

FIRST-TIME HOME BUYER GUIDE

MISTAKES TO AVOID AND THE
SECRETS TO SAVING MONEY



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The First-Time Home Buyer's Guide

Congratulations! If you are reading this helpful guide, you are probably researching purchasing your first home! Purchasing a home can be a very exciting and fun time, but also sometimes emotional. This guide is meant to provide you a plethora of information to help you understand the purchase process and things to consider BEFORE you get started. And don't worry, you'll have guidance throughout the entire purchase process when you work with us as your real estate professionals. We will be sure that you understand the process of purchasing your first home at every step along the way.

In this very useful guide, we will discuss more about how we can assist you with your first home purchase. The first section of this guide will provide you some very important First-Time Home Buyer tips that we want to be sure you know about, as you step into the brand new world of owning a home.

The second section, *Mistakes Smart Home Buyers Avoid Making*, will fill you in on details that *every* home buyer should be aware of, whether a seasoned and experienced home buyer, or purchasing for the first time.

IMPORTANT THINGS TO CONSIDER AS A FIRST-TIME HOME BUYER

Here are several important tips we know you will find helpful as you begin your research for purchasing your first home.

Think long-term and think re-sale: Keep in mind that there is a good chance the first home you purchase will probably not be the last home you purchase. Consider how easy (or not easy) it will be to sell your home in the future. Are you planning to have kids (or more kids)?

You might be planning to live in your first home for only a few years. In that case, consider who your target audience for the home will be when it comes time



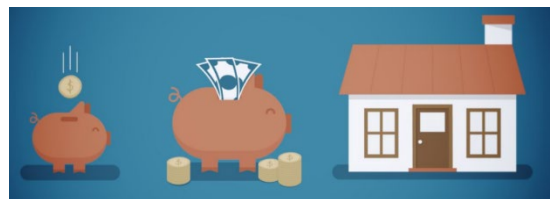
to sell the house. If you buy a house in a poorly performing school district, or on a very busy street, when you are ready to sell the house most families with children will be out of your list of potential buyers.

Make a list of your Wants and Needs: Home-buying is an emotional process, so it will be important that you try as much as possible to set aside all your emotions when evaluating a house. Yes, we know, that is sometimes hard to do. To help you navigate finding the right home, before you start searching online and

scheduling visits to view homes, it's important to make a checklist of your must-haves (needs), wants, and other essentials. Make copies of the list and use it as your check list as you visit each home. Take photographs if needed. If you fall in love with the house on first sight, you may want to step back to be sure you have enough check marks on your list before you write your offer. Your list could very well be your life preserver to save you from buyer's remorse later. We will go into more detail about your wants and needs list later in this guide.

Consider ALL the expenses when you are budgeting for the house: When budgeting for the house, most first-time buyers are not sure how much monthly expenses can cost. Yes, you will probably have a few more expenses than you would when renting, but equity opportunities will many times make up for that. On the other hand, in some cases, owning a home can cost you less each month than renting. When planning your monthly budget, be sure you consider the costs of all the following items.

1. Principal loan amount
2. Mortgage interest
3. Homeowners Insurance
4. Mortgage Insurance (if applicable)
5. Property taxes
6. Property Insurance



7. Monthly HOA Fees
8. Average Monthly utilities
9. Cost of commuting to your new home (more or less than you have now?)
10. Cost of needed upgrades

And don't forget the initial purchase costs and cash needed for you to have on-hand to start the process, such as down-payment funds, appraisal fees, inspection fees, and title/attorney costs (if applicable). Your lender and your agents (us) will help you get a good estimate for some of these costs.

Down-payment requirements for loans can range from 0-20% of the purchase price of your home. Veterans and Active Military are eligible for zero down VA loans. FHA requires only 3.5% down, and Fannie Mae has a loan program that requires as low as 3% down. Many things are considered when determining the best loan program that your lender will be sure to explain to you. We will recommend trustworthy lender(s) that can discuss available programs to you, and down-payment needs based on your personal and financial qualifications. We may recommend a few lenders so you can consult and "shop" the best loan programs that fit your needs. If needed, there may also be down-payment assistance programs that you could qualify for. (Learn more about down-payment assistance below.)

