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8 Simple Steps Buying a Home

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Move to Your Next Adventure!

An 8-step guide to buying your first home!

Buying your first home is an exciting step and one of the biggest financial decisions you will make. It's also one of life's best adventures! Before you begin the journey to home ownership, it is important to understand the home buying process. We know the process in and out and lucky for you, we've created this simple 8-step guide to buying your first home! From finding a home loan to getting the keys in your hand, we will walk you through the entire process

Ready to start the adventure?

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Step 1: Getting Pre-approved

Learning how much home you can afford.

Before going out to shop for your dream home, it's important to know just how much home you can afford - and that means getting pre-approved by your lender. A pre-approval is not a loan. It simply gives you an estimate of what you're eligible to borrow and tells you everything you need to know including how much you need for a down payment.

Getting a pre-approved loan with a financial company is one step ahead and gives you what we like to call a Purchase Advantage. With this Purchase Advantage, you are fully approved, not just pre-qualified. Your income, assets, debt and credit have been fully underwritten upfront, giving you a competitive edge when making an offer.

Why is my credit score important?

Your Personal Loan Consultant will obtain your credit report and credit score. Your credit score goes a long way towards determining the best home loan options for you and is a primary factor in determining the interest rate for your home loan. A higher credit score will result in a lower interest rate and lower monthly payments. However, there are many loan options with flexible credit requirements for scores near 580. This is a good time to review your credit report to ensure it is accurate and assess what changes you can make to improve your credit score.



TIP: A pre-approval will tell you how much home you can afford. Use our checklist on page 4 to get prepared.



Easy Financial Checklist

Our Easy Checklist includes a list of documents you will need to provide to your Personal Loan Consultant. Depending on your unique situation and the type of mortgage you are applying for, you may be asked for more or less information. Be sure to gather all applicable items in advance to expedite the process.

Income

- ☐ 2 most recent pay stubs for all borrowers
- ☐ 2 most recent years full federal tax returns
- ☐ 2 most recent years W2s for all borrowers
- ☐ 2 most recent years full business tax returns (if applicable)
- ☐ 2 most recent years 1099s for Social Security income or retirement income (if applicable)

Assets

- ☐ 2 most recent months bank statements with all pages for all checking and savings accounts
- ☐ Most recent quarterly retirement statements with all pages (if applicable)
- ☐ Most recent quarterly investment account statements with all pages (if applicable)





Miscellaneous

- ☐ Photo IDs for all borrowers
- ☐ Mortgage statements for all current mortgages
- ☐ Proof of homeowners insurance for all real estate owned
- ☐ Divorce decree or separation agreement (if applicable)

Notes:



Step 2: Down Payment

How much do you need & how to come up with it.

The amount of money you apply to the purchase of your home is your down payment. When you deduct that amount from the purchase price of your home, the amount remaining is what you will need to borrow in a mortgage. The larger the down payment, the smaller your mortgage will be and the lower your monthly payment. An ideal down payment is at least 20%. A down payment less than 20% requires the additional purchase of private mortgage insurance (PMI). However, some financial companies can enjoy lower minimum down payment requirements.

There are home loan options that require as little as 3.5% down or no down payment at all! And that's not the only good news! There are plenty of resources for down payment assistance that provide loans and deductions to first time homebuyers.

Your personal loan consultant can provide detailed information on assistance programs available in your area and other programs that will maximize your savings as a first time homebuyer.



TIP: Don't be intimidated by the amount needed for a down payment. Buyers commonly use a 401k, IRA or gift money as sources for their down payment.



Step 3: Home Loan Options

Choosing the right loan for your situation.

Many financial companies will offer a wide variety of loan options for every situation. But, what's most important is, finding the loan that's right for you. Your Personal Loan Consultant will help you find the loan that best fits your situation and needs. Here are the most common loan options for first time homebuyers:

30 Year Fixed-Rate Loan

A 30-year fixed rate mortgage is the most popular home loan option available. It is ideal for home buyers because of its straight forward structure and its predictable and steady monthly payment. With a 30 year fixed-rate mortgage, it is easy to set your budget because your total payment of principle and interest remain unchanged for the entire term of the loan.

