



The Home Buyer's Guide

Presented by Shannon Anderson
with The Patty Turner Group



Your Personal Home Buying Expert

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READY TO START YOUR HOME BUYING JOURNEY?

Buying a home can be complicated, but we are here to prepare you for the process and guide you through every step. Before starting to seriously shop for a home, consider the following things that will help prepare you in advance. We are excited to help you on this journey, and want to tell you a little bit about what we do.

The Realtor Advantage

1

FINDING AVAILABLE HOMES FIRST

Homes active on the market can be viewed on the Web. Often, great properties are not listed right away due to a number of different factors. But a good realtor knows what's out there and who might be willing to sell. Working with a real estate agent gives you access to homes you might otherwise miss.

2

PRICING EXPERTISE

Agents can provide all the data on local home sales and deliver in-depth knowledge regarding your purchase that comes from years of watching transactions close in the neighborhood.

3

LOOKING FOR SOMETHING SPECIFIC?

A real estate agent's full-time job is to know the ins and outs of their area and neighborhoods. A real estate agent might know exactly where to find the home you are looking for.

4

CODE EXPERTISE

Maybe you want to buy a home near a business district and turn the front into a store, or perhaps you want to add a room or build a backyard fence. Experienced real estate agents are familiar enough with local zoning ordinances to make sure you're buying a property where the city allows it. If a house isn't connected to the public sewer system, the real estate agent will make sure that it is disclosed by the seller to the buyer within the inspection period.

The Realtor Advantage

UNEMOTIONAL NEGOTIATION

5

An agent can write requests objectively and submit them to the seller, which saves you from getting overly emotional about the transaction. An agent can take the heat in difficult negotiations in a businesslike manner, negotiating all facets of the transaction in your best interest.

REQUESTING REPAIRS

6

Requests for repairs can make or break a deal. The most sensitive part of a real estate purchase often involves requesting repairs. An agent may be able to identify trouble that you may not see and recommend a good independent professional home inspector who can provide a detailed evaluation concerning the house. The agent will have a good sense of what's reasonable to request and what's excessive.

TACKLING THE PAPERWORK

7

A real estate transaction involves an extensive amount of paperwork. An agent can properly prepare the necessary real estate documents and associated forms that are required to be fully executed by the buyer and seller. The odds of missing something, not initialing a page, or failing to check a box, can substantially decrease when you're working with a professional who is accustomed to the process.

AVOID CLOSING PROBLEMS

8

Pitfalls can occur towards the end of a transaction. An agent can see to it that the completion of the transaction is smooth as well as advise on any contractual amendments which might be necessary prior to the closing. Your real estate agent will assist to ensure that all of the professionals involved in the transaction are staying on task and on time.

COSTS OF BUYING

FROM START TO FINISH

DOWN PAYMENT

A Down Payment is the amount of money a buyer pays at closing to fund a home purchase, usually expressed as a percentage of the total home price. The required down payment amount varies depending on the type of loan, ranging from as little as 3% for an FHA loan to more than 20% for some conventional loans. Mortgage insurance is required for borrowers with a down payment of less than 20%. Down payments are usually paid via cashier's check or wire transfer and must be paid at closing.

OPTION MONEY

Option Money is a small amount of money that the buyer gives to the seller to have the option to evaluate the home within an agreed number of days and if not satisfied, terminate the contract with no penalties aside from the loss of the option fee. During this time most buyers get a home inspection completed. Option Money is typically between \$100 and \$250

EARNEST MONEY

Earnest Money is an up-front deposit that later gets applied to your down payment or closing costs. It lets the seller know you are serious about purchasing the home. This money will be sent to the title company. The usual amount of the earnest money is 1-2% of the purchase price.

APPRAISAL

The mortgage company will require an Appraisal before lending you money for the home. Typically appraisals are \$400 - \$700.

CLOSING COSTS

Closing Costs include escrow fees, attorney fees, possible survey fees, lender fees and document preparation fees, including title related fees.

INSPECTION

A Home Inspection will take a few hours and can cost, depending on the size of the home and its amenities, \$500+. This is important to do as the report will show you what the condition the home is.

ONE YEAR OUT OR ASAP

PULL YOUR CREDIT REPORT

If there are errors on your reports, you may pay a higher interest rate on your mortgage. You might have issues getting a loan. The three major credit bureaus (Equifax, Experian, and TransUnion) offer free reports from [AnnualCreditReport.com](https://www.annualcreditreport.com). Scan for suspicious activity, collection accounts for debts you don't owe, and negative marks (other than bankruptcy) that are older than 7 years.

