



First-Time Homebuyers' Guide



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Introduction

Congratulations on your decision to buy a home!

Buying a home is an exciting time for you and your family.

Homeownership isn't just about the ability to stay in one place for years — it's about the ability to invest in a home that's all yours. It's about having the freedom to paint the walls, change the floor tiles or plant a garden in your yard. Homeownership is about having a place to create memories with your family.

As a first-time buyer, it's important to understand each step of the homebuying process and your role in it.

Let's Work Together.

There are many factors to consider and negotiate when buying a home. We'll discuss every aspect of your purchase to make sure it's the right move for you. That includes crafting a purchase offer that'll make the seller choose you, and allow you the flexibility you need.

Use this guide to plan as you begin your home search, and reach out with any questions you may have.



Know Your Rights.

The Fair Housing Act

The [Fair Housing Act](#) protects you from discrimination when buying a home, getting a mortgage or seeking housing assistance.

Borrower's Rights

The [Consumer Financial Protection Bureau](#) offers initiatives to help you understand your loan options, shop for the mortgage that's best for you and avoid unexpected fees at the closing table.



Many buyers think the first step to buying a home is to find the home. While it's okay to start looking at listings, it's a smart idea to prepare for the home financing. Checking your credit (and possibly boosting your score), taking your current debt into account, budgeting and saving are all things that will help you when you're ready to apply for a mortgage.

Your Credit Score Matters.

If you're going to get a mortgage for your new home, you'll want the best credit score possible. Your credit will impact the interest rates and loans you qualify for. Start by pulling your annual credit report to take stock of your situation.

If you need to improve your credit score, start with these three tips:

1. Start paying down your debts. Work on the higher-interest debts first. It'll free up more cash to pay down your other balances.

2. Pay on time, every time. Payment history is a huge factor in your credit score, and late payments can send it plummeting.

3. Steer clear of new loans and accounts. Don't open any new accounts or apply for new loans as you approach the homebuying process. The new activity will result in what's called a "hard" credit inquiry, which can take down your score.

You don't need perfect credit to buy a home. But the higher your score, the simpler (and more affordable) the process will be.

Do you have student loan debt?

This may be less of an issue than you think. Plenty of people who are still paying off their student loans are also able to buy a home. One of the main things you should be thinking about is your debt-to-income (DTI) ratio.

If a mortgage payment plus your current debts (student loans, car payment, credit card payments, etc.) totals to more than **43% of your income** each month, it'll be tougher for you to get approved for a home loan. We can discuss your situation with your lender and figure out the best options.

Create a budget and start saving.

Determining how much home you can afford takes some number crunching. The listing price is only one part of the equation. In reality, there are several new expenses you'll face as a homeowner.

So what should you consider when budgeting for a home purchase? These expenses are a good place to start:

- Home and Mortgage Insurance
- Property Taxes
- Earnest Money Deposit (goes toward your down payment)
- Down Payment
- Closing Costs
- Moving Expenses
- Ongoing Home Repairs and Maintenance

Once you have a rough estimate of what your monthly budget will be, give it a trial run.

Are you still able to afford all your monthly bills and expenses? If not, let's have a chat with your lender to see what the monthly payment could look like if we target a lower price point.



How Much House Can You Afford?

There's nothing like walking into a house and realizing it's the one — your dream home!

But before you go house hunting, you should get preapproved for a loan that's just as perfect for you.

Researching lenders and loan types and applying for preapproval will put you in a better position to make an offer on a home. It'll give you an idea of what you can afford so we can point you toward homes in the right price range.

Looking for some insight to make financing more straightforward? Answer these questions to get started:

Do you want a 15- or 30-year mortgage?

If paying off your loan sooner is important to you, a 15-year mortgage might be a good fit. These typically have a lower interest rate, but you'll have a higher monthly payment due to the shorter loan term.

If you want a lower monthly payment, a 30-year mortgage might be better suited to your lifestyle.

Should you get a fixed or adjustable interest rate?

With a fixed-rate mortgage, you'll have a set interest rate and monthly payment for the life of the loan. If you want to take the guesswork out of your long-term budgeting, this can be a great option.

[Adjustable-rate mortgages](#), also known as ARMs, typically start with interest rates lower than the fixed rate. However, the rates will change over time, based on the current market rate. An ARM can be a good option if you don't plan to stay in the home for a prolonged period.

How much should you put down?

The biggest homebuying myth is that you can't buy without a 20% down payment. But you can. Here's how:

- **Low Down Payment Options:** FHA loans only require 3.5% down with a FICO score of 580 or higher.
- **0% Down Options:** Buyers shopping in rural areas may be eligible for a USDA loan with 0% down. For qualified veterans and active-duty military members, VA loans often have no down payment requirement.
- **Buyer Assistance Programs:** There are also down payment and closing cost assistance programs available to first-time homebuyers.

There are many loan options available, and that can feel overwhelming. But there's a perfect loan for you and your situation.

Reach out today if you'd like a referral to a trusted lender to help you find the right loan.



Ready to start your house hunt?

