



# HOMEBUYER GUIDE

 **Direct**MortgageLoans®



# INTRODUCTION

Becoming a homeowner can seem daunting, but with our team's guidance, and by following the tips outlined in this ebook, you'll be at the closing table in no time!

It is very important to be cautious with your finances while under contract. Consult our team before making any decisions that could delay your home purchase.

This step-by-step plan will walk you through the home-buying process so you can:

- ✓ Figure out how much house you can afford and plan for additional costs.
- ✓ Get a mortgage that saves you thousands and learn how to get preapproved.
- ✓ Choose the right real estate agent, neighborhood and house.
- ✓ Know what to expect after closing day.

Whether you're currently looking for a new home, or planning for a future home-buying endeavor, this guide will help make the process as simple as possible.

Let's get started!

# HOME BUYING PROCESS: A ROADMAP





# HOW MUCH HOUSE CAN YOU AFFORD?

Buying a home is a huge decision. While the process is exciting, it is crucial to be aware of the realities of home buying. Sure a home's new kitchen and master bathroom might be gorgeous, but if you can't pay the mortgage each month, then you're setting yourself up for financial headaches. You want to hunt for homes that are in your qualified price range.

To determine how much you can afford, review the following:

- Current housing expense. Are you comfortable with your current payment? If you'd like to take this a step further, calculate 25% of your monthly take-home pay to determine a comfortable monthly housing payment.
- Review potential monthly homeownership costs such as utilities, maintenance and repairs, upgrades and additions, and factor these expenses into your monthly budget.

Proactively, you can use the Direct Mortgage Loans Home Affordability Calculator, on our app, to get an estimate of how much you can afford based on your financial portfolio. Scan the QR to access the DML App.



# SAVING FOR A DOWN PAYMENT

Now that you understand how much you can comfortably afford to pay each month, it's important to now determine how much you need to save for your down payment. Below we've outlined budgeting tips to help you get to the next step in the home buying journey. Most importantly, remember, you do not need 20% down to purchase a home.

## HOW TO SAVE FOR THE DOWN PAYMENT?

Anything worthwhile takes time and dedication. Keep your eyes on the prize, and you'll soon have the funds you need to purchase your home. FYI - this is the most time-consuming part of the process. To help you save for your down payment, consider these budgeting tips:

- Utilize the 50/30/20 budget to split your income into different categories to control spending and saving.
- 50% of your income should be allocated to needs - the expenses you cannot live without or avoid.
- 30% should go towards your lifestyle.
- 20% should go towards savings.

Be mindful of these home buying expenses

**1** Down Payment:  
Depending on the loan type, 3-20% of the home price.

**2** Closing Costs:  
On average, buyers pay 3-4% of a home's purchase price for closing costs.

**3** Moving Expenses:  
May not cost you anything, but keep in mind if you need professional help moving to factor in the cost.



## GETTING PRE-APPROVED

If you are thinking about purchasing a home, it's time to get pre-approved. A pre-approval letter is powerful in the home buying market. It communicates that you are a serious buyer to your real estate agent and home sellers.

To get pre-approved, you must supply your lender with financial documentation and information regarding your income, assets, and credit. See the next page of this eBook for a list of documents needed for the application process.

Once your loan officer has your pre-approval application, and documentation, they can review and issue a pre-approval letter. [Download the DML App](#) to complete your pre-approval application, securely and conveniently.



# Documents Needed for Pre-Approval

## W2 EMPLOYEE:

- 1 month of paystubs showing YTD income
- Last 2 years of w2's
- Last 2 years of tax returns
- Contact info of employer

## SELF EMPLOYED:

- Last 2 years of tax returns
- Last 2 years of business tax returns
- Letter from CPA to verify self-employment

## RETIRED:

- Most recent awards letter(s) from Social Security, pension, or annuity

## ASSET DOCUMENTATION:

- Letter of explanation for any deposits greater than 20% of monthly income

## MISC. DOCUMENTATION:

- Copy of driver's license
- Contact info for homeowner's insurance agent
- Copy of mortgage statements for other properties owned

# HOUSE HUNTING TIPS

After you've received your pre-approval letter and have selected a real estate agent to represent you during your home buying journey, it's time to start house hunting!

## MUST HAVES

Before you start house hunting, determine your must-haves in your home. Then share with your real estate agent so they know your deal-breakers. We've included a link to our [Home Buying Checklist](#) to help you identify your wants vs. needs.

## LOCATION

Location, location, location! A good location could add value to your house in the future, while providing the proximity to areas important to you. Consider the following:

- **Accessibility:** How close is the house to your work, school or shopping centers?
- **School Districts:** Conduct research on local school districts. Selecting a home in a high-scoring school district could mean more value to your home when it's time to sell.
- **Reputation:** Read reviews on the neighborhood and community.