FIND YOUR FICO CREDIT SCORES

Your credit scores are three-digit numbers used to measure your creditworthiness. They help determine the rates and terms for your loan. While there are hundreds of different credit-scoring formulas, the majority of lenders use FICO.

KEEP A CLOSE EYE ON YOUR CREDIT

Given how important your credit and credit scores will be in buying a home, keep a close eye.

ONE YEAR OUT OR ASAP

ATTACK YOUR DEBT

Try to eradicate bad debt such as credit-card balances and payday loans, which signal that you are living beyond your means. Getting any overspending problems fixed before you buy a home is key.

SAVE YOUR MONEY!

Cut back on luxury expenses and put as much money aside as possible. Think about your dream of homeownership. Ideally, try to have at least 5% down payment, but putting down 10% will give you even more financing options.

SWITCH TO AUTOMATIC BILL PAY

A single 30-day late payment can knock 100 points off your score, so be sure every bill gets paid when it's due. If you don't have a reliable bill-paying system, consider using automatic debits, so payments come directly from your checking account, or use an online bill-payment system's recurring-payment feature.



6 MONTHS OUT

RESEARCH HOME OWNERSHIP COSTS

Remember that homeownership not only includes your mortgage, it also involves property taxes, home insurance and perhaps homeowners or condo-association fees.

HONE YOUR SAVINGS STRATEGY

A bigger down payment could result in a larger home or a lower mortgage payment. Build up your emergency fund for unexpected home expenses.

3 MONTHS OUT

REDUCE YOUR CREDIT UTILIZATION

Remember: less is better, at least when it comes to the FICO scoring formula. It's sensitive to how much of your available limits you're using on your credit cards and other revolving lines of credit. Even if you pay your balances in full every month, the balance that shows on your most recent statement is the one used in the formula. Keep that balance below 30%, or even lower.

DON'T OPEN OR CLOSE ANY CREDIT ACCOUNTS

Until the mortgage process is completed and you've moved into your new home, avoid actions such as opening credit accounts or closing old ones. This could potentially hurt your credit.

2 MONTHS OUT

LOOK AT MORTGAGE RATES

Checking your FICO credit scores doesn't personally lower your score, so order a fresh set and speak to a few mortgage lenders about rates. Don't apply yet or give permission for your credit to be pulled, just get a feel for what you can expect.

FIND YOUR MORTGAGE LENDER

Get referrals from your real estate agent for contact info of lenders that they recommend.

UNDERSTAND THE EFFECTS OF MORTGAGE SHOPPING ON YOUR CREDIT SCORE

Everyone wants to get the best loan rate and terms possible. Each time a lender checks your credit, a "hard inquiry" appears on your credit report and lowers your score slightly. The good news is that the FICO scoring formula counts all mortgage-related inquiries within a specified period as one. It is important to do your serious mortgage shopping in a fairly concentrated period of time, typically immediately after you enter into escrow.

OBTAIN PRE-APPROVAL FROM YOUR LENDER

Pre-approval, in which a lender gives a commitment to make you a loan, is different and more valuable to sellers than pre-qualification, which gives you just an idea of an affordable mortgage amount without any commitment. You are not obligated to get a loan from the lender that offers you a pre-approval letter. Even though a pre-approval involves a hard credit inquiry, the small potential ding on your credit is worth it because you'll be in a stronger position with sellers.

8 Tips For Your Home Search

Be sure that you're not only looking at a home as a potential buyer. It's just as important to think about options that would impact your ability to quickly and profitably sell the home should you need to in the future.

LOCATION, LOCATION, LOCATION

Location matters. Many sellers learn the hard way just how important location can be to buyers, while others reap the benefits of a property located in a coveted area. You can have an ugly duckling in need of repair, but if it is located in a great neighborhood in a sought-after school district, that is golden for resale. Remember: real estate markets rise and fall, but no one can take a great location away from you!

NEIGHBORHOOD CHARACTER

If you've found the perfect home in a great school district on a coveted street with a beautiful lot, be sure to also check out the character of the surrounding neighborhood. Consider the neighborhood at night, early morning, and midday. Observe traffic patterns, odd weather (such as wind channels), or sound nuisances you might not be aware of, before purchasing.

SCHOOL DISTRICT

Good school districts rank high on the list of buyer must-haves, and many start their searches solely on the basis of school districts. Prices in coveted districts are healthy and competitive. Buying a home in a good school district is smart even though you might not have children. Homes tend to hold their value better if the schools are desirable.

CRIME

A quick Internet search can reveal the latest local crime statistics. Learn about the number and severity of crimes over a time period. Many newspapers and municipalities post their police blotters or crime statistics online. Remember that crime, especially petty crime, is everywhere.

