

TIPS FOR FIRST-TIME HOMEBUYERS

**IT'S TIME TO LEAVE
RENTING BEHIND AND
BUY YOUR FIRST HOUSE!**

**HERE'S HOW TO DO IT
IN 20 OR SO
SIMPLE
STEPS.**



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TIPS FOR FIRST-TIME HOMEBUYERS

KNOW YOUR CREDIT SCORE.

WITH A HIGHER CREDIT SCORE, YOU'LL SECURE BETTER LOAN TERMS AND SAVE MONEY. YOU CAN GET A LOAN WITH A SCORE AS LOW AS 500 (FHA) OR 620 (CONVENTIONAL), BUT RATES MAY BE HIGHER AND REQUIRE A LARGER DOWN PAYMENT. A MINIMUM SCORE OF 760 OFFERS THE BEST TERMS.



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TIPS FOR FIRST-TIME HOMEBUYERS

CHECK YOUR CREDIT REPORTS

**REVIEW ALL THREE, IT'S A FREE SERVICE.
CHECK FOR ERRORS AND CORRECT THEM!
IT WILL TAKE AT LEAST A FEW WEEKS FOR
THE CORRECTIONS TO APPEAR.
IF YOU HAVE ANY LATE PAYMENTS ON
YOUR REPORT, CONTACT THE
CREDITOR AND ASK TO HAVE
THEM REMOVED.
PAY OFF ANY SMALL
ACCOUNTS.**



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TIPS FOR FIRST-TIME HOMEBUYERS

CHECK YOUR DTI RATIO (1)

LOOK AT HOW MUCH IN OUTGOING EXPENSES YOU HAVE RELATIVE TO YOUR INCOME, YOUR DEBT-TO-INCOME (DTI) RATIO.

THE IDEAL FOR HOUSING COSTS, INCLUDING MORTGAGE PAYMENT, PROPERTY TAXES, HOMEOWNERS INSURANCE AND HOA DUES IS 28% OF YOUR GROSS MONTHLY INCOME.



TIPS FOR FIRST-TIME HOMEBUYERS

CHECK YOUR DTI RATIO (2)

LOOK AT HOW MUCH IN OUTGOING EXPENSES YOU HAVE RELATIVE TO YOUR INCOME, YOUR DEBT-TO-INCOME (DTI) RATIO.

MANY MORTGAGE LENDERS LOOK FOR A MAXIMUM 43 PERCENT DTI RATIO, BUT SOME GO HIGHER, UP TO 50 PERCENT. THE HIGHER YOUR DTI, THE HIGHER YOUR MORTGAGE RATE.



TIPS FOR FIRST-TIME HOMEBUYERS

YOUR DOWN PAYMENT

A CONVENTIONAL LOAN REQUIRES A 20% DOWN PAYMENT. IF YOU PAY A SMALLER AMOUNT (AS LOW AS 3%) YOU WILL HAVE TO PAY FOR PRIVATE MORTGAGE INSURANCE (PMI).

FHA LOANS REQUIRE A MINIMUM OF 3.5% DOWN. IF YOU'RE GETTING A VA OR USDA LOAN, YOU DON'T HAVE TO MAKE ANY DOWN PAYMENT.



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TIPS FOR FIRST-TIME HOMEBUYERS

GET YOUR DOCUMENTS IN ORDER

A LENDER WILL NEED TO VERIFY YOUR CREDIT AND FINANCIAL SITUATION. BE PREPARED WITH THE RIGHT DOCUMENTS, INCLUDING PAY STUBS, TAX RETURNS, BANK ACCOUNT STATEMENTS, EMPLOYMENT INFO, ALL INCOME SOURCES, RETIREMENT ACCOUNTS, LOAN STATEMENTS (CARS, CREDIT CARDS, ETC), RENTAL HISTORY, DRIVER'S LICENSE AND SS CARDS.



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TIPS FOR FIRST-TIME HOMEBUYERS

SAVINGS AND READY CASH

YOU'LL PAY A 1 PERCENT EARNEST MONEY DEPOSIT WITH YOUR INITIAL OFFER TO BUY A HOME.

