

Buying a House in Waco:

It goes without saying that Waco is becoming known for homeownership, shiplap, and fixing up houses. I recently purchased a home and would like to take a moment to share some of my *very limited* experience as a first-time homebuyer in Waco.

Pros:

- **Savings Compared to Rent.** If you plan on being in Waco for a while, you might be able to save money in the long run by putting it towards your house (which you can then keep or sell) compared to paying rent money, which you don't get back.
- **Credit Boost.** Homeownership can help your credit, assuming you pay your bills on time.
- **Your home, your castle.** You aren't answerable to landlords and can modify your house however you like. Hang those pictures on the walls!
- **It's an Investment.** Depending on the state of the market, there is a decent chance you can make some money. Waco is a growing city with a big demand for homes, the housing market is growing fairly well nationally, so you could very well make money. (Note I am not a financial advisor, I'm just pointing out that property is a **type** of investment, not necessarily bad, good, or the best one you can make)
- **Tax Breaks.** You can deduct mortgage interest from your taxes. But you have to pay property taxes so that's kind of a wash.
- **Beat inflation.** There is an argument that maintaining mortgage debt can actually beat the inflation rate. Your rent may go up in response to inflation and other factors over the years, but your mortgage payment (principal and interest) should stay the same.
<https://www.fool.com/mortgages/2018/05/24/pay-your-mortgage-early-or-invest.aspx>

Cons:

- **Down payment is expensive.** Most conventional fixed-rate loans will ask for 20% down. On a \$100k home that means you need to come up with \$20,000. If you can't pay 20%, you may be asked to pay private mortgage insurance until you get to the minimum down payment. This is an extra monthly payment that the bank takes as insurance that you won't default on your loan.
- **Closing Costs.** Don't be surprised by closing costs – preparation of legal documents, getting surveyors to confirm your property, etc. All of the things that you need to do to close the deal and purchase your house. It adds up and is likely to be a few thousand. Talk to your realtor and ask them what they think closing costs will be, sometimes you can negotiate to have the seller cover them.
- **Home Ownership can be expensive.** You have to fix things yourself now. Got a lawn? You need to mow it. Broken pipe? Call a plumber or learn how to fix it yourself. I can't stress this enough, it's not for the faint of heart. Now on the plus side Home Depot has become my favorite store, but I've spent a lot of time and money trying to get my house fixed up. Chip and Joanna make it seem fun and easy. Now this also means you can save money because you decide what you want to pay to fix and how much money you want

to sink into your home. Maybe your home improvement will help your return on investment!

- **You're responsible.** It's your home, so you are in charge of getting utilities taken care of, getting homeowner's insurance, and making sure everything gets done. It's a lot to take on, especially if you're used to living in dorms or renting apartments.

General Outline

Ok, so how does it work? I'm going to spell out a brief outline of the homebuying process. Your realtor will be able to explain this in much greater detail, but this is the gist:

1. **Do your Research.** Start early, make a list of what you want in a house and set how much you are willing to spend (remember to overestimate this number to account for closing costs). Look at sites like Realtor.com to see what's on the market.
2. **Get Prequalified.** Find a bank or lending agency and get them to write you a letter saying that you are prequalified. This is not an agreement to lend, but it means that the bank says "we might give you a loan".
3. **Find a realtor.** Now you have your letter, you can take it to a Real Estate agency and they'll know you mean business. Find a good realtor with lots of experience. Can't stress this enough, this person is going to be your representative and guide through the process. You want them to be transparent, explain things to you, and be able to spot red flags in the houses you visit. Experience really helps.

Also remember it doesn't cost anything to get a realtor, they're paid based on the sale. So it's nice, but also remember they're interest is getting you in a house.

4. **Go look at some homes and Make an Offer** In the Waco real estate market things move fast. Sometimes houses go mere days after being listed. Go visit a few homes, and if you don't get the one you want don't worry – more will be listed. Your realtor will give you tours of homes, giving you the chance to ask questions and inspect. If you like it, make an offer. There will be an asking price, but your realtor will negotiate for you. Strategize together and see what kind of deal you can get.
5. **Home Inspection.** If your offer is accepted you get a little review period. You put a little money down to show that you are serious and then you have usually about a month to get the checklist of items together. One of these includes a home inspection. Make sure everything is working. **If it is not, you can demand that the seller have it fixed before the sale.**

If I were to buy a home again, I would also hire an electrician, plumber, and HVAC specialist to inspect the home. It may cost a couple hundred dollars, but it's HUGE savings compared to not knowing that your home has major plumbing issues that the generic home inspector wasn't able to test.

