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HOME BUYING PROCESS

Whether you're a first-time home buyer or a seasoned purchaser of real estate, it's helpful to review the steps and requirements to complete a purchase and achieve a smooth transaction.

NOTE: If already pre-approved for a mortgage, jump down to #6.

1. Check Your Credit Score (requirements may change, so contact a lender)

- Buyers with higher scores usually get better interest rates and move from "Preapproval" status to "Approved" status more quickly.
- **Conventional Loan:** Requires median FICO® Score of 620 or higher
- **FHA Loan:** Requires a median credit score of 580 or higher
- **VA Loan:** No specific qualifying credit score, but lenders can set their own policies, typically a median credit score of at least 620.
- **USDA:** No specific qualifying credit score, but lenders can set their own policies, typically a median credit score of at least 620

2. Save for a Down Payment

- VA or USDA loans do NOT require a down payment.
- For other loan types, you'll need to have funds saved for a down payment. The minimum on a conventional loan, like a 30-year fixed loan, is 3%. An FHA loan is available with a down payment of 3.5%.
- To avoid paying private mortgage insurance (PMI), you must put down a 20% or more down payment, except with VA loans which do NOT require PMI.
- VA loans have a FUNDING FEE which is typically 2.30 percent of the loan amount, but ranges between 1.40 and 3.60 percent. The VA funding fee can be paid upfront or rolled into the loan amount, making the VA loan a true \$0-down option.

3. Plan for Closing Costs

- Closing Costs are fees associated with processing and securing your loan.
- Although the amount you will need will vary depending on your loan amount and the tax requirements in your area, you can generally expect closing costs to be 3% – 6% of the purchase price.

4. Determine How Much Home You Can Afford

- Initially, you may use an online mortgage estimator calculator to determine your approximate budget for a home; however, you should speak to at least one local mortgage lender to ensure that you have provided all required financial information. I will help you by recommending the most knowledgeable local lenders.

5. Get Pre-Approved for Home Loan by a Lender

- I will give you recommendations for mortgage lenders in your area. I highly recommend contacting a local lender, as they are often familiar with local market and appraisers. Sellers expect at least a prequalification letter to accompany any offer you make.
- Gather all documents required: tax documents, lease, bank statements, W2, etc.
 - Work history (usually about 2 years) will likely be needed to make sure your income source is stable and reliable.
 - Credit score
 - Other loans or payment burdens, as well as assets such as a savings account

6. Determine Your Priorities

- Price, location (close to work or schools), sq. footage of house, yard, lot size, type of home, home condition (possible need for repairs), access to public transportation, # of bedrooms/baths, swimming pool, local school district ranking, taxes, etc.

7. Start House Hunting with Trina Patrick as Your REALTOR

- When doing house hunting, I will make inquiries into homes of interest, gather information from the seller's realtor, make appointments, preview or video properties if my buyer is unavailable or not local, contact my KW colleagues to inquire into COMING SOON properties not yet on the market, tour homes with my buyer, and write offers.

8. Make a Smart, Competitive Offer

- Decide upon price, Earnest Money Deposit (EMD) amount, closing timeframe, repair requests, things to include/exclude in the sale, inspection requirements, contingencies on the sale (inspection, another home sale, and appraisal contingencies are common), who pays for closing costs, selection of title company, etc.
 - It is common for homebuyers to include a home inspection contingency in their purchase offer which allows cancellation if a major issue is uncovered with the home.

- Submit Earnest Money Deposit Check (typically 1-2% of house price) with the offer which will be credited to the buyer during the closing process. If you have a purchase contract and later cancel for a reason NOT stipulated in the contract, you typically forfeit your EMD funds.
 - *Seller Accepts Offer:* If the seller accepts the offer, you can move onto the next step.
 - *Seller Rejects Offer:* If the seller rejects your offer, the ball is back in your court. You can choose to submit another offer or move onto another home.
 - *Seller Submits Counteroffer:* The seller can also come back with a counteroffer of their own. They may change the purchase price or the terms of the sale. You can accept the counteroffer, reject it, or make another counteroffer.

9. Get Home Inspections – Paid by Buyer

- General Home Inspection, Wood Destroying Organisms (WDO) Inspection (termites, “wood boring” beetles, wood decay fungi), Pool Inspection, Septic Inspection, Roof Inspection, etc.
- If appropriate, based on Offer Contract and repairs needed, you may:
 - Ask for a discounted purchase price considering the inspection results.
 - Request that the seller give you credits to cover some of your closing costs.
 - Ask that the seller have the problems fixed before you close.
- Remember that you will be responsible for any major repairs AFTER your home sale closes.

10. Get Homeowners Insurance Quote – Paid by Buyer

- Proof of home insurance by the buyer is required prior to the close date and must be provided to the Lender and Title Company.
- Flood insurance will be required by the mortgage lender if located in a FEMA flood zone.

11. Order Home Appraisal – Paid by Buyer

- The appraisal will be ordered by the lender to determine the true market value of the property.
- If the appraisal amount is UNDER the contract price (called a Tidewater situation), the lender will only lend based on the appraised value and will not fund the overage. The buyer’s options include terminating the contract (if appraisal contingency was included in the contract), requesting that the seller reduce the contract price to the appraised value, negotiating an in-between contract price, or asking the seller to pay for additional repairs or closing costs. Any amount not covered by your new mortgage amount is paid by you at closing.

12. Order Survey – Paid by Buyer

- If the seller has a survey that reflects the current property (no additions or changes to the property or land) and it is accepted by the Title Company, it can be used for the transaction.
- Otherwise, the title company will order a new survey usually paid for by the buyer. The final survey ensures that the property you are purchasing does not encroach on a neighboring property or vice versa. A property survey confirms a property's boundary lines and legal description. It also determines other restrictions or easements included in the property.

13. Final Home Walk Through

- A day or two prior to the closing, you will do a final walk through with me as your REALTOR to confirm that all repairs are complete, all included items are in the home, and that the property is vacant. This confirms that the property is in the condition that was agreed upon when the contract was signed.

14. Close on Your New Home

- Your lender is required to give you your Closing Disclosure, which tells you what you need to pay at closing and summarizes your loan details, **3 days before closing**. Read through your Closing Disclosure and make sure the numbers do not vary too much from your Loan Estimate, which you would have received **3 days after your initial application**.
- For the closing meeting, bring your ID, a copy of your Closing Disclosure, and Power of Attorney (if appropriate).
- The bank holding your closing funds will WIRE the amount you need for closing to the Title Company or to your attorney closing the loan. Please discuss the wire process before ordering you wire.
- Sign the documents:
 - Settlement Statement lists all costs related to the home sale. This is payment for your down payment and closing costs.
 - Mortgage note states that you promise to repay the loan.
 - Mortgage or deed of trust to secure the mortgage note.
- After the closing finishes, you're officially a homeowner. Get the key and move in!!

The steps listed above are a generalization of the types of activities that may be necessary for you to purchase a home, but it is not all inclusive nor guaranteed to be accurate or applicable to your situation. Please consult your mortgage lender and Title Company for specifics regarding your home purchase.