



2023



BUYERS GUIDE 🔍

- ✓ Mortgages
- ✓ Neighborhoods
- ✓ Inspections
- ✓ Negotiations
- ✓ Closing Costs
& So Much More!

ENGEL & VÖLKERS®
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Welcome!

You've made a great first step!

First, I'll just say thank you for
downloading my guide!

I created this concept as a quick tutorial on what you can expect in the world of home buying for this year. Many buyers before (and likely some after) you decided that they were going to tackle their next purchase by means trial and error - this can not only make their experience more **stressful**, but it can also deviate their focus on what's important to their purchase.

Don't be like them! Read through my guide and call me directly if you have any questions. Helping buyers like you is what I do best.



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(Yes that's really my cell phone number!)

Warm-Up with this Tip!



Buying a house is a major commitment. Before you begin shopping for properties or comparing mortgage options, you need to make sure you're ready to become a homeowner!

If you have not done so already, start saving for your down payment far in advance of buying, and keep in mind that buying a home comes with additional expenses. Be sure to save 2-5% of the purchase price to cover any closing costs.

ASK YOUR AGENT: About the possibilities of sellers paying your closing costs for you!

Step 1. Start Your Financial Prep!

Down Payment

Your down payment is a large, one-time payment toward the purchase of a home. Many lenders require a down payment!

Many home buyers believe that they need a 20% down payment to buy a home but this is not always true. A down payment of that size is not likely to be realistic for many first-time home buyers.

For example, you can be able to get a conventional loan for as little as 3% down (confirm with your lender). FHA loans have a minimum payment of 3.5%. VA loans and USDA loans even allow eligible and qualified borrowers to put 0% down. There are advantages, to making a larger down payment.



BONUS

Bonus: If you put at least 20% down on a conventional loan, you will not need to pay for private mortgage insurance (PMI). That means lower monthly payments!

Closing Costs

You will also need to save money to cover closing costs, which are the fees you pay to get the loan. The specific closing costs will depend on your loan type, your lender and where you live. Almost all homebuyers will pay for things like appraisal fees and title insurance.



There are many variables that go into determining how much closing costs will be, but it is usually advisable to prepare for 3%– 6% of the total home value. This means that if you are buying a homeworth \$200,000, you might end up paying \$6,000 – \$12,000 in closing costs.

***** Pro Tip: Talk to your agent about the possibility of having the seller pay for some of these costs. You may have leverage to get a "concession" from the seller to ease your final balance on closing day.

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Income And Employment Status

***** Your lender will need to see a work history (usually about 2 years) to make sure your income source is stable and reliable. Preparing your income is all about pulling the right documentation together to show steady employment.

This doesn't mean that you have to be at the same job, or position for 2 years. This simply means that you need to have over 2 years of continuous working experience. As long as you're not fresh out of school, or coming back from an extended work hiatus you should be fine!



Debt-To-Income Ratio

Debt-to-income ratio (DTI) is another financial instrument mortgage lenders use to evaluate your loan application. Your DTI helps your lender see how much of your monthly income goes to debt so they can evaluate the amount of mortgage debt you can take on. DTI is calculated by dividing your monthly debt by your gross monthly income.

For example, if your monthly debts (credit card minimum payments, loan payments, etc.) total \$2,000 per month and your gross monthly income is \$6,000, your DTI is $\$2,000/\$6,000$, or 33%.

$$\frac{\text{Debts}}{\text{Income}} = \text{DTI Ratio!}$$

Credit Cards, Student Loans, Car loans, etc.

Income, Tips, Wages, SSI, VA Benefits, Etc.

Easy, Right?

* Your lender will use the debts shown on your credit report to calculate your DTI. It is wise to review your DTI before you apply for a loan. In most cases, you will need a DTI of 50% or less to qualify for a mortgage, although this number varies based on your lender, loan type and other factors.

Credit Health

Your credit score plays a **huge role** in what loans and interest rates you'll qualify for. Your credit score tells lenders how risky you are to lend money to. Take steps to improve your credit score and pay down your debts. Better numbers mean better loan options with lower interest rates. Most lenders require a credit score of at least 620 to qualify for the majority of loans. A score above 720 will generally get you the very best loan terms.

Your credit score is based on the following information:



- ✔ > Your payment history
- ✔ > The amount of money you owe
- ✔ > The length of your credit history
- ✔ > Types of credit you've used
- ✔ > Your pursuit of new credit

* Keep in mind that you should avoid taking out any additional loans (credit cards, car loans, etc.) until after the home purchase is finalized. Usually, new lines of credit will cause a temporary dip in your score, and that is the opposite of helpful when hoping to gain a mortgage.

Step 2. Get to Know Your Market!

Once you've saved a little bit of money for your down payment and closing costs, and you've verified that your DTI and credit score are healthy we can move towards the **easy part!**

Understanding Purchasing Power

Now that you have your general points on how to prepare for and apply for a mortgage, we can begin understanding our immediate market! Browsing homes on our website is a great way to get started. Use this opportunity to weigh your "purchasing power" - this is your chance to gather information on how far your dollar will go in certain neighborhoods.



