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FIRST TIME HOME BUYER'S GUIDE

everything you need to know



home buyer readiness ESSENTIAL QUESTIONS



Are you considering a shift from renting to buying your first home? It's a major financial step, but it's also a decision that impacts your lifestyle and future plans. While online calculators can assess your financial readiness, there's more to think about. To determine if you're truly prepared for the journey of buying your first home, here are some essential questions to consider:

QUESTIONS TO KEEP IN MIND

Asses your income.

Evaluate if your current income is reliable and sufficient to manage regular mortgage payments and home maintenance costs.

Determine your budget.

Calculate not just the home price you can afford, but also factor in ongoing expenses like property taxes, insurance, and homeowners association fees.

How's your credit score?

A good credit score is key to securing a favorable mortgage rate, so check your score and improve it if necessary before applying for a loan.

Am I prepared for additional costs?

Be ready for expenses beyond the mortgage, such as closing costs, home repairs, and potential emergencies.

How long do I plan to stay in this location?

Consider if you plan to live in the home long enough to make the purchase worthwhile, keeping in mind selling and moving costs.

Do I foresee major life changes?

Think about potential life events (like job changes, family expansion) that could affect your housing needs and financial stability..

Is the area suitable for my needs and lifestyle?

Research the neighborhood to ensure it aligns with your lifestyle preferences, daily commute, and access to amenities like schools, parks, and shopping.

DETERMINE YOUR DEBT-TO-INCOME RATIO

Calculating your debt-to-income (DTI) ratio is a straightforward process that helps you assess your financial health and your ability to manage new debts, like a mortgage.

Mortgage lenders typically have specific DTI requirements when approving loans and often prefer borrowers to have a DTI ratio below 43% (including the new mortgage payment).

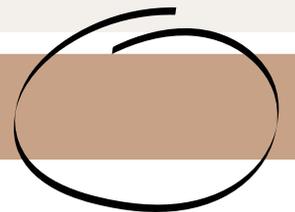
However, some loans, like FHA loans, may allow higher DTI ratios. It's essential to understand your DTI ratio because it plays a significant role in determining your eligibility for loans and your ability to manage debt.

If your DTI ratio is on the high side, consider reducing your debt before taking on additional obligations like a mortgage.

TIP

A DTI under 36% is great, keep it up!
A DTI between 37%–43% has room for improvement! A DTI above 45% may pose some challenges. Speak to a lender for advice on qualifying.

RENT	
CREDIT CARD	
CAR + INSURANCE	
PHONE + INTERNET	
UTILITIES	
STUDENT LOANS	
SUBSCRIPTIONS	
FITNESS	
TOTAL EXPENSES	
÷ GROSS INCOME	
DEBT-TO-INCOME %	





Pre-approval: The first step is to get pre-approved for a mortgage. This involves submitting financial documents to a lender who will then determine the loan amount you qualify for.



Find a real estate agent: Next, you'll want to find a real estate agent who can help you navigate the market, find suitable properties, and negotiate on your behalf. That's me!



Home search: With your agent's help, you'll begin the exciting process of searching for homes that meet your criteria. This can involve attending open houses, scheduling private viewings, and exploring different neighborhoods.



Make an offer: Once you've found a home you love, your agent will help you prepare and submit an offer to the seller. This offer will include the proposed purchase price, any contingencies, and other terms.



Offer acceptance and escrow: If the seller accepts your offer, you'll enter into escrow. During this period, you'll conduct inspections, finalize your mortgage, and address any additional contingencies.



Closing: The closing process involves signing all the necessary paperwork, including the mortgage documents and the transfer of ownership. You'll also pay any closing costs and the down payment.

“How Long Does This Process Take?”

Once you have an accepted offer and you're under contract, the escrow period typically lasts around 30 to 45 days until you get the keys to your new home!



THE MORTGAGE PROCESS

The first step of the home buying process is to understand how much you qualify for by meeting with a local lender and getting a pre-approval letter. It's important to interview a few lenders to find one that will be a good fit.

A pre-approval is **only valid for 30-90** days, so while you can start talking to lenders, you'll want to wait on getting that pre-approval letter when you're ready to buy.

