A guide to
Buying a Home

CONGRATULATIONS

Buying a home is one of the biggest investments and financial decisions you can make. While it is a major commitment and responsibility, it is also a very exciting time in your life. I'm proud that I will get to play a part in it and am excited about soon having the privilege of handing you the keys to your new home!

With that said, it's important to keep in mind that home buying is a complicated process. I will be working hard to make sure that everything is as rewarding as possible, guiding you at every step and making sure that your needs and desires are met.

This guide was designed to inform you about all steps of the home buying process so that you can feel confident, make informed decisions and act as an educated buyer. It will also help both me and you understand the things that you're looking for in a home so that our search can be made as easy as possible.

Please take some time to review carefully all of the information presented here. If you have any question about the topics discussed, I will be glad to go over them with you in detail. Since every real estate transaction is unique, you will most likely have questions or concerns not presented here. That's what I'm for – to assist you at each step, to answer your questions, and to help you find the home you desire!

PRELIMINARY **FINANCING**
HOW MUCH HOME CAN YOU BUY?

Step 1:

Make a rough estimate of how much home you can afford based on your income and current debt.

Lenders and financial experts recommend that your monthly debts should be no more than 36% of your monthly income. (For a more conservative estimate, this should be based on your take home pay instead of your gross pay.)

If you have additional outstanding debts such as student loans or credit cards, you will need to factor in those monthly payments into your total monthly debt payment. An online mortgage calculator can help you determine your borrowing power at current mortgage rates based on your income and your current outstanding debt, and will likely be the best tool for you to make this initial estimate.

Annual Salary	Monthly Take Home Income	Monthly Debt Payment
$50,000	$4,167	$1,500
$60,000	$5,000	$1,800
$70,000	$5,833	$2,100
$80,000	$6,667	$2,400
$90,000	$7,500	$2,700
$100,000	$8,333	$3,000
$110,000	$9,167	$3,300
$120,000	$10,000	$3,600
$130,000	$10,833	$3,900
$140,000	$11,667	$4,200

Keep in mind that these are guidelines. There are many other factors that determine how much a lender will approve you to borrow, and how much you personally feel that you're able to afford.

Step 2:

Take a close look at your credit report.

Your credit history is one of the principal measures used by a lender to determine your interest rate. The better your credit, the better lending terms your bank or lending institution will be able to offer you. A higher interest rate translates into a higher monthly mortgage payment, and so your credit score will directly affect how much money you can borrow and at which homes you should be looking.

You should be aware of what information is on your credit report by obtaining and reviewing copies of your credit report from the three main credit report agencies.

What not to do

If at all possible, you should avoid making a major purchase or changing your job if you're seriously considering buying a home in the next few months. This may negatively effect your credit score.

Equifax	TransUnion	Experian
www.equifax.com	www.transunion.com	www.experian.com
1.888.766.0008	1.800.888.4213	1.888.397.3742

HOW DOES **YOUR SCORE** RATE?

Low	Fair	Good	Great	Exceptional
Below 620	620-690	690-740	740-780	Above 780

The average credit score in the United State is 687. (August 2016)

Remember that there are several factors that affect your credit report including your payment history, your current ratio of debt to income and signs of responsibility and stability. And since not all creditors report to all three agencies, it's best to order a report from all three institutions. Your goal in ordering all three credit reports is to make sure that all of the information stated on each report is accurate and correct.

If there are any discrepancies on your credit report, it's important that you contact the rating agencies and have those records corrected. This will help you avoid hassles later on.

Step 3:
Gather the documents / Take a look at your assets and monthly expenses

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These documents, in addition to your credit report, will help establish with the lender your debt to income ratio and your ability as a borrower to repay debts:

Social Security Number
W2 Forms from the previous two years
Pay Stubs (most recent months)
Employment History Summary
Bank Statements (3 months)
Creditor Information. This includes debts like:
• Student Loans
• Auto Loans
• Credit Cards
• Child Support Payments

Federal Tax Returns (2 Years)
Complete Record of Assets
• Stocks, bonds, & investment accounts
• IRA / Retirement plan
• Life insurance policies
• Automobiles owned
• Construction loan
• Gift letters
• Documentation of other income

Improving any of these areas will help you qualify for better lending terms, so keep that in mind before you speak with a mortgage professional. If it's possible to pay off a car loan or a credit card balance before you seek financing for your new home, the preferential financing terms that you could receive may save you thousands of dollars over the life of your mortgage.