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LOT POSITION

A home's location in relation to the street or an overgrown tree becomes important to buyers with lots of choices. A beautifully renovated home in a prime school district can suffer from a location problem if the master bedroom looks into the neighbor's family room, or the home is dark and shaded by a neighbor's tree or addition. Light or privacy may not be concerns for a future buyer, but some buyers are motivated by the way a home sits on its actual lot so they can enjoy sunrises and sunsets.

WILL THE HOME HOLD IT'S VALUE?

Ask your real estate agent about the long-term value or investment potential of the property. A good agent can give you statistics and help you analyze all variables that would positively or negatively affect your purchase in the future. There are home value indexes available online that give you one, five, and ten year snapshots of how home values have gone up or down in neighborhoods and cities.

FIXER UPPER: YES OR NO?

Before buying a fixer-upper, make sure you understand what's involved from A to Z. Do your homework up front. If your goal is to add an addition later, confirm it is within local zoning or building codes. Every home should also be professionally inspected. That way, you have a gauge as to the extent of any needed repairs and subsequent costs. Not only does a renovation take money, it takes time, energy, and emotional stress. Be sure your life can support a home renovation before committing to a fixer-upper.

TAXES, DUES, AND FEES

Buying a home includes expenses beyond just your mortgage. Do not overlook the property taxes, and factor in any planned community HOA and homeowner's insurance. For those buying a condo, review recent meeting minutes, HOA financials, and condo documents. If there are changes about to be implemented, one large assessment could affect property values if you need to sell your home in the future.

The Home Buying Process

Pre-Qualification

Goals for purchase, income, assets, debts and credit are discussed to estimate a price range and loan terms that are best for the buyer.

Pre-Approval

Loan application completed; credit history, income, employment, bank accounts verified and evaluated by underwriting.

Shop For a Home

Pre-approval letter in-hand and price range determined, you are now ready to start looking at homes!

Offer Written

We found the home! We will discuss terms of your offer including seller credits, closing date, etc. to ensure you are comfortable with numbers. Earnest money & option check written.

Offer Accepted

Home inspection completed, paid for by buyer. Requests for any credit/repairs negotiated. Loan terms finalized, rate locked.

Reports Ordered

Appraisal ordered by lender, charged to buyer. Title Work ordered. Buyer shops for homeowner's insurance.

Submit for Final Approval

Purchase, Contract, appraisal, title, insurance and any remaining loan conditions sent to underwriting for review

Closing Disclosure/ Loan Documents

After underwriting 'clears' all prior conditions, the Closing Disclosure will be sent. The 'CD' once received requires a 3 day review period. After the review period the loan docs are drawn & delivered to escrow.

Settlement Statement

Prepared by Title, discloses all the final numbers including the buyer's cash due for closing. Once completed, escrow contacts buyer with final figures and schedules closing.

Sign Documents

Buyer signs the loan/title docs at the title company, confirms title company's wiring instructions, and provides funds for closing.

Final Lender Review

Signed loan docs returned to lender for review. Final verbal verification of employment for buyers done. All funding conditions are reviewed & cleared for closing.

Transaction Funding

Lender wires funds to Title. Title pays all parties listed on settlement statement and records documents with county clerk.

Inspection Process

During the option period, the buyer or seller will order physical inspections as specified in the Purchase Agreement. Legislation mandates that the seller has the responsibility to reveal the true condition of the property on a Seller's Disclosure Notice. This may help determine what kind of property inspections are desired or necessary.



HOME INSPECTION

After execution of the purchase contract, the buyer should order a home inspection by a licensed home inspector. This inspection may encompass roof, plumbing, electrical, heating, appliances, water heater, furnace, exterior siding, and other visible features of the property. A detailed report will be written with recommendations and pictures, and may include the suggestion to consult a specialist (such as a structural engineer or roofing contractor).



STRUCTURAL PEST CONTROL INSPECTION

A licensed inspector can examine the property for any active infestation by wood-destroying organisms. Most pest control reports classify conditions as Section I or Section II. Section I conditions are those currently causing damage to the property. These conditions generally need to be corrected before a lender will make a loan on a home. Section II conditions are those not currently causing damage but which are likely to, if left unattended.

MORTGAGE AFFORDABILITY INDEX

The chart below is a guide to help you estimate how much you can afford. 1) Across the top, find the monthly house payment you feel comfortable paying. Don't forget to deduct your estimated taxes and insurance from this number, as the bank will do so when considering your mortgage application. 2) In the monthly payment column, find the interest rate closest to the rate for the type of mortgage you are seeking. At the intersection of the monthly payment, and rate is an approximation of how much mortgage you can afford.

