

BUYING A HOME



**Office of the Staff Judge
Advocate
Eielson AFB, Alaska**

354 FW/JA
Legal Assistance & Preventive
Law
Pamphlet Series

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10 Steps to Owning Your Own Home

Feeling like you're pouring money down the drain every time you pay the rent? Buying a house can give you some return on your investment in exchange for a small risk of financial loss. This pamphlet will give you an idea of whether you are a good candidate for purchasing a home and the steps involved in purchasing a home.

1. Preliminaries: commitment

Owning your own house can be a moneymaking enterprise, but you'll need both time and money to make it happen. Three to five years is considered the minimum time frame to recover the costs of buying a home and start making a profit.

A benefit to military service is that the VA will lend money for a house with no down payment thereby avoiding the required 20% deposit. Still, you'll need a steady and reliable source of income.

Commitment might not seem like an issue if you arrive in June. When the snows start falling, it becomes a different story. You might love Alaska in the summer and hate it in the winter. It's best to avoid jumping into a house unless you're virtually certain you will stay here and be happy.

2. Getting the ball rolling. Do you have an agent?

A real estate agent provides expertise in the area and knowledge of the market and process. They can narrow choices down to the best houses for you and help you see a variety of homes.

On the other hand, the buyer's agent and seller's agent typically split 6% of the

selling price. You pay part of this in the form of an inflated selling price. Unless highly experienced, it is recommended you have an agent.

3. Financing. Where's the money come from?

Banks, credit unions, and mortgage companies all finance home purchases. They'll analyze your income and set a guideline for how much money you will be able to borrow. For military buyers in Alaska, we recommend the VA as the preferred program to guarantee the money. It provides lower rates and no down payment.

It also limits the amount of money your financial institution can charge you.

Your financial institution will issue you something called a 90% letter stating they are 90% certain they will lend you the money. This becomes important when making an offer on a house.

4. Finding the perfect home.

Although it's difficult with the pressures of TLF and TLA, we recommend taking your time in looking for a house. Remember that it's probably the closest thing to marriage the financial world can produce. You will be in the house for at least a few years.

5. Offer and acceptance.

Once you've found the house you want, you'll make a tentative offer to the seller and after some bartering you will come to mutually agreeable terms. At that point, you'll put down some cash as "earnest money" to prove you are seriously

interested. This money will come back to you, usually through paying part of the closing costs.

6. Inspection.

Inspections are required for VA loans. It is important to a competent inspector since you will be paying him out of pocket. We recommend choosing a professional engineer who normally charges between \$200.00 and \$400.00. The inspector will tell you everything that's wrong with the house, large and small. You should accompany the inspector during the inspection. Inspections are not required for new homes.

7. Hagglng over the details.

After discovering if there is damage to the home, details are worked out on who will be responsible for repairs. The seller can respond by saying anything from "I'll fix it all," to "Nothing." At some point, you'll probably have to decide which repairs are truly important to you, and which ones aren't. If the seller fails to agree to do any of the repairs, you may back out and retain your earnest money.

8. Appraisal.

After the repairs are completed, the seller will have the house appraised. The appraiser will usually get the inspector's report and take a walk-through of the house. After analyzing the house, he or she will give an estimate of the house's worth. For a VA loan, the appraisal must come in above the selling price, or the VA will not lend the full selling price. It's important to stand firm and insist on a price no higher than the appraised value.

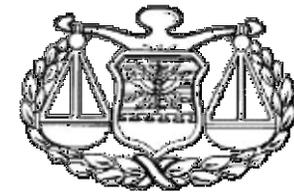
9. Tying up the lose ends.

If you've completed all the above steps, there's not much else to do, officially. You'll need to pick a title company to insure the title and conduct the closing. Be patient and go over everything carefully. This is your last chance to call the whole thing off.

10. Closing.

Congratulations! Closing is where you sign all the documents necessary to transfer ownership of the house and borrow the money. You'll fill out all the paperwork and get a cashier's check for your part of the closing costs. When you sign paperwork, the house is yours on the next day. Typically, the title company will record your title the next day, officially notifying the state of the sale.

This pamphlet is for basic information on home buying as it relates to military personnel stationed in Alaska. It is not intended to take the place of legal advice from a Judge Advocate. There may be important exceptions in some states to the information presented here. Please contact the 354th Fighter Wing Legal Office for questions and further information.



354 FW/JA
Tel: (907) 377-4114 / DSN 377-4114