6. **Get your loan** Bigger banks may have higher standards. Even if your student loan debt is small and deferred because of graduate school, they will count that against you. Smaller local lenders may not be able to get you as good of a rate, but they will be more flexible with the terms of your loan. Figure out what lender is right for you based on our financial situation.
7. **Close** There are a few other details like getting your title and your property surveyed, the realtors take care of all that and should be happy to explain every step of the process there. Basically they're a bunch of little expenses tacked on at the end. After that's all done, you can close. Do some hand stretching exercises because you're going to sign lots of papers. Lots.
8. **Get the keys.** Then change the locks, that doesn't come with it. Take them to a place like Waco Lock and Key and they'll rekey your locks for \$10. If you don't like something, be proactive about it. Learn how to fix things, ask your realtor for help if you think the seller didn't disclose major damages or in some way misled you. Other than that ignore your first couple months of buyer's remorse and enjoy moving in to your new home. And learn to mow the lawn.

Some Important Things to Consider

- **3+ Bedroom Houses have better resale values.** Because families want them.
- **Check the foundations** Waco has bad soil. Look for foundation cracks, sloped areas on the floor, little fissures in the ceiling. These get worse over time and dramatically hurt the home's value (and safety for that matter).
- **Check the fundamentals** Look, a cool yard is great, but the boring stuff is what you want to work. Make sure the plumbing is new (copper I hear is the good stuff), that the water pressure is good and the water heater works. Make sure the washing machine drain works (that one gets ignored in inspections apparently!). How is the insulation, will your house get really cold in the winter or let out all the cold air in the summer? (It gets hot here!) What are the windows like? How is the electricity? Is your house grounded?
- **Check out the neighborhood** Waco has a lot of "fixer upper" type homes that people buy in not-so-great neighborhoods, slap a new kitchen on, then try to flip for a profit. Try driving around your house at 10 PM and see if your future neighborhood feels safe. Check police reports or crime maps on websites like Trulia.com
- **Consider your appliances.** Homes don't come with appliances, but if you play your cards right you can see if the seller will help by installing a washer/dryer (for instance) in exchange for a higher offer. I did this with several major appliances. I figured this way I was basically financing my washing machine and washer/dryer through the same loan as my house instead of applying for a payment plan through sears. That's just what I did though. Conversely you don't get to pick the model you want and the sellers probably will go cheap.

- **Your monthly payment has 3 things:** You pay 3 things a month – Mortgage payment, homeowner’s insurance, and property tax. Texas actually has high property taxes. The tax and insurance payments are held by your mortgage company and then paid to the County and your insurance company.
- **Amortization** Speaking of your loan, you should know it is likely on an amortization schedule. This means that your very first payment is like 99% interest and 1% principal, and by the time you get to your last payment it is 1% interest and 99% principal. If you plan to sell the house after grad school, look at your amortization schedule and see how much money you will have actually put towards the house by then versus how much money you paid in interest over that time. Now compare that to what you’d expect to pay in rent.
- **Get a good home warranty** Oftentimes you’ll get a warranty on your home, which pays for repairs to major systems like your HVAC for the first year. Read the fine print so you know what it covers. It didn’t cover my washer-plumbing problems because that was “under the house”.
- **Homeowner’s Insurance is cheaper for safe houses** Like having a car with good airbags will lower your car insurance rate, safety upgrades to your home will affect your homeowner’s insurance. Don’t skimp on safety.
- **DIY stuff.** Really, Home Depot is great. Learn how to fix things. Get your own Wi-Fi router and modem and stop renting them from Grande. The best part of having a house is you get to decide how it works, where to skimp and where to pay up. Customize it to your liking.
- **Meet the neighbors** I’m not always sociable, but this is worth the effort.
- **Learn how to BBQ** Ok, now I’m just getting silly, but if you have a yard in Texas are you seriously not going to give this a try?

Feel free to reach out to me for more questions, but again- this is all just from my experience of doing this once. I am by no means an expert! Ultimately, I like my decision to buy a house but I’d be lying if I said it was easy. It takes a lot of careful thought. Hopefully this gave you some good stuff to think about as you start this process. Welcome to Waco!

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