QUESTIONS TO ASK LENDERS:

What type of loan do you recommend for me? Your lender should then walk you through the pros and cons of multiple loans based on your unique situation.

Do I qualify for any down payment assistance programs? Depending on your area, the type of property or your circumstances, you may be eligible. A good lender should know what's available to you.

What will my monthly payment be? This question is arguably the most important! Check with the lender about a prepayment penalty. That is, if you pay off the mortgage early (by selling or refinancing). The answer should be no!

What is the annual percentage rate (APR)? APR tells you a mortgage's true cost. The APR includes interest rate, points and fees charged by the lender, and lets you accurately compare mortgage offers.

Can I lock-in an interest rate? If so, for how long? Do you charge to lock in a rate?

What will my closing costs be? Are they a part of my loan, or will I pay them in cash at closing? 3-6% of your loan value is typical.

Will I pay mortgage insurance? If you put down less than 20% on a conventional loan, it's likely you will. Ask the lender if it's a one-time or ongoing fee.

frequently asked questions

MORTGAGE

How much do I need to save up for a down payment?

A conventional loan down payment is usually 20% of the sales price, but other types of financing require as little as 3.5% to 15%. Consulting with a mortgage lender can clarify which loan types you're eligible for.

How do I know if I qualify for a loan and how much I can afford?

Contact a mortgage lender to get pre-approval for a loan. The lender will ask you some basic questions about your income and debts and can tell you what amount you can be approved for, and how much your mortgage payments will be. Ask me for my lender recommendations!

What does the lender need from me to give me a loan?

Usually, you are asked to provide your last two tax returns to show proof of income. You should also provide recent bank and credit card statements and proof of your current pay rate. You will also be asked for your social security number so they can run a credit check.

What's the difference between pre-approved and pre-qualified?

While often used interchangeably, these terms don't mean the same thing. Pre-qualification is an estimate of what you may be approved for based only on the verbal information you provide. Pre-approval means the lender has verified your income and debt information and run a credit check.

How do I know which mortgage option is right for me?

Your mortgage lender is the best person to advise you on this question. Their products and qualifications change from time to time, so they would know best what products are available to meet your needs.



Lender Questionnaire

NAME: _____ **COMPANY:** _____

PHONE: _____ **EMAIL:** _____

What type of loan do you recommend for me and why?

Do I qualify for down payment assistance programs?

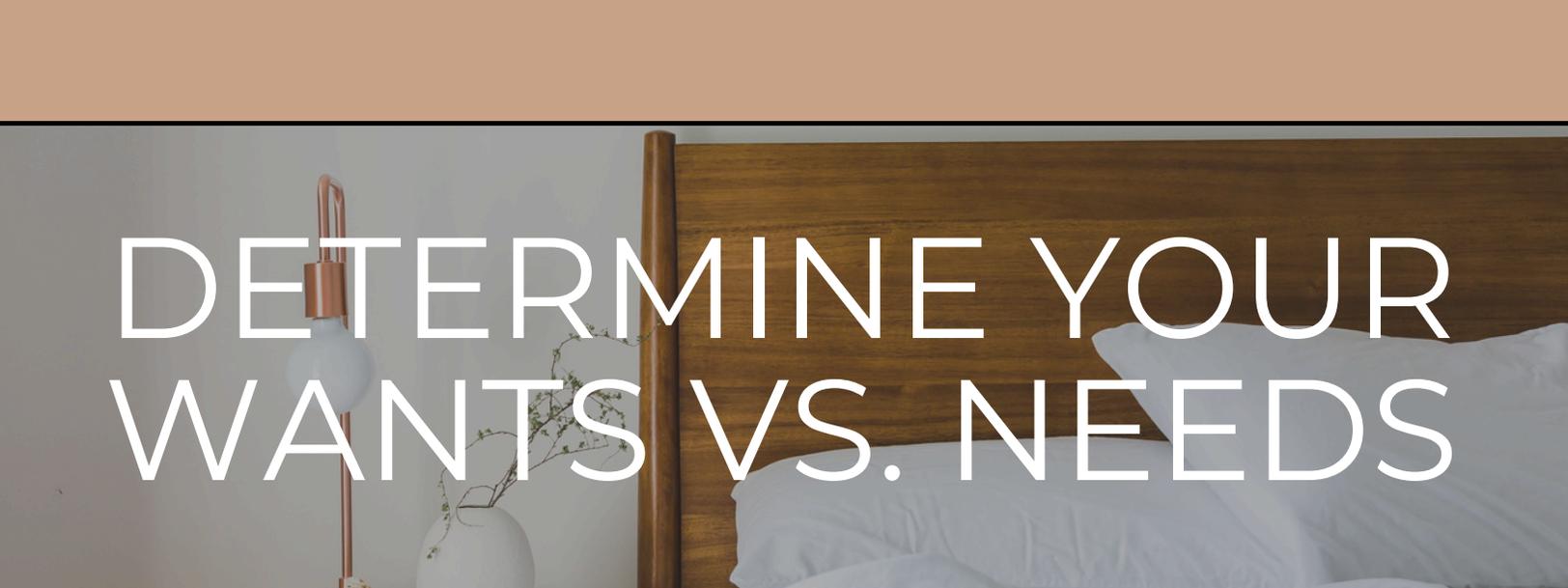
What is the interest rate? What is the APR?