Pro Tip: Stick to a budget range and see what location is able to give you the most things on your wish list! If the location isn't what you hoped it would be, try being more modest on your wish list items!

Use our website to get a feel for your market while you narrow down your must-have list in terms of home type, features and location.

Get a Top Performing Agent/Advisor

Once you have your wishlist in order you'll need to become familiar with the experts in your local area who can assist you in the purchase process--specifically a real estate agent.

A great real estate agent will guide you through every step and connect you with other professionals like inspectors, title companies, attorneys, and mortgage brokers or lenders - the whole team needed to get your home purchase official!

Most agents **do not charge their buyers a commission**, so if cost is not an option why not hire the best agent possible?

For a referral of the highest performing agents in your desired state/city please email our office directly!



LET'S CONNECT!



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4-5 months before buying:



1. **Start looking at homes online**
2. **Identify your wants and needs**
3. **Hire your real estate agent**
4. **Keep track of spending and credit use**

At this point, you will also want to be aware of your spending and its impact on your credit report. Do not take out any large loans because they could lower your credit score and affect your debt-to-income ratio –a calculation that lenders use to determine how much you qualify to borrow.



Pro Tip: If you're hoping to buy a car, change jobs, take out financing for new furniture please wait until **after you close on your home**. Any major changes related to your income or employment might also change your ability to get financing. Long story short, from the time you get pre-approved to closing avoid all big life changes!

Step 3. Get Pre-Approved and Begin Searching!

Choose a lender or mortgage broker to guide you through the financing process. Get pre-approved by your chosen lender so when it comes time to make an offer, sellers will know you are serious. To get pre-approved, you will need bank statements, pay stubs and tax returns. Start compiling these for submission later in the application process.

Apply for a Mortgage

Applying for your mortgage can be done online and virtually risk-free! You'll simply enter in the most basic points about your employment history, social security number, name, etc. - it's **similar** to applying for a new credit card. Once that information is submitted, the lending institution will likely reach out to request other documents to prove your income such as a W-2, 1099, or other payment documents. Once the lender verifies your credit score, you may see a small "inquiry" on your credit report, but don't worry - it will disappear from your report after a short time.



As an experienced advisor, I usually recommend that you seek a mortgage from a **LOCAL** lender like a credit union or a mortgage company. Typically my buyers find that the rate, responsiveness, and service from proven local lenders not only makes their lives easier, but it saves them quite a bit of money versus the big nationwide lenders.

* you need a recommendation for a lender in your area, please email me! I've had plenty of experience with different banks, CU's and mortgage companies alike.

My contact information is below!



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Now let's go over some of the loan options that a lender will help you to consider.

Conventional Loans

Conventional loans, sometimes called conforming loans, are loans that are backed by Fannie Mae or Freddie Mac. The majority of mortgages in the U.S. are conventional loans.

Conventional loans are always a popular option for homebuyers, and you can **get one with as little as 3% down.**



FHA Loans

Backed by the Federal Housing Administration, FHA loans are less of a risk for lenders because the government insures them if you stop making payments. As a result, FHA loans have credit score requirements that are not as strict. You can get an FHA loan with a **down payment as small as 3.5%.**



VA Loans

VA loans are mortgage loans for veterans, active-duty members of the Armed Forces, and qualifying surviving spouses. The most popular benefit of VA loans for homebuyers is **no down payment required.** VA loans are insured by the Department of Veterans Affairs.



Establish Your Search

Your agent will set up searches for you that update directly from the local MLS for homes to show you. Stay updated on the listings that your agent shares with you and make it known if something in the search has changed.

It is always a good idea to make a list of your top priorities, some of which might depend on whether you are looking for a starter home or something else entirely.



Here are some things you might want to consider when shopping for a house:

- Price
- Square footage
- Home condition and possible need for repairs
- Access to public transportation
- Number of bedrooms
- Backyard/swimming pool
- Local entertainment options
- Local school districts
- Property value trends
- Property/real estate taxes



Rank your priorities from highest to lowest based on importance and show this list to your real estate agent. This will give your agent a better idea of specific homes that fit your criteria. You may need to spend some time searching for the perfect home, so do not get discouraged if your hunt takes longer than expected.



Only you can decide which property is right for you.

Make sure you see plenty of homes before you decide which one you want to make an offer on. Like much of the homebuying process, you can do a great deal of your house hunting online, but remember to carve out scheduled times to take tours with your agent.



Step 4. Make Your Offer!

The Offer Process



Every buyer has a different reaction to the perfect home. Regardless if your reaction is a fleeting fit of joy or a simple err of contentment, it's important to know **how** we take the necessary steps for you to call this perfect place *home*.

When you decide to make an offer on a home, you must submit an offer letter in writing. This is not a television show - we don't simply make offers over the phone with a simple purchase price. Your offer letter includes details about yourself (like your name and current address), the price you are willing to pay for the home, where the financing will come from, closing date, inspections, title company details and included deadlines for duration of the transaction.

