



## HOME BUYER

Know the facts

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A guide to understanding the process

- Top 35 Questions
- Read as often as you like
- Email us for more information



# GETTING STARTED

## 1. How Do I Know If I Am Ready To Buy A Home?

Begin by asking yourself these questions.

1. Do I have a steady income source?
2. Have I been employed for at least 3 years?
3. Do I have a good record of paying bills?
4. Do I have long term bills? (Car loan)
5. Do I have money saved for a down payment?
6. Can I afford a mortgage right now?

### SUMMARY

If you answered yes to these questions, you are probably ready to buy a home.

## 2. How Do I Begin The Buying Process?

Start by asking yourself these questions.

1. How much can you afford in a monthly payment?
2. How many bedrooms do you need?
3. What area of town do you like?
4. How important are schools to you?
5. How close to work?
6. Do you want a condo/townhome/single family?

### SUMMARY

Create an 'I Want' list and answer these questions.

## 3. How Does Owning A Home Compare To Renting?

Owning has many benefits over renting.

1. Opportunity to build equity.
2. Forced savings.
3. Tax advantages.
4. Personal lifestyle preferences.
5. Eventually live debt free with mortgage payoff.
6. More space.

### SUMMARY

A home over the long term offers many financial benefits well worth our investment.





## GETTING STARTED



### 4. How Do I Know How Much A Bank Will Lend To Me?

Your lender will consider:

1. Debt-to-income ratio.
2. Compares your pre-tax income to housing and non-housing expenses.
3. Non-housing is long-term debt. (Cars, student loan, child support, alimony)
4. FHA: Mortgage should not exceed 29% of your gross income.
5. FHA: When combined with non-housing; should not exceed 41% of gross income.
6. Also considers closing costs, down payment, credit history.

### SUMMARY

Create a 'I Can Afford' sheet and calculate the answers to these questions.



## SEARCHING FOR AND FINDING YOUR HOME

### 5. What Should I Look For In A Neighborhood?

Select a community that best allows you:

1. To live your lifestyle.
2. Easy access to work and schools.
3. Easy access to public transportation.
4. Easy access to shopping, banking and medical services.
5. Communities interests and activities.
6. Personal interest and activities.

#### SUMMARY

Choose a neighborhood that is most likely to increase in value! (People like living in.)

### 6. How Can I Find Out About Schools?

Simply contact...

1. City school board.
2. County school board.
3. Local schools for information access.
4. Your real estate agent.
5. Internet search.
6. Interview teachers and parents.

#### SUMMARY

Invest quality time when searching out school related information.

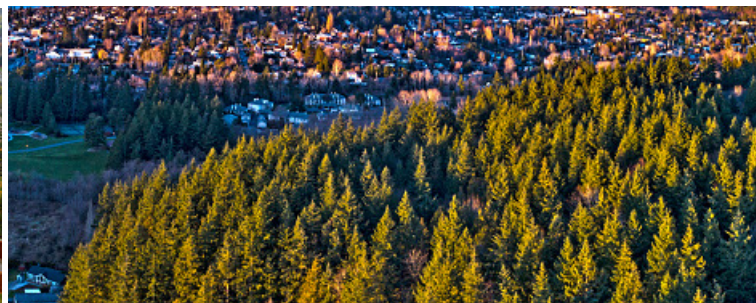
### 7. How Can I Find Out What Homes Are Selling For In My Preferred Neighborhood?

Ask your real estate professional for...

1. Homes currently listed for sale.
2. Homes recently sold within last 90 days.
3. Homes that did not sell within last 90 days.
4. Your real estate agent has access to all this data.
5. Your real estate agent will provide you with a summary.
6. Based upon this data you will know current market value.

#### SUMMARY

Your real estate agent can provide information for any home on the MLS.





## SEARCHING FOR AND FINDING YOUR HOME

### 8. How Can I Find Out About Property Tax Information?

You have a few options...

1. Your real estate agent has tax information.
2. Your local tax assessor's office has information.

Note:

1. Your mortgage interest and your property taxes are tax deductible.
2. Your real estate agent may be able to offer additional tax benefit information.

#### SUMMARY

A home is both a long term investment for equity gain and for immediate tax benefits.

### 9. Is An Older Home A Better Value As Compared To A New Home?

Consider the following:

1. Older homes tend to be in established neighborhood.
2. Older homes may offer lower property taxes.
3. Older homes may required addition maintenance.
4. Newer homes have modern architecture.
5. Newer homes are less costly to maintain.
6. Newer homes tend to be more energy efficient.

