

FIRST TIME HOMEBUYER

■ A STEP BY STEP GUIDE



TABLE OF CONTENTS



03 Your first home!
It's a big step to take

04 Find out what
you can afford

07 Work with professionals
to guide you

10 The
homebuying process

12 Be a smart
and prepared buyer

16 Expect extra
costs and fees

18 You're a homeowner -
now what

YOUR FIRST HOME! IT'S A BIG STEP TO TAKE

You're about to take a giant step for your future! Purchasing your first home is a big decision filled with so much pride, satisfaction and...Nerves!

If we're honest, taking big steps in life can be nerve-wracking. That's why we pulled together this informative guide for you. It's like we're just one step ahead of you encouraging you and guiding you to put one foot in front of the other until you reach your goal – keys to your new home!

Follow these steps outlined here in our first time homebuyers guide and you'll glide through the process.

Ready for Step 1? We know you are! And we're ready too. Let's get started.

STEP 01:

FIND OUT WHAT YOU CAN AFFORD

With anything new in life, sometimes the hardest part is figuring out where to start. We suggest you start with what you know.



KNOW YOUR SCORE

In most cases a lender will pull and review your credit report. Knowing your credit score is important because it is one of the factors used to see if you qualify for financing.

Excellent Credit

Best loan options, lowest interest rates






Average Credit

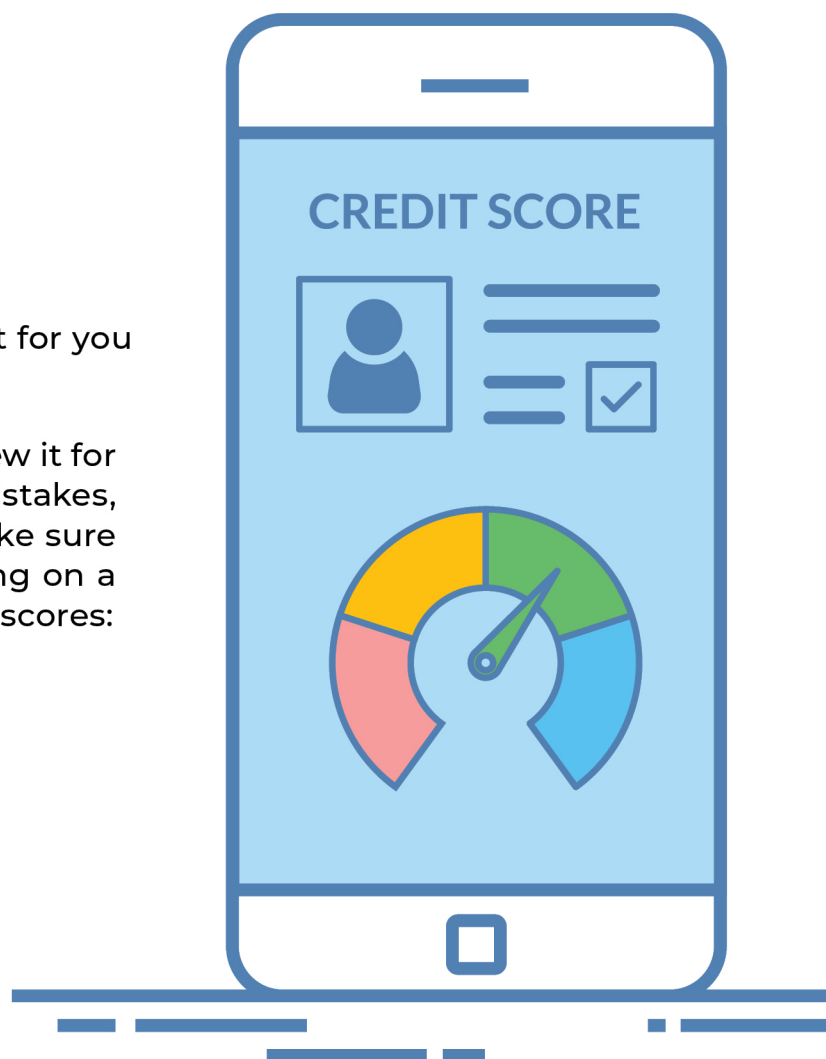
Basic loan options, higher cost

Poor Credit

It may be difficult to find a loan that's right for you

Get your free annual credit report and review it for errors and unresolved issues. If you find mistakes, contact the credit reporting bureau to make sure they are corrected before you start working on a loan. Here are the typical ranges for credit scores:

	Excellent	740-850
	Good	680-740
	Acceptable	620-680
	Subprime	550-620
	Poor	300-550



YOUR TO DO:

To get a better idea of how much financing you qualify for and what interest rate you can expect, go to annualcreditreport.com or a site you're comfortable with to determine your credit score.

