

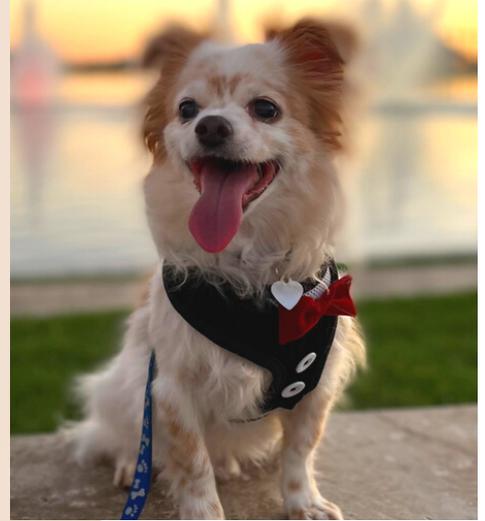
# Home Buyer's Guide



## Home Buyers Guide

*Kimberly*  
Realtor®

# Meet the Team!



Kimberly Wright, Realtor®  
Team lead & Listing specialist

Ashleigh Phillips  
Transaction Coordinator

Razor Ray  
Mascot

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STAY CONNECTED

# STEP #1 Hire a Real Estate Agent



## Paperwork

They help with all disclosures & paperwork necessary in today's heavily regulated environment.



## Experience

They are well educated in and experienced with the entire sales process.



## Negotiations

They act as a "buffer" in negotiations with all parties throughout the entire transaction.



## Pricing

They help you understand today's real estate values when setting the price of a listing or an offer to purchase.



## Understanding of Current Market Conditions

They help with all disclosures & paperwork necessary in today's heavily regulated environment.

*Very Important!*

The Home Seller pays the commission at Closing. Using an agent to help you purchase a home costs NOTHING to you!!

# STEP #2 Pre Approval

- I can provide you with my contacts for my preferred mortgage lenders.
- Recommend obtaining a pre-approval vs. pre-qualification letter.
- Required to provide documentation including letter of employment, pay stubs and past 2 year tax returns; credit report is conducted.
- Bring to the lenders attention any of your concerns about credit history, bankruptcies, etc. **WILL SAVE YOU TIME & MONEY!!**
- Ask lender about different loan programs that would best fit your needs.
- Ask about down payment assistance if this is something you may be interested in.
- Ask about Monthly Mortgage Amount with mortgage, taxes, mortgage insurance(if applicable), homeowners insurance, and possible HOA fees.

## How Much Can You Afford? Key Factors to Consider



- \* The down payment
- \* The interest rate
- \* Your debt-to-income ratio
- \* The closing costs associated with the transaction



# Prep for your purchase

## Get qualified

TYPE OF LOAN	CREDIT SCORE	DOWN PAYMENT
VA LOAN	620	NO DOWN PAYMENT
USDA LOAN	620	NO DOWN PAYMENT
FHA LOAN	580+	3.5%
FHA LOAN	500-579	10%
203K LOAN	640	3.5%
CONVENTIONAL 97	620	3%
CONVENTIONAL	640	5-20%

## Income qualifications

### QUALIFYING INCOME:

- W-2 Income/Salary
- Income from part-time jobs
- Income from a second job
- Overtime & Bonuses
- Seasonal Jobs
- Self-employed income
- Alimony & child support (with docs)

### NON-QUALIFYING INCOME:

- Income from the lottery
- Gambling money
- Unemployment pay
- Single bonuses
- Non-occupying co-signer income
- Unverifiable income
- Income from rental properties

## Needed documents

- W-2s FROM THE PAST 2 YEARS
- 3 MONTHS WORTH OF PAYSTUBS
- BANK STATEMENTS FROM PAST 3 MONTHS
- TAX RETURNS FROM PAST 2 YEARS
- LIST OF DEBTS AND ASSETS
- DIVORCE DECREE
- ADDITIONAL INCOME DOCUMENTS

# Preferred Lenders

Kimberly Wright, Realtor®



## My recommendations:

The very first step of the home buying process is to get a pre-approval letter from a lender stating how much you are qualified for. It's important to ask your potential lenders some questions to make sure they are a good fit for you.

Don't understand something your lender says? Stop and ask for clarification. This is your home buying journey, and you deserve to understand the process every step of the way.