Will I pay mortgage insurance?

What will my monthly payment be?

Can I lock in an interest rate? If so for how long? Are there fees associated?

What will my closing costs be? Are they a part of my loan, or will I pay them at closing?



DETERMINE YOUR WANTS VS. NEEDS

Before we hop into the home search, I like to advise my clients to create a "Needs" list and a "Wants" list. This will help us to really focus on the things that are most important in your future home. Needs are the non-negotiable.

NEEDS MIGHT LOOK LIKE

- ✓ Enough bedrooms for your family
- ✓ First floor master bedroom
- ✓ Close proximity to work or school
- ✓ Attached two-car garage
- ✓ Yard for children or pets

They are the features you simply must have in your next home. Wants are the ones you'd like to have, but you can add or change down the road. Remember you can't change the lot, the location, or the price you paid.

WANTS MIGHT LOOK LIKE

- ✓ Specific paint or exterior color
- ✓ Fenced-in backyard
- ✓ Specific flooring
- ✓ Kitchen amenities or appliances
- ✓ Walk-in shower or double vanity

NEEDS

WANTS

THE HOME SEARCH PROCESS

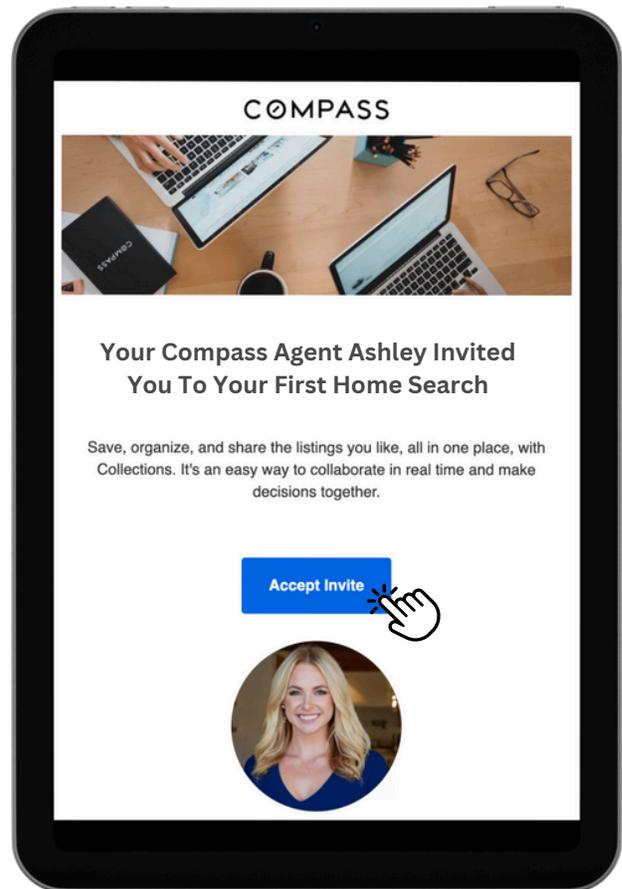
Compass Collections Make It Easy For You!