We do not endorse, sponsor, or affiliate with annualcreditreport.com in any way.

SETTING A MONTHLY BUDGET

Once you know your credit score, you will have an idea of where your mortgage rate will fall (higher or lower interest rate). The next step in determining how much you can actually afford is to examine (honestly and very closely) your monthly budget. This will help you figure out how much of your monthly expenses can and should be allocated to housing.

Fannie Mae recommends that buyers spend no more than 28% of their income on housing costs. Go much past 30% and you risk becoming house poor – meaning you'll spend most of your monthly income on your home instead of having a cushion for emergencies, vacations, fun, etc. You'll also want to factor in some "extra" costs into your monthly budget for maintenance, improvements, a possible increase in utility costs, etc.

The goal is to come up with what you think is a comfortable maximum housing expense and work it into your monthly budget.

DOING YOUR OWN RESEARCH

Although working with a professional loan officer and REALTOR is the most effective and helpful way to find and secure a home, you can first do some solo investigation. Start checking home listings in your area to get an idea of price ranges for different neighborhoods or styles of homes. There are various websites you can check out to see what homes are selling for in your price range.

You will also want to get an estimate for what you will pay to insure your home and the taxes you'll owe. If you already have an insurance agent, call for an estimate. For an estimate of what property taxes are for the home you are interested in, go to your city or county's tax assessor's website.



YOUR TO DO:

Grab a calculator and figure out what 20-28% of your monthly budget is! Once you've determined a monthly housing budget, play around with the numbers and see what your monthly mortgage payments would be.

STEP 02:

WORK WITH PROFESSIONALS TO GUIDE YOU

Now that you have a general idea of how much home you think you can afford, the location, and type of home you'd like to find – it's time to get serious, seek help from the professionals!



YOUR LOAN OFFICER GIVES YOU BUYING POWER

A loan officer's primary job is to educate potential buyers and assist them in navigating the borrowing process. Buying a house is often the largest financial investment a person will make in their lifetime. Loan officers know it can be exciting as well as stressful for any borrower. The steps to buying a house take a lot of time and effort to go through. Your loan officer is there to guide you and help you achieve your ultimate goal of home ownership.

You will meet with your loan officer to discuss:

- » **Your numbers.** You'll be asked lots of questions that may scare some people away. Be sure to give as much detail as possible and don't hide any income or debts. Go back to Step 1 and pull out the number crunching you already did at home.
- » **Your financial "stability".** Does your income fluctuate over time? If so, a little more work may be involved with determining your monthly budget and purchasing limits.
- » **Your future plans.** Determining if your financial situation might change in the next few years due to career moves or starting a family is important in figuring out your buying power. It is also important to get an idea of how long you intend to stay in your first home.



YOUR REALTOR® GIVES GUIDANCE AND OFFERS EXPERTISE

Money isn't the only important factor in purchasing a home. That's why working with a licensed and trustworthy REALTOR® is so important. A REALTOR® researches the MLS for potential properties that meet your needs, plan showings and negotiate on your behalf. They do the homework so you can enjoy the hunt.

Your loan officer will be happy to recommend a real estate agent to you. Finding the right home takes time so choose a loan officer and REALTOR® you feel comfortable with.

You will meet with your REALTOR® to discuss:

» **How long have you worked in real estate? Is this your full-time job?** An active, full-time agent tends to be more up-to-date on latest trends and policies.

» **Are you familiar with the area where I am looking?** Someone new to the area may not be the best fit for a first-time buyer.

» **Has a client been unhappy with you and if so, how did you resolve the clients dissatisfaction?**

» **How many home sales did you participate in last year?** More sales, more understanding of the market and area.

» **How do you prefer to communicate with your clients?** If you're a texter and an online-only shopper, you may find it frustrating to work with an agent who only wants to meet in person or on the phone.



YOUR TO DO:

Remember, the goal is to find someone who knows more about the area and the market than you do and can easily work with you to find that home of your dreams!

STEP 03:

THE HOME BUYING PROCESS

This is a big one! As mentioned in Step 2, getting pre-qualified for a loan is what can set you apart from other offers and buyers.