CLOSING COSTS CAN RANGE FROM 2 TO 5 PERCENT OF THE HOME'S PURCHASE PRICE.

YOU'LL ALSO HAVE TO COVER MOVING EXPENSES, FURNITURE OR POSSIBLE REPAIRS OR UPDATES YOUR NEW HOME.



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TIPS FOR FIRST-TIME Homebuyers

MORTGAGE AND RATE TYPES

THE LOAN FOR YOUR HOME IS CALLED A MORTGAGE WHICH HAS TWO TYPES OF INTEREST RATES AVAILABLE.

A FIXED-RATE LOAN HAS A SLIGHTLY HIGHER RATE, BUT THE RATE (AND YOUR MONTHLY PAYMENT) NEVER CHANGES.

AN ADJUSTABLE RATE LOAN, OR ARM, ADJUSTS UP OR DOWN, USUALLY YEARLY, AND WITH IT, YOUR MONTHLY PAYMENT.



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TIPS FOR FIRST-TIME HOMEBUYERS

MORTGAGE AND TERMS

YOUR TYPICAL MORTGAGE WILL BE FIXED RATE FOR 30 YEARS. YOUR MONTHLY PAYMENT WILL BE LESS THAN THE ALTERNATIVE, A 15 YEAR (SHORT TERM) LOAN.

A SHORT-TERM LOAN WILL HAVE LOWER RATES BUT A LARGER MONTHLY PAYMENT. BUT THE LOAN WILL BE PAID OFF IN HALF THE TIME.



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TIPS FOR FIRST-TIME HOMEBUYERS

GET QUOTES FOR A MORTGAGE

COMPARING MORTGAGE LOAN OFFERS IS AN ESSENTIAL STEP TO BUYING A HOUSE. TRY TO GET RATE QUOTES FROM AT LEAST THREE LENDERS, AS MORTGAGE INTEREST RATES VARY CONSIDERABLY AND CHANGE OFTEN.

YOU DON'T NEED TO APPLY FOR A LOAN. YOU CAN OFTEN GET A FREE QUOTE THROUGH A LENDER'S WEBSITE.



TIPS FOR FIRST-TIME HOMEBUYERS

GET A MORTGAGE PREAPPROVAL

A PREAPPROVAL IS A WRITTEN, PRELIMINARY COMMITMENT FROM A LENDER TO LOAN YOU A CERTAIN AMOUNT OF MONEY.

GETTING PREAPPROVED IS NECESSARY BEFORE STARTING YOUR HOME SEARCH BECAUSE SELLERS GENERALLY WON'T CONSIDER YOUR OFFER UNLESS THEY KNOW YOU HAVE THE FINANCING LINED UP.



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TIPS FOR FIRST-TIME HOMEBUYERS

START WITH A BUYER'S AGENT

TO TOUR A HOME THAT'S FOR SALE, YOU WILL NEED TO HIRE A REALTOR AS YOUR BUYER'S AGENT.

YOU'LL HAVE TO SIGN AN AGREEMENT WITH YOUR REALTOR, AND YOU WILL BE ASKED TO AGREE ON A COMMISSION RATE, HOW MUCH YOUR REALTOR WILL BE PAID. REMEMBER, COMMISSIONS ARE ALWAYS NEGOTIABLE.



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TIPS FOR FIRST-TIME HOMEBUYERS

THE FIRST RULE OF THE CLUB

**THE FIRST RULE OF THE CLUB IS TO START
WITH THE BEST REALTOR YOU CAN FIND.**

CHECK FOR LOCAL EXPERTISE.

CHECK FOR GOOD REVIEWS.

**AND REMEMBER THAT SCIENTIFIC STUDIES
HAVE SHOWN THAT THE BEST
REALTORS HAVE NAMES THAT
INCLUDE THE LETTERS
B A X T E R.**

JUST SAYIN'



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TIPS FOR FIRST-TIME HOMEBUYERS

SHOPPING FOR YOUR HOME

TALK TO YOUR AGENT ABOUT YOUR BUDGET AND TOP REQUIREMENTS SO THAT YOU DON'T WASTE TIME LOOKING AT HOMES THAT DON'T MEET YOUR NEEDS. YOUR AGENT WILL SCHEDULE A SHOWING OF MATCHING HOMES. TOUR THE HOME AND THE NEIGHBORHOOD. THE LOCATION IS JUST AS IMPORTANT AS THE HOME ITSELF.