You may also consider calling the utility companies that service the house you are considering, and ask for an estimate of what the costs for water, electricity, and gas will be, and if there are any budget plans offered by those companies. Be sure to budget all of these expenses and see if you can still afford the house and the anticipated monthly expenditures.

Review the Homeowner's Association (HOA) Rules: If the home is in a community you love that has an HOA, you will want to be sure you review the rules as soon as you can. Other than your monthly HOA dues, find out if there are additional assessments and costs to pay over time. Depending on the type of property you purchase, and the rules of the HOA, additional costs could be needed as a result of previously agreed-to repairs voted in by the current homeowners, such as new roofs, property maintenance, or street upkeep. You will also want to review the budget and Profit and Loss statement to assess the stability and soundness of the HOA's financial books. You want to be sure that the HOA is spending your monthly HOA dues appropriately and reasonably.

Also know that many HOAs govern things such as painting of exterior, walls, gates, patio covers, or anything structural. There could be regulations regarding cars in the street or driveway, RV parking in front or on the side, shed sizes, types of landscaping, or even sizes and breeds of your pets. Some HOAs also have rules on

if you can rent your home to a third party. If they do allow renting, beware that there may be minimum limits to the length of rental contracts.

For all these reasons, it is essential to read the HOA rules before you purchase, or during your due diligence (inspection) time, as provided by the time frames of your purchase contract. Your agent will advise you on how and when you can obtain the HOA rules to read. So if you wish to paint your house purple, just be sure your HOA will allow it!

Research Down-payment Grants and other sources of funding: In some areas, there are a number of options for down-payment assistant grants to help you purchase your home. Most grants will have income limits, credit score requirements, and qualifying terms. You may be quite surprised at how much money could be available, and how much you may qualify for. There may also be grant options available based on professions, such as military, veterans, first-responders, teachers, farmers, etc. The area of your home may also provide you more or fewer options for grants, such as whether it's in a rural area, high-poverty area, or certain counties



within the state, etc. Research all the grants and funding options you are eligible for before you automatically decide you won't qualify for anything. As your agent, we can recommend highly qualified lenders that do offer grant

programs, if available for you. It's important to know that not all lenders work with

grant programs, but if they do, they will determine if you qualify. As your agent, we can and will guide and advise you on available grant programs.

Be sure to read your Purchase Contract before you sign: This seems obvious, but sometimes buyers' excitement to buy the home can get them into a signing frenzy. A house is probably the largest purchase you will ever make in your life, so make sure you understand the terms of your contract. If you don't understand any of the terms, ask your mortgage broker or your real estate agent.



Look Past the Staging: A staged home is one that is usually vacant, but with rented furniture and décor. Sellers will stage their homes because staged houses look far better than houses that are still being occupied or vacant. When you are considering a house, try to mentally remove the staging. Pay more attention to the layout of the house and the structure itself, as well as the neighborhood and traffic in the area. Ugly wallpaper and paint can be easily fixed later, but you cannot remodel your neighbors' barking dog. We also recommend you visit the neighborhood at night and also talk to neighbors to learn more about the community if you can.

How and When to Get Started: The process of purchasing a home could take several months from the start of your loan approval, to visiting homes, to closing

on your loan, and moving into your new home. When to start will depend on your personal, credit, and financial situation. If you believe you will need to save money for down-payment or closing costs, end an existing lease, or clean up credit, we recommend you start working on these challenges as soon as possible. Keep in mind too, that if you are in the process of starting a new job or changing careers, the loan will require that you show consistent income in the same or similar career for a minimum of two years in many instances, although with some lenders as little as 6 months may be sufficient.

