



A Quick Guide to Buying a Home

Purchasing a home is one of the biggest, most important investments you'll ever make. You can lean on me for sound advice - including if buying is right for you.

- **Understanding what you can afford**
 - Your first step in buying a home is to fully understand your finances. Of course, it's not as fun as looking at homes, but it's important to determine how much you can comfortably afford.
 - Mortgage loan payment amount can be approximately 28% of your gross monthly income
 - Total debt with mortgage can be approximately 36% of your gross monthly income
 - Your mortgage lender will calculate this for you as the percentages can be stretched slightly
- **Finding your team**
 - There are many people involved in your homebuying journey. Having the right people by your side can help you achieve success with less stress.
 - Realtor (choose first)
 - Mortgage Lender (choose before looking for your dream home for pre-approval)
 - Mortgage Lender (complete application after your offer is accepted)
 - Appraiser (mortgage lender will choose and schedule - buyer pays)

- Home Inspector (after your offer is accepted- buyer pays)
- Surveyor (after you are under contract - buyer pays). You can often use a prior survey from the current owner for no cost if available

- **Get Pre-approved**

- It is recommended that you get pre-approved by a mortgage lender prior to looking at homes
- Many sellers require a pre-approval letter before they will accept any offers
- You'll fully understand what you can afford
- You'll start looking for your dream home with confidence!

- **Finding the right home**

- Finding the right home that fits your finances, lifestyle and stage of life requires significant planning. It's time to ask yourself a few key questions about location, type of home and must-have features.

Questions to ask:

- # of bedrooms (have frequent guests, have children or planning to have children, need a home office, etc)
- # of bathrooms
- Garage or shed needed?
- Move in ready or are needed updates ok?
- Flooring type. Is carpet ok?
- House age
- Location
- Schools
- Lot size
- Anything else that is **important** to you!

Note: A 4 point inspection is required for homeowner insurance and can impact the homeowner's insurance policy cost and application approval

- Electrical systems (Panel type, wiring type (copper - preferred, aluminum used from mid 1960s to mid 1970s (avoid fire hazard), knob and tube in very old homes (avoid usually ungrounded and prone to failure), grounding, breakers)
- Plumbing systems: material ((avoid polybutylene piping used from late 1970s to 1996 (failure/cracking) and galvanized steel in supply piping (rust/clogging)), leaks, water heater age, condition)
- HVAC systems (age, condition, size, ductwork)
- Roof (age, condition, material, remaining life)
 - Most insurers will not cover a roof over 15 years old

- **Applying for a home loan**

- **Down payments and PMI (Private Mortgage Insurance)**

These two important topics can be misunderstood.

Where PMI comes in:

- If you make a down payment of less than 20%, you'll have to pay PMI each month until you build up 20% equity in your home for conventional loans. PMI cost can be relatively small in comparison to the value of being able to secure a 30-year fixed-rate mortgage sooner and buy your dream home now rather than later.

Taking out a mortgage is a complex part of the homebuying process.

- **Finding the right loan**

- Conventional

- Requires private mortgage insurance (PMI) with less than 20% down

- Best for good credit scores. Mortgage rates increase as credit scores go lower.
- Can be less expensive than FHA even with PMI if your credit is good. Your lender will help with this and help you decide what loan type has the lowest costs and payments.

- FHA

- As little as 3.5% down
- Requires upfront MIP (Mortgage Insurance Premium) of 1.75% of loan amount usually added to the mortgage amount
- Credit scores as low as 580 for 3.5% down
 - Higher Credit Scores get the best mortgage interest rates
- Requires monthly MIP added to the loan payment
 - 0.55% of yearly loan balance/12 per month with less than 10% down for 30 year term
 - \$91.67 per month for a \$200,000 loan
 - Lasts for life of loan for < 10% down
 - Lasts for 11 years with > 10% down
- Slightly lower interest rates than conventional loans (for same credit score)

- USDA loan

- 0 down payment option
- Strict income limits based on family size (See USDA website): <https://eligibility.sc.egov.usda.gov/eligibility/incomeEligibilityAction.do?pageAction=state>
- Most lenders look for a 640 credit score (can be slightly lower with manual review of file with good finances, good payment history and good employment history)
- Rural zip codes only (See USDA website for approved zip codes): <https://eligibility.sc.egov.usda.gov/eligibility/addressVerification>

- Requires upfront guarantee fee of 1% of loan which can be included in the loan
 - Annual fee of 0.35% of unpaid principal balance/12 per month
 - \$58.33 per month for a \$200,000 loan
 - VA loan (Veterans only)
 - 0 down payment
 - Most lenders look for 620 credit score but can be lower with larger down payment and/or strong finances
 - Requires a one time VA Funding Fee
 - Can be rolled into the loan amount, paid upfront or covered by seller as a concession
 - First time VA loan use: 2.15% of loan amount
 - Subsequent Use: 3.3% of loan amount
 - Slightly lower interest rates than conventional loans
- **Completing the loan application**
 - Usually an online process started from an e-mail link provided by mortgage lender
- Items needed
 - Government ID (usually drivers license)
 - Last 2 months bank statements, last 2 investment statements and last 2 401K statements
 - Last 2 paystubs (biweekly pay) or last 5 paystubs (weekly pay)
 - Last 2 years W2s or 1099s
 - Account numbers and credit card balances, loan balances and monthly payment amounts
 - Usually extracted automatically from credit bureaus during on-line loan application process
 - Home Sale Contract (if selling your current home and proceeds are needed for your new home)
 - Current lease if renting
- **Making your offer**

You've found your dream home and now it's time to make an offer.
I'll help you determine a fair price by performing a comparative market analysis (CMA) and negotiate for you making sure you stay within budget and get the best deal

 - Negotiate price
 - Negotiate for seller to pay some closing costs
 - Negotiate for repairs
- **Inspecting and appraising**
 - It is recommended that the buyer pay for a home inspection to see if there are any obvious or hidden defects

- An inspection requirement and period can be written into the offer
 - Buyer can back out if inspection reveals substantial items
 - Can also negotiate that repairs be done if needed
- The lender will order an appraisal on the home

- **Closing your loan**

The final step of the home buying process involves signatures, documents and keys.
- Secure your closing funds. Your lender will outline your closing costs in your loan estimate. Closing costs vary, but you can expect to pay 2%-5% of the loan amount.
- Request a final walk-through. We will request to do a formal walk-through of the home 24 hours before closing. During the walk-through, we will check that all required repairs have been made, the home is in the agreed upon condition (no damage and clean), no permanent fixtures have been removed, appliances in contract have not been removed, and that the seller has completely vacated the property.
- **Don't Forget to Set up your utilities:** water/sewer, electric, gas, trash pickup, cable and/or internet
- Read closing documents. You typically don't have time to read all documents thoroughly at closing. Ask your closing agent (or attorney) for the closing documents ahead of time so that you have ample opportunity to review them at your own pace.
- Three days before your closing date, you'll receive your closing disclosure, which lays out the final details of your home loan and the closing costs you have agreed to. Review this document carefully. If you note any large variations from the costs your lender provided in your loan estimate, reach out to your lender for clarification.
- Remember, your team gets paid to help you every step of the way and these are your finances — don't be afraid to ask questions. I'm here to help.

Best of Luck in Finding Your Dream Home! - Tony B | Cell: 703-887-0668

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