

Topic No. 7: Step 2 - Conduct Pre-Planning with Your Exclusive Buyer Agent

Topic objective: To provide consumers with a realistic overview of expectations and processes.

If you approach buying or building a new home with the idea you are going to be getting a perfect home, you are in for a big surprise. One of the best custom builders in the Greater Kansas City area claims he can build a perfect home. However, he has never had the opportunity to build the perfect home, because no one has been willing to pay for the costly labor and materials to result in that kind of quality. There often is the feeling that, after the new home owner has lived in the home for a while, he or she realizes their planning lacked some important details. Thorough pre-planning pays big rewards. These rewards may include a more functional floor plan; savings on construction costs; use of the most appropriate materials; a more energy-efficient home; and, last but not least, aesthetics and charm.

Many home buyers will begin developing plans on their own. Often, these plans are initiated when the buyers happen to tour some new homes with little thought of buying a home. To avoid costly mistakes, your pre-planning should start with a meeting with an exclusive buyer agent. The agent should be instrumental in conducting a reality check on the balance between your expectations and your financial budget for the home.

The beginning focus, with your agent, should be on what you are willing to spend on the home and your ability to finance the home. This discussion should identify the funds available for earnest money and the down payment. Your maximum monthly payment will need to include real estate tax, homeowner's insurance, and homeowner's association fees. Your estimated budget should be increased by five- to 10 percent of the overall costs for upgrades and future purchases such as window blinds, drapes, etc. In addition, your budget should include moving costs.

The second set of considerations should focus on the basic needs the home must have. When your agent is aware of these basic needs, he should be able to estimate the number of square feet to accommodate your needs. Next, you should think about the type of lot that will meet the needs of your outdoor activities, the building requirements, and your desired location.

At this point, your agent should be able to estimate a budget for the lot and a building budget calculated by a square foot cost. Remember, this estimated cost will most likely not include all of the extras (i.e., upgrades) that you will desire in the home. If your needs and ability to finance them are realistic, it is time for you to search for house plans that you might like.

Before leaving this meeting, you should make sure you understand how you are to communicate with other agents and builders if you happen to call about new homes or visit new home developments. If you have not signed a buyer agency agreement with an exclusive buyer agent, it would be wise to do so before leaving the meeting. That is, assuming you have checked references on the agent and feel the agent has the important skills needed to meet your needs. This is important, because, when you visit new home developments, the agents there will attempt to keep you from working with a buyer agent. After all, it isn't in THEIR best interest.