This is the fun part. You probably already know how big of a kitchen you want, the number of levels or even the size of your yard. You might have even chosen between a ranch or Colonial style home.

Everyone has a wish list for their dream home.

As we begin your home search, let's go beyond square footage or the number of bedrooms and consider how the property fits your life. By focusing on what matters the most to you, we can refine your search to the closest matches.

Here are three questions every potential homebuyer should ask themselves:

- 1. Where do I want to live?** Think beyond your commute. Do you want to be in a specific school district? How much street noise can you cope with?

Are you looking for an established neighborhood or one that's up and coming? That could affect future home values.

- 2. What does the future hold?** Think about the next 10 years. Are you planning to have kids? Will your aging parents move in?

If you plan to stay for the long haul, you might want a property to accommodate your family today, and in the future.

- 3. How much work am I willing to do?** When considering condition, be honest with yourself. How much work are you truly willing to take on?

If the home needs cosmetic updates, will you want them completed before you move in? If you fall for a fixer-upper, do you have a budget for renovations?

Communication is a critical element of your home search. The more information you share, the better we're able to match you with a home that fits your life.



Ready to Start Touring Homes?

It's one thing to view listings online, but seeing houses in person will help you to get a firmer grasp on what you really need out of your new home.

Open houses: window shopping for homes.

Attending an open house can be a great way to tour an available property, decide what you like and scope out various neighborhoods. It'll also help you get a feel for the price range of different communities.

Here are some questions to keep in the back of your mind when attending an open house:

- How does this house compare to other properties in the same price range?
- Are there features that make this home of more or less value than those other properties?
- What feature did you like most about the home? Why did it appeal to you?

- What did you like least? What makes that feature unappealing to you?
- What's your overall opinion of this house?
- Could you see yourself living here? If not, why?
- What improvements would make this home a better fit for you?

We can attend open houses together. This may be especially helpful if you're still deciding on specific neighborhoods, amenities or features.

Private showings: getting down to details.

We can also schedule private showings for any homes you're interested in. That'll give you an opportunity to look around at your leisure to make sure the layout, features and amenities will work for you. It also allows you to ask any pertinent questions you may have about the home without other buyers around.

In fact, it's a good idea to view a home and get a feel for the neighborhood multiple times before making an offer.



Making an offer on a home is both exciting and gut-wrenching. You want to protect your interests as a buyer but also make your offer stand out so the seller will choose you.

Thankfully, it's absolutely possible for us to do both things at once. Here's how:

- 1. Leverage your earnest deposit.** Earnest money is the deposit you make to the seller to show your “good faith” (i.e., how earnest you are!) in buying the home. It's typically nonrefundable, but don't worry — that's only a concern if you back out of the deal for reasons that weren't detailed in the contract.

Otherwise, the earnest deposit is placed in escrow and goes toward your down payment.

The more you offer as your earnest deposit, the more confidence sellers will likely have in your offer. There's no set amount that's right — but we can discuss what's right for the home you're buying.

2. Show your financial prowess. Remember that mortgage preapproval we discussed earlier? Your lender will give you a preapproval letter that we can include with your offer. This assures the seller that you'll be able to secure financing and close on the home.

3. Be flexible. If you have flexibility in your moving schedule, we'll leverage that with the seller, too.

If the seller is relocating or needs to move immediately, we can offer a fast closing, which means you'd probably be helping them to avoid paying two mortgages. On the other hand, if they've hit a snag in purchasing their next home, offering a delayed possession date gives them the security of having their new home lined up before they have to move.

4. Consider an escalation clause. If you really like a home, adding an escalation clause opens the door for a dialogue with the seller. More importantly, it shows you're willing to up the ante if you're outbid. If this is something you're considering, we can work with a real estate attorney to add this to your offer.

We can also include clauses in your offer to address any concerns that aren't known right off the bat, such as an inspection contingency in case major issues are found that aren't immediately visible. We can also discuss an appraisal contingency, in case the home is appraised for less than the sale price.

Every situation is going to be different, and every seller is going to be motivated by different factors. But don't worry — you're not in it alone. We'll work together to craft the right offer for your home.



Your Offer Was Accepted! What's Next?

You're so close to the finish line! There are just a few more steps we need to take to make sure you're getting the best deal possible on your new home: an inspection, the appraisal and the final walk-through.

Your FAQs on home inspections:

Q: "Do I really need to pay for an inspection?"

A: An inspection isn't always an absolute requirement, but it's always in your best interest to get one. Not all problems found will be deal breakers. In fact, most will be quick fixes we can have the seller fix or negotiate a credit for. But if there are major problems, we want to know about them before you buy the home.

Here's what you should know as we head into the inspection process:

- **What is it?** An independent, third-party evaluation of the home's structure, systems and features. The inspector will look for potential problems or deficiencies on the property.
- **Why do you need it?** We want to make sure the home is safe for your family to live in and a good long-term investment. Some loan types will also require inspections.
- **What's covered?** A standard inspection includes the roof, foundation, insulation, appliances, HVAC, plumbing and electrical systems.
- **How are you involved?** You're not required to attend the inspection, but it's in your best interest to be there. The inspector can walk you through any defects they find.

