



HIGHTOWER

Westchester



## What to Expect During the Home Buying Process

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For many young people, homeownership is the ticket to building wealth. U.S. homeowners have a 400% higher average net worth compared to renters with similar demographics and earnings, and home equity represents the largest proportion of wealth (34.5%) for U.S. households, according to a research brief from Habitat for Humanity.<sup>1</sup> But, for many Millennials and older Gen Z, buying a home has become a lot more challenging due to high home prices, mortgage rates, and low housing stock. Other money factors, such as student loan debt, have also caused barriers for young people looking to achieve home ownership.

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In 2024, it was reported that Gen Z accounts for 28.2% of consumers with student loan debt, with an average outstanding balance of \$22,948. Millennials account for 39.9% of consumers with student loan debt and have an outstanding balance of \$40,438.<sup>2</sup> These factors have raised the average first-time homebuying age to 38 years old and 56 years old for homebuyers overall (including those who have already purchased a home).<sup>3</sup>

Despite these barriers to entry, younger Americans are still buying. In 2024, Millennials aged 25 to 43 made up 38% of the homebuying market, up from 28% in 2023.<sup>4</sup> In 2025, they may have more leverage in finding a home at a desirable price. According to Redfin, early 2025 data showed many homes are taking an average of 57 days to go under contract, the longest span in five years.<sup>5</sup> This allows first-time homebuyers to have opportunities to negotiate prices and terms with sellers.

Whether you are looking to buy a house soon or are planning for the future, educating yourself early about the home-buying process can help you be financially prepared before and after you make an offer. Below, we list the steps of the home-buying process and tips on how to be well-prepared.

## **BEFORE BUYING**

### **Get Preapproved**

Before you start searching for homes, compare different mortgage lenders, their rates, and apply for preapproval. A preapproval letter not only helps you understand how much you can borrow and what your interest rate will be, but it also sets a clear budget. The application process is quick and fairly easy, and it demonstrates to sellers that you are serious about buying a home. You can shop around and obtain letters of preapproval from multiple lenders to compare offers before committing to a mortgage. If you decide to shop around for rates from multiple lenders, do so within a short period so that the credit bureaus count it as a “soft inquiry.”<sup>6</sup>

## **Search for Home Buyer Assistance Programs**

After determining how much you can afford, the next common barrier is having enough money for a 20% down payment to avoid paying private mortgage insurance (PMI). PMI is a fee some mortgage companies require to protect them against losses if you default on the loan, raising the overall monthly cost if you can't put 20% down.

Fortunately, there are several state and local grants available to help cover costs such as down payments or closing costs. Some banks offer grants with the stipulation that you apply for a loan through them, or they may require you to earn no more than a certain percentage of the Area Median Income (AMI) for the community in which you want to live. Government grants often have similar requirements and may also require a specific credit score. For more information, please look up your state's specific program.

Research these programs before house hunting, as knowing what is available can influence your budgeting.

## **Determine Your Budget**

Once you have a preapproval letter and an understanding of the assistance programs available, you should figure out what your budget will be. Your home budget is determined by several factors, including your income, assets, debts, and credit score. There are several online mortgage calculation tools that you can use to figure out how much you can afford. When using the tool, you should also factor in other costs like HOA fees, property taxes, utilities, and insurance. Doing this can help you see the full picture of how much you will be paying for housing expenses each month. The rule of thumb is to not spend more than 28% of your gross income on housing costs.<sup>7</sup>

## **DURING THE OFFER STAGE**

### **Lean on Your Real Estate Agent's Experience**

Choosing the right real estate agent can make a huge difference in your search for a house. Your agent should possess strong knowledge of the area you're hunting in and its market trends, as well as information on the neighborhood and its property values. They may also be able to help broaden your search so you can explore more homes that fit your needs through their access to the MLS (a large database that lists properties on sale) and help save you time and stress by handling tasks like paperwork and scheduling showings. Additionally, they can help mitigate risks such as defects or other necessary updates.

### **Be Prepared for a Bidding War**

During the pandemic, bidding wars became common due to low interest rates. Many homeowners became frustrated by being outbid by other buyers by tens of thousands of dollars over the initial asking price. Although this activity has decreased slightly, with interest rates settling at just a little under 7%, these wars are still a reality due to the low amount of housing stock in certain areas.<sup>8</sup>

In a competitive market, be prepared for multiple parties to be interested in the same home. If you love the house and it meets your needs, aim to be competitive. Start with your strongest offer to show your seriousness. You can also present attractive terms like an all-cash offer, faster closing, or waived contingencies or repairs. However, waiving contingencies can lead to expensive repairs and safety issues in the future.

When bidding, you should also know the proper time to walk away. Sometimes, homebuyers can get so caught up in winning the war, they end up going way over budget and overpaying for the house. If you have a set budget, try not to exceed it to the point where you become "house poor" and spend most of your income on your house. To avoid this, do your research on the market value of the property so you can help yourself from overpaying.

