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Serving the Greater Houston Area

Houston Home Buying & Mortgage Guide

Sound decisions, careful oversight - buy with confidence, settle in with peace of mind

About 30-45 days from start to finish (cash purchases can close faster)

Stage 1: Preparation & Mortgage Pre-Approval

STEP 1. Define Your Needs & Financial Plan

Days 1-3

Area screening: Katy, Sugar Land, Pearland, Cypress, The Woodlands, and other popular school districts and commuter areas.

Down payment: 3%-20% for conventional loans; 20%-30% for investment properties.

Closing costs: Budget 1.5%-3% of the purchase price (including title insurance and document fees).

Monthly payment estimate (PITIA): Principal + interest + property taxes + homeowners insurance + HOA dues.

STEP 2. Get a Pre-Approval Letter

Days 3-7

Required documents: Tax returns, W-2s and 1099s for the past 2 years; bank statements for the past 2 months; pay stubs for the past month.

Pre-approval letter: Confirms your loan amount and rate range. It must accompany your offer.

Cash buyers: Provide proof of funds (POF) in English from a U.S. bank.

Stage 2: House Hunting in Houston - What to Watch For

1. Foundation - The Top Priority

Most Houston homes sit on a concrete slab, and the local clay soil expands and shrinks with the seasons.

Look closely for cracks at the corners of interior and exterior walls.

Open and close every door and window to check for sticking, and feel whether the floor slopes.

3. Flood Risk - Location-Based Prevention

Check the latest FEMA flood maps to confirm whether the home sits in a flood zone.

Ask specifically whether water got in during Hurricane Harvey and other major storms over the years.

If the home is in a flood zone, get a flood insurance quote early.

2. Roof & HVAC - High-Value Systems

Houston summers are extremely hot and AC systems work hard. Check the age of the outdoor and indoor units (budget for replacement if they are 15 years or older).

Check the remaining life of the roof shingles (15-25 years) and look for signs of hurricane or hail repairs.

4. MUD Taxes & Zoning Rules

Newer communities often carry a MUD (Municipal Utility District) tax, and the total tax rate can reach 2.8%-3.5% or higher, which affects your monthly payment.

Houston has no citywide zoning, so check the surroundings for high-voltage lines, oil and gas pipelines, major-road noise, and nearby commercial uses.

Stage 3: Offer & Contract Negotiation

STEPS 3 & 4. Pricing the Offer & Signing the Contract (TREC Contract)

Key timing: offer day & within 3 days of the effective date

Accurate pricing (Comps): Pull the actual sold prices of similar homes nearby over the past 3-6 months to build a precise offer strategy.

Earnest money: Usually 1%-2% of the purchase price, deposited into escrow with the title company.

Option fee: Usually \$200-\$500. It gives the buyer an unrestricted right to terminate during a 7-10 day option period.

Strict rule: The earnest money and the option fee must be delivered to the title company within 3 calendar days after the contract's effective date. If they are late, the seller may have the right to terminate the contract.

Stage 4: Option Period, Inspection & Repair Negotiation

STEP 5. Hire a Licensed Inspector

Full inspection: Foundation, roof, termites, electrical, plumbing, and HVAC systems are all checked.

Additional tests: For older homes, a hydrostatic test of the plumbing lines is recommended.

Review the title commitment: Focus on the restrictions and exceptions in Schedule B (such as easements and pipelines). Any questions must be raised during the option period.

STEP 6. Draft a Repair Amendment

Negotiation strategy: Focus on having the seller fix major safety and structural issues (such as foundation problems, roof leaks, and electrical hazards).

Ask for a credit: Repairs can be converted into a closing credit so you can hire your own contractors.

Termination: If you cannot reach agreement, you may terminate in writing before the option deadline and get your earnest money back. Note that if you terminate during the option period, the earnest money is refundable, but the option fee is not.

Option period deadline: The option period ends strictly at 5:00 PM local time on the last day stated in the contract. All inspections, negotiations, and signing of any repair amendment must be completed before that time. To terminate, the formal termination notice must be sent before 5:00 PM.

Stage 5: Underwriting, Rate Lock & Appraisal

10-20 days before closing

STEPS 7 & 8. Appraisal & Rate Lock

Appraisal: A lender-ordered appraiser values the home. If the appraised value comes in below the purchase price, you can negotiate a price reduction, cover the difference, or terminate under the contract terms.

Rate lock: The best window is generally 30-45 days before closing. Be sure to get a written rate lock confirmation from your lender.

Survey: The seller usually provides an existing survey together with a T-47 affidavit. If there is no survey, or the property has been altered, the buyer pays for a new one; both the lender and the title company require it.

Homeowners insurance: Purchase a homeowners policy and submit it to the lender. Homes in a flood zone also need flood insurance, and flood policies generally have a 30-day waiting period before they take effect, so buy early.

Eight Don'ts During Loan Underwriting (Violations Can Get Your Loan Denied)

- × Don't change jobs or change your pay structure
- × Don't apply for new credit cards or any new loans
- × Don't finance a car or buy appliances and furniture on installments
- × Don't deposit unverified cash into your bank account
- × Don't move money casually between bank accounts
- × Don't co-sign or guarantee any large obligation
- × Don't fall behind on existing bills; keep a good credit record
- × Don't close existing credit cards or credit accounts

Stage 6: Clear to Close & Wiring Funds

1-5 days before closing

STEPS 9 & 10. Clear to Close & Safe Wiring

Clear to Close (CTC): The lender issues its final, unconditional approval - your loan is officially through.

Review the Closing Disclosure (CD): You should receive the CD at least 3 business days before closing. Review the final interest rate, monthly payment, and the cash you need to bring for the down payment and closing costs.

Safe wire transfer: Bring your ID to a bank branch to wire the balance, and keep the wire receipt.

Wire fraud warning - extremely important: Before wiring, verify the receiving account by calling the title company at its official phone number (or through your agent). Never trust a last-minute emailed "account change" notice. Hackers routinely intercept email to divert wire transfers.

Stage 7: Closing Day - Signing & Key Handover

Closing day

STEP 11. Final Walkthrough & Signing

Final walkthrough: A few hours before closing, walk the home to confirm the seller completed the agreed repairs and the home is in good condition.

Signing in person: Bring a valid driver's license or passport to the title company and sign the legal and loan documents (about 45-60 minutes).

Funding and keys: Once the lender funds the loan and the deed is recorded with the county, you officially receive the keys. Welcome home.

Questions about buying, selling, or financing? Free consultation: (347) 774-5396 | owenrealestatetx.com

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This guide is for general information only. Specific terms are governed by the purchase contract and your lender's requirements. Rates and loan amounts mentioned do not constitute a loan commitment.