Bryce Fransen- Loan Depo

Cell: 831-419-8798

Bryce Fransen #TheLendingGiant | Instagram, Facebook



Ryan Zamudio- Spire Fianancial

Mobile: 480-356-2772

RZamudio@SpireFinancial.com



Michael and Julissa (The McDermott Team)- Bay Equity

Cell: 602-345-2277

themcdteam@bayeq.com

### **Credit Repair:**

Rachael Joiner

708-250-4868

# Why Pre-Approval Should Be Your First Step

In many markets across the country, the number of buyers searching for their dream homes greatly exceeds the number of homes for sale. This has led to a competitive marketplace where buyers often need to stand out. One way to show you are serious about buying your dream home is to get pre-qualified or pre-approved for a mortgage before starting your search. Find a reputable lender to help you get preapproved!

Freddie Mac lays out the advantages of pre-approval in the 'My Home' section of their website.

“It's highly recommended that you work with your lender to get pre-approved before you begin house hunting. Pre-approval will tell you how much home you can afford and can help you move faster, and with greater confidence, in competitive markets.

One of the many advantages of working with a local real estate professional is that many have relationships with lenders who will be able to help you with this process. Once you have selected a lender, you will need to fill out their loan application and provide them with important information regarding “your credit, debt, work history, down payment and residential history.”



Freddie Mac describes the '4 Cs' that help determine the amount you will be qualified to borrow:

1. Capacity: Your current and future ability to make your payments
2. Capital or Cash Reserves: The money, savings, and investments you have that can be sold quickly for cash
3. Collateral: The home, or type of home, that you would like to purchase
4. Credit: Your history of paying bills and other debts on time

Getting pre-approved is one of many steps that will show home sellers that you are serious about buying, and it often helps speed up the process once your offer has been accepted.

The bottom line is many potential homebuyers overestimate the down payment and credit scores needed to qualify for a mortgage today. If you are ready and willing to buy, you may be surprised at your ability to do so.

# Step #3:

## The Search: Lets Discuss Your Wants/Needs

Now the fun part!!

- We can figure out how much you are comfortable spending: Ensure you make a list of your fixed bills such as credit card bills, student loans, car payments, your Netflix subscription and any other monthly bills that you'll have after purchasing a home. Instead of looking at the "mortgage amount" set yourself a monthly max budget so that you feel comfortable making the payment every month.
- We will discuss all the specifications you have in the home.
- Complete the perfect home questionnaire.
- We will work together to set you up to receive new listings from my MLS to be sent to your email with your personalized specifications (Note: Things like updated kitchens are not specified on MLS)
- We can also research For Sale By Owner properties
- Time to view potential properties!



# Step #4: Negotiating Your Terms With Confidence

## Multiple Offer Strategy

- No inspection period <earnest money deposit not protected>
- No repairs <taking the property as-is>
- If any repairs are required by the lender the buyer will cover them
- Offer above asking price
- If the home does not appraise at contract price offer X above appraised value or covering entire amount difference
- Offer to pay sellers closing costs

## Making an Offer

Once we've found the house you wish to purchase, you'll need to determine what offer you are willing to make on the home.

After all, you are the one making the payments!

- \* Sales price
- \* Earnest money
- \* Financing terms
- \* Inspection period
- \* Closing date
- \* Personal property
- \* Any items you want to convey <washer, dryer, pool sweep, water softener, etc.

# Step #5: Inspections

*Very Important!*

If you are purchasing a resale property, we highly recommend that you have a professional home inspector conduct a thorough inspection. You need an inspector that is exceedingly thorough and detailed so as to minimize surprises for you. However, the inspection is not meant to be used to low ball the seller post-price negotiations, as all existing homes have minor imperfections.

The inspection is intended to report on major damage or serious problems that require repair. Your home cannot "pass or fail" an inspection. The inspector's job is to make you aware of repairs that are recommended or necessary.

## THE INSPECTION WILL INCLUDE THE FOLLOWING

- \* Appliances
- \* Plumbing
- \* Electrical
- \* Air Conditioner
- \* Roof and Attic ( if accessible)
- \* General Structure

The seller may be willing to negotiate completion of repairs or you may decide that the home will take too much work and money and rescind the offer during the inspection period.

