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# YOUR FIRST HOME

THE PROVEN PATH  
TO HOME OWNERSHIP



A KELLER WILLIAMS® REALTY GUIDE

**GARY KELLER**

WITH DAVE JENKS AND JAY PAPASAN

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## **OUR MISSION**

We at Keller Williams Realty love real estate—the land, the homes and all those involved in the purchase, ownership, and sale of it. Professionally, we are dedicated to discovering and sharing the best real estate wisdom, practices, and models with everyone. The insights in this guide come from real-life experiences of hundreds of thousands of first-time home buyers with whom we have worked. In addition, our team has undertaken more than a decade of continuous in-depth research on all the steps, facets, and nuances of the home-buying process. We are excited to share this collective wisdom for the benefit of all those who are seeking to buy their first home and experience the rewards of home ownership.

## **OUR BELIEF**

We believe that home ownership sits at the core of a free-enterprise economy and a nation of opportunity. It is a statement not only of personal freedom but also of financial strength. Beyond this, we believe in an even more fundamental truth: there is no place like home. From childhood to parenthood to retirement, your home represents an ever-present source of incredible emotional strength—it is, in fact, where your heart is.

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# PREFACE



I can still remember buying my first home—it was a big deal in my life. I loved that home, but funny thing is, it was actually my second choice. My first choice slipped away from me. It wasn't anyone's fault but mine. I found it, but instead of buying it, I drove by it every day, dreaming about living there. Certain of my desire, I was uncertain of the market and my next move. Unfortunately, and to my horror, the fifth day I drove by, it had a sold sign on it. I was heartbroken but, now certain about what to do, immediately drove over and bought my second choice.

The reason I share this with you is that even as an experienced real estate agent, I lost the first home I ever wanted, and I don't want the same thing to happen to you. It is also important to keep in mind that your first home probably won't be your last home. However, making that first purchase paves the way to owning your ultimate dream home faster than you think. As my father, Lew Keller, told me when buying my first home, "Buy it to sell it."

This book is about buying your first home, and I want to encourage you to make that leap. Owning a home will not only lay a solid foundation for your financial future but will also set the tone for your own personal lifestyle. It truly enables you to live the ultimate dream. And while it may quite possibly be the most expensive investment you've ever made, it will also be one of the smartest.

The process of buying your first home—from writing an offer to financing the purchase to navigating the closing—can be downright confusing. You’re going to have a lot of questions, and not knowing all the answers can be stressful, but I can guarantee you one thing: it’s absolutely worth the effort.

This book’s goal is to help you know what to expect and be your trusted reference guide. I encourage you to skip around—this isn’t a textbook or a “home” work assignment. Dig into the parts that interest you, and skim over those that don’t. But first, let me share the most important piece of advice we can give you: you don’t need to know everything.

With three decades of experience as a real estate agent and business owner, I’ve had a hand in literally thousands of real estate transactions. You know what? I still don’t know everything. And I don’t want to know everything! Knowing it all, I’ve found, isn’t nearly as important as knowing who you can count on for expert advice. I’m proud to depend on the skills and talents of the people I work with, and that’s what I would encourage you to do when you’re out there looking for your first home.

Remember, your real estate agent and mortgage lender already know the nuts and bolts. They are market and transaction experts who will be able to answer your questions—if they can’t, they’ll find someone who can. But there are some questions that only you can answer: Where do I want to live? What does my ideal home look like? How much can I comfortably afford? Does this home purchase meet my family’s needs, and fit our long-term plans? These are the questions that require your serious focus and sincere answers.

Real estate agents will tell you that helping first-time home buyers is one of the most satisfying aspects of their work. They know that becoming a home owner is a huge milestone, and they feel honored to be involved. It's an exciting opportunity, an emotional moment that means so many powerful things: I've arrived. I'm responsible. We're secure. We're part of a neighborhood. We've realized the dream. We're home.