Your first step is to talk with us, your agents, to discuss your wants, needs, timing, and personal circumstances, so we can help determine your first course of action. In most cases, we can and will provide you the name(s) of trustworthy lenders who we believe will work best for your needs. The lender will speak with you to learn more about you, your job, and income, your monthly debt, and also get the okay from you to check your credit. At that point, he/she will have a good idea of where you stand and what else you may need to do (if anything) to get ready for your new home purchase. If credit clean-up is necessary, they can advise you. During this time frame, the lender may also request copies of your tax returns, bank statements and employment information, so be sure to have all that paperwork ready, or at least easily accessible.

When you are ready, the lender will provide you a loan pre-approval letter, identifying your maximum loan amount, interest rate, and down-payment requirements. Keep in mind that this is only a pre-approval, and it will take approximately 30-45 days (escrow period) to process your loan for full approval and fund the loan, which starts running once you have an accepted contract on a home. During that time, the lender will ask you to sign required loan documents, and possibly request additional paperwork and information from you.

When we have your pre-approval letter, we will be ready to show you homes and submit an offer on your behalf very quickly, once you find your perfect home. Most sellers will require the pre-approval letter when they consider accepting an offer. We will provide you average area home values to consider when determining a reasonable offer price, because we never want you to over-pay for your home. Negotiating of contract terms may take place between the seller and you, and we will be here for you, to advise you and handle negotiations on your behalf.

Once we have your home under contract, we will navigate the transaction and next steps, including earnest deposit, inspections, appraisals, and paperwork to be completed by lender and title/escrow company (who will be there to process the entire transaction and record the deed with the county). **Note: Some states require attorneys to assist in the sales transaction.*

The important thing to know is when to get started for a timely close date to fit your personal situation. Think ahead! Have an emergency fund, save for a down-payment, get your credit into better shape, and don't buy more than you can afford.

The earlier we speak with you, the better we can guide you in your time frames and everything mentioned above. Reach out to us as soon as you know that purchasing a home is something you wish to pursue.

You can reach us directly at (309) 247-1604

Mistakes Smart Home Buyers Avoid Making

Homeownership is the American dream. However, the process of purchasing a home can prove to be daunting. There are many factors you and your family will need to take into consideration, such as the neighborhood community you want to live in, how many bedrooms and bathrooms you need, and how much money a lender will approve for you.

The good news is that you are not the first person to ever buy a home. Millions and millions of people have gone before you to help pave the road of success for your home buying experience. This section of the guide is designed to help you learn from their mistakes as well as their successes.

As you can imagine, the home buying experience is plagued with hundreds of decisions, some small and some big, for you to sift through and make. Unfortunately, for some home buyers, bad decisions have resulted in unnecessarily poor outcomes and financial duress. There is no way to identify and address in this guide each potential pitfall you might face. However, here are seven tips smart home buyers use to avoid making mistakes.

#1 – Set Reasonable Expectations

Most home buyers dream of living in a mansion with a pool and a basement in the most expensive neighborhood in town. However, for most Americans, this may be an unrealistic expectation. Though that



right home is out there, you need to make sure you set reasonable and realistic expectations. The last thing you want for you and your family is to pay too much for a home and find yourselves cash strapped and ultimately unable to afford your new house.

We've all heard the expression, "Keeping up with the Joneses." Don't worry about the Joneses! Don't worry about what they do for a living, what kind of cars they drive, where they vacation, and most importantly, where and how big their home is. Your number one concern should be about you and your family. No one is going to do your job for you, no one is going to buy you an expensive car, and no

one is going to make your mortgage payments for you. If you do have that person in your life, stay close to them!

When setting your realistic expectations, here are some of the criteria you may be considering when making tough decisions about your next home:

- What cities and areas best fit your lifestyle and community needs?
- How many bedrooms and bathrooms do you need in your home?
- How big of a home (square footage) are you looking for?
- Do you need an extended garage, three-car garage, or RV parking?
- How old is your ideal home? What are the advantages and disadvantages of a new construction home vs. resale?
- Are there any specific amenities that you require, such as tile, den, office, family room, swimming pool, or large backyard?
- Are commute times a factor?