Your inspection is a contingency to the purchase and sale agreement and needs to be completed and repairs negotiated within the due diligence date on purchase agreement, usually a 7- 10 day period

### *Estimated Costs*

#### Standard Home Inspection

Starting at \$450

Depending on size and age

WDO \$150

Wind Mitigation \$75

4 pt letter \$75

Radon Air Test \$125

Well Water Testing \$200

Septic Inspection \$500

Septic Scope \$100

Pool Inspection: \$250

Chimney: \$300

\*\*Not all items are not necessarily required. Speak to your realtor for more info.

# Step #6

## Submit Loan To Lender

When you submit a loan to your lender, it's known as "going into underwriting".

The term "underwriting" refers to the process that leads to a final loan approval or denial. A loan's approval status is made by a professional underwriter which uses specialized software programs and number-crunching analysis.

Once an underwriter has reviewed all of a mortgage applicants information and documentation, a decision will be made on the loan's status. There are a few possible outcomes at this point.





## Step #7 Appraisal

An appraisal is an opinion of value from a licensed real estate appraiser who visits the home and inspects its size, condition, function, and quality.

First, an appraiser comes out to the property and inspects the home. Next, the appraiser researches similar homes in the area and compares recent sales to determine a fair market value.

The appraiser then gives a final appraisal report which includes a final “opinion of value.”

A real estate appraisal helps to establish a home's market value – the expected price it would fetch if offered in an open, competitive real estate market. Appraisals can help buyers ensure that they don't overpay for a home.

By law, mortgage companies cannot complete their own appraisals so many hire an appraisal management company (AMC) to handle the work which, in turn, gives the work to a licensed professional appraiser.

# Step #8

## Receive Loan Approval

After a file has been fully underwritten and all of the conditions are satisfactorily met, a final underwriting approval will be issued.

This is known as a “Clear to Close”.

Clear to Close means that the documentation you provided to your lender have met their approval, and that no additional paperwork is required.

When you're Clear to Close, your lender is ready to fund your loan and will begin communicating with the closing agent to prepare your documentation for closing. It typically takes up to 5 days.



# Step #9

## Get Ready For Closing

### Homeowners Insurance

- \* Highly competitive rates
- \* Impacts your monthly payment

### Title Company/Closing Attorney

- \* Quality management of process
- \* Manages all parties in transaction
- \* Leverage for getting problems solved
- \* Closing on time
- \* Protecting your interest
- \* Transferring ownership of property to you

### The Final Details

- \* All documents to lender in timely manner
- \* Appraisal
- \* Lender repairs where applicable
- \* Closing & settlement review
- \* Potential deal killers
- \* Transfer of utilities
- \* Moving into your new home





You have gone through all the hoops to get to this day... CLOSING Day! Today is the day you go from home seeker to homeowner! But before you get those keys, there are a few things you should do ahead of time and keep in mind on closing day.

### FINAL WALKTHROUGH

Have you done a final walkthrough? This is very important! Make sure you and your REALTOR® schedule a time prior to closing to walk through the home one last time. This will ensure that all of the seller's belongings have been removed and all repairs have been completed. If you asked for appliances to stay, ensure that they are in place. Make sure all of the lights, heating/air and plumbing are working properly. You may have asked for and agreed to certain requirements, such as draperies remaining or walls being painted a certain color. You will want to make sure these contingencies are completed prior to closing.

## Step #10: Closing Day!

### Who will be there?

- \* You, the buyer(s)
- \* Seller(s)
- \* Buyer's agent
- \* Listing agent
- \* Closing attorney, the party representing the title company and responsible for ensuring the title is transferred to you
- \* Occasionally, your mortgage officer

### What will you need?

- \* Bring valid government-issued photo ID and a second form of ID showing your name.
- \* Bring cashier's check for your cash to close ( your mortgage officer will tell you this amount approximately 24 hours prior to closing. Your attorney may have you wire money. Avoid wire fraud and ensure you verify account number with attorney)

# Timeline of Events

24 hours or less Pre Approval  
3 Days Earnest Money Deposit  
5 Days for Loan Application  
10 Days for Home Inspection  
15-25 Days for Home Appraisal  
5-10 Days Before Closing Title  
30-60 Days to Closing



This is an estimate of timelines. Speak to your realtor about the timeline for your particular transaction.