I love this business and am proud to help people take ownership of their first home. I have no doubt that whoever guides you through the weeks to come feels exactly the same way. So, good luck on your journey. I hope it's as smooth and enjoyable as it can be, and I know you'll be thrilled when you get there—into your first home.

A handwritten signature in black ink, appearing to read "Gary Keller", with a long horizontal flourish extending to the right.

Gary Keller  
Cofounder and Chairman of the Board  
Keller Williams Realty, Inc.

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Gary Keller, Dave Jenks, and Jay Papasan

Visit us at [YourFirstHomeBook.com](http://YourFirstHomeBook.com) for more information.

# INTRODUCTION: THERE'S NO PLACE LIKE HOME

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## HOME IS WHERE THE HEART IS

In 1948, Stanley and Wini Reben bought their first home for ninety dollars down. It was one of the many tiny two-bedroom Cape Cod homes springing up all over Levittown, New York, after World War II.

“I was thrilled,” Wini remembers, more than half a century later. “After living in an apartment, those four rooms were like a palace.”

Built at the astonishing rate of thirty a day, the homes in America’s first planned community were small and affordable, often purchased with low-interest loans the government offered returning GIs. Stanley, who had just finished service in the Coast Guard, and Wini, who worked at a cosmetics counter at a local store, borrowed their down payment and occupied their \$8,000 home before their street was even paved.



*The typical Cape Cod home of Levittown, New York, ca. 1948.  
Image courtesy of the Levittown Public Library collection.*

Levittown's 17,000 homes were built in an assembly-line fashion—they were identical on the inside and nearly so on the outside as well. In fact, a folk tune popularized by Pete Seeger in the 1960s dismissed planned communities like Levittown as “little boxes made of ticky-tacky” that “all looked just the same.” But Stanley and Wini would tell you today that the home is defined by the homemaker, not the house itself. You see, the people who moved into the houses were all unique, with their own ideas about what makes a house a home.

The Rebens added a deck and finished the attic. Their neighbors added porches and gardens, bay windows, and dormers. Over the years, the fruit trees planted by the developers in each yard stretched their branches toward the sky, each taking a slightly different path. Fifty years later, when the Levittown Historical Society set out to purchase a home in its original condition, there were absolutely none to be found. All the once-identical houses had been individually transformed into homes as distinct as the people who lived in them.

And for those of you curious to know how much those 1948 homes later were selling for, a quick check of Levittown's real estate postings revealed 2007 prices in the \$400,000-plus range.

Your first home may come with jewel-toned carpets or solid-beige walls. It may be a challenging fixer-upper, a quaint old cottage, or a sleek modern. But from the moment you unpack your furniture and start hanging your pictures, your home becomes a mirror that reflects your taste and personality, your likes and dislikes, your values, and your dreams. It becomes yours because you make it yours.

The pride of ownership that comes with buying your first home is inevitable. Over the days and months to come, you will most likely create an environment of your very own—one that expresses your taste, style, and creativity. A home is also your haven—a place where you can be yourself and escape from the daily grind of the outside world. Once that front door is shut, you are free to be and do as you please.



*A Levittown home today.*

*Image courtesy of the Levittown Public Library collection.*

There is a special category of life's firsts. First kiss. Driving for the first time. Going away to college. Starting your first job. Saying, "I do." Having a child ... All these unique moments bring significance to the story of your life. Whether you're from Calgary, Cocoa Beach, or any place in between, walking into your own home for the first time is just as magical.

## GARY'S FIRST HOME



When I was growing up, home had three different addresses in Houston, Texas. But some of my fondest memories are of my very first one, which was also my parents' first home. It was one of those sturdy tract houses you saw everywhere in the 1950s—three tiny bedrooms, two baths with shiny, pastel-colored tiles on the walls, a small den, and a tight two-car garage.

Our home stood on Dorothy Street, surrounded by others that were almost identical except for the color. The homes were separated by chain-link fences that kept the kids and pets safe but still freely invited conversations between neighbors. The lawns were all mowed and manicured. It was a great place to grow up. Looking back, I'm not surprised that the first house I wanted to buy—the one that got away—was the spitting image of that childhood home.