15 Year Fixed-Rate Loan

In a 15-year fixed rate mortgage, you will be able to take advantage of a lower interest rate than you would with a 30-year fixed rate mortgage and you'll own your home quicker too! It is a great way to save money because a lower interest rate and a shorter term means that you will be paying less interest over the life of your loan. Be sure to factor into your budget that a 15 year fixed-rate mortgage will naturally come with a higher, but steady, monthly payment.

FHA Loan

Are you concerned about your qualifying income or credit score? A Federal Housing Administration (FHA) loan is a popular option for home buyers with lower qualifying income, low credit scores or a lack of credit history. FHA loans require a significantly lower down payment (as little as 3.5%) and are easier to qualify for than a conventional mortgage.

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VA Loan

The VA loan is a loan program designed specifically for active military and military veterans to help you purchase a home with fewer restrictions and with little to nothing down. Veterans Affairs (or VA) loan is governed by the United States Department of Veterans' Affairs. VA loans offer 100% financing and are easier to qualify with credit score as low as 620.

USDA Loan

Have you checked the USDA Eligibility in your county to see if you may qualify for a zero money down USDA Home loan? You just might be surprised at how many areas in the United States are designated for USDA loans. The USDA (United States Department of Agriculture) loan, also known as a Rural Development loan is ideal for new home buyers purchasing a home in one of these designated USDA rural areas because of its low rates, no money down and 100% financing to qualified buyers. With zero required down payment this loan is perfect for home buyers who are concerned with funding and qualifying income.

203k Loan

An FHA 203k loan is an ideal loan options when buying a 'fixer upper' or a home in need of a few repairs. It is an all-in-one solution that allows homebuyers to finance the purchase of their home, along with the costs of home improvements. 203k loans are insured by the Federal Housing Administration, making it easier than ever to create and renovate your dream home with out the frustrations of financing.

Adjustable Rate Mortgages (ARM)

An adjustable rate mortgage, also referred to as an ARM or variable rate, is a loan option with a low introductory rate. The interest rate with this mortgage will adjust over time (typically 5 to 7 years). Depending on changes in the financial index associated with your loan, your monthly payment will either increase or decrease.



Step 4: House Hunting

Searching for your dream home.

You've gotten pre-approved and discussed home loan options with your Personal Loan Consultant, and it's time to begin the house hunting adventure! The first thing you will want to do is hire a trusted Realtor®. Ask your friends, family and also your Personal Loan Consultant for a Realtor® they recommend and get in touch.

While many first-time homebuyers resort to house hunting online, the over abundance of information and the ease of accessing it leaves some home buyers wondering if they still need to work with a Realtor®. The answer is an overwhelming yes!

Agents in the business have the knowledge and expertise to help you find your perfect home and understand the current market inside and out. Your Realtor® will also handle the tricky negotiating, legal items, inspections, and introduce you to the right professionals such as the title company, home inspector, appraiser and others...something you will not want to go through on your own! Having a Realtor® by your side will also give you the peace of mind and confidence you need when making one of the biggest financial decisions of your life.

The House Hunting Process

House hunting can be an overwhelming experience. You begin your search with a list of priorities in mind, but after a few open homes, it becomes difficult to recall everything you see. To help, create a House Hunting Checklist for your search! As you make your way through the house hunting process, use your checklist to rate each home and help you stay on track. When it's time to make a decision, you'll be well organized and far more likely to make the right choice because of it!



TIP: While house hunting online is very convenient, make an effort to get out and explore the neighborhood or community you are interested in.



Step 5: Offer and Negotiation

Negotiating a fair offer on the purchase of your home.

Once you've found a home you love and it's time to make an offer, your Realtor® will have the market knowledge and industry expertise to help you submit a fair offer to the seller. Their knowledge of comparable sales in the neighborhood, current market conditions, housing inventory and house prices will serve you well when negotiating for the home you love. This step is where having a Realtor® truly pays off.



Submitting an offer

Your Realtor® will advise a fair price for the purchase of your home based on the facts.

- Current market value
- Current market conditions
- Recent home sales in the area
- Condition of the home

Your agent will prepare the documents to make your offer official and present it to the selling agent. The process of negotiating an offer can become lengthy, often going back and forth between offer and counter-offer. Don't be discouraged. Rely on your Realtor® to keep you informed on the progress. Keep in constant communication with your Realtor® and rely on their expertise in handling these types of transactions. Be patient, it may take a few days to reach an agreement.