Above all, remember, you have a team supporting you through these decisions. Ask your real estate agent for assistance when guiding you through the house hunting process.



# MAKING AN OFFER

Now that you've identified the house you want to call home, it's time to make an offer! Review comparable homes in the neighborhood to strategize an offer that aligns with the market. Work with your real estate agent to submit a solid offer that will grab the seller's attention.

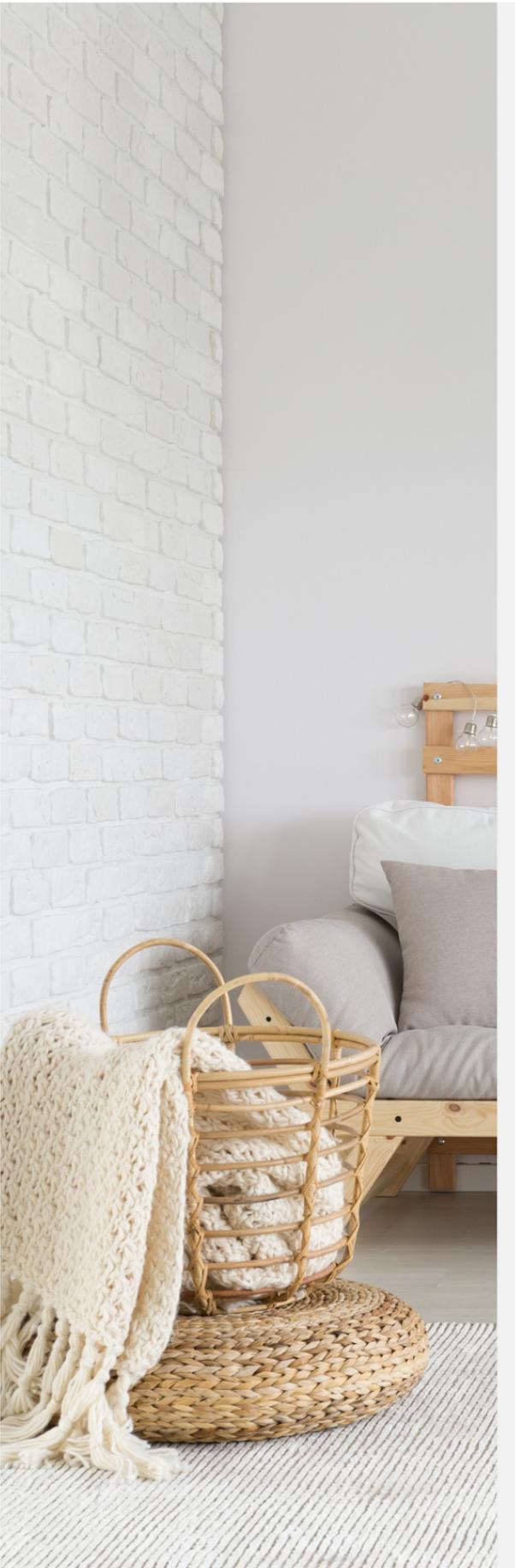
Seek your agent's advice. If it's a sellers market, other buyers could quickly outbid you. In a slower market, you could get a deal by offering below list price. In either case, work with your agent to formulate your offer.

Once your offer is determined, your lender will provide an updated pre-approval letter for your offer package. You'll then complete a sales and purchase agreement with your real estate agent to include the following:

- Buyer and seller information
- Address of the property
- Closing Date
- Purchase price, lender information and down payment amount
- Earnest money deposit amount
- Items to be left with the home
- Contingencies (i.e. home inspections, appraisal and final mortgage approval)

*Remember, your offer is a legally binding contract.*





## NEGOTIATING PRICE

Once your offer is submitted, the seller has the opportunity to accept, decline, or counteroffer.

If the seller counteroffers, this is where working with your trusted real estate agent and lender come in handy. Your agent will help you understand how the counteroffer affects you, and your lender will help you understand the financial impacts of accepting the counteroffer.

If you play your cards right, negotiating the purchase contract could save you thousands of dollars over the life of your loan.

# HOME INSPECTION AND APPRAISAL

When purchasing a home, it's important that you take the necessary steps to ensure the property is both safe and worth its value. Home inspections and appraisals are your tools to ensuring the home you want to purchase is right for you (financially, and functionally).

A home inspection is not required to purchase a home, where a home appraisal is a necessity when seeking a mortgage. Home Inspections are typically completed after the offer you made on a property has been accepted.

A home inspector will determine the condition of the home, if it is safe, and its current state.

Talk to your real estate agent about the pros and cons of making a contingent offer based upon a passed home inspection. While this could help you renegotiate if challenges arise, in a seller's market, the contingent offer could be the reason why the seller rejects your offer.