When I think of that house, so many heartfelt memories come crowding in. I recall my dad playing with us on the hardwood floor and tossing us up in the air. There was the huge swing set in the backyard. It wasn't one of those lightweight ones that rocks back and forth. Dad bought ours from a place that sold park playground equipment and then cemented it into the ground. It had swings, a slide, monkey bars, and even a trapeze, and it set the stage for many adventures. He also built a sandbox next to it, and my buddies and I spent hours there building tunnels and playing with our plastic cars and trucks. We built elaborate backyard forts, using cardboard boxes we scavenged from the nearby furniture store. Each summer Dad put up a blue plastic pool that would hold seven or eight kids. Everyone in the neighborhood congregated there.

I can still see my mother standing at the back fence and talking to our neighbor, Mrs. Ramsey, and my father, with a bandana around his head, mowing the lawn in his plaid shorts, dress shoes, and dark socks—dads didn't wear tennis shoes back then. I remember the cozy, wood-paneled breakfast nook with a Formica table where we gathered for meals, and where my mother once washed my mouth out with soap for saying something she thought was disrespectful. I recall birthdays and holidays, especially the aluminum Christmas tree with the color wheel—my two sisters and I spent hours watching the tree change colors as the wheel turned. Dad built a workshop in the backyard. He had someone pour the concrete foundation, and he constructed the rest. I carried his tools, and it was there I first learned how to hammer nails. Building the workshop took him a year, and although it was only 12 foot by 12 foot, I thought it was huge.

Buying your first home is probably the most exhilarating material experience you can have. Nothing else compares. It's where you hang your hat, where you rest your head; it's a source of security, an investment in your financial future. More importantly, a home becomes part of the psyche that houses your most powerful memories. You can reminisce about a rental, but you'll never love it the same way. Your home is where you build a workshop or cement a swing set into the ground or plant a rose garden like my dad and I did. There really is no place like home, especially when it's your own—and it's on Dorothy Street.

*Gary Keller is cofounder and chairman of the board of Keller Williams Realty, Inc.*

# CHAPTER 1: DECIDE TO BUY

• • • • •

Having emigrated from the war-torn former Yugoslavia to Canada about twenty years ago, Damir Markov of Toronto, Ontario, recalls the decision to buy his own home as among the most important in his life. “Our home gave us a sense of security and stability, and a chance to build for our financial future. I’m very happy I chose to buy,” says Damir.

Home is not only where your heart is, but it’s also where your money is, too. There are very few places you will treasure more than your home, and there are very few places you will have more treasure than in your home.

Although there are many good reasons for you to buy a home, wealth building ranks among the top of the list. Imagine if Stanley and Wini had rented a home for fifty years instead of buying one. How would their lives be different? Without even trying to go through the whole list, the one fact that jumps out immediately is that they wouldn’t own a home worth approximately \$400,000—debt free. For them, their home is not only where their heart is, it’s where their wealth is, too.

## HOME IS WHERE YOUR WEALTH IS

Many people don't come to realize the importance of financial independence until later in their lives when they are faced with a personal or family circumstance that requires available money—a health situation, college tuition, the loss of a job, a needed purchase, or retirement. For many of these same people, they are relieved and grateful that they had purchased a home and built some financial wealth to draw on. They realized, in fact, that their home was the best investment they had ever made. And it saved the day.

Even beyond the ability to tap into your home's value is the oft-overlooked advantage of simply paying your home off, eliminating your monthly mortgage payment, and reducing your cost of living. For those who have experienced this in their lives, it is a liberating feeling.

For these reasons, we call home ownership the best “accidental investment” most people ever make. But, we believe when it is done right, as outlined in this book, home ownership becomes an “intentional investment” that lays the foundation for a life of financial security and personal choice.

