



HOME BUYING GUIDE





5 REASONS TO OWN A HOME

Life is full of joys and owning a house is one of them. Not to mention the financial benefits that come along with it. Here are five financial benefits of owning your own home.

EQUITY BUILDING - Payments on a home are an investment in your future. Typically the value of your home appreciates, and the amount you owe on your home loan decreases over time. This is called equity. Equity can act as a built-in savings plan when it comes time to sell your home.

FREEDOM - It's your home, feel free to express yourself, decorate and make additions that match your taste and lifestyle.

TAX BENEFITS - The U.S. Tax Code allows you to deduct the interest rate on your mortgage, property taxes, and other miscellaneous costs involved in buying a house.

APPRECIATION - Real estate value has risen consistently over the long term. Median single-family existing-home sale prices have increased on average 5.2 percent each year from 1972 through 2014, according to the National Association of REALTORS® (NAR).

STABILITY - Establish connections and long-lasting friendships within your ideal neighborhood for several years.

QUESTIONS TO ASK YOURSELF BEFORE STARTING

Purchasing a home is very exciting and more importantly, a major leap forward in life. But don't let your emotions and excitement get the best of you - Ask yourself these very important questions before taking the leap:

What is your “Why” to buy a home in the first place?

There are numerous reasons to buy and own a home. You must be honest with yourself and realize what your personal reasons are. Do you think buying a home makes more sense than renting one? Is it the right time? This question will help you prioritize and find the right budget for you.

Do you have the time and energy to maintain your new home?

Living in a new home requires time and energy for general maintenance and upkeep. You should acknowledge these responsibilities and prepare to take these challenges on.

Do you have an emergency fund?

Diving in without an emergency fund can cause issues for you later on. Unexpected expenses happen more often than you might think. Having an emergency fund ready will help you with your house payments in the unfortunate event where unexpected payments are needed.

Do you have a good credit score?

Make sure that your credit score is in good condition before purchasing a home. Your lender will evaluate your eligibility basing on your credit score. Ask your accredited lender what they can do to help improve your credit score.

Do you think you can afford down payment and other miscellaneous costs?

The amount of these costs will depend on the purchase price and loan type. You will be responsible to pay these when you buy a house.

A woman with blonde hair tied in a bun, wearing a white sweater with eyelet details, is sitting at a wooden desk. She is looking down at a calculator on the desk with her right hand, while her left hand holds a blue pen over an open laptop. The background is a bright, blurred office or home workspace with a white shelving unit and a teal door.

CREATE A BUDGET

One crucial step in the home buying process is to build a budget. Creating a budget will help you realize exactly how much you can expect in the home payment. You will be able to prioritize and remove expenses based on your desires and wishes.

A monthly budget is usually a document providing you with a clear picture of how much money you have coming in and going out of your household. It helps to list every monthly expense and every source of income to ensure an accurate picture. Your monthly budget will show just how much money you can afford for a house payment every month.



HOME WISH LIST

You're getting a house, and what's exciting about it is that you have the freedom to express your creativity and taste with almost anything you can think of. Creating your home wish list is about recognizing everything that you want and need in a home. All the bedrooms and bathrooms must be included to accommodate your family's needs. After, you can add on all the bells and whistles you want.

A home wish list should be fun and exciting. Make sure your final list is realistic and within your reach. Prioritize "must-haves" before listing your "nice-to-haves". And most importantly, allow yourself to enjoy this process.

FINANCING YOUR HOME

You have a good credit score, debt-to-income ratio is acceptable and your credit report is clean of any errors. Everything is going great for you. Now it's time to meet with your lender and go through the pre-approval process for home loans. Being pre-approved for a home loan gives you a lot more buying power with home sellers. Preparing for the pre-approval process is very important and this is how to plan for it.

GET PRE-APPROVED Through looking at your income, credit score and credit report, your lender can determine and evaluate your eligibility for a home loan.

GOOD FAITH ESTIMATE (GFE) A Good Faith Estimate provides you the terms of the home loan you apply for. Your lender will provide the GFE after you have been pre-approved. Compare the real cost of the loan on the GFE to the budget that you created to make sure you can handle the house payments.

STOP USING CREDIT A pre-approval is not a guaranteed loan. It is only to show that the bank is willing to lend you a certain amount of money depending on your current financial situation. Taking in more debt may lead to the bank opting out of the approval for your home loan. Always keep a good standing and settle all your payments on schedule time. It is also important to note you should not apply for any new credit lines.

SAVE FOR A DOWN PAYMENT During your pre-approval meeting, your lender will go through the down payment requirements on your home loan. Depending on the loan you are applying for, you will be expected to pay anywhere from 3.5% to 20% of the home purchase price. There are home loans that do not require down payment. While these can be great options, Please make sure and check with your lender how this will impact your monthly budget.



WORKING WITH A REAL ESTATE AGENT

A real estate agent's experience and knowledge will ease your search for a home.

START WITH AN AGREEMENT Working with a real estate agent means signing a contract stating you will not hire another real estate agent while working together. Please feel free to include your own expectations into this contract as well. Including your own reasonable expectations are generally accepted by real estate agents. If you don't already have a real estate advisor that you absolutely love, ask your Local Hero Home Programs accredited lender who they believe would be the best fit for you.

START YOUR HOME SEARCH The home wish list you created, the Good Faith Estimate, along with the monthly home payment amount (based on your budget) will greatly help your real estate agent. This will allow the agent to get right to work in finding your dream home.