These are but a few questions you must tackle. Be realistic in your expectations and avoid setting you and your family up for disappointment.

#2 – Know What You Can Afford

Setting realistic expectations begins with determining how much home you can afford. One of the biggest mistakes home buyers make is beginning the process of looking at homes without knowing if they can qualify for a new home and how

much they qualify for. Time is our most precious commodity, and no one wants to waste any.

Put yourself in the seller's shoes. They don't want to waste their time and miss out on any other offers to only find out you are not qualified to buy their home. Most sellers will refuse to accept any offers without a loan prequalification letter, which is simply a statement from a lender indicating you have been pre-qualified for a mortgage.

That is why it is so important to start early by talking with a mortgage lender, as we mentioned above. A lender knows what information to collect from you, how to run a credit check, and how to determine if you are in a position to buy a home. Imagine spending weekends looking at dozens of homes, only to find out you are 12 months away from making your dream of homeownership a reality. In the event you are not able to qualify for a home, a qualified lender can help map out a plan to ensure you are in a position to buy in the future.

It's important to understand that a lender will require a great deal of information and may ask personal questions and for documents such as bank statements, tax



returns, and paystubs. It is important for you to provide them with everything they ask for, and to be upfront about your financial situation. Remember, they are on your side, and want nothing more than to help your dream of homeownership come true.

It's similar to going to the doctor. In order for them to accurately diagnose your condition, they need to know everything about your health and medical history. You don't want to have the wrong procedure performed on you, or be prescribed the wrong medicine because you didn't tell them everything.

Also, just because you talk to a specific lender doesn't mean you have to use them. You always have the flexibility to talk to other lenders at any time to ensure you get the best possible loan program available.

That said, there are many lenders to choose from, and it may be overwhelming sifting through all of them as you consider who is the right fit for your unique situation. As your real estate agent, we have great lender partners we know and trust who can get the job done for you. We will provide you the name(s) of those trusted lenders as we start the process with you.

The home buying experience can be challenging. Having a lender and real estate agent who have a great working relationship is ideal for minimizing stress and confusion. However, keep in mind that you are not required to use any lender your real estate agent recommends. The choice is yours.



#3 – Utilize an Experienced Real Estate Professional

One of the greatest real estate myths out there is the notion you can save more money when purchasing a home by doing it on your own. Statistics suggest that this

notion couldn't be further from the truth. Statistically speaking, most buyers will end up paying more for a home without the expertise and negotiation skills of an experienced REALTOR®. In addition, in most home buying cases, the seller will give you funds for you to pay for your real estate broker's commission.

There are many steps to buying a home. The most important step of them all is finding the right properties to consider. Your real estate agent has access to the area Multiple Listing Service (MLS), which is an online database that gives them access to every home in the area that has been listed by other real estate agents. Keep in mind that the majority of homes for sale are listed on the MLS through a real estate agent.

Though there are many consumer sites you could use such as Realtor.com, Zillow.com, or Trulia.com, our local MLS is the most detailed and up-to-date database of all available homes. Some buyers will waste time on other sites becoming excited about a property, only to find out it sold two days ago, or even two years ago. Data is everything. Why wouldn't you want access to the most accurate and up-to-date list of homes for sale?

After determining the number of bedrooms and bathrooms, size, and specific features you are looking for, your real estate agent will be able to provide you with a detailed comprehensive list of all available homes that meet your specific criteria. Now you can choose which homes you want your agent to show you. In addition,

your agent will have access to these homes, to show them to you at your convenience.

[CLICK HERE TO START YOUR HOME SEARCH NOW](#)

There are also many other steps associated with closing on a home, such as opening escrow, obtaining a title report, ordering a termite and home inspection (or



more detailed follow-up inspections by professionals in their fields), ordering utilities, ordering homeowners insurance, and so on. You can't afford to miss any of these important steps.

Your real estate agent's primary goal is for a seamless close on your new home, and will help you ensure no stone is left unturned.