HOW DOES IT WORK?



Imagine having a personal home-search assistant that knows exactly what you're looking for! That's what our Compass Collections tool is all about. Once we figure out your home wishlist, I'll set up a customized search just for you. This nifty tool keeps an eye on the market 24/7, catching new listings that tick all your boxes. You'll get updates the moment a match pops up, giving you a head start in this fast-moving market.

But it's not just about finding homes; it's about finding your home. With Collections, you can jump in and mark your favorites, give feedback, and refine the search anytime. Plus, you'll stay in the loop with real-time notifications on new additions or changes to your curated list.



Any time you see a property you'd like to tour, just let me know and I will schedule the showings for us. If you see a home has an upcoming house, I am happy to attend those with you as well.



MAKE THE MOST OF YOUR SHOWINGS

You're SO READY to get inside those homes on your shortlist and see for yourself if one of them is soon-to-be your new address.

I know you're excited, but it's important to go into those showings calm, cool, and with your thinking cap on. Below is a quick list of how to do just that!

KEEP THIS IN MIND AT SHOWINGS

Read over your wants vs. needs list and revisit your budget. Having this fresh on your mind will help you stay objective and focused.

Take pictures and videos to jog your memory later.

Consider the lot, lot size, and location, all of these things cannot be changed.

Look for signs of structural integrity. Water damage, cracks in walls or ceilings, sloping floors, and other potential issues.

Pay attention to noise levels from nearby roads, airports and railways

Examine the roof for leaks, missing shingles, or other damage. Inspect siding, windows, doors, and the overall exterior condition.

Consider layout & space. Does the property's layout suit your lifestyle? Check room sizes, storage space, and the flow between rooms.

Look past decor & staging. These things will soon be gone

Consider the potential resale value of the property by researching the historical appreciation rates

DON'T WORRY, I WILL BE THERE TO GUIDE YOU AND ANSWER ANY QUESTIONS YOU MAY HAVE!





MAKING AN OFFER

So you think you've found "the one" and you're ready to put in an offer— what happens next?

Understanding the Contract:

- We'll sit down together to review the purchase contract.
- I'll explain all the key elements: property details, offer price, down payment, closing costs, etc.
- We'll go over any legal terms or conditions to ensure you're fully informed.

Deciding on the Offer Details:

- We'll discuss and decide on the offer price based on the market analysis and the home's value.
- Choose the amount for the down payment that suits your financial plan.
- Set the escrow period - the time frame from offer acceptance to closing.
- Discuss contingencies like home inspection, financing, and appraisal to protect you.

Drafting and Sending the Offer:

- As your agent, I'll draft the offer with all the details we discussed.
- I'll ensure the offer is strong and competitive, yet fair and within your comfort zone.
- The offer will be sent to the seller's agent for review.

Waiting for Response:

- We wait for the seller's response - they might accept, reject, or counteroffer.
- I'll guide you through any counteroffers and negotiate on your behalf.

Final Steps:

- Once the offer is accepted, we'll proceed with fulfilling contingencies.
- I'll be with you every step of the way, ensuring a smooth path to closing.

Remember: As a first-time home buyer, it's normal to have lots of questions. I'm here to make this process as easy and understandable as possible.

frequently asked questions

THE SEARCH

What should I do when I see a house online that I like?

Call your buyer's agent: the agent you are working with to find your home. It's best that you work with one real estate agent throughout your search because that person learns what you like and dislike and will invest a lot of time vetting properties for you. That person also represents your best interests only. When you call the agent advertising the home, you are dealing with the seller's agent, so, while they can assist you, they are also trying to get the best price for the seller.

Can you show me a house if it's not your listing?

Absolutely. As a buyer's agent, I can show you any house listed in our MLS system, and I will contact FSBO sellers on your behalf. As mentioned above, working with me as your buyer's agent ensures that your interests are protected.

How do we write an offer?

When you find the property you want to make an offer on, I will run a Comparative Market Analysis (CMA) to help you determine a fair offer amount. I will also guide you through the additional terms of the contract, such as the escrow amount, closing date, and any additional terms you want to be added to the offer. I will write the offer on a contract form and submit it to the seller's agent.

