



BUYER Guide

A Homebuyer Handbook



Ace King

602.842.1606

real
Real Broker, LLC

01 PREPARE *Financing*



HOW MUCH HOUSE CAN YOU AFFORD?

Mortgage lenders recommend you do not buy a home that is more than 3 to 5 times your annual household income. If you are not purchasing a home with cash, you will need a mortgage pre-approval provided by your mortgage lender. A lender will work with you to get a loan that meets your needs. Some buyers are concerned with keeping their monthly payments as low as possible, others want to make sure that their monthly payments never increase.

CHECK YOUR CREDIT

A mortgage requires a good credit score. You can improve your score by:

- ✓ Paying down credit card balances
- ✓ Continuing to make payments on time
- ✓ Avoid applying for a new credit card or car loan until you have been approved
- ✓ Avoid making big purchases until you have been approved
- ✓ If possible, avoid job changes until you have been approved. Avoid co-signing for another person seeking to obtain a line of credit or to make a purchase

SAVE CASH FOR A DOWN PAYMENT & OTHER EXPENSES

In order to make your dream of buying a home a reality, you may need to save cash for your down payment, earnest money, closing costs & home inspector. At times, there are 0 down programs.

- ✓ A Down Payment is typically between 3.5% & 20% of the purchase price
- ✓ Earnest Money is money you put down to show you're serious about purchasing a home. A good faith deposit.
- ✓ Closing Costs for the buyer run between 2% & 5% of the loan amount
- ✓ A Home Inspection costs \$300 to \$500

02 GET *Pre-approved*

Being pre-approved, unlike being pre-qualified, means you've actually been approved by a lender for a specific loan amount. You will need to provide documented financial information (income, statements, assets, debt & credit reports etc.) to be reviewed & verified by the lender.

GET *qualified*

TYPE OF LOAN	CREDIT SCORE	DOWN PAYMENT
VA LOAN	620	NO DOWN PAYMENT
USDA LOAN	620	NO DOWN PAYMENT
FHA LOAN	580+	3.5%
	500-579	10%
203K LOAN	640	3.5%
CONVENTIONAL 97	620	3%
CONVENTIONAL LOAN	640	5-20%



Income QUALIFICATIONS

QUALIFYING INCOME

- ✓ W-2 Income/Salary
- ✓ Income from part-time jobs
- ✓ Income from a second Job
- ✓ Overtime & Bonuses
- ✓ Seasonal jobs
- ✓ Self-employed Income
- ✓ Alimony & child support (Documentation required)

NON-QUALIFYING INCOME

- ✓ Income from the lottery
- ✓ Gambling
- ✓ Unemployment pay
- ✓ Single bonuses
- ✓ Non-occupying co-signer income Unverifiable income
- ✓ Income from rental properties

NEEDED DOCUMENTS

- ✓ W2'S FROM THE PAST 2 YEARS
- ✓ 3 MONTHS WORTH OF PAY-STUBS
- ✓ BANK STATEMENTS (PAST 3 MONTHS)
- ✓ PREVIOUS 2 YEARS OF TAX RETURNS
- ✓ LIST OF YOUR DEBTS & ASSETS
- ✓ DIVORCE DECREE
- ✓ ADDITIONAL INCOME DOCUMENTS

TYPES OF *mortgage loans*

TYPES OF LOANS	WHO QUALIFIES	DOWN PAYMENT	UPFRONT MORTGAGE INSURANCE	MONTHLY MORTGAGE INSURANCE	MINIMUM CREDIT SCORE
VA Department of Veteran Affairs	Veterans Personnel with honorable discharge Reservists & National Guard Surviving Spouses	NONE	NONE	NONE	580
USDA Department of Agriculture	Someone who is buying a home in a USDA - designated rural area.	NONE	2% of the loan amount. Can be rolled into loan amount.	REQUIRED	640
FHA Federal Housing Administration	Anyone who meets the minimum credit and income levels.	At least 3.5% of purchase price	1.75% of loan amount	REQUIRED	580-640
203K Federal Housing Administration	Anyone who plans to purchase a fixer-upper or needs to renovate their home and meets credit & income requirements	At least 3.5% of purchase price	1.75% of loan amount	REQUIRED	580-640
CONVENTIONAL 97	Depending on the program, available first time home buyers (a buyer who hasn't owned in the last three years) can put 3% down with a Conventional 97 program.	Varies from 3%-20% of purchase price	NONE	REQUIRED	620
SELECT SMART PLUS	Anyone who meets lenders credit, income & debt level requirements	Varies from 3% -20%, but typically ranges from 5-20%	NONE	REQUIRED	620

