

A GUIDE FOR  
**First Time  
Home Buyers**



# The First Steps to Buying a Home

1

**How are you going to pay for this?**



Taking the first steps towards homeownership starts with setting your budget. Before you start house-hunting, get pre-approved from a mortgage lender to ensure that you're within reach of what's affordable for you and give yourself peace of mind – it only takes minutes! Additionally, create an overview outlining how much money is coming in versus going out each month so that way when deciding on a monthly mortgage payment amount, it will be comfortable yet realistic.

2

**Who will represent you?**



While spending all day scouring the web for homes can be fun, ultimately you'll need an experienced real estate professional in your corner. They will provide invaluable advice and assistance throughout the entire home-buying process - from scheduling viewings to negotiating offers on your behalf; this person is guiding one of the most important financial decisions of a lifetime! Don't forget to shop around and find the right agent who has their clients' best interests at heart.

3

**What do you want?**



Now comes the fun part - deciding what you want in a home! How many bedrooms? Bathrooms? How far are you willing to commute? Do you want a move-in ready home or are you willing to do a few renovation projects? Give this some thought, be realistic and share your wants and needs with your realtor.

4

**You found a home now what?**



Woo hoo! You found the home you've been dreaming of. Now what? At this point your realtor will help you prepare and present an offer and he/she will also negotiate the terms and potential counter offers. Once everything is agreed-upon, you'll deposit your earnest money, arrange for an inspection and appraisal, secure financing, order home insurance, a home warranty, and more. Your realtor will guide you through the process between offer and closing to keep you on track.

# Words You Should Understand

## **Appraisal**

A written estimate of a property's current value.

## **Closing Costs**

Fees associated with buying a house that your lender charges, and or you rack up from various third parties.

## **Contingent**

A status in which a house has accepted an offer, but relies on meeting certain criteria such as passing a home inspection or appraisal.

## **Conventional Loan**

A mortgage loan not insured by the government or guaranteed by the veterans administration. It is subject to conditions established by the lending institution and state statutes.

## **Commission**

A percentage of the sale that is paid to the real estate professional. In most situations commissions are paid by the seller of the property.

## **Down Payment**

The amount of your home's purchase price you pay upfront.

## **FHA Mortgage**

Mortgage that is insured by the federal housing administration. FHA loans are designed to make housing more affordable.

## **Foreclosure**

A property seized by the mortgage lender due to the homeowner failing to make full payments on their mortgage. In hopes to recover the balance of the home loan, the lender will sell the house.

## **Earnest Money**

Deposit made by the potential homebuyer to show that he/she is serious about buying the house.

## **Inspection**

An evaluation of the home in which a professional inspector determines the current condition of the home and its systems.

## **Listing**

A list of information about a home that is currently on the market.

## **MLS**

A.K.A. multiple listing service. The MLS is a database that includes all available homes for sale in a particular area.

## **Private Mortgage Insurance**

The monthly insurance payment a lender must pay if the down payment is less than 20% of the sales price.

## **Pre-Approval**

An evaluation by a lender that determines if the potential buyer qualifies for a loan, and if so, the maximum amount the lender would be willing to lend.

## **REO**

An acronym for "real estate owned". An REO property is owned by the bank due to a foreclosure. REO properties can be purchased from the bank however, they are often sold as is.

## **Seller Assistance**

Money given from the seller to the buyer at settlement to pay for part of the closing costs. The amount varies, depending on what the mortgage company allows.

# Applying for a Loan Checklist



Don't let the loan application process prevent you from making an offer on the home of your dreams. Be ahead of the game by having all your documents organized and ready to give your loan originator.