## **Apply for a Mortgage**

Once your offer is accepted, it's time to choose the lenders you want to borrow from and submit your applications. While preapproval is quick, the loan application process can take anywhere from a few weeks to up to two months. During this period, review the Loan Estimates carefully, comparing each lender's terms and costs to find the best fit for you. After selecting your preferred lender, they will conduct a thorough review of your application and financial documents, including your Social Security card, W-2s, pay stubs, tax returns, bank statements, and credit report. It's recommended to avoid making major financial decisions, such as purchasing a car or missing loan payments, as these actions can impact your approval.

## **Hire a Home Inspector**

After the seller accepts your offer and the home is in contingency, first-time homebuyers should find a home inspector for the property. When you tour the home, some real estate agents will tell you about any repairs that need to be addressed, as most states mandate that sellers disclose any known defects on the property to potential buyers. These defects can be anything from flooding, sewage issues, structural problems, or lead and asbestos. However, it is not uncommon for there to be issues with the property that the seller was not aware of and, therefore, did not disclose. This is why it is important to hire a professional who can look beyond the surface and identify any potential problems with the house.

If your inspector reports any issues with the property, you can go back to the seller and ask them to repair it or provide money to repair it, potentially lowering your closing costs. You may decide that the costs to fix the issue are exorbitant and that you want out of the contract because the contingencies haven't been met. If this is the case, depending on the contract terms, you should notify the seller about your intent to exit by either having your real estate agent draft a letter or, depending on your state's laws, by filling out a form. Because termination of a real estate contract can be a complex process, please consider consulting with an attorney.



## **DURING CLOSING**

### **Speak with Your Lender**

Once the buyer and the seller have agreed to the purchase, the home is considered to be under contract. At this phase, you should shop around and purchase homeowners insurance so your lender can finalize your loan. Almost all lenders require some sort of proof that your house is protected from anything that would cause loss, like a fire or hurricane. Additionally, the lender may also want documentation confirming your income, debt, and employment history to make sure you are a reliable borrower.

### **Confirm the Closing Date and Property Condition with the Seller**

Before you start preparing for your move, you should confirm when your closing date will be. The closing date indicates when the seller will be fully moved out of the house and when you can move in. This date is typically set within 30 to 45 days after the offer has been accepted.<sup>9</sup> On the actual closing day, you should do a final walk-through of the property to make sure that no damage has occurred to the property since your inspection. It is recommended to do this before you sign your closing documents.





### **Sign and Save Your Paperwork**

On the days leading up to closing, you will receive several lengthy documents to sign. Below is a list of documents that you will likely receive:

- Closing disclosure
- Certificate of occupancy
- Loan estimate
- Mortgage or deed of trust
- Mortgage note
- Initial escrow statement
- Loan estimate

The content in the documents can be challenging to understand, so please consult your agent or real estate attorney if you have any questions about the material when you are signing. After signing, make sure to make copies or scan the documents for your records. Be prepared to bring a photo ID, a cashier's check, and professional representation on the day of signing.

## ***conclusion***

A home is one of the biggest investments you will make in your life, next to college. There are many factors to consider before, during, and after purchasing a house. This guide is a great resource to use ahead of the homebuying process. If you are interested in buying a home now or within the next few years, please let your advisor know, and they can work with you to prepare for this exciting life event.



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<sup>1</sup> Research series: Outcomes associated with homeownership | Habitat for Humanity. (n.d.). Habitat for Humanity. Retrieved March 28, 2025, from <https://www.habitat.org/our-work/impact/research-series-outcomes-associated-with-homeownership>

<sup>2</sup> Hanson, M. (2024, November 21). Student Loan Debt by Generation (2024): Millennials, Gen Z, etc. Education Data Initiative. <https://educationdata.org/student-loan-debt-by-generation>

<sup>3</sup> First-Time home buyers shrink to historic low of 24% as buyer age hits record high. (2024, November 4). <https://www.nar.realtor/newsroom/first-time-home-buyers-shrink-to-historic-low-of-24-as-buyer-age-hits-record-high#>

<sup>4</sup> More young adults are buying a home, but need help to do it. (2024, April 4). <https://www.nar.realtor/magazine/real-estate-news/more-young-adults-are-buying-a-home-but-need-help-to-do-it>

<sup>5</sup> Anderson, D. (2025, February 20). Some good news for homebuyers: slower price growth, more supply and more bargaining power. Redfin Real Estate News. <https://www.redfin.com/news/housing-market-update-good-news-for-homebuyers-2025/>

<sup>6</sup> Wales, C. (2025, April 3). How many pre-approvals should I get? <https://www.rate.com/resources/how-many-mortgage-pre-approvals-can-i-get>

<sup>7</sup> Probasco, J. (2025, March 21). What is the 28/36 rule for home affordability? Bankrate. <https://www.bankrate.com/real-estate/what-is-the-28-36-rule/>

<sup>8</sup> Bank Rate. (n.d.). Current mortgage rates: Compare today's rates | Bankrate. Bankrate. Retrieved April 1, 2025, from <https://www.bankrate.com/mortgages/mortgage-rates/#mortgage-news>

<sup>9</sup> Nesbit, J. (2024, April 5). The average closing time on a house is 30 - 60 days. Learn more about how long it takes to close on a house, how to avoid delays and what to expect in our guide. Rocket Homes. <https://www.rockethomes.com/blog/home-buying/home-closing-process-explained>

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