There are solid financial reasons to support your decision to buy a home, and, among these, equity buildup, value appreciation, and tax benefits stand out. However, too often, people will talk themselves out of making one of the best financial decisions of their lives for reasons that when fully examined just don't make much sense. Listed here are the most common fears that might keep some first-time home buyers from making the transition from renter to home owner,

along with the facts that will push you past them. Those who have the most fulfilling lives base their decisions on facts, not fears.

## FEARS AND FACTS ABOUT BUYING YOUR FIRST HOME

**Fear #1: I can't afford to buy a home now.**

**Fact: Actually, you can't afford not to buy a home now.**

First, there is always a home you can afford to buy that will be a smart purchase for you—the only questions are what and where. If it's "what" that matters to you, then keep pushing out the "where" until you find it. If it's the "where" that matters to you, then keep narrowing your "what" until you find it. No matter what features it has or where it's located, there is always a good buy for you.

Second, if you are paying rent, you can afford to buy. From a financial point of view, in the United States, the tax savings on mortgage interest alone usually makes up most of the difference between rent and a mortgage payment.

Third, the earlier you buy, the earlier you will benefit from equity buildup and will be well-positioned for any future appreciation. The fact remains, the sooner and more seriously you begin the process of buying your home, the sooner you'll find the best buy for you.



### 7 Fears About Buying Your First Home

1. I can't afford to buy a home now.
2. I should wait until the real estate market gets better.
3. I don't have money for the down payment.
4. I can't buy a home because my credit isn't very good.
5. I can't afford to buy my dream home.
6. I should wait to buy a home until I get married.
7. Buying a home seems way too complicated.

**Fear # 2: I should wait until the real estate market gets better.**

**Fact: There is never a wrong time to buy the right home.**

Historically, focusing on the market is never the smart approach to buying the right home. Whether right means the right price or the right property for you, waiting to time the market seldom works to your advantage. Trying to time the market in the short term is the easiest way to miss your timing for the long term. Keep in mind, it's the long-term factors that make real estate a solid investment. All you need to do in the short run is find a good buy (based on your needs and what is currently available) and make sure you have the financial ability to hold it for the long run. Once you've made this purchase, the long-term benefits of equity buildup, value appreciation, and tax benefits will always make it a right decision.

While you should always be aware of the fluctuations of local market conditions, real estate tends to be much more stable and rewarding over time than other types of investments. With the help of your real estate agent, you can find a home that meets your criteria and is a smart purchase in any market area and at any time. In the end, there are really only two ways to make money in real estate. You either hit the right timing of the market or you have enough time in the market. That is, you either happen upon the right moment to purchase your home or you hold it long enough for time to make your purchase right. If you miss the first, you most certainly can count on the second.

**Fear # 3: I don't have money for the down payment.**

**Fact: There are a wide variety of down payment options available for you.**

While many people believe that making a home purchase requires a substantial down payment, as much as 20 percent, this is seldom true. As a first-time buyer, options are always available to you that require much less than this number, some as low as 5 percent, some even less. Don't let the lack of a substantial down payment prevent you from investigating your home-purchasing opportunities.

There are many legitimate and sound financing options to choose from, and it only makes sense to investigate which one is right for you, your circumstances, and your pocketbook. And, by the way, delaying your purchase while trying to save up for your down payment will mean delaying all the financial benefits of home ownership. In other words, we think waiting could actually cost you money.

**Fear # 4: I can't buy a home because my credit isn't very good.**

**Fact: A less-than-perfect credit score won't necessarily prevent you from buying a home.**

Typically, there are two types of credit challenges—a poor credit history or no credit history. First, while it is valuable to have a good credit score, a poor one shouldn't prevent you from talking to several lenders to explore your options. You might be pleasantly surprised at the outcome. You can expect that a good loan officer (or mortgage specialist) will be able to help you resolve your credit challenges, often by simply showing you how to move or consolidate your debts, or by referring you to a credit counselor who will put you on a plan. Even though this plan may take a few months to implement, it immediately gets you on the path to ownership.

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