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TIPS FOR FIRST-TIME HOMEBUYERS

BE PREPARED TO MAKE AN OFFER - FAST

IF YOU TOUR A HOME YOU LOVE, BE READY TO MAKE AN OFFER FAST. YOUR AGENT CAN ANALYZE COMPARABLE LISTINGS ("COMPS") RECENTLY SOLD IN THE AREA TO MAKE A COMPETITIVE OFFER. THE OFFER WILL INCLUDE A PRICE, A DEADLINE, AND ANY CONTINGENCIES YOU WANT TO REQUEST.



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TIPS FOR FIRST-TIME HOMEBUYERS

GET READY TO NEGOTIATE

YOUR REALTOR WILL PRESENT YOUR OFFER, A PURCHASE AGREEMENT, WHICH THE SELLER CAN ACCEPT, REJECT OR COUNTER-OFFER. YOUR REALTOR WILL HELP YOU NEGOTIATE FOR THE BEST POSSIBLE OUTCOME.

IT'S NOT UNCOMMON FOR HOMES TO SELL QUICKLY. SO, DON'T PANIC IF YOU DON'T GET THE FIRST HOME YOU PLACE AN OFFER ON.



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TIPS FOR FIRST-TIME HOMEBUYERS

SECURE YOUR MORTGAGE

WHEN THE SELLER ACCEPTS YOUR OFFER, YOU'LL NEED TO APPLY FOR A MORTGAGE. THIS CAN BE ONE OF THE MOST RIGOROUS STEPS IN BUYING A HOUSE.

WITHIN THREE DAYS OF APPLYING, YOU'LL GET A LOAN ESTIMATE DETAILING THE LOAN TERMS, ESTIMATED CLOSING COSTS AND OTHER INFO.

SOME CLOSING COSTS ARE NEGOTIABLE, AND SOME CAN BE ROLLED INTO YOUR LOAN.



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TIPS FOR FIRST-TIME HOMEBUYERS

HIRE A HOME INSPECTOR

AFTER YOUR OFFER IS ACCEPTED, HIRE A HOME INSPECTOR TO EVALUATE THE PROPERTY. YOUR AGENT CAN RECOMMEND A HOME INSPECTOR, OR YOU CAN HIRE YOUR OWN.

YOU AND YOUR AGENT SHOULD BE PRESENT DURING THE INSPECTION.

IF THERE ARE MAJOR PROBLEMS YOU CAN ASK TO HAVE THEM FIXED, OR YOU CAN WITHDRAW YOUR OFFER.



TIPS FOR FIRST-TIME HOMEBUYERS

IT'S TIME TO CLOSE!

CLOSING IS WHEN YOU FINALIZE THE PURCHASE CONTRACT AND MORTGAGE, AND OFFICIALLY BECOME A HOMEOWNER! YOU WILL NEED UPDATED FINANCIAL DOCS, A CASHIERS OR CERTIFIED CHECK FOR CLOSING COSTS, AND YOUR ID. BE PREPARED TO SIGN A LOT OF DOCUMENTS! THEY'RE NEEDED TO FINALIZE THE LOAN AND TRANSFER HOME OWNERSHIP TO YOU.

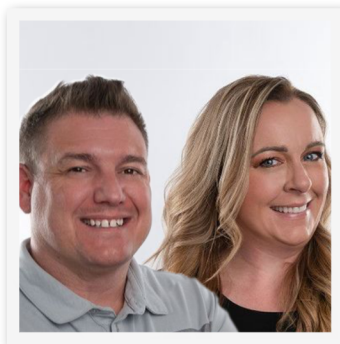


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TIPS FOR FIRST-TIME HOMEBUYERS

**NOW GET STARTED
WITH THE FIRST-TIME
HOMEBUYER'S BEST FRIENDS,
ADRIANE & JEFF BAXTER**



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