The Legal Stuff

Buying a home involves an extensive amount of paperwork and contracts to review, understand, and execute. Your Realtor® understands these contracts, the legalities and the deadlines involved. Don't be intimidated by the legal jargon. Your Realtor® speaks the market's language and can help break down the legal 'jib-jab' so that you understand the documents you will need to sign.



TIP: Serious sellers want to do business with serious buyers! Having a pre-approved loan at this time gives you an advantage. You are in the driver seat because you're already fully approved for a loan and sellers appreciate that!



Step 6: Home Appraisals

What is the true value of your home?

Once you make an offer on a home, you will need to get a home appraisal. A home appraisal is needed to determine how much the home is worth. Getting an appraisal protects you as the homebuyer by assessing the condition of the home before you buy.



Appraisals

The appraisal is a crucial piece of the home buying process. Once you make an offer on a house, you'll want to hire a licensed professional to complete the appraisal. It's important to schedule your appraisal a few weeks before closing. A quick appraisal will keep you on track during the homebuyer process.



What will the appraiser look at?

Typically, a home appraiser will be looking at factors like the number and types of rooms, square footage, the general condition of your home and property, and listed amenities –basically confirming the house is as the records say it is. They will also compare it to similar homes that have recently sold in your area to help set the appraisal value.



TIP: Appraisals are written to be understood by those familiar with them, so don't be concerned if you do not fully understand the paperwork. Ask your Realtor® or Personal Loan Consultant to explain if you have any questions.



Step 7: Home Inspection

What is the condition of your home?

Before you finalize the purchase of your home, you will want to ensure that the home is in good condition. While a home appraisal tells you how much the home is worth, a home inspection will tell you about the condition of the home. A professional home inspector will assess the physical condition of the home and provide a detailed report on everything, from the structural foundation of the home to the condition of the roofing and everything in between!



What will the inspector look at?

A professional home inspector will inspect the home from top to bottom. This will take about 2 - 3 hours. It's a good idea to be present during the inspection, so that you understand how the home systems function and where repairs need to be made. The inspector will assess the condition of the following major house systems:

- Heating, cooling and septic systems
- Plumbing and electrical systems
- Walls, floors, ceilings, foundation
- Roof, gutters, downspouts
- Insulation and ventilation
- Major appliances
- Possibly radon or carbon monoxide testing



TIP: Plan to be present for the home inspection to learn more about the home systems and how they function before moving in.

If the inspection brings problems to light, it's time to negotiate to have the seller pay for the needed repairs or lower the purchase price. Your Realtor® will guide you through these negotiations so that you can move closer to closing!



Step 8: Closing

What to expect at the closing table.

Closing Day! Closing is when you officially and legally become the owner of your new home! Often referred to as the settlement or closing of escrow, the closing is the completion of both the real estate sale and the mortgage transactions. There are many parties that handle the closing of your home including your Personal Loan Consultant, Realtor®, the settlement company, attorneys and in some cases, the seller. You can expect to see these faces around the closing table.

At the closing, your signature will be notarized on various loan and title documents, making you the official owner of the home! These documents are complicated and there is a lot of unfamiliar paperwork. If you have any questions, are not comfortable with a document or don't understand it, now is the time to ask for clarification. Don't feel intimidated, ask as many questions as you need to! Your Personal Loan Consultant will be there to discuss each and every document with you and answer any questions you may have.

What to bring to the closing

Before the congratulations are given and the keys are handed over, you will need to get prepared for the big closing. It is important for you to bring the required documents to the table for a smooth and successful closing. Prepare to bring these documents with you:

- **A certified or cashier's check for the amount needed to close or proof of wired funds.** This will include your down payment and closing costs. Your Personal Loan Consultant will review these costs with you prior to the closing date.
- **A copy of the Closing Disclosure.** In case you need to double-check a detail against closing costs.
- **Photo ID.** A driver's license or current passport will do..





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Advice for Closing Day

Closing is one the most important parts of the home buying process. It's a big deal for any homeowner. Prepare for your closing in advance so you are confident at the closing table. Arrive early and give yourself plenty of time - plan to spend about one hour at the closing. Pay attention to the details of the closing and understand what you are signing. Ask questions until you are comfortable signing the documents and take your time.

This is your day! Once the last document is 'inked', you will be handed the keys to your new home! Congratulation, you are officially a homeowner! Celebrations are in order!



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