#### SUMMARY

Personal preference ultimately makes the final decision between old and new.



### 10. How Do I View A Home?

Compare it to your minimum requirements and then consider...

1. Property location, yard size, garage needs.
2. Number of bedrooms and bathrooms.
3. Kitchen quality, size, and cupboard space.
4. Features such as air conditioner, fireplace, security.
5. Current maintenance level. (Repairs needed?)
6. Close to schools, work, shopping, personal & community interests.

#### SUMMARY

Remember to review Internet, cell phone, TV cable reception, and availability.



## SEARCHING FOR AND FINDING YOUR HOME

### 11. How Do I Keep A Record Of All Homes I View?

Ask your agent to...

1. Add homes to a listing cart.
2. You will keep a viewing record.
3. Use this record for comments on each home.
4. Ask if you can take photos of each home.
5. Always view homes you're most interested in at least 2 times.
6. Always reduce total list of homes viewed to top 3 favorites.

### SUMMARY

Once you have reduced your list to 3 favorites you are now in the 'buy' decision position.





## AFTER YOU HAVE FOUND YOUR PERFECT HOME

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### 12. How Many Homes Should I View Before Deciding?

There is no rule of thumb.

1. The average buyer views 15 homes.
2. The average time for viewing all 15 homes is 3 days

#### SUMMARY

What is important is to find a home best matching your needs, wants, and investment level.

### 13. How Can I Feel Safe & Secure About The Condition of The Home?

Include home inspection in your offer.

1. Ask agent to write into offer a condition on home inspection.
2. The average time required for inspection is 3 days.
3. Typical cost of inspection is \$400 to \$600.
4. Inspector gives you detailed report on condition of home.
5. You may negotiate with seller on cost of repairs.
6. If not satisfied you can terminate your offer to purchase.

#### SUMMARY

A home inspection is a 'must include' condition in all offers placed on homes.

### 14. Are There Any Other Inspections I May Need?

Additional inspections may be required for specific issues...

1. Water and well
2. Septic
3. Sewer

#### SUMMARY

Never buy a home without knowing the current state of each issue.



## AFTER YOU HAVE FOUND YOUR PERFECT HOME

### 15. Are There Other Issues I Need To Know About Before Buying?

Yes...

1. You will need a lawyer.
2. You will need homeowner insurance.
3. Is the home in a flood plain?
4. Does home meet current building codes.
5. Are there any local zoning issues?

### SUMMARY

Your real estate agent will be able to address these critical issues before you buy a home.







## PLACING AN OFFER OF PURCHASE ON A HOME

### 17. How Do I Determine Offer Price?

Ask your agent for the following...

1. A list of similar homes 'recently sold' in the area.
2. A list of similar homes 'now listed' for sale in the area.
3. A list of similar homes that 'did not sell' in the area.
4. Ask how long the home has been on the market.
5. Determine why the seller is selling.
6. Determine the 'as is' repair condition of the home.

#### SUMMARY

It is critical for you to know what similar homes have recently sold for before placing an offer.

### 18. What Is Earnest Money & How Much Do I Require?

It is the amount you 'put down' with the offer.

1. It demonstrates your seriousness to purchase.
2. It ranges between 1% to 5% of offer price.
3. If your offer is accepted, it becomes part of your down payment.
4. If your offer is rejected, it is returned to you.
5. If accepted and later on you back out of deal... it is lost.

#### SUMMARY

Your real estate agent will advise you on the amount of earnest money required with an offer.

### 19. Are There Any Other Issues I Need To Know?

Yes... here are a few.

1. Home warranty insurance.
2. Home insurance.
3. Cost of heat & electricity.
4. Property taxes.
5. Home & property upkeep.

#### The Home Warranty Leader | American Home Shield

A Home Warranty Plan can cover your systems and appliances for the first 12 months of home ownership.

[Check it out](#)

#### SUMMARY

Gathering all the information before placing an offer is prudent advice.



## AFTER YOUR OFFER IS ACCEPTED

### 20. What Happens When My Offer Is Accepted By The Seller?

Your real estate agent will give you directions... such as:

1. How to fulfill all conditions of the offer.
2. The handling of your earnest money.
3. Direction for legal issues.
4. Filing of paperwork.
5. Financing issues.