What if I want to back out of a contract?

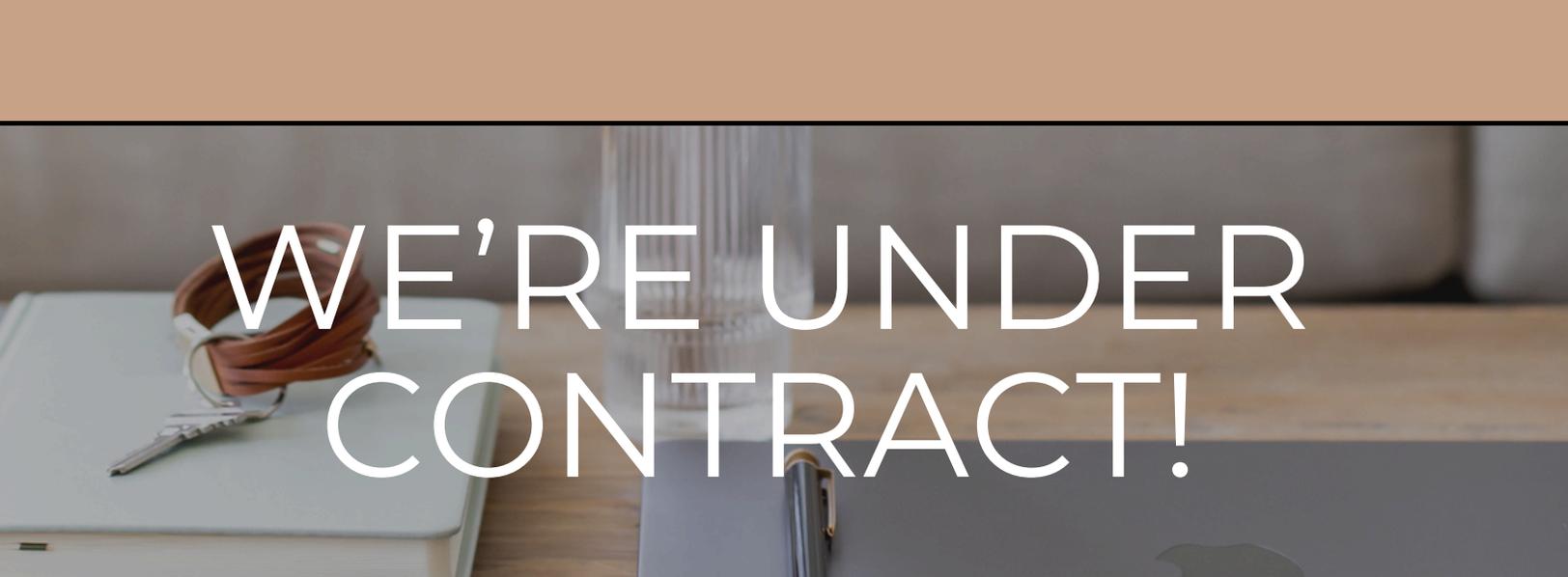
You always have the right to back out of the purchase, but you may lose your escrow deposit. If the contract is contingent on a property inspection, you usually have the right to cancel for any reason during the inspection period. Once the inspection period has passed, you cannot back out and keep your deposit unless the seller agrees, or an additional term has not been met.

What happens if there are other offers on the house I love?

If a seller receives multiple offers on their home, usually their agent will inform the buyer's that multiple offers have been received and the buyers have another opportunity to alter their original offer to present their "highest and best" offer. Keep in mind that many factors may influence the seller in addition to the offer price, such as the down payment amount, closing date, and inspection terms.

What happens when my offer gets accepted?

Once both parties have agreed on all terms and signed the contract, your escrow deposit must be made and you should schedule the home inspection. Your lender will receive a copy of the contract and will begin processing your mortgage application.



WE'RE UNDER CONTRACT!

YOUR OFFER WAS ACCEPTED! WHAT'S NEXT?

Provide an Earnest Money Deposit -

The earnest money deposit is a small, upfront payment (usually 1% to 3% of the home's price) to show you're serious about buying. It's not the same as the down payment, which is larger and paid later when finalizing the purchase. This deposit counts towards your down payment or closing costs when you complete the purchase.