COMMUNICATION WITH YOUR AGENT Establishing constant communication with your agent will allow you to have the opportunity to view more homes and prevent you from losing out on any homes you've offered on.

MAKE AN OFFER

You've found the house of your dreams and it's in your price range. Time to make this dream into a reality by making an offer to the seller. The offer will include your offer price, contingency clauses, closing date ,and other miscellaneous things.

EARNST MONEY When submitting an offer, earnest money is required and is held in an escrow account. It is credited back to you when your home purchase closes.

LIMIT YOUR OFFER Include a time and date that your offer will expire. Do not let it sit on the table for a long time. Your agent should be familiar with the customary deadlines for your market.

INCLUDE A PRE-APPROVAL LETTER Ask your Local Hero Home Programs local lender for a pre-approval letter. Include this along with your offer to the seller. This will give the seller confidence that you are able to pay for the house.

CONTINGENCIES Contingencies are clauses that you include in your offer to secure your earnest money should unforeseen situations happen. They are considered an important part of your offer. Including home inspection contingencies is almost always recommended.. Always discuss these contingencies and their importance to your real estate agent.

SELLER'S DISCLOSURE Once your offer has been accepted, the seller will have a certain number of days to give you full disclosure of anything that is wrong with the house. Review the seller's disclosure once you receive it. You have a certain number of days to change your mind or rescind your offer if you find any discrepancies with the home in the seller's disclosure.

HOME INSPECTION IS KEY

Comprehensive home inspections require professionals who will look through every nook and cranny of the house and know exactly what to look for in spotting problems. Home inspectors are not a person you want to cut corners on to save a few bucks.

TAG ALONG Ask your home inspector to allow you to follow along during the inspection to discuss their findings along the way for clarification. This is a perfect opportunity to learn more about your house. It is also useful information for you and your agent to discuss if your home inspector finds major faults or problems.

LEARN Your home inspection is an opportunity to learn about the maintenance of your new home. Feel free to ask questions and take down notes on tips from your home inspector during the inspection.

USE YOUR INSPECTION CONTINGENCIES Home inspection contingencies into an offer are usually recommended. If your home inspection reveals major problems with the house and is a deal-breaker, you can back out of the deal.



THE APPRAISAL

Your lender would like to know the valuation of the property before they sign the dotted line to approve your home loan. The house must have a value similar to the amount you are looking to borrow for a home loan. This will be decided by the lender requesting a property appraisal.

The estimated value of a property is determined by several factors that add to and detract to the total value. These factors include the property's age, condition, amenities, and neighborhood. Similar properties of neighboring homes within the same area are also used to determine a property's value.

Lenders need property appraisals to protect the money they lend you to buy your home. Communicate with your real estate agent if the appraiser reveals that your loan amount is different than the value of the property.

It is not your duty to find nor hire an appraiser. The appraiser's client is usually the lender that orders the appraisal. Some lenders use an appraisal management company to manage and order an appraisal on behalf of the lender while others order the appraisal directly from an appraiser. Feel free to ask the appraiser questions prior to your home appraisal to make sure your appraisal is handled properly.

CLOSING DAY

You're nearly there and everything is coming into place. You have found your dream home and it has cleared appraisal. The only thing left is to close the deal and make the home officially yours! Nothing better than a smooth closing, and here is how you do it.

REVIEW YOUR CLOSING DOCUMENTS Review your closing disclosure form on closing day. The closing disclosure has every important detail that goes into financing the purchase of your house. Double-check and understand the terms of your loan and the mortgage payments required. Your exact mortgage payments, the loan interest, and the closing costs are all outlined in the closing disclosure. Review and compare your closing disclosure to the good-faith estimate you were given in the initial stages of the home loan application process. If there are any major discrepancies between the closing disclosure and the Good-Faith Estimate, please communicate this with your lender.

DO A FINAL WALKTHROUGH OF THE HOUSE Your final walkthrough of the house is to make sure the house is in the condition you and the seller agreed upon after your inspection. It is also to confirm that the seller has completely vacated the house. Double-check areas that the seller agreed to have repaired, if any, and make sure that they are properly fixed.

ITEMS FOR CLOSING

The following are required to make sure your end of the deal goes through:

Copy of Your Contract with the Seller, Copy of the home inspection report, Proof of homeowner's insurance, Government-issued photo ID, Down Payment – Reference your closing disclosure for amount, Payment for Closing Costs - Reference your closing disclosure for the amount.

MAKING THE MOVE

Moving day may be a daunting task but the excitement that goes with it far outweighs the work. It is the best feeling yet! A Solid plan can go a long way to reduce stress and help save money on your move.

MAKE TIME FOR YOU Your to-do list might be daunting but give you and your family time to decompress and relax during the whole moving process.

HAVE AN ESSENTIALS BOX Place all your essentials in a box you can immediately use after you move. Separate this box amongst the others so that you can easily identify it.

DECLUTTER Filter out and leave behind the clutter you do not use anymore to simplify the move even more. You can make extra money for your move by selling these in a yard sale.

SETTLING IN Start by placing boxes in their appropriate rooms. One of the first things to do would be setting up the bed for sleep. The rest can be unpacked in due time. At least you now have an idea where everything should go if they are placed in their respective rooms.



AND FINALLY, CELEBRATE.

You Deserve it.



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