Here's a checklist of documents and materials you will need in order to apply for a mortgage:

## Purchase contract and property information:

- Copy of the sales contract
- Mailing address and property description
- Contact information for access to the property
- Plans and specifications (new construction only)

## Personal information

- Social Security number
- Age
- Years of schooling
- Marital status
- Number and ages of dependents
- Current address and telephone numbers
- Addresses for the past seven years
- Current housing expenses (rent, mortgage, insurance, taxes)
- Name and address of landlord or mortgage holder for past two years

## Employment history and income

- Two years of employment history, with complete details of each job
- Recent pay stubs and two years of W-2 forms
- Complete tax returns and financial statement if self-employed
- Written explanation of employment gaps

- Record of dividends and interest received
- Proof of other income

## Assets

- Complete information on all bank and money accounts
- Two months of bank statements
- Current values of stocks, bonds, mutual funds and other investments
- Vested interest in retirement funds
- Value of life insurance
- Information on vehicles you own
- Information on real estate you own
- Value of significant personal property you own

## Liabilities

- Itemized list of all current debts (loan, credit cards and other bills)
- Written explanation of past credit problems
- Full details of bankruptcy during the last seven years

## Fees

- Credit report and appraisal fees (usually \$500 or less)

# Do's and Don'ts

## Mortgages

It's important to keep in mind that there are many financial details that influence your ability to be approved for a loan when searching for a new home. Credit score, income, and assets are all carefully verified after an official application is filed and may be checked again just prior to final closing. Following these steps during the loan process can save you time and ensure a smoother transaction.

### **DO KEEP ORIGINAL DOCUMENTS**

Keep originals of all paystubs, bank statements and other financial documents

### **DO CONTACT YOUR LENDER**

If you are unsure if something will impact your loan, contact your lender

### **DO PAY ALL YOUR BILLS ON TIME**

Payment delays on existing accounts, such as mortgage or car payments, credit cards etc., can have a negative effect on your credit score and adversely affect how lenders view you. It is best to always make your payments on time for this type of debt but if a payment's due date falls within two weeks of closing, always reach out to your lender before doing so.

### **DON'T APPLY FOR NEW CREDIT or INCREASE ANY CREDIT LIMITS**

It is important to stay away from big purchases like cars and credit for furniture, appliances or computers. If you are asked to apply for more lines of credit or increase existing ones, don't accept. Doing so will cause a company to access your credit report, which could harm your credit score.

### **DON'T MAX OUT or OVERCHARGE EXISTING CREDIT CARDS**

Charging too much on credit cards can cause your credit score to drop quickly. Aim to keep the balance of your credit cards below 30% of the maximum limit.

### **DON'T CONSOLIDATE DEBT or CLOSE CREDIT CARD ACCOUNTS**

Your debt to available credit ratio can also affect your credit rating, so it is beneficial to maintain a positive credit history. If you want to make major purchases like cars or take out new lines of credit, do it after taking out a mortgage loan.

### **DON'T RAISE RED FLAGS**

Avoid co-signing on a loan or changing your address and name while the loan is being processed. The less activity that occurs, the easier it will be for all parties involved.

### **DON'T CHANGE JOBS**

The underwriting process highly values employment stability, so any changes to your job situation - such as quitting, changing positions or employers - can have a major effect. Make sure to inform your lender as soon as possible of any alterations to your job status or income.

# Moving Checklist

## Before the Move

- Arrange for movers
- Notify your utility services at both your current and future residence
- Research and contact service providers at your new residence (internet, cable etc.)
- Complete change of address form at the post office
- Start using up items that cannot be moved such as frozen food
- Begin packing items you don't use often
- Arrange for home insurance
- Store important documents such as birth certificates, medical records, legal/financial papers in a safe place that will not get lost in the move
- Donate or sell items that you do not wish to move
- Pack an essentials bag
- Measure furniture and come up with a plan on where you want everything in the new home
- Empty and defrost refrigerator
- Clean your current living space
- Give your landlord your new address in case he/she needs to forward stray mail

## After the move

- Clean your new home
- Change the locks to outside doors
- Check smoke detectors and replace batteries, if needed
- Be sure that all utility services are turned on and in your name (electric, gas, water)
- Arrange time for internet providers to come and install
- Change your address on your bank accounts, credit cards, driver's license, vehicle registration, voter's registration etc.
- Notify your employer of your new address and new local tax ID
- Store all of your home's closing documents in a safe place
- Find and store manuals for the home's appliances and systems
- Store important documents such as birth certificates, medical records, legal/financial papers in a safe place that will not get lost after the move
- Meet your neighborhood
- Unpack and enjoy your new home!