



Being a first-time homebuyer can be scary. It doesn't have to though and that is why I have written this first-time homebuyer guide. Knowledge is power and with knowledge you will have an easier time buying your first home!

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Step 1: Determine how much you afford

You need to consider multiple factors when figuring out how much you afford to pay for your new home. Some key factors to consider include:



Income- Determine your monthly gross income.



Debt- This includes your credit cards, auto payments, insurance, cell phones...



Credit Score- Evaluate where you are with your credit score and see if you can raise if necessary.



Closing Costs- Determine how much money you will need at closing. Typically closing costs are about 1% of the purchase price.

It is best to have a loan officer calculate your debt-to-income ratio. This is very important when getting a loan. To figure your debt-to-income ratio, you can divide your monthly debt payment by your monthly gross income. The lower your debt-to-income ratio is, the stronger position you are in to qualify for a home mortgage.

Step 2: Get pre-approved

When you submit an offer, it is your best interest to include a pre-approval letter from your lender. This will show the sellers that you are qualified to purchase their property. To obtain a pre-approval letter, your lender will look at your income, debts, credit report/score, and assets. At that time they determine how much your loan will be approved for and the terms of your loan. When getting your pre-approval letter be ready to provide the following documentation:



Proof of income- Typically lenders want to see the last month's worth of paystubs.



Proof of assets- Must be able to show proof of ownership on your large assets and large monetary deposits.



Employment verification- Must be able to show documentation of employment verification, W-2's salary, and overtime/bonuses. If you are self-employed, you will be required to provide relevant financial documentation.

Step 3: Figuring out your down payment

Your down payment is the amount of money you will put towards the purchase price of your new house. The remaining amount is paid via your home mortgage loan. A lot of people get nervous about the down payment because they don't think they have enough money to do it. While it is best to put down 20%, there are home mortgage loan programs that require as little as 3% down. Also, you can consult with your tax advisor about using your 401K, IRA, or gift money for your down payment.



Step 4: Home loan options

This will be done with your loan officer. Between the two of you, you will decide which type of loan is best for your needs.



Conventional- This type of loan will have a fixed or adjustable loan.



FHA- This is a home loan that is insured by the FHA.



VA- Specifically for Veterans, active military, and surviving spouses.



USDA- A rural housing government financed loan that has income and loan amount restrictions.



Renovation- Get more than a home loan. This loan will include money for you to renovate.

JUMBO

Jumbo- A home loan that exceeds the standard conforming loan amounts imposed by Fannie Mae and Freddie Mac.



Step 5- House Hunting!

Now is the fun part. Once you have your pre-approval letter in hand, you are ready to find your dream home.



Step 6- Submit an offer

With your pre-approval letter in hand, you can now submit an offer on your dream home. Don't get discouraged if the seller counters your offer. This is part of the process. It's called negotiations! I will be right there with you handling all this and making sure you get the best deal possible.



Step 7- Get your inspections completed

Once you have an accepted offer on your dream home, it's time to get the professionals in there to do your inspections. A home inspection is necessary along with a termite inspection and septic inspection (if necessary). A home inspector will look at the electrical systems, plumbing systems, HVAC, floors, ceilings, walls, foundation, roof, and almost everything else. They will then provide you with a report and if necessary you can get a specialist in the house to look at stuff closer.



Step 8- Renegotiate

You may be able to renegotiate the purchase price after getting the home inspection report back. If the purchase price isn't lowered due to the needed repairs, often times the sellers will fix the issues. Should the repairs be too major for your liking or the seller isn't willing to budge, be prepared to walk away and find another home.

Step 9- Appraisal

Your lender will order an appraisal on the house to determine its value. This value is based on the size and features of the house along with recent sales of similar homes in the area. In order for your loan to be approved, the appraisal needs to come in at the purchase price. If it doesn't you have other options such as putting down more for the down payment.



Step 10- Loan Process

As all these steps are taking place, there will be an escrow company completing all the necessary documents and background checks on your new house. After this is all completed and the loan requirements are met, you will have to sign all the documents. It can be a scary process when signing the documents, but your loan officer will walk you through everything.



Step 11- Closing

The day you have been waiting for! On closing day, the transfer of the property is completed and you are now the official owner of the house. This is the day you will get the keys to your new house!