#### SUMMARY

Your real estate agent will assist you between offer acceptance and closing date.





# FINANCING YOUR HOME PURCHASE

## 21. What Is A Mortgage?

It is a financial loan used to purchase a home.

1. It is a legal claim lien on a home.
2. It secures the promise to repay the debt.
3. It has two features...
4. Payment of interest. (Cost of loan)
5. Payment of principle. (Reduction of debt.)

### SUMMARY

A mortgage is a long term debt to finance a long term investment.

## 22. What Is Loan To Value & How Does It Affect A Mortgage?

It is the amount you borrow compared to the price of the home.

1. Example...
2. \$100,000 home with a 95% LTV means...
3. You can borrow up to \$95,000 for a mortgage.
4. Loans greater than 80% LTV require...

### SUMMARY

Mortgage insurance protects the lender if you default on your pay.

## 23. What Type of Mortgage Should I Apply For When Financing?

It is up to you... as you have options.

1. Fixed Rate Mortgages
2. Adjustable Rate Mortgages

### SUMMARY

Ask your financial advisor which option is best for you.



**WSHFC | Downpayment Assistance Loan Program**  
Little to no downpayment? [Check out this program](#)



## 24. What Is A Fixed Rate Mortgage?

Payments remain the same for the life, term, of the loan.

1. You can choose a 15 year term or 30 year term
2. Here are the advantages...
3. Predictable payment
4. Cost remains same throughout the term.

### SUMMARY

A fixed rate mortgage is not affected by increases in interest rates or inflation.

## 25. What Are The Advantages of Term Options?

You have 30 year and 15 year term options.

1. On a 30 year term...
2. During the first 23 years of the loan... more interest then principle is paid.
3. This gives you larger tax deductions.
4. On a 15 year term...
5. Lower interest rate.
6. Equity is built faster as more principle is paid.

### SUMMARY

Which is best? Many enjoy paying off their mortgages sooner rather than later.

## 26. What Are ARMS Mortgages?

It is an adjustable rate mortgage.

1. Payments increase or decrease subject to interest rates. (limited increase)
2. You have several options.
3. Balloon mortgage: low rates for 1 to 7 years: (refinanced)
4. Two Step mortgage: rates adjust once and then remain for term.
5. ARMS linked to a specific index or margin.
6. Benefits: Lower initial rates, payments, and you may qualify for larger mortgage.

### SUMMARY

If you're not concerned with increase in rates, another move soon, or increase in your income...

ARMS have the advantage.



## SECURING YOUR LOAN

### 27. How Do I Secure A Mortgage?

Simply follow these steps.

1. Pay stubs for last 3 months.
2. W-2 forms for last 2 years.
3. Information on long term debts.
4. 3 recent bank statements.
5. Tax returns for last 3 years.
6. Sales contract with address of the property.

#### SUMMARY

Disclose all other income as it will help in your loan approval process.

### 28. What Is The Difference Between Pre-Qualified and Pre-Approved?

The difference is significant.

1. Pre-Qualified means you 'may' qualify for a loan.
2. Pre-Approved is a lender's actual commitment to give you a loan.

#### SUMMARY

Choose a lender carefully based upon financial stability, reputation, and service.

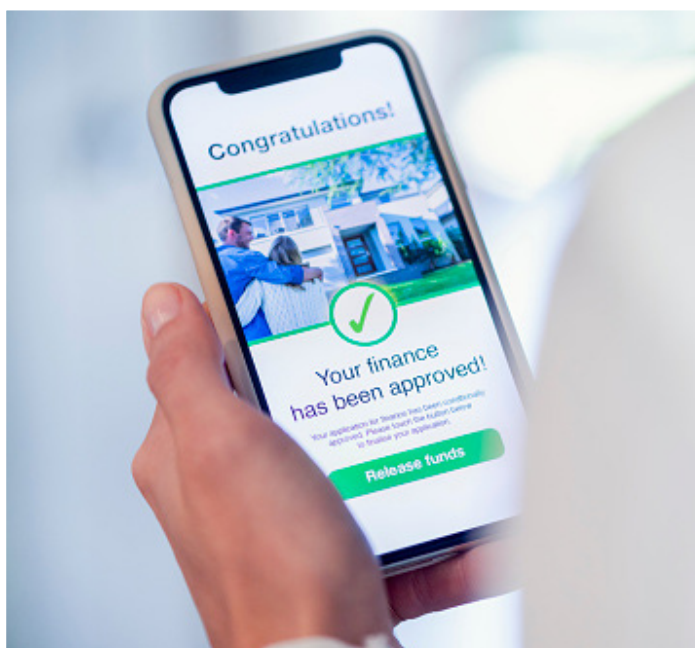
### 29. How Can I Find Out About My Credit Rating?

