to you. Interior features have a lot to do with the size of home you want and need. Think about how many bedrooms and bathrooms you need. Are things like open floor plans, sunrooms, and eat-in kitchens important to you? Do you need a handicapped-accessible home or bedrooms on the main level? Other interior features to consider are bonus rooms, finished basements, laundry, separate dining room, walk-in closets, and fireplaces. Exterior features such as a garage, yard, front porch, or deck should also be factored into your search. If you want things like a big yard or a pool, it's important to also understand the costs of maintaining these features. [Check out our homebuyer checklist](#) for a list of features to consider during your home search.

## Energy efficiency

Energy efficiency elements can be found in many aspects of a home and reflect a home's overall health. Factors to consider include window types and condition, insulation, sealing, appliances, HVAC, and water. One thing to note: Homes that are less energy efficient can wind up increasing your utility bills, which costs you more money in the long run. Updates that improve energy efficiency can help keep good air in, keep allergens out, reduce mold, and improve the overall comfort and efficiency of your home.