Step 4:
Talk to a qualified lender

After looking at this information for yourself, it's time to speak to a qualified lender. A professional advisor will not only be able to give you information on the best rates and terms available in the current market, but he or she can also explain to you what options you have given your unique financial situation.

There are a considerable number of choices available to consumers and I advise you to learn as much as you can about the different lending options that are available to you.

Talking to a lender at this time will help you get a more accurate idea of what you can afford. When we begin to look seriously at homes, you'll go back to the lender and shop around for the best loan available.

KNOW YOUR **MORTGAGE**

When considering your financing options, you'll want to review many different things about the loans offered to you. In this section you'll find a basic overview of home loan features and the things you should consider as you shop for a lender or loan.

Know Your Lender

Home loans are available to consumers from thrift institutions - commercial banks, mortgage companies, credit unions and mortgage brokers. You may also obtain a loan through a mortgage broker. A Mortgage Broker is unlike other lenders in that the broker does not lend money to you directly. A broker will help find you a lender and secure the terms of your arrangement.

Mortgage Broker vs. Traditional Lender

A broker may have access to several lenders and therefore can offer you a wider selection of loan products and terms. He or she can help you shop for the best deal based on your circumstances. (A Broker is not obligated to find you the best deal possible, so be sure to ask questions.)

Even if you decide to work with a traditional lender, ask if a broker is involved. Many financial institutions act as both lenders and brokers, so you should ask if a broker is involved on any loan you are offered.

It's always a good idea to check out the reputation of any lender you consider working with. The National Association of Mortgage Brokers or the Better Business Bureau can tell you if a lender is in good professional standing.

For their work, brokers are paid a fee in addition to the lender's origination fees. Brokers set their own compensation, so you'll need to ask anyone you speak to how their fees are determined.

Know Your Loan Types

Not all home mortgages are structured the same. There are several borrowing options for home buyers and the type of loan that you choose should work for your unique financial situation.

Fixed Rate (Traditional) Loan

These loans are usually structured with repayment terms of 15, 20 or 30 years. The lender will agree to charge a fixed interest rate over the life of the loan. With this loan type, your monthly mortgage payments will remain the same for the length of the term.

Adjustable-Rate Loans (ARMs)

Also known as variable-rate loans often offer a teaser rate for the initial period of the loan. This introductory interest rate is usually lower than rates offered for fixed rate mortgages. The interest rate will fluctuate over the life of the loan based on market conditions. Changes in rate happen at certain time periods, and the lender can set both a maximum and minimum on the rate of fluctuation.

Know Your Loan Types (continued)

Federal Housing Administration (FHA) Loans

Federal Housing Administration (FHA) insured loans are made by private lending institutions such as banks, savings & loans, or mortgage companies to eligible borrowers for the purchase of a home. To secure an FHA loan, a borrower must apply and qualify with a certified FHA Lender.

Additionally, eligible borrowers must be able to pay a minimum of 3.5% of a home's purchase price. If the loan is approved, FHA will insure a portion of the loan's value to the lender.

The best type of loan for you will likely be based on the down payment you can afford and the length of time you plan to spend in your home.

If you're considering a variable rate mortgage, you'll want to be sure to understand what a rate increase could do to your monthly payment. Be sure to ask when and how your loan payment will vary.

Veterans Administration (VA) Guaranteed Loans

VA Home Loans are available to qualified veterans and their spouses. Private lending institutions issue the loans which are in turn guaranteed by the Veteran's Administration. The VA does not require any down payment on VA Guaranteed Loans and allows the borrower to receive a competitive, fixed interest rate.

Know Your Rate – And Your Terms

When you start shopping for a loan, you'll start looking at interest rates. The interest rates, terms, and fees for a mortgage will be based on your qualifications as a borrower and on the current lending market. Keep in mind though that finding the right loan is not just about finding the lowest interest rate possible. Mortgage institutions offer loans of varying terms – typically 30, 20, or 15 years. Shorter term loans can save you thousands of dollars over the life of your loan if you can afford a higher monthly payment.

You'll want to get a complete picture and break down of what a given offer means to you on a monthly basis as well as how much money you'll be spending over the life of the loan.

At a minimum, you should request quotes with a few different scenarios from a few lending institutions and compare the financial impact of each situation before you determine your best course of action. Shopping around is worth your time!

When you receive quotes – ask your lender whether you're being quoted the lowest rate for the day or week. Ask what the loan's Annual Percentage Rate (APR) is. The APR will express as a yearly rate all of the fees associated with a loan.

