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HOME BUYING GUIDE



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THE HOMEBUYING PROCESS

When buying your first home, it is important to have an overall idea of what the process will look like. Here is a step-by-step breakdown and everything I will be covering over the next three months.

1

GET YOUR FINANCES IN ORDER

- ☐ Gather your documents
- ☐ Gather your downpayment
- ☐ Get pre-approved

2

START YOUR SEARCH

- ☐ Hire your buyer agent
- ☐ Start previewing properties online
- ☐ Schedule showings with your agent

3

GET YOUR OFFER ACCEPTED

- ☐ Write your best offer on your favorite property
- ☐ Negotiate terms of offer and sign contract
- ☐ Deposit escrow & complete loan application

4

DUE DILLIGENCE

- ☐ Conduct inspections
- ☐ Negotiate any repairs
- ☐ Order appraisal
- ☐ Order homeowner insurance

5

CLOSING DAY

- ☐ Title company will conduct title search
- ☐ Receive closing statement/clear to close
- ☐ Wire funds to closing company
- ☐ Conduct final walk-through
- ☐ Get keys and move in!

GET YOUR FINANCES IN ORDER

Getting your finances in order is the first thing you'll want to start working on — *lll* before you're ready to sign on the dotted line.

Start with paying down your debts. The bank wants your total debt to be no more than about 38% of your income. So if your income is \$3000/mo. then the bank figures your total debt can be \$1140/mo. for mortgage payments.

Paying down your debt as much as possible will increase your borrowing *polr*. Start by paying down the highest-interest debt first (credit cards) before *lolr* interest debt (car loans, student loans).

Another very important factor in getting a mortgage is your credit score. Good credit not only helps you qualify for a loan in the first place, but it also helps you get a better deal when you do get a loan.

Besides debt and your credit score, lenders will take a look at all aspects of your finances to determine your borrowing *polr*.

Here's a list of what lenders are likely to consider:

- FICO® credit scores and credit history
- Down payment amount
- List of assets (stocks, real estate, etc.)
- Income and employment history
- Tax returns
- Bank statements for two to three months
- Desired loan amount compared to value of home
- Total debt compared to income — your debt-to-income ratio
- Rental history (if you're currently renting or have rented in the past)



Debt-to-income ratio

Your debt-to-income ratio (DTI) compares how much you pay each month to how much you earn, specifically, the percentage of your gross monthly income (before taxes). Lenders like to see a percentage below 38%.

Monthly Debt	Amount
<u>Monthly rent payment</u>	<u></u>
<u>Monthly car payment</u>	<u></u>
<u>Monthly child support/alimony</u>	<u></u>
<u>Monthly credit card payment (min payment)</u>	<u></u>
<u>Monthly student loan payment</u>	<u></u>



Total Monthly Bills	<u></u>
\div	
Your Gross Monthly Income	<u></u>
$=$	
Your Debt-to-Income Ratio (DTI)	<div></div>



Credit score minimum requirements



FHA Loan

500-580



VA Loan

580



USDA Loan

620



Home Ready/Home Possible Loan

620



Conventional Loan

620



FHA 230K Rehab Loan

640

WHAT TYPE OF LOAN IS RIGHT FOR YOU?

A mortgage is a type of loan that you can get from a bank or other lender to help you buy a house or other property. Mortgages come with various interest rates, down payments, and terms—all of which can vary depending on the lender.

A down payment on your mortgage is the money you pay upfront when buying a home. The lender will fund the rest.

These are the 4 main types of loans available for most borrowers, but your lender may have other programs available to you depending on your circumstances.

Conventional

A conventional mortgage or conventional loan, is any type of home buyer's loan that is not offered or secured by a government entity. Instead, conventional mortgages are available through private lenders, such as banks, credit unions, and mortgage companies.