# Upfront Costs

Earnest money deposit: 1% of purchase price

Home Inspection: \$500+

Appraisal: \$700

Repairs: TBD

Closing Costs: 3- 5% of purchase price

\*higher for New Construction | Builder

Incentives

Down Payment: TBD

For example: Purchase price \$300,000

Earnest Money Deposit: \$3,000

Home Inspection: \$500+

Appraisal: \$700

Repairs: TBD

Closing Costs: \$9,000 - \$15,000

Total: \$10,000 - \$16,000 +

Down Payment

\*Note the Earnest Money Deposit is applied towards down payment and/or closing costs



Above is an estimate of upfront costs please speak to your lender or realtor about your particular upfront costs on your particular transaction.



## What is the Earnest Money Deposit?

The earnest money deposit is an important part of the home buying process. It tells the seller you're a committed buyer.

Assuming that all goes well and your offer is accepted by the seller, the earnest money will go toward the purchase price. In many circumstances, you can get most of your deposit back if you discover something that you don't like about the home. Typically 1% of the purchase price of the home.

Must be turned in within 3 days

After turning over the deposit, the funds are held in an escrow account until the home sale is in the final stages. Once everything is ready, the funds are released from escrow and applied to your purchase price.

# What are Closing Costs?

The down-payment amount is the difference between the selling price of the property and the amount of money borrowed to purchase the property. The deposit provided with the offer is deducted from the down-payment. Example: Selling price is \$300,000. Deposit with offer is \$10,000. Mortgage loan is for \$270,000. Remaining down-payment will be \$20,000.

## Prepaid Utilities

The buyer is responsible for paying utilities as of the closing date and may also need to reimburse the seller for prepaid utilities.

## Prepaid Property Taxes

Property taxes are calculated based on the value of the property. If the seller has prepaid property taxes, the buyer may be required to reimburse the seller.

## Interest Adjustment

The interest adjustment is the amount of interest accrued between the closing day and the date of the first mortgage payment.

## Legal Fees/Disbursements

Legal fees include conducting a title search on the property, putting title insurance in place, registering the home in the buyer's name, and facilitating financial disbursements upon closing. Transfer Taxes (Land, Estate, etc)



## Lender Fees

These fees generally include Origination Fees, Appraisal, Credit Report, and Points. (Money you pay to get a lower rate)

## Tax and Homeowners Insurance Escrow

Some lenders require prepaying taxes and one full year of homeowners insurance at closing and are placed in an escrow account so the money is always there when its needed. This account is maintained in monthly payments



## 61% of First Time Home Buyers Put Down Less Than 6%

According to the Realtors Confidence Index from the National Association of Realtors, 61% of first-time homebuyers purchased their homes with down payments below 6%.

Many potential homebuyers believe that a 20% down payment is necessary in order to buy a home and many have disqualified themselves without even trying, but in October, 74% of first-time buyers and 52% of all buyers put less than 20% down.

Elizabeth Mendenhall, President of NAR , recently shed light on why buyer demand has remained strong, *“Despite first-time buyers struggling to achieve homeownership, Realtors® in most areas say demand is still the strongest at the entry-level segment of the market. For prospective first-timers looking to begin their home search, competition will remain swift. That is why it’s important to be fully prepared with a pre-approval from a lender, and to begin conversations with a Realtor® early about what you’re looking for and where.”*

It’s no surprise that with rents rising, more and more first-time buyers are taking advantage of low-down-payment mortgage options to secure their monthly housing costs and finally attain their dream homes.

Bottom line, If you are one of the many first-time buyers unsure of whether or not you would qualify for a low-down-payment mortgage, let’s get together to set you on your path to homeownership!

# Smooth Closing Checklist



- Work with Realtor to schedule Inspections
- Get the Lender all documents and info they need on time
- Get Homeowners Insurance- Ensure you shop around! Most Insurance companies give you a discount for bundling Home and Auto!!
- Provide Insurance info to Lender
- Preview Closing Disclosure Statement (Must be signed at least 3 days before closing)
- Final Walk Through
- Wire Down Payment and Closing Funds or Get Bank Check for these funds to bring to Closing (Check with Lawyer for more info on what method they use)  
(DO NOT WIRE ANYTHING WITHOUT GETTING DIRECT WIRING INFORMATION FROM THE ESCROW OFFICER, UNLESS YOU TALK TO THEM IN PERSON, CHECK WITH YOUR REALTOR FIRST)
- Put Utilities in your name and turn on effective on the Closing Day
- Bring your Drivers License or Passport to the Closing Table
- Get the Keys
- Move In!

Let's Stay  
Connected!

Kimberly Wright, REALTOR®  
My Home Group  
602-405-0662  
Kimberly@relocatingwright.com

