

# THE PATH TO HOMEOWNERSHIP

tips and advice for first-time home buyers



5 steps to "home sweet home"

# YOUR STEP-BY-STEP GUIDE TO BUYING A HOME WITH CONFIDENCE

Congratulations! Buying a home is an exciting journey. As you venture down the path to homeownership, experiencing some twists and turns along the way is totally normal! We've laid out a 5-step guide to help you make the most of this new adventure.



1. **ARE YOU READY TO BUY A HOME?**
2. **TAKE TIME TO GET EVERYTHING PREPARED.**
3. **DETERMINE YOUR MORTGAGE CONDITIONS.**
4. **CHOOSE A LENDER THAT'S RIGHT FOR YOU.**
5. **NAVIGATE THE BUYING + CLOSING PROCESS.**

# LET THE JOURNEY BEGIN!

## Ready, Set ... GO!

You've decided it's time to buy a home—that's a BIG deal! The path to homeownership is an exciting journey, and there are a few essential questions to ask yourself as you begin. If you aren't a "yes" to any of these questions, don't worry—we can help you get there!

### ☐ **YOU'RE KEEPING BUDGET IN MIND**

Think down payment, mortgage payments, HOA fees, property taxes, and miscellaneous maintenance fees.

### ☐ **YOU AREN'T PLANNING ON MOVING IN THE NEAR FUTURE**

Buying a home is important to you because you want to make an investment, in your home AND your community. Plus, it's always nice to see your home grow in value over time!

### ☐ **YOU'VE UNLOCKED YOUR CREDIT SCORE POTENTIAL**

Knowing your credit score is a huge help when it comes to landing better loan terms. Whatever your score is, there is always a path to improve your standing—and we can help!

### ☐ **THE COST OF RENT IS HIGH**

in your area compared to making a house payment. This indicates it may be a good time to buy, and it might also be a smarter financial option vs continuing to rent.

### ☐ **TAKE ADVANTAGE OF INTEREST DEDUCTIONS ON YOUR TAXES**

You might also be able to write off your mortgage interest. Find out based on your income and filing situation how much you can be adding back into your pocket.

## did you know?



620

You can get a home loan with as low as a 620 FICO score?



\$416,000\*

The current National Median Home Price: \$416,100.

\*Current California Median Home Price: \$799,000

# TAKE TIME TO GET PREPARED

Exploring new paths (especially buying a home) can be both exciting and a little intimidating. To make sure you are set up for success, we will review your home buying checklist to make sure you don't miss any important details along the way!

## CHECK YOUR CREDIT REPORTS.

Evaluating your credit reports will ensure you don't have any unexpected surprises later on. If there's an issue in your report, file a dispute with the three credit bureaus. The better your financial history is, the better chance you'll have at getting a loan with great terms.

## KEEP A CLOSE EYE ON SPENDINGS & SAVINGS.

This is an important thing to keep in mind—when you begin the homebuying process, you do not want to add any new hard inquiries to your credit report. Make sure to maintain a decent savings too. Lenders look at your credit history and accounts for a few months leading up to purchasing a home. Stay frugal and vigilant to increase your approval odds!

## DETERMINE HOW MUCH YOU CAN AFFORD.

Take a moment to identify the max monthly payment you are comfortable paying. You may be surprised to find out you qualify for a lot more than what you are willing to take on, so understanding your maximum monthly payment will help you make the transition to homeownership smoother.

## COMPILE ALL IMPORTANT FINANCIAL DOCS.

When buying a home, lenders will need to verify your finances. This includes things like your credit history, income, and any assets you may have in your name. If you use a co-signer, the lenders will need to do the same for them as well. It's best to have all your financial documents in order so you can be prepared, including - your W-2's, paystubs, at least two years of tax returns, bank statements, student loan docs, and credit card statements.

## AMERICA'S AVERAGE HOUSEHOLD DEBT

CREDIT CARD

**\$5,221**

STUDENT LOAN

**\$39,478**

MORTGAGE

**\$220,380**

## DON'T FORGET TO GET PRE-APPROVED.

This isn't the same as getting "pre-qualified." When you get pre-approved, it means you are ready to make an offer on a home. This lets realtors know what you can afford to pay. It's also a sign to sellers that you are a serious buyer.

## PARTNER WITH AN AGENT WHO HAS YOUR BEST INTEREST IN MIND.

The nitty gritty of purchasing your first home isn't always fun, but it's important to find someone you can trust. Your agent needs to understand what you are looking for and be mindful of your budget. They will serve as your go-to support system as you navigate the different stages of the homebuying process, including negotiations, contracts, legalities, and all the required paperwork.

# CHOOSE A LENDER THAT IS RIGHT FOR YOU

Mortgages don't go away overnight. They last a long time—even decades—so make sure you choose your lender partner wisely. Since they are responsible for approving your loan and determining the size of your mortgage, you'll want to make sure they are prioritizing your immediate and longterm financial goals. Ask these key questions as you search for the lender that's right for you:

## DO THEY OFFER COMPETITIVE INTEREST RATES?

When researching the competition, make sure to compare rates and fees on the same day. The markets can be volatile and change each day, so you will want to have the most accurate information possible to choose what works best for you.

## DO THEIR TERMS AND PRODUCTS MATCH YOUR NEEDS?

Lenders have varied requirements, like a firm 20% down payment. However, there is no "one loan size fits all" so you will want to ensure their terms align with your goals by researching early, and choose a route that offers you flexibility and clarity.

## WHEN IT COMES TO THE PROCESS, HOW MUCH IS DONE ONLINE VS IN-PERSON/ON PAPER?

In your journey to homeownership, having a lender who's there for you can make all the difference. When the path ahead accelerates and you're crafting offers, ensure you're familiar with your lender's approach and how they communicate. We ensure you swiftly grasp the terms and their implications, helping you stay true to your financial goals.