Schedule Home Inspection -

Depending on the results, you may negotiate with the seller for repairs or credits. Schedule this immediately!

Order Appraisal - Your lender will initiate this to ensure the property's value matches the sale price. If the appraisal comes in lower than the agreed-upon price, you may need to renegotiate with the seller or come up with additional funds.

Finalize the Loan - You'll provide documents and go through underwriting with your lender.

Title Search - A title company will conduct a title search to ensure there are no liens or legal issues with the property's ownership. You'll also purchase title insurance to protect against unforeseen title problems.

Final walk-through - Shortly before the closing date, you'll have the opportunity to do a final walk-through of the property to ensure it's in the agreed-upon condition.

Closing Day - Sign all necessary documents, pay remaining closing costs and the down payment. The title is officially transferred to you, and keys are exchanged.

Funding and Recording - Once all documents are signed and funds are transferred, the transaction is recorded with the county or local municipality. This officially transfers ownership from the seller to you.



INSPECTIONS & INSURANCE

What is a home inspection?

The inspection will uncover any issues in the home that would have otherwise been unknown. You will receive a written report of the inspection. I recommend that you are present for the inspection, so that you may ask any questions.

What does the "inspection period" mean? Typically, inspection periods can last anywhere from 7 to 15 days. During this time, the buyer has the right to hire a professional to inspect the condition of the home.

If the results of the report reveal any issues, the buyer may ask the seller to cover the costs of these repairs or reduce the sale price.

If an agreement can not be made, the buyer has the right to back out of the contract and get the escrow deposit back with no consequences.

The home seems fine, do I really need a home inspection?

The home may appear to be in perfect shape, but some of the costliest problems are difficult to spot: leaks, termite damage, foundation issues, poor ventilation, faulty wiring, and drippy appliances. Before you sign on the dotted line, have a professional thoroughly assess the home for problems.

When should I schedule the inspection? Schedule all inspections immediately, so if we need to negotiate any repairs we can before the inspection period ends. As your agent, I will schedule the Inspection for you.

What about home insurance? Once you have a signed contract, start looking for insurance providers immediately. Your lender will typically require evidence of insurance coverage before they approve your mortgage. Gather multiple quotes!

Pre-Closing Checklist

BRAVO! HERE'S WHAT YOU'VE COMPLETED SO FAR:

- Under contract**
- Inspections**
- Obtain home insurance**

THE CLOSING TABLE IS NEAR! HERE'S WHAT'S NEXT:

Order Appraisal

An appraisal is an estimate of the value of the property by a licensed professional appraiser. Once problems are resolved from inspection, the lender will order an appraisal, paid for by you. The appraisal verifies the value of the property for the lender and to protect you from overpaying.

The contract is contingent upon whether the appraisal comes in at or above the purchase price. If the appraisal comes back low, it's back to negotiations!

Obtain Mortgage

You have 5 days from the date of contract execution to begin the mortgage loan application. During the 30–45 days before closing, your lender will be finalizing the loan.

Conduct Survey

Unless a recent survey of the property exists, a recent one will be requested. The survey is a sketch showing a map of the property lines and boundaries and reveals if there are any encroachments on the property. The survey is ordered by the title company and paid for by the buyer as part of the closing costs.

TIP

It is very important not to make any major job changes, purchases, or open new credit cards, as any of these activities could alter your qualifications for a loan.

Title Search

The title company will conduct a title search to ensure the property is legitimate and that there are no outstanding mortgage liens, judgments, easements, leases, unpaid taxes, or other restrictions that would impact your ownership.

Once the title is found to be valid, the title company will issue a title insurance policy which protects lenders or owners against claims or legal fees that may arise over ownership of the property. This will be included in closing costs.

Clear to Close

The magic words! This phrase means the mortgage underwriter has officially approved all documentation required to fund the loan. All that remains is the actual closing process.

A hand holding a key in front of a miniature house. The background is a blurred image of a hand holding a key, with a small, colorful house (green roof, red door, white walls) in the foreground.

IT'S CLOSING TIME!

You've received the magic phrase "clear-to-close" and we've scheduled our closing date and time.