If there is anything found during an inspection, such a leaky roof, as the buyer, you can discuss repairs with the seller prior to closing.

Uncovering vulnerable systems in your home can help you make post-closing decisions to protect your home (i.e. home warranties), and help you plan for any future repairs or renovations.

Typically, the buyer will pay for the home inspection but that could be negotiated in your offer.



# HOME APPRAISAL

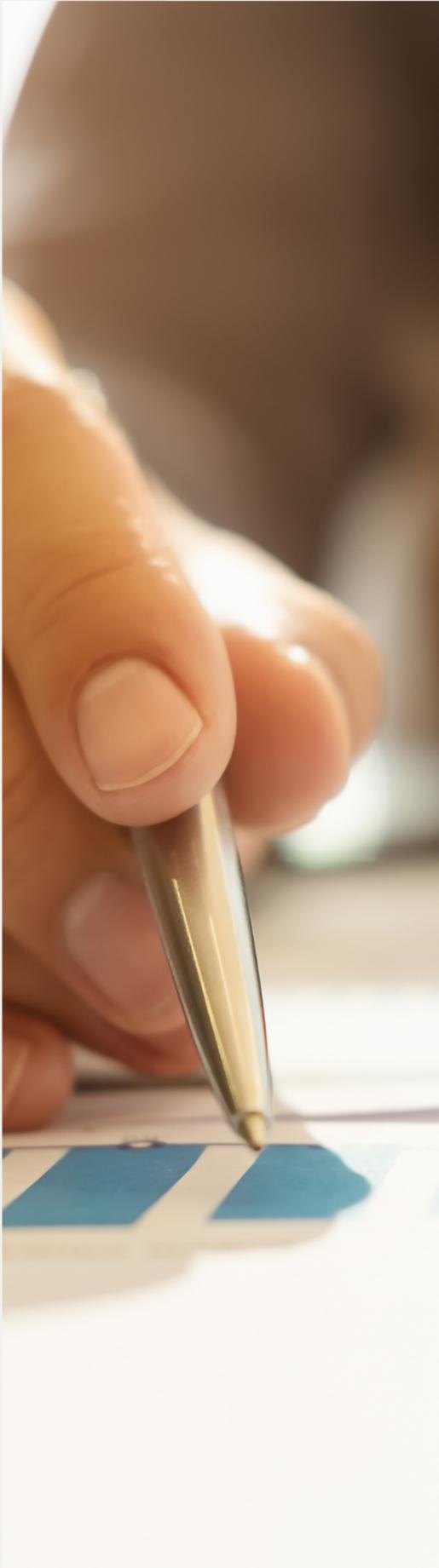
A home appraisal is an inspection completed by an unbiased appraiser, who deems the estimated value of the property. They create a report of other properties recently sold in the area, current market trends, and the property's .

When applying for your mortgage, the appraisal helps determine how much the bank will lend you, and confirms that the loan amount, and home valuation are aligned. It will help make sure that the lending amount is correct, and the property is not overvalued. This is crucial when it is a seller's market because the prices of homes might be listed higher than their actual value due to the low demand in available properties.

There are certain costs associated with an appraisal that are determined by the size of the home, the type of home, location, condition of the property, and the amount of work and time required to complete the entire process. This cost is typically part of the closing fees, or the buyer can opt to pay the fee up-front.

According to the National Association of Realtors, the 2nd biggest cause of delay in loan settlements are issues involving the home appraisal. Make sure you understand what an appraisal is and that the report is accurate. If you have any questions, contact your lender!





## CLOSING DAY

Closing is the final step in the home buying process; it's when you finally take ownership of the house! During the contract negotiation phase, you (the buyer), and the seller, set a closing date that was outlined in the purchase agreement contract. After the seller accepts your offer and earnest money deposit (form of security deposit), it's time to prepare for closing day!

When your real estate agent submitted your offer for the house, any closing contingencies (conditions in the contract that must be met before the home transaction becomes legally binding) were outlined. These contingencies may have included a home inspection, appraisal, loan documents, homeowner's insurance, and a final walk-through.

Leading up to closing day, each of the contingencies will be addressed by your team of real estate advisers (your agent, loan officer, title company, etc.). Anything that will need to be addressed will be outlined for you by one of the advisers.

# CLOSING DAY

Your Closing Disclosure will be sent to you 3 business days before settlement. This document outlines all final terms of your loan, and will itemize closing costs as well as the details of who pays and receives money at the closing table. It is IMPERATIVE that you review this document thoroughly – compare it to your Loan Estimate, sign, and return in a timely manner. If anything has changed, contact your loan officer to understand why.

To ensure a smooth closing, bring the following items to closing.

## CLOSING DAY DOCUMENTS

- Driver's License/Photo ID
- Personal checkbook and/or Certified/Cashier's check in case any numbers slightly change. (While this is rare, it is not unheard of.)