THE HOMEBUYER PROCESS

Gather your financial information together and make copies for your loan officer. Your loan officer will take the information you provide to complete a mortgage application with you. The result will be a maximum number you will be qualified to borrow. This will help keep you looking at homes only in your price range and give you negotiating power when it comes time to make an offer on a home.

Buying a house can be an exciting and emotional process. The steps to buying a house takes a lot of time and effort. Follow these simple steps to make your home buying process simpler and faster.

1

CONTACT LOAN OFFICER

Call or meet to review your finances, run your credit score, and discuss your goals. We will advise you what documents are needed such as bank statements, payroll stubs, tax returns, debts and assets.

2

SUBMIT YOUR APPLICATION

Don't be nervous about the application process; we walk you through each step on your path towards homeownership! You will be asked to provide the documentation we discussed earlier.

3

MEET WITH A REALTOR®

Interview agents to find one with whom you are comfortable. If you are interviewing agents, let each agent know you are in the interview stage.

4

FIND A HOUSE THEN SUBMIT AN OFFER

Once you've found a house you love, it's time to get down to business. Work with your real estate agent to evaluate comparable listings in the area to determine the right amount to offer.

5

THE APPRAISAL

To keep things moving along, we send your application to our in-house appraisal team members, rather than outsourcing to another company.

6

LOAN APPROVED WITH CONDITIONS

We begin the loan review process and if all goes well, your loan receives our green light of approval to proceed. There may be conditions you need to provide documentation for.

7

PROCESSING BEGINS

The processing team work to to make sure all docs are complete well before your closing date to ensure that your closing goes smoothly.

8

FINAL UNDERWRITING

Our Underwriting Department conducts a final review of your loan to verify that all conditions have been met. Congratulations, your loan process is now complete and you are ready to close!

9

CLOSING

Congratulations!

You're ready to sign closing paperwork and then you'll be moving in to your new home.

PAPERWORK YOU WILL NEED TO PROVIDE

- ❑ **Pay stubs** – prior 30 days, maybe longer depending on income fluctuation
- ❑ **Bank statements** - past 2 months of all personal checking & savings accounts
- ❑ **Retirement account statements** - most recent statement
- ❑ **Profit/Loss statements** - or 1099 forms if you own a business
- ❑ **Federal tax returns & W-2s** – previous 2 years; all schedules and pages
- ❑ **Complete list of debts** – credit cards, student loans, car loans and child support payments, along with minimum monthly payments and balances
- ❑ **List of assets** – bank, brokerage and mutual fund statements, real estate and automobile titles, any other investment or asset records



YOUR TO DO:

Gathering your documentation before meeting with a lender can be helpful. Sometimes it takes time to track down all the pertinent information required for a loan. Having your paperwork ahead of time could help speed up the loan process.

STEP 04:

BE A SMART AND PREPARED BUYER

By now if you're walking through this buying process step-by-step, you should know how much home you can afford, and have a team of professionals working alongside you.

You are in great shape to start your house hunting adventure.



LOCATION

It has been said for years that the most important thing to consider when looking for a home is the location, location, location. That is still very much true and it is where you should start your search. Before narrowing down some first homes to look at, you should consider:

- » How close the home is to your job
- » Traffic flow, especially during commuting hours
- » Are there enough shopping and retail centers nearby – close enough for convenience but far enough for privacy
- » Medical care availability
- » Quality of neighborhood schools – even if you don't have children, this is an important factor if you sell in the future
- » Whether the homes in the surrounding area are holding their value



PRIORITY LISTS

It is also important to create 3 lists before house hunting. These lists are helpful for your REALTOR® to make suggestions of where to start looking. As the house search begins, you may find yourself moving priorities around from one list to the next. That's okay! Just make sure you're sharing your desires with your agent along the way. Ideas for making your priority lists:

1. Must Have: If you are working from home, a home office space is likely a must have. Own 3 dogs? A yard is probably up there on the must-have list too.

2. Would-Be-Nice-To-Have: Maybe you would prefer 3 bedrooms but would be satisfied with just 2. Or you would like to live close to work but are willing to commute a certain number of miles.

3. Cannot Have: If you are absolutely set against living in a condominium complex or would not even want to see a home with a detached garage, make sure your REALTOR® has this type of specific information too.

Most importantly in the home search process is to stay flexible and open minded and offer clear feedback to your agent as you work toward finding that perfect home for you.