Here's a quick rundown on what you can expect from closing day!

WHAT TO EXPECT FROM CLOSING DAY

When is the final walk-through?

The final walk-through allows the buyers to do one last walk through before closing to confirm that the seller made the repairs that were agreed upon. The walk through also ensures no new problems have occurred while under contract. We will typically schedule the walk through right before closing.

Who will be at closing?

Situations vary, but you can expect some combination of these folks: Buyer (that's you!), seller, real estate agents, closing attorney, mortgage lender, and the title company representative. If you are unable to attend in person, you may have a mobile notary deliver the documents to you.

What will I do?

Stretch those fingers and get ready to sign, sign, sign! At closing, the seller will sign ownership of the property over to you, and you'll sign to receive possession.

What should I bring?

Bring a photo ID and a cashier's check to pay any closing costs. Your agent will share any other documents specific to your situation. The closing process is relatively simple but be prepared for A LOT of paperwork. (And always, always, always ask if you have a question along the way.) The good news is once you've signed the last page, it's time to get a hold of those keys and celebrate!

TOP 5 THINGS TO AVOID WHEN PURCHASING A HOME:



Overlooking Additional Expenses: First-time buyers often focus solely on the home's price and mortgage payments. However, it's crucial to consider additional costs such as property taxes, homeowners insurance, maintenance costs, and potential homeowners' association (HOA) fees. Underestimating these expenses can lead to financial strain.

Skipping the Home Inspection: Never skip a professional home inspection. It can reveal critical issues like structural problems, roof damage, or plumbing and electrical issues. These findings can be used to negotiate the price or decide to walk away from a potentially costly mistake.

Neglecting Long-Term Plans: It's important for first-time homebuyers to consider their long-term plans. Buying a home that suits your needs for only a few years can be costly if you need to move sooner than expected. Consider factors like family expansion, job stability, and lifestyle changes when choosing a home.

Ignoring the Location and Neighborhood: A common mistake is focusing only on the house and not considering the surrounding area. Research the neighborhood's safety, proximity to work, schools, public transportation, and amenities. Remember, you're not just buying a house; you're also buying into a community.

Emotional Decision Making: Buying a home can be an emotional process, but it's important to remain practical. Don't get too attached to a property without considering its potential drawbacks. Overpaying for a home or choosing a property that doesn't meet your needs can lead to regret.

VOCAB TO KNOW

Active

The property is actively for sale and on the market. The sellers may have received offers but have not accepted any yet.

Adjustable-rate mortgage (ARM)

After an introductory period that could be 3, 5, 7 or 10 years, the interest rate on an adjustable-rate mortgage will be adjusted by the lender in accordance with current interest rates.

Back on market

This property was under contract with another buyer and their contract fell through, so it is Active again.

CMA

Comparative market analysis or competitive market analysis. A CMA compares the sales price of similar properties in the area to help determine the price of a property.

Closing costs

The fees that the buyer and seller will owe associated with the home-buying process, such as the real estate brokerage commission and title insurance. Most are paid by the buyer, but the seller pays for some.

Contingency

A provision of the contract that keeps the agreement from being fully legally binding until a certain condition is met. For example, the purchase of a home can be contingent upon the buyer selling their home first.

Down payment

The sum in cash that you can afford to pay at the time of purchase. A conventional loan down payment is usually 20% of the sales price, but other types of financing require as little as 3.5% to 15%. A mortgage lender can tell you what types of loans you qualify for.

Expired

A listing has expired and is no longer active, usually because it didn't sell in the amount of time agreed upon by the listing agent and the owner of the home. If you see an Expired listing, the owner may still be interested in selling.

Fixed-rate mortgage

This mortgage's interest rate will never change, even if the term of the loan is 30 years.

FSBO

For Sale by Owner. Often pronounced "fisbo" The owner of the home has it listed without an agent representation. A Buyer's agent can usually still show the home, as many FSBOs will agree to work agents representing a buyer.

Interest

A percentage of the principal that you borrowed from the bank.

Listing

The word "listing" is typically used to refer to the for-sale home itself, although it technically means the agreement between the broker and the owner of the home to market and sell the property.