## WHAT ADDITIONAL FEES WILL YOU BE RESPONSIBLE FOR?

It's always a good idea to request a loan estimate for any mortgage you're considering. Make sure to include the additional costs and fees, and have your lender explain these in detail. It may be possible to negotiate, or even get some of these fees waived.

## HOW SOON CAN THE LENDER CLOSE ONCE YOU'RE UNDER CONTRACT?

Your closing time will depend on inspections, appraisals, and paperwork, which can take some time. Your lender should be able to give you an estimate on how long their closing process typically takes, as well as offer tips on how you can speed things along.



# home loan lengths:

## 30-YEAR MORTGAGES

A 30-year fixed-rate loan is common. Because of the longer terms, these mortgages come with a lower monthly payment than loans with a shorter term. Borrowers pay more interest over the life of the loan, but have lower payments each month.

## 5-, 10-, 15-YEAR MORTGAGES

Because of the shorter term, these mortgages come with a higher monthly payment than loans with a longer term. Borrowers may pay less interest over the life of the loan, but have higher payments each month.

30-YEAR Payment Example: The payment for a 30-year term, loan amount \$325000, Rate 5.875%, LTV 80% is \$1922.5 for full Principal and Interest Payments with \$6334.25 due at closing. The Annual Percentage Rate is 6.102%. No prepayment penalty. Payment shown does not include taxes and insurance. The actual payment amount will be greater. Interest rates and annual percentage rates (APRs) are for informational purposes only and are subject to change without notice.

20-YEAR Payment Example: The payment for a 20-year term, loan amount \$325000, Rate 5.625%, LTV 80% is \$2258.64 for full Principal and Interest Payments with \$6054.75 due at closing. The Annual Percentage Rate is 5.914%. No prepayment penalty. Payment shown does not include taxes and insurance. The actual payment amount will be greater. Interest rates and annual percentage rates (APRs) are for informational purposes only and are subject to change without notice.

15-YEAR Payment Example: The payment for a 15-year term, loan amount \$325000, Rate 5%, LTV 80% is \$2570.08 for full Principal and Interest Payments with \$6493.5 due at closing. The Annual Percentage Rate is 5.38%. No prepayment penalty. Payment shown does not include taxes and insurance. The actual payment amount will be greater. Interest rates and annual percentage rates (APRs) are for informational purposes only and are subject to change without notice.

10-YEAR Payment Example: The payment for a 10-year term, loan amount \$325000, Rate 5%, LTV 80% is \$3447.13 for full Principal and Interest Payments with \$7081.75 due at closing. The Annual Percentage Rate is 5.583%. No prepayment penalty. Payment shown does not include taxes and insurance. The actual payment amount will be greater. Interest rates and annual percentage rates (APRs) are for informational purposes only and are subject to change without notice.

# DETERMINE YOUR BEST MORTGAGE CONDITIONS

If you’ve never applied for a mortgage loan before, it is understandable you may be unfamiliar with the process. Here’s some key pros and cons to help you figure out what works best for you.

## home loan rates:

### □ FIXED RATE LOANS

The name kind of gives it away—a fixed-rate mortgage has an interest rate that remains the same for the entire duration of the loan. With a fixed interest rate, you will pay the same monthly payment every month.

#### + PROS

- Great for long-term homeownership
- Stable and predictable

#### × CONS

- Tends to have a higher interest rate than most ARM intro rates

### □ ADJUSTABLE RATE LOANS

Opposite of the fixed-rate mortgage loan, adjustable-rate mortgages have interest rates that periodically change. They often have a low introductory rate, fixed rates, and then begin to vary depending on an adjustment index.

#### + PROS

- Nice option for short-term homeownership
- Lower introductory rates

#### × CONS

- Rising interest rates after a fixed-rate period can be risky

# average costs

**CLOSING COSTS: \$6,900**

**INSPECTION COSTS: \$300-\$500**

**PURCHASE CLOSING TIME: 15-45 DAYS**

# NAVIGATE THE BUYING & CLOSING PROCESS

Can you hear it? The keys to your new house are almost in your hands! All that's left is to navigate the inspection and closing costs.

## INSPECTION PROCESS – WHAT YOU NEED TO KNOW.

When you have an inspection contingency, Your realtor will recommend a professional home inspector. They will focus on assessing things throughout the home like plumbing, mechanical systems, and structural components.

After your inspection is completed, you will receive a report detailing possible repairs and if negotiations are needed regarding the price and value of the home. At this point, you may choose to schedule additional specialized inspections (make sure this happens during the inspection period, not after). You can also choose to pull out of the buying process at this time if you decide the cost for repairs is too significant or you cannot reach an agreement with the seller.

Before you officially close on your new home, you'll need to schedule a final walkthrough. At this point in time, you'll receive a closing disclosure that outlines all the terms of your loan, closing costs, and more. Tip: Read this in detail!

## UNDERSTANDING THE ENTIRE CLOSING PROCESS.

In general, the closing process is pretty simple for both the buyer and the seller. Understanding who the players are and what their responsibilities are in this phase are:

- **Escrow company/closing agent-** They are in charge of calculating the legal fees, transfer taxes, and closing costs. They will also initiate the transfer of ownership (the deed to the house).
- **Lender -** They will provide all the necessary documentation of the loan. This includes the note, mortgage, closing fees, and any other additional disclosures.
- **Title company -** They will provide documentation of clear ownership (in the form of a title insurance policy).

After you review all of your fees and terms, make sure to compare the closing disclosure to your loan estimate before signing. If there are any discrepancies, you'll want to make sure those get resolved immediately.