## WHAT HAPPENS ON CLOSING DAY?

Closing is the day you officially become legal owners of the home. On this day, you'll bring everything you need (see list above) and will sign your name... a lot! Expect to be at the settlement table for 45 minutes to 1 hour.

You'll work through the following at the closing table:

- Paying any remaining closing costs as listed in your Closing Disclosure.
- The seller will sign documents transferring the property's ownership. In some cases, this may happen beforehand.
- You will sign the following:
  - Settlement Statement outlining all costs related to the home sale.
  - Mortgage note stating your promise to repay the loan.
  - Mortgage or Deed of Trust securing the mortgage note.
- The title company will register the deed in your name.

Your closing will most likely take place at the office of your title company. It's on closing day that they will legally secure your ownership of the home.

Generally, you will attend closing with your agent, title company representative/attorney, the seller and the seller's agent. If the seller(s) pre-signed the deed and transfer documents, they most likely will not attend.

# TIPS TO BECOMING A HOMEOWNER

Becoming a homeowner can seem daunting, but with our team's guidance, and by following the seven tips outlined below, you'll be at the closing table in no time! It is very important to be cautious with your finances while under contract. Consult our team before making any decisions that could delay your home purchase.

**1** Take the time to review your monthly expenses and budget a comfortable mortgage payment.

**2** You don't need perfect credit to qualify for a mortgage.

**3** Organize your documents for a smooth mortgage application.

**4** Don't make any large purchases or credit pulls before closing.

**5** Don't change employment while under contract.

**6** Don't max-out, consolidate or miss payments on existing credit lines.

**7** Communication is key to a smooth process. Please reply to emails and phone calls as soon as possible.

# QUESTIONS TO ASK YOU LENDER

Below is our list of questions that we suggest borrowers ask *before* making their home financing decisions.

1. Do I qualify for any other types of mortgages?

2. Why did you choose this mortgage type for me?

3. Do you see anything on my credit report that I can work on now that allows me to qualify for a better option?

4. Are you quoting me a rate with mortgage points being charged?

5. Does buying points to reduce my rate make sense in my scenario?

# HELPFUL HOME BUYING RESOURCES

We've created a FREE video home buying course. Our team will educate you about the mortgage process, and the best home financing solutions. You will be able to view the courses as many times as you like, and can download resources to help you learn at your own pace. This is a FREE service for anyone interested in purchasing a home.



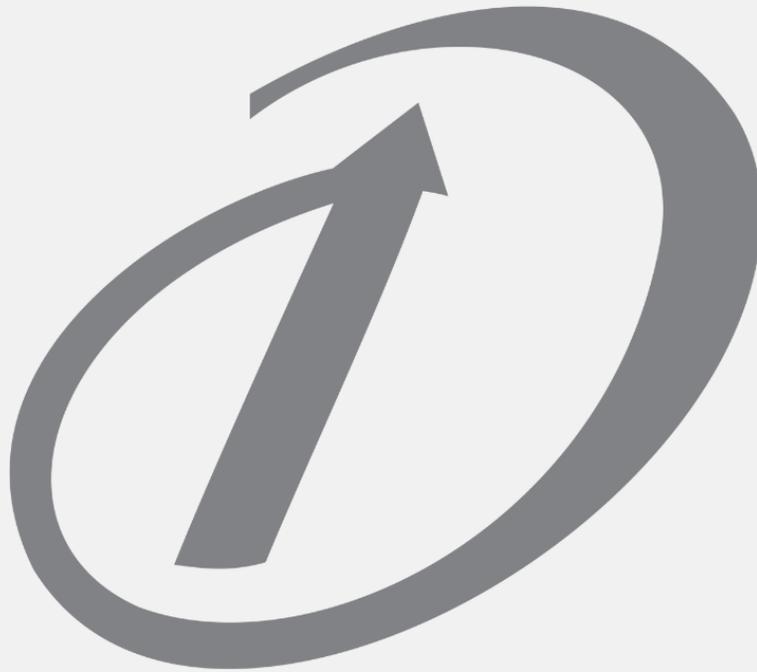
We want to provide a stress-free and personalized home buying experience for everyone. Our team will work with you every step of the way to ensure your home purchase is a smooth one.

Making an informed mortgage financial decision is important, that's why we have hand selected courses to help get you there!

[ENROLL NOW](#)

*"The entire process with Direct Mortgage Loans from start to finish was a breeze. Everything was explained to us each step of the way. If we had any questions, everything was thoroughly answered. We were given frequent updates throughout the process."*

*- Jamie R.*



**Laurie Johnson**  
**Branch Manager**  
NMLS No 1837491  
(843) 708-4440 | (843) 929-1576  
ljohnson@directmortgageloans.com  
www.SouthernCoastTeam.com

**DirectMortgageLoans**



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