START 03 Home shopping



START TOURING HOMES IN YOUR PRICE RANGE

Time to start shopping! We will take notes on all the homes we visit. It can be hard to remember all the details of each home, so take pictures or videos to help you remember each home, and review the notes you have written. Once we have found THE house for you, we will present an appropriate offer based on recent sales and current buyer activity in the area, as well as the value of the property in its current condition. Negotiations may take place after the offer is presented.

Tip

WE WILL MAKE SURE TO CHECK EVERY LITTLE DETAIL OF EACH HOUSE

- ✓ Test the plumbing
- ✓ Test the electrical system
- ✓ Open and close the windows & doors to make sure they work properly

EVALUATE THE NEIGHBORHOOD AND SURROUNDING AREAS

- ✓ Are the surrounding homes well maintained?
- ✓ How much traffic is on the street?
- ✓ Is it conveniently located to schools, shopping, restaurants, & parks

NEW BUILDS

Why Should You Have A Realtor When Buying A New Build Home?



It is important that you know the maximum amount you should pay for the house:

Not much is free with the builders normally. The visit to the design center can be an expensive one if you decide to upgrade the standard features and if you decide to add on some extras. Your end result could put you in a negative equity situation at closing. It's important that you view a comparable market analysis before so you can determine a budget to spend at the design center.



The new home builder purchase contract is lengthy and much of the time, buyers do not really know what they are signing:

We will be there with you at the contract writing appointment to discuss any questions or concerns you may have.



Lot location and resale features

It is crucial that you make the right lot choice for overall investment. The lot location and exposure is critical for resale value. We can offer suggestions for the best location within the subdivision. Having a professional at your side during the selection process for the interior features is also highly recommended. You may pay too much for a feature that has no value later on or miss an important upgrade that is necessary for resale.



We can help you with financing options

Again, the builders expect you to use their affiliated lenders. We can look at the lender fees and loan options with you to make sure you are being charged fairly and that you chose the best loan program.



I recommend getting a home inspection on all new builds

A new home inspection is when a licensed or certified inspector checks the condition of the home before you close. Ideally, a homeowner of a new build would have multiple inspections at various stages of construction, including foundation, framing, and final inspection. The inspector looks at the home's major systems, appliances, and structures to ensure that all is in working order and correctly installed. You can then go to the seller (in this case, the builder) to fix any issues before you close on the home.

Buyers must know the ins and outs of the process before they make the decision to build a new house. We are happy to provide a free consultation and there is no charge to you to have us represent you. The builder pays all real estate fees.

*** I have to be with you the first time you visit their office.**

04 MAKE *an offer*

WHEN TO MAKE AN OFFER:

So you have found THE house! Congrats! In today's market when the demand is higher than the amount of homes available it is important to act fast!

HOW MUCH TO OFFER:

We will sit down and look at recent sales and current buyer activity in the area, as well as the value of the property in its present condition and if the seller is providing or if we need to negotiate any concessions. Putting all this information together, we will determine the price that you would like to offer.

SUBMITTING AN OFFER

There are some components to an offer that makes it more appealing to the sellers.

- ✓ Put Your Best Foot Forward
We will work together to discover options and create your best offer. Depending on the circumstances, you may have only one chance to make a good impression.
- ✓ Offer to Close Quickly
Many sellers prefer to close within 4 to 5 weeks.



- ✓ Put Down a Healthy Earnest Deposit
A large earnest money deposit shows the seller you are serious.
- ✓ Cash Talks
A transaction that is not dependent on receiving loan approval is more attractive to a seller
- ✓ Write the Seller a Letter
We will make your offer stand out by writing a personal letter to the seller, explaining why you fell in love with their home.