Contact these companies:

1. Equifax (1-800-685-1111)
2. Trans Union (1-800-916-8800)
3. Experian (1-888-397-3742)

#### SUMMARY

If any information on the report is in error simply contact each company for repair directions.





### 30. What Is A Credit Bureau Score?

It is a number based upon your credit history.

1. It lets lenders know of your past payment history.
2. It lets lenders know if you can repay a loan.
3. The higher the score the more likely you'll receive loan approval.

#### SUMMARY

There is little you can do to instantly improve your score. By paying bills on time your score naturally increases.



### 31. Are There Additional Financing Options I May Need To Know?

Yes and you can contact:

1. Your financial advisor
2. Your mortgage broker
3. Your lender
4. Your agent
5. RESPA. (Real Estate Settlement Procedures Act)

#### SUMMARY

There are also fees associated with underwriting the loan process. The fee is generally non-refundable.





## CLOSING ACTIVITIES

### 32. What Are Closing Costs?

It is the cost to close the sale and consists of:

1. Attorney fees
2. Property taxes
3. Interests. (From close day to 30 days to first payment)
4. Loan originator fee. (covers lender admin costs)
5. First premium on mortgage insurance
6. Recording, survey, title, escrow tax, insurance policy fee, documents fee

#### SUMMARY

Your real estate agent can provide to you an estimate on closing costs.

### 33. Do I Get A Final Walk Through of The Home Before Closing?

Yes and here is what you will want to review:

1. Determine if seller has repaired all Inspection Report issues
2. Determine if fixtures in contract have remained in home.
3. If your offer included appliances... ensure each is in home.
4. If your offer included home cleaning... ensure it has been done.
5. Check for additional damage.

#### SUMMARY

Your real estate agent is with you on final home inspection and will attempt to resolve all issues that may arise.



### 34. What Happens On Closing Day?

1. You present your paid homeowners insurance policy.
2. The closing agent then lists the money you owe the seller.
3. The closing agent then lists the money the seller owes you.
4. The seller provides proof of any and all inspections, warranties, etc.
5. You then sign the mortgage document and the mortgage note.
6. The seller gives you the title of the home by signed deed.
7. You pay the lender's agent the closing costs.

#### SUMMARY

The deed and mortgage are recorded in the Registry of Deeds.

Congratulations you are now a homeowner.

### 35. What Do I Get On Closing?

Here is a brief summary.

1. Settlement Statement, HUD-1 Form.
2. Truth-in-lending statement.
3. Mortgage note.
4. Mortgage or Deed of Trust.
5. Binding sales contract.
6. Keys to your new home.

#### SUMMARY

Your real estate agent will also give you a wonderful closing gift to celebrate your home purchase.





## SUMMARY

### Resources - Preferred Lenders



**Nicole Walker**  
Home Loan Officer Umpqua  
Bank Home Lending  
Phone: 360.937.0965  
Email :NicoleWalker@  
UmpquaBank.com  
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## SUMMARY

### Resources - Home Inspectors

#### Inside N Out

Dennis Flaherty

[www.insidenout.net](http://www.insidenout.net)

360.393.0274

#### House to Home

John Wagner

[www.housetohomeinspections.com](http://www.housetohomeinspections.com)

360.392.8292

#### Wright Inspection

Adam Lent

[www.wrightinspection.com](http://www.wrightinspection.com)

360.305.2619

#### Sound to Mountain Home Inspections

Caleb Posey

[www.stmhomeinspections.com](http://www.stmhomeinspections.com)

425.239.9393

#### Woods Home Inspections

Jeff Woods

[woodshomeinspections.net](http://woodshomeinspections.net)

360.726.3301

#### Ground Up Inspections

Adam Morvee

[www.bellinghaminspector.com](http://www.bellinghaminspector.com)

360.927.1723



## SUMMARY

The home buying process...

1. Looks far more complicated than it really is in experience.
2. Your real estate agent will walk you through the entire process.
3. It is a thrilling experience and one to enjoy.

## SUMMARY

Remember to ask your real estate agent for additional financing opportunities with HUD through its FHA program.



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