If you are satisfied with a proposed interest rate, you can ask your lender if he or she can lock-in the quoted rate. There may be a fee associated with locking in a rate and the agreement will generally only last 60 to 90 days.

Know Your Fees

Most loans have fees in addition to the total amount you are borrowing to finance your home. You can sometimes borrow the money needed to cover these fees, but that will obviously increase the overall amount of debt you undertake. Some fees are paid up front, and others are not due until closing.

Points

The lender or broker can charge you points on your mortgage. One point equals 1 percent of the loan amount. These are simply fees paid to the lender or broker that are often linked to the interest rate, and are usually paid in cash to the lender or broker at closing. A lender may offer you a lower interest rate, but charge more points, so it's important to compare offers.

Loan Origination Fees

The institution that actually loans you the money will generally charge on origination fee for processing the loan. They are often expressed as a percentage of the amount of the loan.

Underwriting Fees

Certain lenders will charge a fee to investigate your creditworthiness and determine if you are likely to repay your loan.

Broker Fees

Typically paid at closing, a mortgage broker may charge you a fee in addition to the origination fee. If you are working with a broker, be sure to check with them what their fee is.

Transaction / Settlement / Closing Costs

These fees lump together several charges for: application fees, title examination, abstract of title, title insurance, property survey fees, deed preparing fees, other mortgage fees and settlement documents, attorney fees, recording fees, notary fees, appraisal fees and credit report fees. The Real Estate Settlement Procedures Act requires that a lending institution provide a borrower with a good faith estimate of closing costs at the time of application. This estimate must list each expected cost as a range or as an exact amount where applicable.

Never hesitate to question a fee that you don't understand. Your lender should give you a thorough explanation and make sure that you know what you're paying for.

For better understanding, ask your broker or lender to quote you a dollar amount – rather than just a number – on any points you are being charged on the loan.

Sometimes lenders lump fees together. You can ask for a break down of that lump.

Certain fees, like the broker's fee or the amount of points assessed on a loan are negotiable. It never hurts to ask your lender if they can get you a better deal.

Know Your Down Payment and Private Mortgage Insurance

The largest upfront cost in purchasing a home is the down payment. Most traditional lenders expect borrowers to put at least 20% of a loan's total amount down.

Borrowers who are unable to do so are required to purchase Private Mortgage Insurance (PMI). This insurance protects the lender in case of default by the borrower.

If PMI is required, ask your lender what the total cost of the insurance will be, how much it will increase your monthly payment, and how long you will be required to carry the insurance.

Be sure to get a clear indication of the down payment percentage required by your lender. You will also want to know what kind of documentation your lender requires to verify that you have funds for the down payment.

Lender Interview Cheat Sheet

1. What kind of loans do you offer?
2. What kind of loan would you recommend for me? What are the advantages and disadvantages of this loan structure?
3. What is the current interest rate? Is the rate quoted the lowest for that day or week?
4. What is the Annual Percentage Rate (APR) of an offered loan?
5. Is the loan rate adjustable or fixed?
6. What are the discount points and origination fees?
7. What are all the costs of the offered mortgages?
8. If the rate is adjustable - how will rate and loan payment vary?
9. What are the qualifying guidelines for this loan?
10. What is the lender's required down payment for this loan?
11. What documents will need to be provided?
12. What are the closing costs?
13. Will the lender guarantee the GFE (Good Faith Estimate) of settlement charges and loan terms?
14. Does the lender offer a loan rate lock? Is there a fee for the rate lock?
15. Is there a prepayment penalty?
16. Are you equipped to approve loans in-house?
17. How much time do you need to fund the loan?
18. Will mortgage insurance be required?
19. Can the term of the loan be extended?
20. Is there a cap on payment adjustments?

PRE APPROVAL vs. PRE QUALIFICATION

Before you begin your home search in earnest, I highly recommend that you work with a lender to get pre-approved for a home. Many home buyers will talk to a lender quickly and get pre-qualified, but this is not the same thing.

Pre-approved buyers are ahead in the home buying game. If you make an offer on a home and then apply for a loan instead of the other way around, you are at the mercy of the lender who now knows that you don't have time to shop around.

A pre-approval letter from a lender will also give you an edge when multiple offers have been made on a house. Pre-approved buyers generally close escrow more quickly, since most of the paperwork has already been taken care of.

Pre-Qualification is only a loan agent's opinion that you'll be able to obtain financing. No verifications are made, so formal approval is not issued.