OFFERING

Fast forward through all the homes you have viewed. Now you have found the home you would like to make an offer on. Your REALTOR® will prepare the documents that will make your offer official, and will present it to the seller, or to the agent who represents the seller. You should hear back from the seller within 2 days unless the seller is a bank, then it can take up to 10 days for a response. Here are a few definitions that will help explain this process:

Purchase Agreement – A binding document that indicates the amount of your offer. (Your agent will supply this.) It may also include details such as which appliances or fixtures will stay with the house, who pays closing costs, and when you'd like to take possession.

Earnest Money – Earnest money check is made out to the escrow company or real estate brokerage that confirms your commitment. Typically, the deposit is a small percentage of the asking price that later becomes part of your down payment or other closing costs.

Counteroffer – The seller's response to your offer. When your agent presents the seller with your offer, sellers can agree to your offer, decline your offer in which case you and your REALTOR® can make a counteroffer if appropriate.

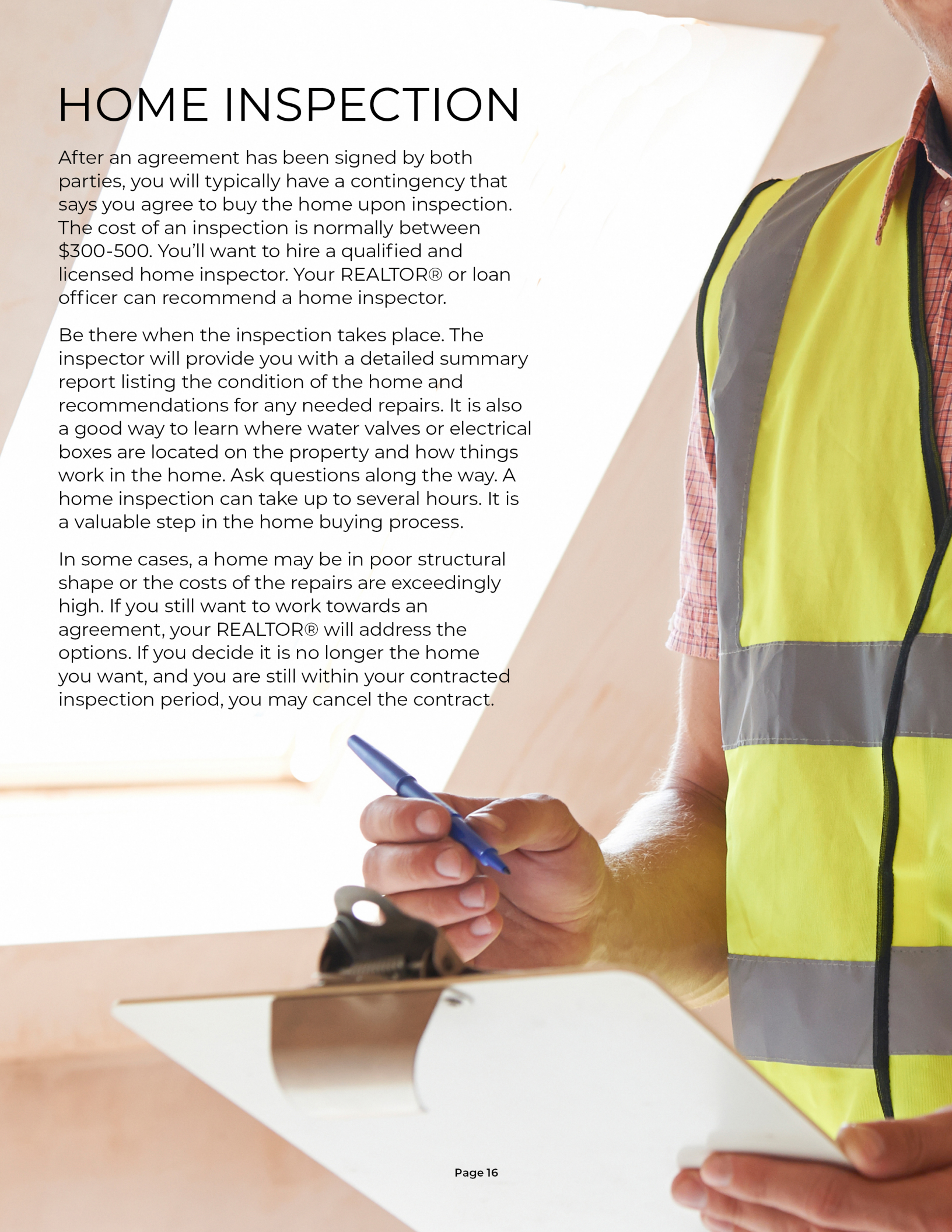


HOME INSPECTION

After an agreement has been signed by both parties, you will typically have a contingency that says you agree to buy the home upon inspection. The cost of an inspection is normally between \$300-500. You'll want to hire a qualified and licensed home inspector. Your REALTOR® or loan officer can recommend a home inspector.