Having an experienced real estate professional representing you is your best bet in ensuring no mistakes are made and that you and your family are not taken advantage of. Imagine being charged of a crime and facing the prosecutor in court without your own representation. Chances are you would not know all the nuances of navigating a courtroom, and your outcome would likely be less than ideal.

Smart home buyers understand the importance of knowledge and utilizing all the tools available to them. An experienced real estate agent will make sure you have

that knowledge to understand the entire process of buying a home, and make sure you are equipped with the necessary tools for a successful close on your next home.

#4 – Do Not Rely on Verbal Agreements – Get Everything in Writing

As unfortunate as it is, we are long past the days where a simple handshake will do the job. The days of our grandparents have long past. Get everything in writing. Verbal agreements often come down to “he said, she said” and have little consideration in the courtroom.



Many home buyers make the mistake of assuming everything they see in the home comes with the home. Many find themselves surprised at closing to learn the drapes are gone, or the attached big screen, or the storage shed in the backyard has been removed.

Common issues deal with window treatments, lighting fixtures, and shower and bath fixtures. In some cases, sellers replace original appliances with ones that are less favorable. A detailed contract put in writing that addresses these items, is not only legally enforceable, it minimizes confusion about what comes with the home and what duties should be expected from all parties involved in your transaction.

Your real estate agent has access to every legally binding real estate form available regarding real estate transactions. Not only do they have access to these

forms, but they should also understand the contents within them, what they mean, and what forms should be used for every possible scenario that pops up. These forms are specifically designed to protect your new investment.

Unless you are a real estate attorney, chances are you do not know where to find real estate forms, how to complete them, what they mean, and when and where to use them. In addition, you are not permitted to use these forms unless you are a REALTOR®.

Though there are generic forms available on the internet which you may be tempted to use, they are not necessarily approved for use by our local real estate association. Many of these forms can leave you with the false impression that you are protected, and put your financial future in jeopardy.

Protect your investment and your future by getting everything in writing and by using the right forms. Let your real estate professional help protect you and help you navigate the legal forms required in your real estate purchase.



It should also be noted that you may still have questions regarding the forms you are signing. Never sign anything unless you feel comfortable in knowing exactly what you are signing and agreeing to. You always have the right to consult with a real estate attorney for further clarification.

#5 – Do Your Homework on Local Schools and Neighborhoods

There are so many factors to consider when finding the right home, especially when kids are involved. All parents understand that location is everything. You will need to determine what neighborhoods fit your family's lifestyle needs, and what type of schools and districts offer the best educational opportunities for your children.

It's very common for prospective buyers to ask their real estate agent about neighborhood safety, demographics, and quality of schools. Though your real estate professional can help you determine what neighborhoods and areas have a better chance of holding their values, Fair Housing Laws limit your agent from answering certain types of questions regarding neighborhoods. It's important to do your own homework.

When it comes to determining neighborhood safety, you may want to consider contacting the local police department and request information on crime statistics and types of crimes committed that may be common in your desired neighborhood. Websites such as www.familywatchdog.us and <https://www.spotcrime.com> are also great online resources.

If you have children of school age, you will need to consider what schools you would like them to attend, whether private or public. Your real estate agent should be able to provide you with a list of available websites that can provide you detailed

information on schools and school districts, such as ratings, designations, and any awards received based on performance. To research local schools, we recommend checking out www.GreatSchools.org.

Please note that it is “illegal” for your real estate professional to make any comments or answer any questions regarding race, color, religion, national origin, sex, disability, and familial status relating to any areas or neighborhoods. Your REALTOR® can find themselves in a lot of hot water and set themselves up for a lawsuit by answering such questions. However, they should be able to point you in the right direction to help you do your own homework and form your own opinions.

Also, you may want to consider taking a drive through any neighborhoods that you are thinking about moving to. Driving through at different times of day is helpful to see the activity of a neighborhood. This may help answer any questions you have about certain areas and neighborhoods.