Federal Housing Administration (FHA)

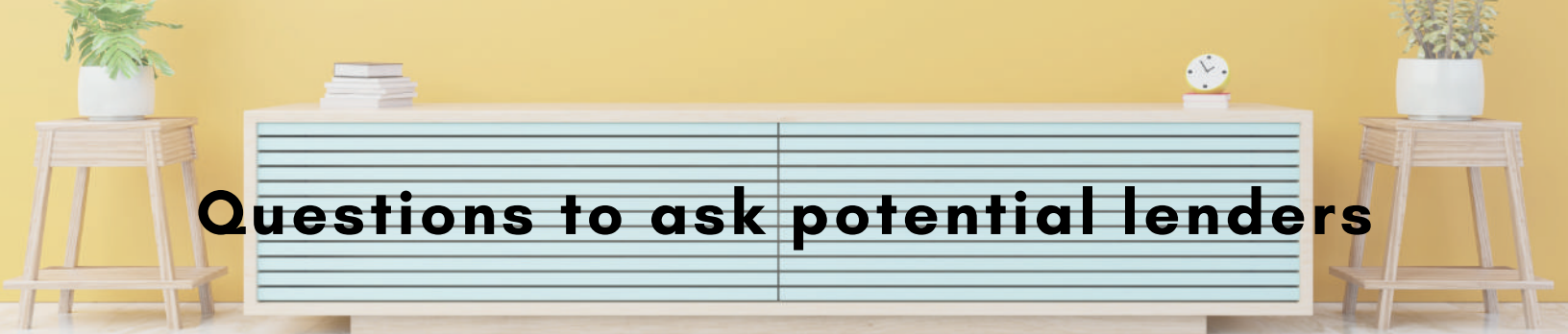
A FHA loan gives borrowers a chance to buy a home with a lower minimum down payment (3.5%) and lower credit scores, than many conventional loans. You'll need a credit score of at least 580 to qualify. If your credit score falls between 500 and 579, you can still get an FHA loan as long as you can make a 10% down payment.

Veterans Administration (VA)

VA loans assist active service members, veterans, and surviving spouses to become homeowners. VA loans offer up to 100% financing on the value of a home. VA loan recipients do not have to be first-time home buyers.

U.S. Department of Agriculture (USDA)

A USDA home loan is a zero down payment mortgage for eligible rural and suburban homebuyers. A USDA loan allows you to get low mortgage interest rates, even without a down payment. If you put little or no money down, you will still have to pay a mortgage insurance premium.



Questions to ask potential lenders

There is no one size fits all when it comes to working with lenders and the terms that they can give you for your loan. It is important to interview about 3 different lenders and find out which is the best fit for you.

Here is a list of questions to ask each lender:

1. What is the interest rate you are offering, and how did you arrive at it?
2. How will the rate change over the life of the loan?
3. If an adjustable-rate mortgage (ARM), what is the worst-case scenario I could face when the rate resets?
4. Are you locking in my rate? For how long? What does the lock cost me?
5. Could you estimate closing costs for my loan?
6. Can you explain an annual percentage rates (APR), and what is it for this loan?
7. What am I paying in points?
8. What are my monthly payments?
9. Do I need to pay private mortgage insurance (PMI)?
10. Are there any prepayment penalties on this loan?
11. Here's my timeline. Are you certain you can get this done in time for closing?

Preferred Partners

From lenders to contractors to insurance providers and everything in between, I've compiled a list of our preferred partners to help you. Having a choice in who you work with is imperative. Having someone you trust makes all the difference. Trusting is hard. Knowing who to trust is even harder. Let me help by connecting you to those I trust with our own homes.

LET THE HOME SEARCH BEGIN

6 Strategies for Finding the Perfect Home!

01 The right price

Price will ultimately dictate what you can and can not afford. In a seller's market, look for homes under the top of your budget. In a buyer's market, it is okay to take a look at homes just above your budget, as you may be able to negotiate the price down.

02 Location, location, location

You can make many changes to your home, but the one thing you can't change is location. Make sure you'll love where you live.

03 Think Long term

Are there enough bedrooms and bathrooms for an expanding family or aging parents that might need to move in? Is the backyard big enough for a pool or a garden someday?

04 Property conditions

Don't let those HGTV shows fool you. Home repairs require a lot of work and time and can be very costly. If you do not have experience with this type of work, you may want to consider move-in-ready homes that you can make small upgrades to versus a home that needs a lot of repairs.