Pre-Approval means your loan application has been taken through a rigorous procedure, including a review of your credit report. Pre-approval saves you the time of looking at houses you can't afford.

WHICH HOME IS THE RIGHT HOME?

I've made a commitment to help you find a home that suits your wants and needs, and so now it's time for you to articulate exactly what those wants and needs are. By sitting down and considering the kinds of things you're really looking for, you can save a lot of time and frustration by avoiding houses that aren't for you.

Take a few minutes to consider the following features and benefits of the home you're looking for.

FEATURE	REQUIREMENTS
Price	
Location/ Community Features	
Home Type	
Size (Beds, Baths, Sq. Ft.)	
Interior Features	
Exterior Features	

Now that you've detailed your ideal home it's time to put your priorities in order. What is the most important thing for you, what areas can you compromise on? Chances are that the perfect home for you won't be exactly what you put down on paper. You may want to circle your top 5 priorities or items that are "must haves".

LET THE SHOWINGS BEGIN!

10

That's the median number of houses a homebuyer will look at before they choose one.

Home shopping can be both exciting and exhausting but doing some preparation before you hit the street to look at homes will help out tremendously.

Schedule Showings

It's time to get out and see some of the houses you've been looking at in person. We will compile a list of the properties you've found as well as options I've found of similar properties on the local Multiple Listing Service (MLS).

Here are some great tips to keep in mind when you're viewing properties in person:

1. We don't want to view too many properties in one day.
2. Don't be put off by interior decorations – they can and will be changed.
3. Bring a notebook, pen and / or digital camera with you as you search.
4. Keep a folder with flyers or print-outs on properties that you've viewed.
5. When you find a property you like we can plan on visiting it at different times of the day.
6. Don't hesitate to ask questions.

Questions about the property

When you find a home you really like, there are some more probing questions you might want to ask. Remember, a professional home inspection will be necessary to completely answer most of these questions.

General

1. When was the home built?
2. How many owners has it had?
3. How does the asking price compare to other houses in the neighborhood?
4. What did the property sell for when the current owner purchased it?
5. What year was it purchased in?
6. What are the annual property taxes? Will the taxes increase with the transfer of deed?
7. Is there a builder's warranty on the property? What are the details of that warranty?
8. Will there be additional structures built around the property that could distort the view?

Outside

1. What is the level of ground maintenance that will be required?
2. Are there any structural anomalies or problems with the outside area of the property?

Inside

1. Are the appliances built in?
2. Is there adequate insulation?
3. What improvements / additions has the homeowner made to the property since purchase?
4. What appliances is the seller offering in the sale?

Major Systems

1. What is the age and condition of each major system in the home
(plumbing, electrical, heating & cooling)?
2. What type of fuel is the home heated with?
3. What is the average monthly utility costs? What are the winter and summer highs and lows?

MAKING AN OFFER

When you've found a home that you're interested in, it's time to make an offer. As your buyer agent, I will draw up a contract with your offering price and necessary contingencies into a formal contract.

You will want to review this document carefully and make sure it states your terms exactly. If the offer is accepted by a seller, this contract will become a legally binding agreement.

In addition to an offer contract, you will need to provide earnest money as well as a letter from your lender indicating your qualification to purchase.

Earnest Money typically equals roughly 1% - 3% of the property purchase price. You will not be at risk of losing your earnest money as long as you do not default on your contract. The amount will be credited towards the purchase price of the house at closing.

After you've made your offer, the seller will be able to:
1. Accept your offer
2. Reject your offer
3. Execute a counter offer

In most cases, a seller will not accept your initial offer outright. Typical counter offers include modifications to:
- Purchase price
- Closing date
- Possession date
- Inclusions

When you make an offer on a house, you should be prepared for the negotiations to go back and forth several times before both parties agree to the terms. You might also have to compete with other interested buyers in certain market conditions.

When an agreement is reached on all issues, and both the seller and you as the buyer have signed the offer, you are both under a legally binding contract.

As a buyer, you will be in a better negotiating position if:
• You have been pre-approved for a mortgage
• You are not selling a house at the same time
• You have not loaded your offer with other contingencies

GETTING TO THE FINISH LINE

Your offer is accepted. Now it's time to get to work. Before we can close on the purchase of your new home, we need to take a few more steps to make sure the purchase is a sound decision.

Step 1: Home Inspection / Property Survey

As the buyer, you have the opportunity to hire a professional inspector to evaluate the condition of the home. An inspection clause is included in the written contract given to the seller.