Be there when the inspection takes place. The inspector will provide you with a detailed summary report listing the condition of the home and recommendations for any needed repairs. It is also a good way to learn where water valves or electrical boxes are located on the property and how things work in the home. Ask questions along the way. A home inspection can take up to several hours. It is a valuable step in the home buying process.

In some cases, a home may be in poor structural shape or the costs of the repairs are exceedingly high. If you still want to work towards an agreement, your REALTOR® will address the options. If you decide it is no longer the home you want, and you are still within your contracted inspection period, you may cancel the contract.



STEP 05:

EXPECT EXTRA COSTS AND FEES

Throughout the process so far, you've been no doubt crunching and re-crunching the numbers to make sure you can afford this big step of purchasing a home. There's one more thing to make sure you remember... There are additional costs you need to plan for along the way. Before your closing, you'll receive a document that outlines the actual costs you'll pay at closing. You'll be asked to bring a valid picture ID, a certified check (if applicable) for any down payment due (or you may have to wire the money to the title company) and any other additional documents that your circumstances may require.



FEES YOU MIGHT NOT HAVE CONSIDERED

You should plan on setting aside approximately 2-5% of the purchase price of the home in preparation of fees required at closing. For example, if you are purchasing a \$200,000 home, you will need to have an additional \$4,000 to \$10,000 available for fees on top of the down payment amount. Here are the most notable fees above and beyond the down payment required for a home purchase:



INSPECTION

An independent evaluation to determine the condition and safety of the home



APPRAISAL

An independent evaluation to determine the home's value



REALTOR®

A commission paid for their assistance in finding a home and submitting a purchase offer



ORIGINATION

An up front percentage of the total loan amount charged by the lender to start processing the loan



DISCOUNT POINTS

The cost of obtaining an even lower interest rate



TITLE SERVICES

Protection for the lender against future claims on your house



PROPERTY TAXES

The taxes paid to your local government; taxes may or may not be placed in escrow



RECORDING

A charge for the loan being recorded by your local government



INITIAL INTEREST

The amount of interest charged between closing and the end of the month



MORTGAGE INSURANCE

Insurance charged by the lender if your down payment is less than 20% of the purchase price



STEP 06:

YOU'RE A HOMEOWNER - NOW WHAT?

We've been walking together through a long, what can seem-to-be complicated process of finding and financing your new home. Now you've got keys in hand and are excited to get settled in and make that house a home! So, what else can you do to make sure you are a financially stable and responsible homeowner?



PLANNING FOR THE FUTURE



After all this careful planning, be realistic about the costs of home ownership. First of all, a lender will want to see that you have reserves left over in your bank account even after paying the down payment and the associated costs. This gives financial reassurance that you won't default on a loan should unforeseen maintenance issues pop up after you have the keys in hand.

Buying a home is a great way to build wealth and a giant step forward for your financial future. Be prepared for the routine maintenance and unforeseen circumstances that can adversely affect your budget. When unexpected costs for plumbing repairs, roof replacement and increased tax/insurance issues arise, there's no landlord to turn to, and these costs can quickly drain your bank account. Save and plan ahead and you'll be ready for whatever comes along on your path.

- 1. Keep all the paperwork you received at closing in a safe place.** Should there be any questions about your home purchase in the future, you want to know where to find it.
- 2. Manage your home as you would a valuable investment.** Keep a maintenance checklist handy somewhere in your home or garage. Do the tedious tasks like changing air filters on a regular basis to keep your home in tip-top shape. See a need to improve your home? Save for it. Skip that expensive trip and hire a professional or DIY instead. You'll quickly see how keeping the value in your home is a strong investment for your financial future.
- 3. Stay in touch with your loan officer.** As a first-time homebuyer, your needs or financial status may change. You might want to refinance if interest rates change. Or maybe you outgrow your first home quicker than expected. Your lender can be a part of making homeownership an investment for your future.



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