05 Don't focus on minor cosmetic issues

The paint can be changed. Wallpaper can be removed. The home's big backyard that is a must on your list, can't be changed. Try not to focus on the minor decor that is not your style. It can be changed. If the home encompasses a lot of other important wants and needs, it would be wise to focus on that and picture the home with a clean slate.

06 Decide your wants vs needs

Make a list of all the things your home must have versus additional items that would be added bonuses. You might want an updated kitchen, but your home must have 3 bedrooms and 2 baths to fit your family comfortably.



WANTS VS NEEDS LIST

Wants

Needs

CONTRACT TO CLOSING TIMELINE

Now that we've looked at a few homes and you've decided you're ready to make your offer, it's important to know what to expect next and what will take place once you have an accepted offer. I will guide you through each of these steps and help you be prepared for each one. Here is a quick timeline of what to expect when you're ready to put in an offer on your dream home.

1

Submit offer and negotiate

2

Sign sales contract/Transfer earnest deposit funds to escrow

3

Schedule home inspection

4

Complete home appraisal

5

Repair request due to seller

6

Obtain home insurance plan

7

Schedule the walk through

8

Secure mortgage

9

Close on your new home!



DOS AND DON'TS FOR A SUCCESSFUL CLOSE

Getting pre-approved for a mortgage doesn't guarantee closing on the loan. Mortgage lenders will check your credit during the pre-approval process, and again right before closing. So it's imperative that your credit and financial situation remains the same.

To keep closing on schedule and avoid delays, here's what you need to do and not do:

Do

- Submit all initial documents on time
- Gather your financial documents for your lender
- Keep paying bills on time
- Keep your lender updated on any big financial changes

Don't

- Open or close bank accounts
- Don't finance any other large expenses
- Change jobs
- Spend lots of cash
- Go MIA from your lender



HOW TO BUY & SELL AT THE SAME TIME

1 Negotiate Seller Possession After Closing (aka a leaseback Agreement)

It is becoming more and more common in this market for buyers to allow a seller to stay in the home they are purchasing from anywhere from a few days up until a few months to allow the seller time to secure their next home. For many sellers, possession after closing allows you time to find the next home with the funds on hand and no sale of home contingency. Usually the leaseback agreement is negotiated at the time of contract and can be free or sometimes the market value of a rental/buyers new mortgage payment.. depending on the terms.

2 Move into a Short Term Rental

Selling your current home and moving into a short-term rental while you look for your next home to purchase relieves the pressure of having to compete with a home-sale contingency. Not only does this allow for time to search for a new home, it provides better negotiating power to write non-contingent offers while also holding the proceeds from their previous home available for their down payment and earnest deposits.

3 Work Out an Extended Closing Period

For buyers who aren't comfortable allowing sellers to remain in the home after closing, this can be a great alternative. With this option the buyer and seller agree to a closing date that is pushed out later than what's typical to allow the seller extra time if that's an important thing for them!

4 Buy First, Sell After

For many people this is the best option if they can financially make it work. Basically you buy the new house and then after that closes sell the first house. This isn't an option for everyone but especially in a hot market - there are less worries about being able to sell the current house and you have time to move. Often I have clients who are shocked they are approved for the second loan - so it is worth checking with your lender!

5 Use a Bridge Loan

For those buyers who have the financial ability to be approved for a new home before they sell the current home and enough equity to use for the down payment. Not all banks offer bridge loans so it's important to discuss the best option for you with a qualified local lender. Buyers who use the option will often put their home for sale once they go under contract on their next home. In other instances buyers will wait to sell the existing home until they have closed on the new home.

These are just a few of the options I have seen buyers successfully use to buy and sell in today's competitive market. All of these options have pros and cons which I'll discuss before writing any offers.

LET'S DO THIS!

Buying a home really is as easy as that. If you see your future as a homeowner, contact me today and we will get started TOGETHER.

When you choose to work with me as your agent, I will help guide you to becoming a confident home buyer and lead you to making a deal on that dream home. What are you waiting for!? Let's get started today.

*"Don't wait for the right opportunity. Create it."
-Unknown*



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