The inspector will give us a final inspection report with all their findings. We'll review this together and discuss which repairs are needed for your loan to close, and how we should negotiate the repairs or credits with the seller.

Be picky about your inspector.

The home inspection is designed to protect you, your family and your investment, so choose your inspector carefully. Make sure the home inspector is experienced, licensed and insured where required.

A thorough inspector can save you thousands of dollars or even prevent you from buying a dud. Don't just hire the first one you find. Do your research before hiring an inspector.

Your lender will require an appraisal.

An appraisal is an independent estimate of the property based on recent sales data of similar homes in the area. When your mortgage amount matches the appraised price of the home, you know that you aren't paying more than you should be.

But if the appraisal comes in lower than expected, you won't be able to get a loan for more than the appraised price. This is where your appraisal contingency comes in: You'll either need to come up with the difference, renegotiate the price of the house or exercise your right to walk away.

We'll also do a final walk-through.

The final walk-through can happen anywhere from a few days prior to your closing to just a few hours before. This is your opportunity to make sure the condition of the home is as expected.

Specifically, we'll want to make sure there isn't any move-out damage and that all of our requested repairs have been made. We'll also verify that everything included in the home price — items like appliances, light fixtures or window blinds — are in place.



It's Closing Day!

Congratulations! Landing a deal on your dream home in today's hot market was quite a feat.

Your closing is the last step before the home is finally yours. This is when the title is transferred, the mortgage is approved and you become the legal owner of your home.

Here's a quick rundown of what you should know:

What should you bring to the closing?

- Your license or other legal ID
- Any paperwork requested by the title company or your lender
- A certified check for the closing costs (if funds aren't sent electronically)

Who else will be there?

- The escrow or closing agent
- A representative of the title company
- Your loan officer
- An attorney, if needed
- The seller and their agent, if they didn't pre-sign the deed and transfer documents

Where will it take place?

Typically, we'll meet at the title company's office.

How much are closing costs?

Closing costs typically run about 2% to 5% of the purchase price and are paid to title agents, attorneys and other third parties. You'll notice that you have more fees to pay than the seller does at closing — that's because many of those costs are related to your new home loan.

At this time, you'll pay for your appraisal, as well as loan processing fees and prepaid costs (property taxes and homeowners insurance) that were laid out in the [Loan Estimate](#) from your lender.

What documents will you sign?

- The property deed
- A bill of sale
- A transfer tax declaration
- Your mortgage agreement and note
- The closing disclosure

There will be a lot of paperwork, so you should plan for the closing to take several hours. You want to be thorough and read through all the documents.



Last, But Not Least: You Get to Move in to Your New Home.

You're a homeowner!

The stress of homebuying and financing are over. Now you get to move in, decorate and start creating wonderful memories.

Here's a quick checklist of things that'll make moving a bit easier for you:

Things to Prep Beforehand:

- **Forward Your Mail:** You can go online to [update your address](#) with the date you'll be moving, and your mail will automatically forward.
- **Stock Up on Supplies:** You're always going to need more packing material than you think. Grab some extra boxes, rolls of packing tape, labels and markers.

- **Set Up Utilities:** You'll definitely want functioning electricity, water and internet on move-in day.
- **Clean Your New Place:** As soon as you have access to it, give your new home a good cleaning. It'll make organizing on move-in day that much easier.
- **Organize Your Documents:** Keep your moving-related paperwork together and organized. This includes your closing papers, moving estimates and the utility setup details.
- **Measure and Decide:** Take a measuring tape to your new home and jot down the measurements of each wall and nook. What furniture and decor will fit in your new home? What won't? It's better to make decisions about what to donate or sell before moving day.

Things To Do on Moving Day:

- **Pack a "Go" Bag:** Include things like phone chargers, medication, toiletries and extra clothes. Be sure to pack it in your car so it won't get lost in the shuffle.
- **Have Resealable Bags Handy:** You can use them to keep track of screws or small parts if your movers need to disassemble furniture.
- **Communicate With Your Movers:** Let them know if there are items or rooms you want them to focus on, and which items will need extra care. And make sure they have the correct address and directions to your new home once the truck is packed up!
- **Stay Hydrated and Energized:** It's going to be a hectic day. Keep snacks and water bottles around so you (and your movers!) can keep your energy up. Consider having pizza delivered so you don't accidentally skip lunch.
- **Hang Window Coverings:** Installing blinds and curtains on day one is necessary. Why? Because you probably don't want to wake up at sunrise on day two.

— **Go Room by Room:** This is a great way to stay on top of things. Have the movers drop off furniture and boxes in the correct room so you can unpack and organize one room at a time.

Reach out if you're looking for a recommendation for local movers, cleaners or handymen.



Are you ready to start looking for your first home?

Whether you have questions about financing, budgeting, home styles or neighborhoods, the first step is to reach out.

Let's work together to find your new home.