AFTER YOU SUBMIT AN OFFER

THE SELLER COULD

- ✓ ACCEPT THE OFFER
- ✓ DECLINE THE OFFER

This happens if the seller thinks your offer isn't close enough to their expectations to further negotiate.

✓ COUNTER-OFFER

A counter-offer is when the seller offers you different terms. If this happens, you can:

- ACCEPT THE SELLER'S COUNTER-OFFER
- DECLINE THE SELLER'S COUNTER-OFFER

COUNTER THE SELLER'S COUNTER-OFFER

You can negotiate back and forth as many times as needed until you reach an agreement or someone chooses to walk away.

OFFER IS ACCEPTED - CONGRATS!

Sign the purchase agreement and you are now officially under contract and in escrow! There are usually several contingency periods while in escrow. Now inspections, appraisals, or anything else built into your purchase agreement will take place.

05 ORDER AN *inspection*

During the inspection period, we will schedule a licensed home inspector to do a thorough inspection of the home. Once this is complete, the inspector will provide us with a detailed report. You can take the issues as-is or request the seller to address some or all of the findings. We will be mindful and reasonable on smaller items while being very cautious and vigilant of potentially significant issues.



06 NEGOTIATE *final offer*

Issues typically arise after the home inspection, and those issues tend to result in another round of negotiations for credits or fixes.

- ✔ Ask for credit for the work that needs to be done.
Likely, the last thing the seller wants to do is repair work.
- ✔ Think “big picture” and don’t sweat the small stuff.
A tile that needs some caulking or a leaky faucet can easily be fixed. Repairs are still up for negotiation and perhaps a small credit would help with closing costs.
- ✔ Keep your poker face.
The listing agent will be present during inspections and revealing your comfort level with the home could come back to haunt you in further discussions or negotiations.

07 APPRAISAL *Ordered*

Your lender will arrange for a third party appraiser to provide an independent estimate of the value of the house you are buying. The appraisal lets all parties involved know that the price is fair. The loan file then moves on to the mortgage underwriter. If approved you will receive your final commitment letter that includes the final loan terms & percentage rates.

PROPERTY TITLE SEARCH

This ensures that the seller truly owns the property and that all existing liens, loans or judgments are disclosed.

HOME OWNERS INSURANCE

You'll need insurance for the new home before closing. This will protect against things like fire, storms, and flooding.

08 CLOSING *day*



CLOSING DAY

Closing is when you sign ownership and insurance paperwork and you receive your new home's keys! Typically, closing takes four to six weeks.

CLOSING DISCLOSURE

Lenders are required to provide you with a closing disclosure, at least three days before closing. This will show you what your final loan terms and closing costs will be. You will have three days to review the statement. This is done to ensure that there are no surprises at the closing table. If there is a significant discrepancy between the loan estimate and the closing disclosure, we must notify your lender and title company immediately.



FINAL WALKTHROUGH

We will do a final walk through the home within 24 hours of closing to check the property's condition. This final inspection takes about an hour. We will make sure any repair work that the seller agreed to make has been done.

- Make sure all appliances are working properly
- Run the water in all the faucets and check for any possible leaks
- Open and close garage doors with opener
- Flush toilets
- Run the garbage disposal and exhaust fans



CLOSING TABLE

Who will be there:

- ✓ Your agent
- ✓ A title company representative

The closing typically happens at the title company. You will be signing lots of paperwork so get your writing hand warmed up! Some of the papers you will be signing include: the deed of trust, promissory note, and other documents.



CLOSING COSTS

Closing costs can vary depending on your home's purchase price and where you are located. You can generally expect your closing costs to be around 3% to 4% of the home's purchase price. These closing costs can sometimes be shared with the seller.

BRING TO CLOSING

- ✓ Government-issued photo ID

RECEIVE YOUR KEYS

Congratulations! It was a journey but you are now officially a homeowner!! Time to celebrate! You will receive your keys 1-2 after closing. Once it records at the county records department.