#6 – Remember to Factor in Closing Costs

Most home buyers understand they will need to have a down payment in order to close on their new home. They prepare for this, save, and hopefully have access to those funds when the time comes. However, many buyers, especially those who do not have the advice of, and access to, a REALTOR®, fail to understand the other fees in addition to the down payment that are associated with buying a new home.

In some instances, home buyers lack these additional funds to close on their new home. They find themselves in jeopardy of losing the home and forfeiting their earnest money, which could be thousands of dollars.

These fees are referred to as closing costs and/or pre-pays. Some of these additional fees and costs may include:

- Lender fees
- Impounds
- Taxes
- Appraisal Fee
- Credit Report Fee
- Escrow Fee
- Title Fee
- Homeowner's Insurance Fees
- Homeowner Association Fees
- Recording Fees



Though the fees may seem endless, take comfort in the fact these fees are normal in any home purchase transaction.

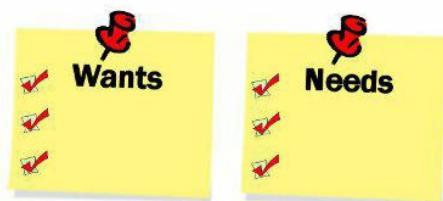
You may be wondering how much additional money you should expect to have, to close on your new home. Unfortunately, each property and transaction is

unique, and there is no way to provide an exact amount. For instance, in some scenarios, you might be able to get the seller to pay for some of these fees. This would obviously change your out-of-pockets costs.

This is where your real estate professional comes in. They will be able to help you estimate your closing costs and ensure your lender provides you with a Good Faith Estimate (GFE). Your agent or escrow officer can go over the GFE line-by-line so you have a clearer picture of all costs associated with your home purchase.

#7 – Make a List of “Needs” & “Wants”

Again, as we mentioned above, setting realistic expectations is an important part of the home buying experience. This is where you put the concept to paper. It's time to decide and write down the items and amenities you simply “want” and those you “need” to have in your next home. This starts by compiling a list of “needs” and “wants” for your new home. “Needs” are those items and amenities that you



absolutely must have in the home. You could refer to them as deal breakers. A deal breaker is something that will “kill” the deal as far as you are

concerned. Examples of deal breakers may include the size of the home, where the laundry facilities are located, if the home has a basement or if the home has a pool. Make sure that your “needs” list isn't too long. There is no such thing as the perfect home.

Now it's time to compile your list of "wants." These are features that you would like in the home, but may not be considered to be deal breakers. Examples of "wants" may include window coverings, ceiling fans, type of counter tops, and flooring. Again, avoid making the list too long and extensive, or you run the risk of making the home-buying experience too long and drawn out.

When it's time to go looking at homes, make sure to bring both lists. As you walk through a home, begin to check off the features that are included on your "needs" and "wants" lists. This will help make the final selection process easier.

It's very common to look at several properties during each outing, and the properties can begin to run together in your mind. In addition, it's likely that you may have a difficult time remembering the details of each property. You will want to take detailed notes for each property so you can remember what you liked and disliked about each property.

As you view a property, write down anything that you notice. For instance, the color of the carpet, type of flooring, whether the master bathroom has a separate



tub and shower, what appliances come with the house, and the type of landscaping in the front yard. You can even name properties to make it easier, like the “Green Carpeted House.” Another helpful strategy to consider is rating each home you view on a scale of 1 to 10. The rating system

should primarily be based on your lists of “needs.” This will allow you to quickly eliminate any properties that don’t meet your needs.

Final Thought

As you can imagine, the list of tasks and considerations to make when purchasing a home appears endless. The entirety of the process can be overwhelming and can divert your attention away from what really matters – finding the right house for the right price for you and your family.

As your agent, we are committed to helping your dreams of homeownership come true. We will not only help you avoid the costly pitfalls and mistakes other buyers make, we will make sure you understand the home buying process, and help make that process as seamless as possible. Our goal is to protect you and your

family's financial future and get you into your next home. Call us today to learn more about purchasing your dream home!

**CONTACT US TODAY TO PROVIDE YOU
EXCELLENT CUSTOMER SERVICE!**

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