The goal of a home inspection is to give you an objective, independent and comprehensive analysis of the physical condition of your potential new home and check for any safety issues that might otherwise be unknowable.

A professional inspector will check on the structure, construction and mechanical systems of the house. This usually includes checking these areas:

- Electrical systems
- Plumbing and waste disposal
- Water Heater
- Insulation
- Ventilation
- HVAC System
- Water source and quality
- Lead Paint
- Pests
- Foundation
- Doors
- Windows
- Ceilings
- Walls
- Floors
- Roof
- Radon gas
- Asbestos

You will receive a written report of the inspection and an estimate of the cost of any and all repairs. If you choose to be present during the inspection, you can ask your inspector about unique features of the property and get his or her opinion on the necessary maintenance for different areas of the property.

Depending on the results of the inspection, you will have the opportunity to:

- Get out of the written offer if major problems are discovered
- Renegotiate the purchases price to account for necessary repairs
- Negotiate that repairs are made by the seller before final purchase of the property

Your lender may also require that a legal land survey be completed of any property on which they issue a mortgage so that they can obtain a clear lender's title insurance policy.

A surveyor will determine:

- Whether the house is within the property borders
- Whether there are any encroachments on the properties by neighbors
- The extent to which any easements on the property may affect legal title

Step 2: Clearing the Home Title

Simply explained, "title" is the right to own, possess, use, control and dispose of property. When you buy a home, you are actually buying the seller's title to the home. A deed is the written legal evidence that the seller has conveyed his or her ownership rights to you.

Before the closing meeting when the actual transfer of ownership occurs, an attorney or title specialist generally conducts a title examination. The purpose of the title examination is to discover any problems that might prevent you from getting clear title to the home. Generally, title problems can be cleared up before settlement. But in some cases, severe title problems can delay settlement, or even cause you to consider voiding your contract with the seller.

Some "clouds on title" can be corrected relatively easily while others can become quite complicated to remove. You should insist on being kept informed of every step in the title examination process. If title problems are uncovered, it is important for you to understand your legal rights.

What is Title Insurance?
Title insurance is the best way to protect yourself against title defects that have occurred in the past, which may not appear until after you've taken ownership of the property.

Before a title insurance policy is issued, a title report is prepared based on a search of the public records. This report gives a description of the property, along with any title defects, liens, or encumbrances discovered in the course of the title search. It is different than casualty insurance in that you pay a one-time fee and it protects against past (as opposed to future) events.

Title insurance will protect you against title defects that were not discovered in the course of the title search. If such a defect were discovered later, your title insurance would cover you. If title problems are severe enough and not covered by insurance, you could actually lose your house. A title insurance policy protects you and your heirs against title defects for as long as you own your home.

Step 3: Getting an Appraisal

Once you have determined that there are no defects on title and all inspection concerns have been resolved, it is time to order an appraisal.

An appraisal is an estimate of the value of a property made by a qualified professional. The appraisal of your prospective home is as important as your credit history in obtaining a mortgage. After all, the property you are purchasing serves as the collateral for the loan.

Although the primary goal the appraisal is to justify the lender's investment, it also protects you from overpaying. Your lender will generally hire the appraiser and will charge you as the buyer a fee for the service. If the appraisal falls short of the amount you wish to borrow you may be refused a mortgage or offered a smaller amount on the mortgage. Your offer contract will be contingent on whether the appraisal comes in at or above the purchase price you and the seller have agreed upon.

Step 4: Closing

Once all of the purchasing steps and contingencies are cleared, it's time for closing!

Closing is the legal transfer of ownership of the home from seller to buyer. It is a formal meeting that most parties involved in the transaction will attend. Closing procedures are usually held at the title company or lawyer's office. Your closing officer will coordinate the signing of documents and the collection of and disbursement of funds.

In order to ensure a smooth closing you will need to:

- Obtain a homeowners insurance policy and provide this information to your lender and/or closing agent.
- Review the Settlement Statement or HUD-1 that your lender or closing agent will provide you 1 to 2 days before closing. These documents will contain a detailed description of all costs associated with the transaction, including the exact dollar amount you will need to bring to closing.
- Verify with your lender and/or closing agent any other items that you need to bring with you such as a valid driver's license or other form of identification
- Conduct a walk-through of the property prior to closing. This will give you an opportunity to see that the condition of the house is the same as it was at the time of contract. Additionally you will be able to ensure that any repairs agreed to by the seller, based on the inspection, have been completed.

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