	\$500	\$750	\$1,000	\$1,250	\$1,500	\$1,750	\$2,000	\$2,250	\$2,500	\$2,750	\$3,000	\$3,250	\$3,500	\$3,750	\$4,000
2.50%	126,544	189,815	253,087	316,359	379,631	442,902	506,174	569,446	632,718	695,990	759,261	822,533	885,805	949,077	1,012,348
2.75%	122,477	183,715	244,953	306,192	367,430	428,668	489,906	551,145	612,383	673,621	734,860	796,098	857,336	918,575	979,813
3.00%	118,595	177,892	237,189	296,487	355,784	415,081	474,379	533,676	592,973	652,973	711,568	770,865	830,163	889,460	948,758
3.25%	114,888	172,332	229,776	287,220	344,664	402,108	459,552	516,996	574,440	631,884	689,328	746,772	804,216	861,660	919,104
3.50%	111,347	167,021	222,695	278,369	334,042	389,716	445,390	501,064	556,737	612,411	668,085	723,759	779,432	835,106	890,780
3.75%	107,964	161,947	215,929	269,911	323,893	377,875	431,858	485,840	539,822	593,804	647,786	701,769	755,751	809,733	863,715
4.00%	104,731	157,096	209,461	261,827	314,192	366,557	418,922	471,288	523,653	576,018	628,384	680,749	733,114	785,480	837,845
4.25%	101,638	152,458	203,277	254,096	304,915	355,735	406,554	457,373	508,192	559,011	609,831	660,650	711,469	762,288	813,107
4.50%	98,681	148,021	197,361	246,701	296,042	345,382	394,722	444,063	493,403	542,743	592,083	641,424	690,764	740,104	789,445
4.75%	95,850	143,775	191,700	239,625	287,551	335,476	383,401	431,326	479,251	527,176	575,101	623,026	670,951	718,876	766,802
5.00%	93,141	139,711	186,282	232,852	279,422	325,993	372,563	419,134	465,704	512,274	558,845	605,415	651,986	698,556	745,126
5.25%	90,546	135,819	181,093	223,366	271,639	316,912	362,185	407,458	452,731	498,005	543,278	588,551	633,824	679,097	724,370
5.50%	88,061	132,091	176,122	220,152	264,183	308,213	352,244	396,274	440,304	484,335	528,365	572,396	616,426	660,457	704,487
5.75%	85,679	128,519	171,358	214,198	257,037	299,877	342,716	385,556	428,396	471,235	514,075	556,914	599,754	642,593	685,433
6.00%	83,396	125,094	166,792	208,490	250,187	291,885	333,583	375,281	416,979	458,677	500,375	542,073	583,771	625,469	667,166
6.25%	81,206	121,809	162,412	203,015	243,618	284,221	324,824	365,428	406,031	446,634	487,237	527,840	568,443	609,046	649,649
6.50%	79,105	118,658	158,211	197,764	237,316	276,869	316,422	355,974	395,527	435,080	474,632	514,185	553,738	593,291	632,843
6.75%	77,089	115,634	154,179	192,723	231,268	269,813	308,357	346,902	385,447	423,991	462,536	501,081	539,625	578,170	616,715
7.00%	75,154	112,731	150,308	187,884	225,461	263,038	300,615	338,192	375,769	413,346	450,923	488,500	526,076	563,653	601,230

CLOSING DAY CHECKLIST

VALID ID

Bring valid identification to closing, this includes any person signing with a Power of Attorney. To comply with federal security, banking, and notary laws, you must bring valid government issued identification (drivers license or passport).

FUNDS DUE AT CLOSING (IF APPLICABLE)

For any monies due over \$1500, plan to bring “good funds” to the closing table: a wire transfer or cashiers check (a bank “ACH” transfer is not the same as a wire transfer and may cause delays).

MARITAL STATUS CHANGE

Alert your escrow officer if there are any changes to your marital status since signing the contract, ideally prior to sitting down at the closing table.

LINKED TRANSACTION

If your transaction is linked to another closing (e.g., you’re selling and using the proceeds on a purchase later that day, or you’re buying with proceeds from a closing that happened earlier), let your escrow officer know as soon as possible so he or she can better coordinate all the moving parts.

POWER OF ATTORNEY

If a party to the contract is using a Power of Attorney (someone else will sign for them), make sure that Title has the original executed document at or prior to closing. Also, the title company is legally required to contact the person granting the power of attorney on the day of closing - make sure this person is available and expecting the call.