If this sounds overwhelming, you may be right! That's why your real estate agent will compile your offer with your best interest in mind and submit this to the listing/seller's agent on your behalf once you've simply approved the details.





Most offers also include an earnest money deposit. An earnest money deposit is a small amount of money, **typically 1% – 2%** of the purchase price. Your earnest money deposit goes toward your down payment and closing costs if you buy the home.



From here, the seller can respond in one of three ways:



- *Accept the offer: If the seller accepts the offer, you can move on to the next step.*



- *Reject the offer: If the seller rejects your offer, the ball is back in your court. You can choose to submit another offer or move onto another home.*



- *Give you a counteroffer: The seller can also come back with a counteroffer of their own. They may change the purchase price or the terms of the sale. You can accept the counteroffer, reject it, or make another counteroffer.*

Negotiations may go on for some time after you submit your offer. Let your real estate agent help you manage negotiations and do not be afraid to walk away if you cannot reach an agreement.

Once you and the seller agree to an offer, it is time to move on to the appraisal and inspection.



Step 5. Escrow & Due Diligence!

Complete escrow-related tasks and finalize your plans

During the 30 to 45-day escrow period, your lender will set various checkpoints in order for their underwriters to approve your loan. This will likely include items like:

1. **Updated Paystubs and W-2's**
2. **A Formal Appraisal**
3. **All Requests for additional documentation**

This process may take longer if you are getting an FHA or VA loan, which can require extra paperwork. If you have had a change to your credit or income since you were pre-approved, further verification may be required.

Rely on your agent and loan officer to stay organized and make this process easy for you!



Schedule and conduct inspections!

Though you're not required to obtain an inspection, I will always advise that you get an inspection before you buy a property.

During a home inspection, our inspector will go through the home and look for potential problems. They will test electrical systems, make sure the roofing is safe and in good shape, make sure appliances are working and much more. After the inspection closes, the inspector will give you a full report and a list of problems they found in the home (if any).

Inspection results are **not pass or fail**, instead they simply go over each item line by line and look for major issues. If a home has a serious hazard, your agent should and will ask the seller to correct the problem **before** you close.



It is common for homebuyers to include a home inspection contingency in their purchase offer. A contingency gives buyers the option to back out of a purchase (or negotiate repairs) without losing their earnest money deposit if the home inspection reveals major issues with the home.

Get a Home Appraisal.

A home appraisal is a review that gives the current value of the property you want to buy. **You must get an appraisal before you buy a home with a mortgage loan.**

Lenders require appraisals because they cannot lend out more money than a home is worth. If the appraised value comes back lower than your offer, you might have trouble getting financing. Be thoughtful about your offer and consider contesting the results of the appraisal if you believe the appraised value is too low. Homebuyers should also include an appraisal contingency in their offer.

Appraisal contingencies are often drawn up to allow buyers to back out of a purchase (or negotiate a lower price), without losing their earnest money deposit, if the home appraises for less than the offer amount. As with inspection contingencies, appraisal contingencies may vary, so make sure you understand the nature of your agreement.

*****Your lender will order the appraisal - you shouldn't have to worry about this part!**

Start preparing for the move

Now is also the time to contact a local moving company to get your move scheduled. You should file your change of address request with the post office and do some research on how you will set up utilities at your new home. If you are currently renting, you should give your landlord notice according to the terms of your lease.



Your agent should have good recommendations on appropriate movers, and instructions for setting up or moving your utility account to the new address! Moving is stressful: Staying organized in the move will keep you focused and less stressed!

Keep in contact with your team



Maintain communication with your lender as the details of your loan are finalized. Be prompt about submitting any documentation that is requested. You will also need to let your lender know your preferred home insurance provider. As you work to finalize your loan, your real estate agent and attorney should be kept in the loop.

Your agent is your "manager", but everyone from your lender, insurance, title co, attorney, etc. is operating in the best interest of the transaction! Be prompt in resolving any missing details to ensure an easy closing.



Step 6.

Prepare to close on your home!

Congratulations!
You're clear to close!

Either the morning of, or the night before closing, you will do a final walkthrough to visually inspect the condition of the home. This is especially important if you requested repairs after your home inspection. **This time allows you to check and make sure that the seller has made the repairs you requested and cleared out the property.**



Walk through the home and make sure the seller has not left any belongings. Check your repair areas if you requested them and keep an eye out for pests. You may also want to double-check your home's systems one final time to make sure everything is in working order.

If everything looks good, it is time for you to confidently move toward closing. Next, you will head to the title company's office to sign your closing paperwork. Depending on the complexity of the deal, this could be a maximum of about an hour.

CONGRATULATIONS, you're a homeowner!!!

You're officially a homeowner! There's nothing left to do but settle in, and make a lifetime of memories in your new home.

Thank you for downloading this guide! If you found this helpful, please share it with a friend; If purchasing a home sounds right for you, give me a call and join my hundreds of happy homeowners!



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